



renewable
POWER & LIGHT plc

Renewable Power & Light plc

Company Number: 5817450

Report and Financial Statements

Year Ended 31 December 2008

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Directors and Advisers

Directors Michael G. Reynolds (Non-Executive Chairman)
Victor J. Fryling (Interim President and Chief Executive Officer)
Donald L. Verbick (Senior Vice President, Operations)
Timothy P. Hunstad (Vice President and Chief Financial Officer)
Mark R. Draper (Non-Executive Director)
Alexander S. Lambie (Non-Executive Director)

All of whose business address is at the Company office:

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London W1J 5PE
United Kingdom

Company Secretary Martha Bruce
David Venus & Company Limited

Registered Office 9 Queen Street
London W1J 5PE
United Kingdom

Registered Number Registered in England and Wales Number 5817450

Nominated Adviser Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU
United Kingdom

Auditors Mazars LLP
Tower Bridge House
St. Katharine's Way
London E1W 1DD
United Kingdom

Bankers National Westminster Bank Plc
Juxon House
98 St. Paul's Churchyard
London EC4M 8BU
United Kingdom

Wells Fargo Bank
900 East Wayzata Boulevard
Wayzata, MN 55391
USA

Directors and Advisers (continued)

Solicitors	Fox Williams LLP Ten Dominion Street London EC2M 2EE United Kingdom
Registrar	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS13 8AE United Kingdom

Chairman's Review

Overview

Renewable Power & Light plc (RPL) was established in 2006 as an independent producer of green or renewable power. The events that transpired in 2007 to upset the business plan continued into 2008, making it a difficult year. The Company instituted a series of actions to preserve and maximise value for shareholders. The Company moved forward with its strategy of terminating construction of the biodiesel plant and seeking a buyer for the equipment. A sale of this equipment has not occurred due to market conditions in the US and the effects of the global economic recession. A series of cost reductions were implemented to reduce the fixed costs at the power plants and several projects were initiated and completed to capture additional fixed revenues at the power plants. Another action taken to preserve value for shareholders was the settlement of litigation against the former CEO and the former head of business development. The settlement of this litigation allowed the Company to move forward with additional shareholder value enhancing actions.

In December the details of a strategy to maximise and realise value for RPL shareholders was announced. This strategy had three key elements:

- Return of an initial 10 pence per share to RPL shareholders via a capital distribution;
- Execution of the ongoing asset sale processes; and
- An orderly realisation of the net value of the remaining business for RPL shareholders, considering the remaining assets and liabilities of the Company and the ongoing working capital requirements. (See Note 1 to these financial statements.)

The 10 pence per share distribution was accomplished in February 2009.

An investment adviser was hired in late 2008 and is currently working on the sale of the power plants. Unfortunately, the economic and business environment is not valuing assets based on their true economic value, and it is likely that any plant sales would be at a significant discount from original book value. The Board, however, continues to pursue a sale of the power plant assets.

The Company is continuing its efforts to sell the biodiesel equipment. These efforts were complicated in 2008 when Greenline Industries brought an arbitration claim for alleged damages under its contract with the Company. These claims have been settled and the Company is once again attempting to sell the equipment.

In order for the Company to provide further capital distributions to shareholders, it will be necessary to sell the power plants and biodiesel equipment.

In November the Company was approached by a third-party who was interested in purchasing the outstanding shares of RPL. As a result of making the public announcement a number of interested parties have come forward and expressed their interest in the Company. Although none of the parties has yet declared a firm intention to make an offer, and there is no guarantee that these discussions will result in an offer being made, this process continues.

Chairman's Review (continued)

Results

As a result of the Board's decision to sell the power plant assets, the operations of Massena and Elmwood Park are now classified as Discontinued Operations.

The loss from operations, which is entirely administrative expense, increased to US\$11.2 million (2007: US\$8.2 million) due primarily to currency exchange losses, the legal expenses from the litigation with the former CEO, and the provision for severance benefits for RPL Holdings staff. As a result, the loss before tax was \$10.3 million (2007: US\$6.4 million.) The loss from discontinued operations was US\$31.9 million (2007: US\$7.4 million) due to the impairment provisions for the power plants and biodiesel equipment and the write-off of the investment in the biodiesel project site lease.

The Group balance sheet had total assets at the year-end of US\$42.1 million (2007: US\$83.9 million). This reduction reflects the impairment of the power plant and biodiesel assets. Net cash (cash and cash equivalents) at the year-end was US\$25.4 million (2007: US\$37.5 million). The Group did not have any short-term or long-term debt as at 31 December 2008 (2007: nil).

Board

There were no changes in the composition of the Board in 2008 and Victor Fryling, who stepped into the Interim President and Chief Executive Officer role in late 2007, continues to fill that position.

Dividends

As outlined at the time of our IPO, the Board intended first to achieve capital growth and, in the short term, to reinvest future profits in the Group. As a result of the previously announced strategy to realise value for shareholders, RPL is unlikely to declare dividends in the foreseeable future but will be making further capital distributions in support of that strategy as appropriate.

Colleagues

Like 2007, 2008 proved to be a year of significant challenges for RPL. I would like to thank all of my colleagues on the Board, the management team and across the Group's operations for their commitment and hard work during a very difficult year.

Outlook

It is expected that during 2009 the Board will continue to execute on the strategy outlined at the end of 2008. The Group will continue to move forward with the sale of the power plants and the biodiesel equipment in the hopes of realising transactions that maximise value for all shareholders. Given the current state of the market for power plants and biodiesel equipment the timing of transactions that will maximise value for all shareholders is uncertain. In the meantime, the Group is initiating action plans to operate at a cash neutral position until the business climate is conducive for value maximising transactions.

Michael G. Reynolds
Chairman
28 May 2009

Chief Executive Officer's Review of Operations

In 2008 the Company initiated a number of actions to increase shareholder value. Cost reductions and efficiency improvements were implemented at the power plants. In addition, management was successful in adding significant new fixed revenue at Elmwood Park and initiated a construction project to increase the transmission line capacity at Elmwood Park to capture additional fixed capacity payments. All of these projects were undertaken with the view towards increasing value, reducing costs and as a result, reducing RPL's cash burn. Additional actions were taken in order to improve the value to shareholders as a part of the strategy announced in December. These operational actions, including a reduction in plant staff, were done with an overall goal of continued safe and environmentally-compliant facilities.

Additionally, significant amounts of management time were required to successfully settle certain litigation and claims in which the Group was involved. Specifically these included the litigation with the former CEO and the former head of business development, the arbitration with Greenline Industries and the resolution of its lease agreement related to its biodiesel plant site.

Massena

This 85 MW plant is located in upstate New York and in 2008 it operated in a peaking mode, generating US\$0.4 million of electricity revenues (2007: US\$1.2 million). Hours of run time was significantly below those of a normal weather year because excessive spring rains allowed hydro plants in upstate New York to run through the summer. In addition, it received capacity payments from the local electric transmission grid totalling US\$2.3 million (2007: US\$2.7 million).

In 2008 and continuing in 2009, Massena implemented operating staff reductions and other cost saving measures consistent with operating the plant in peaking mode. This reduction in operating costs should enable the power plant to generate positive cash flow going forward. The Group has also initiated discussions for additional savings primarily for property tax and natural gas transportation.

Given the announced strategy of selling the power plants in order to realise value for shareholders, the Massena plant was written down by US\$12.0 million in recognition of the current market value of the facility.

Elmwood Park

This 65 MW plant located in New Jersey is in an energy critical area of the electric transmission grid which serves New York City and other higher cost markets in the northeastern US. It operated in a peaking mode, generating US\$3.3 million of electricity revenues (2007: US\$1.2 million), in spite of not running in the month of August, normally the highest power sales month, due to unusually cool weather. In addition, it received capacity payments from the local electric transmission grid totalling US\$1.9 million (2007: US\$1.0 million). A filing with the Federal Energy Regulatory Commission (FERC) was approved effective in August to add voltage support payments to the revenue stream for the plant, adding US\$0.2 million of revenue in 2008 (2007: nil).

During the year, the power plant's Title V air permit was renewed and is now in the process of being modified to incorporate firing on biodiesel. A test burn of the facility on biodiesel was successfully completed in April 2008.

In April 2009, we completed the upgrade of the interconnection transmission line with PJM Interconnection, the operator of the regional electric transmission grid. This allows the plant to receive additional annual capacity payments beginning in June 2009. The payback on the project is less than one

Chief Executive Officer's Review of Operations (continued)

year and the increased capacity payments should allow the plant to operate with a strong positive cash flow, before any energy sales.

Also completed in April 2009 was the construction of a sewer line upgrade that allows us to bypass Marcal Paper Mills' processing of our waste water. This became necessary after Marcal, the owner of the land on which the power plant is situated, filed for Chapter 11 bankruptcy protection in November 2006 and the Bankruptcy Court subsequently allowed Marcal to reject its steam sales and land lease agreements with RPL. RPL has also obtained water supply and discharge agreements directly from the Borough of Elmwood Park and Passaic Valley Sewage Commission.

Given the announced strategy of selling the power plants in order to realise value for shareholders, the Elmwood Park plant was written down by US\$2.4 million in recognition of the current market value of the facility.

Biodiesel facility

The biodiesel equipment was inventoried and placed into storage and the Group continues to pursue a sale of the equipment. As a result of the continuing excess capacity in the biodiesel manufacturing industry, the value of the equipment was written down by US\$9.9 million in recognition of the current market value of the equipment. Also, due to the cessation of the plan to construct a biodiesel plant, the storage tank lease was terminated and the associated leasehold improvements written-off for US\$3.0 million.

In spite of the industry overcapacity, during the year we subleased 94% of the railcars which were originally intended to transport feedstock and biodiesel between our plants. This lease will expire in October 2009 and most of the railcars are subleased through that period. A \$0.6 million deposit will be returned to us at the end of the lease.

Outlook

Our top operational priorities in the short term are to implement initiatives that will result in a higher realisable value for shareholders. Unfortunately, the valuation of both the power plant assets and the biodiesel equipment has been affected by the tightening of the credit markets and the current recession. The value of the biodiesel equipment is also being impacted by the existence of significant biodiesel production overcapacity and unfavourable biodiesel manufacturing economics.

Given these significant uncertainties, the timing for the realisation may be impacted. Therefore, management has developed a plan which is intended to operate the business at a neutral cash flow for the upcoming year. The Massena and Elmwood Park power plants will continue to be operated on natural gas in a peaking mode. We will also continue to reduce corporate overheads, dispose of our biodiesel equipment and further improve the cost base at our power plants.

Victor J. Fryling
Interim President and Chief Executive Officer
28 May 2009

The Board of Directors

The Board is currently comprised of three executive and three non-executive directors. Details of their roles and their background are as follows:

Michael Gainey Reynolds (*aged 60*) – *Non-executive Chairman*

Mr. Reynolds is a senior power industry professional, with a career spanning over 30 years, much of it occupying executive positions in some of Europe's largest power utilities. From 2004 to April 2006, Mr. Reynolds was Chairman of Carron Energy, a company formed to acquire Uskmouth Power Station, a 363 MW net coal fired power station near Newport in South Wales. From 2000 to 2003, Mr. Reynolds was Chief Executive Officer of Endesa Europe, responsible for all of Endesa's European operations. His principal achievements were the setting up of a European management team, the successful €8 billion expansion of the European business base, consisting of 10,000 MW of power asset acquisitions. Between 1997 and 2000, Mr. Reynolds was president and Chief Executive Officer of Sithe Energies Europe, the power subsidiary of Vivendi. He established Sithe Europe and formed a team to expand Vivendi's European, Middle East and Africa energy portfolio. From 1996 to 1997, Mr. Reynolds was European Director for National Power, responsible for all other National Power's business development and asset management operation on mainland Western Europe, Central and Eastern Europe and North Africa. Mr. Reynolds holds a Bachelor of Science in Chemical Engineering (Honours) and a Post Graduate Diploma in Business Studies, both from Birmingham University.

Victor James Fryling (*aged 61*) *Interim President and Chief Executive Officer*

Mr. Fryling has over 30 years experience in the energy industry. Until 2000 he was the President and Chief Operating Officer of NYSE listed CMS Energy ("CMS"), a US\$18 billion diversified energy company, and owner of Consumers Energy. At CMS for over 16 years, he held various officer positions including Regulatory Affairs, Strategic and Financial Planning, Investor Relations, and Chief Financial Officer. In 2001, Mr. Fryling became the President of the North American Division of Renewable Energy Systems Inc. ("RES"), the global wind farm business of the McAlpine family. Under his guidance for three years, RES become profitable and grew significantly in both assets and operating profits. It is currently one of the most successful renewable energy companies in North America. In 2005 he became Chairman of the North American business. He was an early stage investor in Basin Water Inc. in California and joined the board to complete the company's initial public offering on NASDAQ in May 2006. Mr. Fryling holds degrees in Business Administration and Finance from Wayne State University, USA.

Timothy Patrick Hunstad (*aged 51*) – *Vice President and Chief Financial Officer*

Mr. Hunstad is finance professional with over 25 years of energy industry experience with both public and private companies. During this time, Mr. Hunstad has had significant experience in managing complex projects from initiation through to completion. Mr. Hunstad also has significant experience in matters related to acquisitions and divestitures, financing, regulatory compliance and investor relations. From 2000 to 2006, Mr. Hunstad provided financial and management consulting services to the energy industry on matters related to regulatory permitting, transmission and fuel planning, financing, procurement, construction management, coordination of internal and external consultants and evaluation of private placements and acquisitions. From 1996 to 1999, Mr. Hunstad was Vice-President and Chief Financial Officer of Cogeneration Corporation of America. He was responsible for all aspects of the company's financial management from its emergence from bankruptcy in 1996 through to the sale of the company in 1999. From 1992 to 1996, Mr. Hunstad held a number of management positions with NRG Energy Inc. Mr. Hunstad holds a Bachelors degree from Concordia College (Moorhead, Minnesota, USA) and a Masters in Business Administration from the University of South Dakota, USA.

The Board of Directors (continued)

Donald Lee Verbick (*aged 58*) – *Senior Vice President, Operations*

Mr. Verbick has more than 30 years of experience in power plants, chemicals and petrochemicals. He was the founder and president of Delve Energy Group LLC, a diverse energy services consulting company that primarily focused on conventional and cogeneration power plants and renewable energy. Mr. Verbick has held key leadership roles in the development of 2,100 MW of power generation. From 1997 to 2000, he held key operational leadership roles with Cogeneration Corporation of America. During this time the company was recognised within the industry for the development of two power plants using advanced technology. The company realised substantial appreciation in its share price during this time and was sold to Calpine Corporation in December 1999. Prior to 1997, Mr. Verbick was employed by the Dow Chemical Company for 24 years in operational management positions of increasing authority. Mr. Verbick holds a Bachelors Degree in Mechanical Engineering from the University of Texas (Austin, TX USA) and a Masters Degree in Engineering from the University of Houston (USA).

Mark Robert Draper (*aged 46*) – *Non-executive Director*

Mr. Draper has over 20 years experience in the energy industry. In January 2009 Mr. Draper was named Chief Executive Officer of Ocean Power Technologies Inc., which is an industry leader in wave power listed on both the London AIM and NASDAQ. Previously he had been Chief Operating Officer since 2007. Prior to this he was the Chief Executive for OPT Ltd, their fully owned subsidiary, focused on European business. Mr. Draper spent 20 years with Powergen, which was previously Central Electricity Generating Board prior to its privatisation. From 2001 to 2004, Mr. Draper was Managing Director, Generating Business for Powergen Plc, responsible for all aspects of the business comprising nine major power stations (9,000 MW), a combined heat and power business (22 sites) and a growing Renewables Business and a Technology Division, providing technical support. Prior to 2001, Mr. Draper served in a range of management positions for Powergen Plc. Mr. Draper is a Chartered Engineer, Fellow of the Institute of Electrical Engineers and a Fellow of the Institute of Mechanical Engineers. He has a Masters degree in Engineering from Christ College, Cambridge University.

Alexander Scott Lambie (*aged 53*) – *Non-executive Director*

Mr. Lambie, the Chief Executive Officer of Carron Energy Limited and Uskmouth Power Company Limited, has over 25 years experience in the commercial arena of energy, specifically in oil, gas and electricity. In December 2003, he left Endesa Europa to focus on the development of Carron Energy, a company which he founded in February 2003 to target the acquisition of generation assets in the UK and Europe. Mr. Lambie has significant private and public company experience, having held directorships in various companies including Amsterdam Power Exchange from 2001 to 2004 and Endesa Netherlands and Endesa France from 2002 to 2004. He has also held senior executive positions with Endesa SA, British Gas, National Power Plc, Amec Plc, Dawson International Inc and George Wimpey Plc and was a member of the Supervisory Board of the Amsterdam Power Exchange and on Endex, the futures exchange. Mr. Lambie has wide experience in bottom line management, corporate development, business planning and large scale merger and acquisitions including post acquisition integration. Mr. Lambie has been actively involved in the privatisation and opening up of energy markets starting with the privatisation of the Central Electricity Generating Board in the UK through to the un-bundling of integrated energy utilities in the Netherlands, France, Germany and Spain.

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 December 2008.

This is the third period of the operations of the Company which was incorporated on 15 May 2006 and started trading on AIM on 14 December 2006.

Principal activities

The principal activity of the Company during the period was that of a holding company of a Group engaged in the renewable energy independent power production industry. The Group's subsidiary, RPL Holdings, Inc., is a US corporation which has purchased two dual-fuel electric power generating facilities in the northeastern part of the US that have been modified to produce electricity powered by renewable biodiesel. The purchases of these two facilities were effected on the same day of the Company's flotation on AIM. The Group purchased the Massena, New York facility by buying the ownership interest of Power City Partners LP and Power City Generating, Inc., the owners of the plant. The Group purchased the assets of the Elmwood Park, New Jersey facility. In December 2008, the Board announced a strategy to sell these power plants and, therefore, the results are presented as discontinued operations.

Enhanced business review

A review of the business, its development and performance for the period and its position at the year end, together with the future prospects of the Group is contained in the Chairman's Review and the Chief Executive's Review of Operations. These reviews also contain the principal risks and uncertainties of the Group at this stage of its development, together with details of how the Directors are managing these risks.

The Group is a participant in the very competitive renewable energy independent power production industry. As such it will encounter various strategic, commercial, operational and financial risks which may significantly affect the Group's strategies and value. The principal risks or uncertainties facing the Group at the current time are:

- The operating risk of not meeting the budgeted hours of run time at each plant in 2009.
- The operating risk of not delivering the planned savings from the cost reduction strategies implemented.
- The ability to effect a transaction to sell the biodiesel manufacturing assets and project rights without additional negative impacts to shareholder value.
- The ability to effect a transaction to sell the power plants without a significant negative impact to shareholder value.
- The development of other investment opportunities in renewable energy.

The Directors and management use the following key performance indicators to understand and monitor the development and performance of the Group. Additional indicators will be added as needed to ensure performance is appropriately measured.

Report of the Directors (continued)

- Cash Balance by month versus budget
 - Compares actual cash balance to budgeted cash balance at each month end.
 - Cash is defined as cash and cash equivalents: checking accounts, money market and short-term investments.
 - The cash balance at year end was \$6.8 million less than forecasted due primarily to the unbudgeted legal fees associated with the litigation with the former CEO, the currency loss of the pounds sterling investment made in anticipation of a partial capital distribution to shareholders, and lower power sales margins.
- Year to Date Earnings Per Share by month versus budget
 - Compares actual undiluted earnings per share to budgeted earnings per share for the year to date at each month end.
 - Earnings per share were significantly below budget due to the impairments of the power plants and biodiesel equipment, the unbudgeted legal fees associated with the litigation with the former CEO, the currency loss of the pounds sterling investment made in anticipation of a partial capital distribution to shareholders, the write-off of the biodiesel plant storage tank and leasehold improvements, and lower power sales margins.
- Revenue per MWhr by plant by month
 - Actual average revenue per MWhr for the month.
 - Actual average revenue per MWhr for 2008 for the two plants was \$158.81, which was favourable to budget.

Results and dividends

The loss for the period after taxation amounted to \$(42.2) million (2007: \$(13.8) million) reflecting the significant impairments of assets, legal fees associated with the litigation with the former CEO, the currency loss of the pounds sterling investment made in anticipation of a partial capital distribution to shareholders, the write-off of the biodiesel plant storage tank and leasehold improvements, and lower power sales margins. The Directors do not recommend the payment of a dividend (2007: nil).

Annual General Meeting

Notice of an Annual General Meeting of Shareholders is set out on page 58 of this Report.

Directors and Directors' interests

The directors who served during the year are set out below:

Name	Position
Mr. Michael Reynolds	Non-Executive Chairman
Mr. Donald Verbick	Senior Vice President, Operations
Mr. Timothy Hunstad	Vice President and Chief Financial Officer
Mr. Mark Draper	Non-Executive Director
Mr. Alexander Lambie	Non-Executive Director
Mr. Victor Fryling	Interim President and Chief Executive Officer

Report of the Directors (continued)

The directors who held office at the end of the period have the following interests in the Ordinary shares of the Company, including shareholdings held by connected persons and options held over the Ordinary shares of the Company:

	At 28 May 2009	At 31 December 2008	Movement in the year	At 31 December 2007
	Share options	Beneficial interest	Beneficial interest	Beneficial interest
			Share options	Share options
Mr. Michael Reynolds	570,000	150,000	-	150,000
Mr. Donald Verbick	1,630,000	1,790,100	-	1,790,100
Mr. Timothy Hunstad	1,550,000	15,000	-	15,000
Mr. Mark Draper	570,000	-	-	-
Mr. Alexander Lambie	570,000	193,175	-	193,175
Mr. Victor Fryling	670,000	150,000	-	150,000

Directors' interests in contracts

The Company has not entered into contracts with related parties.

Significant shareholdings

As at 26 May 2009, the following information in respect of interests in the Company's share capital had been disclosed to the Company in accordance with the Disclosure and Transparency Rules Chapter 5:

	Ordinary Shares	%
Kairos Investment Management Limited	23,449,430	24.61
Lehman Brothers International (Europe)	13,820,521	14.50
Dalton Strategic Partners LP	10,823,806	11.36
GLG Partners LP	9,782,896	10.27
Lloyds Banking Group plc	9,671,820	10.15
Credit Suisse Trustees Limited as trustees of		
The Renewable Power & Light plc Employee Benefit Trust	6,532,957	6.86
Modal Capital Partners	4,285,714	4.50
Société Privée de Gestion de Patrimoine	4,285,714	4.50
New Star Asset Management	2,857,142	3.00

Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the Company during the year. The Company's current Articles of Association provide, subject to the provision of UK legislation, an indemnity for directors and officers of the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted or alleged to have been done or omitted, by them as officers or employees of the Group. Appropriate directors' and officers' liability insurance cover is in place in respect of all of the Company's Directors.

Political and charitable contributions

A charitable contribution of \$1,000 was made during the year (2007: \$1,100) to support a cancer care facility. No political contributions were made during the period (2007: nil).

Report of the Directors (continued)

Financial instruments

Treasury operations and financial instruments

The Group operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the Group's activities. The Group operates predominately in US dollars, with dealings in other currencies being primarily in pounds sterling.

Liquidity risk

The Group manages its cost and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its businesses.

Interest rate risk

The Group is exposed to interest rate risk on the investment of its cash balance remaining from the proceeds of the admission to AIM and the secondary placement.

Foreign currency risk

The Group's principal activities are denominated in US dollars. Exposure to other currencies is primarily limited to the pound sterling.

Credit risk

Investment of cash surpluses are made through banks which fulfil credit rating criteria approved by the Board. Receivable balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

The Group's approach to financial instruments and the disclosures are detailed in note 23 to the financial statements.

Policy on payment of suppliers

The Group does not have a policy to follow any code or standard on payment practice. However, the Group will continue to settle the terms of payment with its suppliers and when agreeing the terms of each transaction, will ensure that those suppliers are aware of the terms of payment and will abide by those terms of payment, unless subsequently renegotiated.

Creditors' days at 31 December 2008, based on the aggregate of the amounts which were owed to trade creditors at that date and the aggregate of the amounts which the Group was invoiced by suppliers during the period, amounted to 27 days (2007: 34 days).

Auditors

Mazars LLP have signified their willingness to continue in office and a resolution to reappoint Mazars LLP as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting on 25 June 2009.

Report of the Directors (continued)

The Directors have taken all the necessary steps to make us aware, as Directors, of any relevant audit information and to establish that the auditors are aware of that information. As far as the Directors are aware, there is no relevant information of which the Company's auditors are not aware.

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

Michael G. Reynolds
Non-executive Chairman
28 May 2009

Corporate Governance

The Combined Code requires that disclosures be made on how the principles of the Code have been applied (known as 'the appliance statement') and whether or not the Company has complied with these principles (known as 'the compliance statement'). The Combined Code is intended to promote the principles of openness, integrity and accountability.

Statement of compliance with the Code of Best Practice and applying the principles of good governance

The Company is committed to high standards of corporate governance throughout the Group. As an AIM company, RPL is not obliged to report its compliance with the Principles of Good Governance and Code of Best Practice published by the Committee on Corporate Governance in June 2006 ("The Combined Code"). Nonetheless, the Company is committed to meeting these principles as far as it reasonably can and the commentary below reflects the extent to which the Company has complied with The Combined Code during the period under review.

Directors

Board effectiveness

The Board, which is set up to control the Company and Group, meets formally at least four times a year and in the period under review met on 13 occasions. As at the period end the Board was comprised of six Directors – three Executive and three Non-Executive Directors.

At each of the regular Board meetings, the Board received the latest financial and management information available, which consisted of:

- management accounts setting out actual performance against budgeted performance;
- working capital cash flow position and forecasts against budget;
- a statement of the progress of capital expenditures compared with budget;
- management discussion on variance analysis; and
- review of operating plant performance and construction activities.

A current trading appraisal is given by the Chief Executive Officer. Board management reports are issued monthly, regardless of whether a Board meeting has been scheduled for that particular month.

The Board reserves to itself a range of key decisions to ensure it retains proper direction and control of the Company, whilst delegating authority to individual Executive Directors who are responsible for the day to day management of the business. All major and strategic decisions of the Company are reserved and made in the United Kingdom. The Chief Executive Officer (US-based) and the Chairman (UK-based) have discussions on an informal yet frequent basis to discuss progress against budget and business issues.

All Directors have access to the advice and services of the Company Secretary and can also seek independent professional advice, if necessary, at the Company's expense.

Board appointments

All appointments to the Board are discussed at a full board meeting and each member is given the opportunity to meet the individual concerned prior to an appointment being made.

Corporate Governance (continued)

As permitted by the Combined Code, due to the small size of the Board, it is considered inappropriate to establish a Nomination Committee.

Chairman and Chief Executive

The Board has shown its commitment to dividing responsibility for running the Board and the business by appointing Mr. Michael Reynolds as Non-Executive Chairman and Mr. Victor Fryling as Interim President and Chief Executive Officer.

Committees

The Directors have delegated certain of their responsibilities to various committees, which operate within specific terms of reference and authority limits.

The Remuneration Committee

The Remuneration Committee, which comprises two non-executive directors, Mark Draper (Chairman) and Alexander Lambie, meets as required during each financial year. It is responsible for reviewing the performance of the Executive Directors, having due regard to the interests of shareholders as a whole and the performance of the Group. The remuneration of the Non-Executive Directors is reviewed by the Board.

The Audit Committee

The Audit Committee, which comprises two non-executive directors, Alexander Lambie (Chairman) and Mark Draper, meets at least twice each financial year. It reviews the Group's interim and annual financial statements before submission to the Board for approval, as well as regular reports from management and the external auditors on accounting and internal control matters. Where appropriate, the Audit Committee monitors the progress of action taken in relation to such matters. The Audit Committee also recommends the appointment of, and reviews the fees of, any external auditors.

Re-election of directors

Directors retire by rotation in accordance with the Company's Articles of Association, which prescribe that at every Annual General Meeting one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office. Non-executive directors are not appointed for specified terms, but their appointment is terminable by either party on three months' written notice.

Remuneration

Remuneration report

Whilst companies on AIM are not required to provide a formal remuneration report, in line with current best practice, this report provides information to enable a greater level of understanding as to how Directors' remuneration is determined.

This report should be read in conjunction with information in note 6 to the accounts. The Remuneration Committee is responsible for reviewing the level and make-up of the remuneration of Executive Directors. In doing so the Committee's aims are:

- To ensure that remuneration packages are sufficient to attract and retain executive directors of the requisite calibre.

Corporate Governance (continued)

- To ensure that the Company's performance targets are aligned with those of its Executive Directors.
- To ensure that the remuneration policies adopted by the Company give full consideration to the requirements of the Combined Code.
- To consider, and if thought fit, grant options to Executive Directors and staff under the Company's Share Option Scheme.
- Where applicable, to assess targets that should be used in the fixing of performance related pay for Executive Directors. Such bonuses are paid at the discretion of the Remuneration Committee and for the year ending 31 December 2008 bonuses were recommended and paid in December 2008.

The components of remuneration are:

- a) Basic salary and benefits determined by the Remuneration Committee and included in employment agreements and reviewed annually; and
- b) Performance related bonuses based upon improvements in earnings per share, profitability, growth and individual goals performance.

Service contracts

The employment contracts the Executive Directors have with the Company are terminable by either party to the other with not less than six months' notice in writing.

Non-executive directors

The remuneration of the Non-Executive Directors is determined by the Board within the limits set out in the Articles of Association. In addition, the Remuneration Committee is authorised under the Company's Share Option Scheme to grant options to the Non-Executive Directors.

Accountability and audit

Financial Reporting

The Board believes that the Annual Report and Financial Statements and the Interim Report and Financial Statements play an important part in presenting all shareholders with an assessment of the Group's position and prospects. This is achieved by the Chairman's Review and the Chief Executive Officer's Review of Operations, which contain detailed consideration of the Group's financial position and prospects.

Audit committee

The duties of the Audit Committee include:

- Review of the scope and the results of the audit;
- Assessment of the cost effectiveness of the audit;
- Monitoring the independence and objectivity of the auditors; and
- Review and assessment of current updates of changes in accounting standards and their likely impact on the Group's accounts.

Corporate Governance (continued)

Internal controls

The Board undertakes an annual review of the effectiveness of the Group systems of internal financial control. In accordance with Principle C2 of the Combined Code, the Board of Directors has overall responsibility for the Group's systems of internal controls, including financial, operational and compliance, which are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and comply with the Turnbull guidance. The controls are used in identifying, evaluating and managing significant risks of the Group on an ongoing basis.

These internal controls include:

- Ensuring that an appropriate organisational structure exists with clear lines of responsibility and delegation of authority;
- The allocation of responsibility for important business functions to experienced and suitably qualified staff;
- Detailed budgets and plans which are approved by the Group Board;
- Regular consideration by the Board of actual results compared with budgets and forecasts;
- Compliance by subsidiaries with Group operating procedures and policies;
- Annual review of the Group's insurance cover;
- Defined procedures for the appraisal and authorisation of capital expenditure and capital disposals, and;
- Regular reporting of the Group's liquidity position.

The Board has decided that at this stage in the Group's development the creation of an Internal Audit function is not warranted. In reaching this decision the Board has had regard to the controls that have been created and implemented across the Group. These are:

- The establishment of a Board with an appropriate balance of executive and non-executive directors, which has overall responsibility for decision making across the Group;
- The preparation and approval of an annual budget in advance of each financial year and monitoring performance against this at an appropriate level of detail with appropriate timeliness;
- Establishing clear lines of reporting, responsibility and delegation throughout the Group and documenting this in a clearly defined organisational chart; and
- Ensuring that clearly defined control procedures covering expenditure and authority levels are reviewed and implemented on a timely basis.

Relations with shareholders

The Group maintains a web site (www.rplplc.com) which contains all information required by AIM Rule 26. In particular the following information can be found there:

Corporate Governance (continued)

- Group statutory financial statements
- Copies of regulatory announcements
- Announcements made to relevant industry media
- Directors' biographies
- Information relating to the Group's operations

The Group will communicate with shareholders through both the interim and annual reports. In addition, all shareholders may attend the Group's Annual General Meeting where they may raise matters relating to their shareholdings and the business of the Group. All queries raised by shareholders are dealt with by the Chief Executive Officer or his delegate.

Going concern

Having considered the guidance given in the document "Going Concern and Financial Reporting: Guidance for Directors of Listed Companies," and in light of the information included in Note 1 to these financial statements, the Directors have formed a judgement at the time of approving these financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and therefore continue to adopt the going concern basis in preparing the financial statements.

Responsibilities of Directors

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group and of the Company 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Independent Auditors' Report to the Members of Renewable Power & Light plc

We have audited the financial statements of Renewable Power & Light plc for the period ended 31 December 2008 which comprise the consolidated income statement, the consolidated balance sheet, the Company's balance sheet, the consolidated statement of cash flows, the Company's statement of cash flows, the consolidated statement of changes in equity, the Company's statement of changes in equity, and related notes. These financial statements have been prepared under accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the Responsibilities of Directors the Company's Directors are responsible for the preparation of financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

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, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 Chairman's Review, the Chief Executive Officer's Review of Operations and the Corporate Governance 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 other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of

Independent Auditors' Report to the Members of Renewable Power & Light plc
(continued)

whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the Company's and the Group's affairs as at 31 December 2008 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Mazars LLP
Chartered Accountants
and Registered Auditors
Tower Bridge House
St. Katharine's Way
London E1W 1DD
28 May 2009

Consolidated Income Statement

Renewable Power & Light plc
Year Ended 31 December 2008

	Note	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000 Restated
Continuing Operations:			
Revenue	2	-	-
Cost of sales		-	-
Gross loss		-	-
Administrative expense		(11,222)	(8,199)
Loss from operations	7	(11,222)	(8,199)
Investment income	8	1,009	1,984
Finance costs	9	-	(170)
Other losses	10	(81)	-
Loss before tax		(10,294)	(6,385)
Income tax	11	(3)	-
Loss for the period		(10,297)	(6,385)
Discontinued Operations:			
Loss from discontinued operations	3	(31,897)	(7,391)
Loss for the period attributable to equity holders of the parent company		(42,194)	(13,776)
Loss per share			
Basic and diluted from continuing operations	12	\$(0.11)	\$(0.07)
Basic and diluted from discontinued operations	12	\$(0.33)	\$(0.08)
Basic and diluted from continuing and discontinued operations	12	\$(0.44)	\$(0.15)

The prior year comparatives have been restated as a result of the decision to discontinue operations from the Group's power plants, biodiesel equipment and railcar operations. This is a reclassification only and has no impact on the net loss for the period.

Consolidated Balance Sheet

Renewable Power & Light plc
31 December 2008

	Note	31 December 2008 \$'000	31 December 2007 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment		76	39,923
Deposits and other long-term assets		-	607
Total non-current assets	13	76	40,530
Current assets			
Inventories	15	-	3,076
Trade and other receivables	16	760	2,054
Non-trade receivables	17	171	652
Cash and cash equivalents		25,397	37,549
Total current assets		26,328	43,331
Non-current assets classified as held for sale	3	15,729	-
Total Assets		42,133	83,861
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1,836	1,836
Share premium	18	93,593	93,593
Investment in own shares		(1,436)	-
Retained losses		(56,075)	(14,755)
Total equity attributable to equity holders of the parent		37,918	80,674
Non-current liabilities			
Provisions	19	-	1,200
Total non-current liabilities		-	1,200
Current liabilities			
Employee wages and benefits		1,630	565
Trade and other payables	20	743	1,422
Total current liabilities		2,373	1,987
Liabilities directly associated with non-current assets held for sale	3	1,842	-
Total Equity and Liabilities		42,133	83,861

The financial statements were approved by the Board of Directors and authorised for issuance on 28 May 2009. They were signed on its behalf by:

Timothy P. Hunstad, Director

Company Balance Sheet

**Renewable Power & Light plc
31 December 2008**

	Note	31 December 2008 \$'000	31 December 2007 \$'000
ASSETS			
Non-current assets	14	27,117	-
Current assets			
Trade and other receivables	16	105	75
Intercompany receivables	16	14,657	91,829
Non-trade receivables	17	171	631
Cash and cash equivalents		307	35
Total current assets		15,240	92,570
Total Assets		42,357	92,570
 EQUITY AND LIABILITIES			
Equity			
Share capital	18	1,836	1,836
Share premium	18	93,593	93,593
Retained losses		(53,698)	(3,775)
Total equity attributable to equity holders of the parent		41,731	91,654
Current liabilities			
Employee wages and benefits		-	137
Trade and other payables	20	626	779
Total current liabilities		626	916
Total Equity and Liabilities		42,357	92,570

The financial statements were approved by the Board of Directors and authorised for issuance on 28 May 2009. They were signed on its behalf by:

Timothy P. Hunstad, Director

Consolidated Statement of Cash Flows

Renewable Power & Light plc
Year ended 31 December 2008

	Note	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Net Cash Flow From Operating Activities	22	(12,761)	(12,551)
Investing activities			
Interest received	8	1,009	1,984
Purchase of property, plant and equipment	13	(400)	(11,456)
Cash flow from investing activities		609	(9,472)
Financing activities			
Repayment of borrowings		-	(4,000)
Proceeds on issue of shares net of professional fees		-	20,132
Cash flow from financing activities		-	16,132
Net decrease in cash and cash equivalents		(12,152)	(5,891)
Cash and Cash Equivalents at Beginning of Year		37,549	43,440
Cash and Cash Equivalents at End of Year		25,397	37,549

Company Statement of Cash Flows

Renewable Power & Light plc
Year ended 31 December 2008

	Note	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Net Cash Flow From Operating Activities	22	272	(20,330)
Investing activities			
Interest received		-	26
Cash flow from investing activities		-	26
Financing activities			
Proceeds on issue of shares		-	20,132
Cash flow from financing activities		-	20,132
Net increase/(decrease) in cash and cash equivalents		272	(172)
Cash and Cash Equivalents at Beginning of Year		35	207
Cash and Cash Equivalents at End of Year		307	35

Consolidated Statement of Changes in Equity

**Renewable Power & Light plc
Year Ended 31 December 2008**

	Share Capital \$'000	Share Premium \$'000	Retained Losses \$'000	Investment in Own Shares \$'000	Total \$'000
Note					
Balance at 1 January 2008	1,836	93,593	(14,755)	-	80,674
Net loss for the period	-	-	(42,194)	-	(42,194)
Credit to equity for IFRS 2	4	-	874	-	874
Investment in own shares	-	-	-	(1,436)	(1,436)
	1,836	93,593	(56,075)	(1,436)	37,918

**Renewable Power & Light plc
Year ended 31 December 2007**

	Share Capital \$'000	Share Premium \$'000	Retained Losses \$'000	Total \$'000
Note				
Balance at 1 January 2007	1,646	73,651	(1,394)	73,903
Net loss for the period	-	-	(13,776)	(13,776)
Credit to equity for IFRS 2	4	-	415	415
Proceeds from secondary placing net of fees	190	19,942	-	20,132
	1,836	93,593	(14,755)	80,674

Company Statement of Changes in Equity

Renewable Power & Light plc
Year ended 31 December 2008

	Note	Share Capital \$'000	Share Premium \$'000	Retained Losses \$'000	Total \$'000
Balance at 1 January 2008		1,836	93,593	(3,775)	91,654
Net loss for the period	18	-	-	(50,797)	(50,797)
Credit to equity for IFRS 2	4	-	-	874	874
Balance at 31 December 2008		<u>1,836</u>	<u>93,593</u>	<u>(53,698)</u>	<u>41,731</u>

Renewable Power & Light plc
Year ended 31 December 2007

	Note	Share Capital \$'000	Share Premium \$'000	Retained Losses \$'000	Total \$'000
Balance at 1 January 2007		1,646	73,651	(1,080)	74,217
Net loss for the period	18	-	-	(3,110)	(3,110)
Credit to equity for IFRS 2	4	-	-	415	415
Proceeds from secondary placing net of fees		190	19,942	-	20,132
Balance at 31 December 2007		<u>1,836</u>	<u>93,593</u>	<u>(3,775)</u>	<u>91,654</u>

Notes to the Financial Statements

General information

The Company is incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 3.

The nature of the Company's operations and principal activities are set out in the Report of the Directors.

The financial statements are presented in US dollars, the currency in which the majority of the Group's transactions are denominated.

Adoption of new and revised standards

Certain new standards, amendments and interpretations have been issued by the IASB that are not yet effective. The Group has not adopted any of these standards, amendments or interpretations early.

IFRS 2, Share-based payments, revised 2008 (effective 1 January 2009)

IFRS 3, Business Combinations, revised 2008 (effective 1 July 2009)

IFRS 8, Operating Segments (effective 1 January 2009)

IAS 1, Presentation of Financial Statements, revised 2007 and 2008 (effective 1 January 2009)

IAS 23, Borrowing Costs, revised 2007 (effective 1 January 2009)

IAS 27, Consolidated and Separate Financial Statements, revised 2008 (effective 1 July 2009)

IAS 28, Investments in Associates – Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)

IAS 31, Investment in Joint Ventures - Consequential amendments arising from amendments to IFRS 3 (effective 1 July 2009)

IAS 32, Financial Instruments: Presentation (effective 1 January 2009)

IAS 39, Financial Instruments: Recognition and Measurement, revised 2008 (effective 1 July 2009)

IFRIC 12, Service Concession Arrangements (effective 23 March 2009)

IFRIC 13, Customer Loyalty Programmes (effective 1 July 2008)

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2009)

IFRIC 15, Agreements for the Construction of Real Estate (effective 1 January 2009)

IFRIC 16, Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

IFRIC 17, Distribution of Non-cash Assets to Owners (effective 1 July 2009)

IFRIC 18, Transfers of Assets from Customers (effective 1 July 2009)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

The directors also do not consider that the adoption of the amendments resulting from the May 2008 Annual Improvement project will result in a material impact on the financial information of the Company. These amendments are effective for accounting periods beginning on or after 1 January 2009, with the exception of the amendment to IFRS 5 which is effective for accounting periods beginning on or after 1 July 2009.

1. Significant accounting policies

The following principal accounting policies have been used consistently in the preparation of the consolidated financial information of the Group. The accounting policies applied are consistent with the

Notes to the Financial Statements (continued)

Footnote 1. Significant accounting policies (continued)

financial statements issued for the year ending 31 December 2007. The consolidated financial information comprises the Company and its subsidiaries (together referred to as “the Group”).

- a) **Basis of preparation:** The financial information in this document has been prepared using accounting principles generally accepted under International Financial Reporting Standards (“IFRS”), as adopted by the European Union.

The financial statements have been prepared on the historical cost basis.

A number of different strategies are currently being considered which will have a material impact on the future outlook for the Group. These potential strategies are outlined below:

- In November 2008 the Company was approached by a third party who was interested in purchasing the outstanding shares of RPL. As a result of the public announcement a number of interested parties have come forward and expressed their interest in the Company. Although none of the parties has yet declared a firm intention to make an offer, and there is no guarantee that these discussions will result in an offer being made, this process continues. If such a sale goes ahead, it is reasonable to assume that the group will continue in operational existence for the foreseeable future and for a period of at least twelve months. The cash flow forecasts prepared by management show that for the period until the sale, or for twelve months from the date of signing these financial statements, the business remains cash positive and has sufficient funds to meet liabilities as they fall due.
- In December 2008, the Group announced its strategy to sell the two power plants at Massena and Elmwood Park, and to continue with the process to sell the biodiesel equipment. This process is ongoing in 2009, resulting in the operations being classified as discontinued, and the assets being classified as held for sale in these financial statements. Following the sale of these assets, the Group intends to make a further capital distribution to shareholders. No decisions have been reached at the current time on the amount that will be distributed and this would be dependent on the proceeds of the sale of the various assets. It is the directors’ current view that sufficient cash will be retained in the business to meet working capital requirements and to allow the group to explore alternative strategies in the renewable power industry.

It remains a possibility however that the decision will be made to return all funds to shareholders, after the sale of the power plants and the biodiesel equipment. In the forecasts prepared for this scenario, the business remains cash positive and has the funds needed to meet liabilities as they fall due, including those arising from closing the business. The directors consider this possibility to be unlikely, and therefore consider it reasonable to assume that the group will continue in operational existence for the foreseeable future.

- Due to the current business and economic environment, the offers received to date for the power plant assets are significantly less than the economic value in use. Significant

Notes to the Financial Statements (continued)

Footnote 1. Significant accounting policies (continued)

impairments have been recorded against the power plants and the biodiesel equipment in order to write them down to the consideration that would be received if the sale was to go ahead in the current environment.

There is however a risk that such transactions are not in the best interests of the shareholders, and the board may ultimately decide to retain these assets until a fair value can be received. The directors have prepared detailed cash flow forecasts demonstrating that the group is able to operate these plants at a cash neutral level, and therefore would have sufficient resources to continue in operational existence for the foreseeable future.

After assessing the outlook of the group in each of the scenarios set out above, the directors have concluded that the going concern basis is appropriate in the preparation of these financial statements.

- b) **Basis of consolidation:** The consolidated balance sheet and income statement incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each period. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

- c) **Business combinations:** The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Notes to the Financial Statements (continued)

Footnote 1. Significant accounting policies (continued)

Property, plant and equipment: Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Assets are written off on a straight-line basis over their estimated useful life commencing when the asset is brought into use. The useful lives of the assets held by the Group are considered to be as follows:

Land and buildings	20 years
Plant and machinery	10 years
Fixtures and fittings	7 years

Assets held in the course of construction are not depreciated. Depreciation begins when the asset is brought into use.

- d) **Impairment of property, plant and equipment:** At each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in income immediately.

- e) **Inventories:** Inventories are valued at the lower of acquisition cost and net realisable value.

- f) **Financial instruments:** Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Notes to the Financial Statements (continued)

Footnote 1. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

- g) **Revenue recognition:** Revenue is measured at the fair value of the consideration received or receivable in accordance with the relevant agreements/contracts and represents the amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other applicable taxes.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

- h) **Provisions:** Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.
- i) **Leases:** Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease. The revenue for the railcar subleases is recorded in the month it is earned per the sublease contract.
- j) **Foreign currency translation:** Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.
- l) **Share-based payments:** The Group has applied the requirements of *IFRS 2 Share-based Payments*. The Group issues equity-settled share-based payments to certain employees. Equity-settled share based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period,

Notes to the Financial Statements (continued)

Footnote 1. Significant accounting policies (continued)

based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions.

- m) **Taxation:** The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable result for the period. Tax losses differ from net losses as reported in the income statement because they exclude items of income or expense that are taxable or deductible in other years and they further exclude items that are never taxable or deductible.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred taxation is provided in full on all temporary differences which result in an obligation to pay more tax, or a right to pay less tax in the future, at rates which are expected to apply when they crystallise based on current tax rates and applicable law. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which future reversals of the underlying differences can be deducted.

- n) **Critical accounting estimates and judgements:**

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Key assumptions and sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Asset retirement provision

The assets and liabilities acquired on the purchase of the subsidiary included a provision relating to a legal requirement to remove the physical assets from the site at the end of the lease and return of the site to the original condition. A third party was used to determine the probable cost of performing this work. The resulting value is included in the balance sheet.

Impairment of tangible fixed assets

Due to market conditions for the sale of assets in the current global recession and given the announced strategy to sell the power plants, both plants were deemed to be impaired at the year end. The amount of the impairment for each plant was determined by comparing multiple offers for the purchase of the plants received from viable purchasers in early 2009 to the book value.

Due to significant excess capacity in the biodiesel production industry, the biodiesel equipment purchased for the biodiesel plant was deemed to be impaired at the year end. The amount of the impairment was determined by comparing quotes for the purchase of the equipment received from viable purchasers at the end of 2008 to the book value.

Notes to the Financial Statements (continued)

Footnote 1. Significant accounting policies (continued)

- o) **Employee Benefit Trust:** An employee benefit trust (EBT) was established in November 2008 which holds shares transferred to it in connection with the settlement of litigation with the ex-CEO of the Company. The assets and liabilities of the EBT have been included in the Group accounts as the Company has control over the EBT.

2. Segmental information

Segmental information about business units is presented below:

Business segments

For management purposes, the Group is currently organised into two divisions – power plant operations and biodiesel plant operations. These divisions are the basis on which the Group reports its primary segment information. Given the change in strategy as announced by the Board of Directors, all of the activity of these divisions is included in discontinued operations.

Segment information about these businesses is presented below.

	Year ended 31 December 2008			
	Discontinued		Unallocated \$'000	Total \$'000
	Power plant operations \$'000	Biodiesel plant operations \$'000		
Revenue				
External sales	8,153	711	-	8,864
Total revenue	8,153	711	-	8,864
Result				
Segment result	<u>(17,839)</u>	<u>(14,058)</u>	<u>(11,222)</u>	(43,119)
Investment income				1,009
Other losses				(81)
Loss before tax				<u>(42,191)</u>
Taxation charge				(3)
Loss after tax attributable to equity holders of parent				<u><u>(42,194)</u></u>

Notes to the Financial Statements (continued)

Footnote 2. Segmental information (continued)

Balance Sheet

31 December 2008

	Discontinued		Unallocated \$'000	Total \$'000
	Power plant operations \$'000	Biodiesel plant operations \$'000		
Segment assets	10,235	5,494	26,404	42,133
Segment liabilities	1,523	319	2,373	4,215
Net assets				37,918

Other Information

31 December 2008

	Discontinued		Unallocated \$'000	Total \$'000
	Power plant operations \$'000	Biodiesel plant operations \$'000		
Capital expenditure on property, plant and equipment				
Additions	396	-	4	400
Depreciation	2,338	-	32	2,370

Notes to the Financial Statements (continued)

Footnote 2. Segmental information (continued)

	Year ended 31 December 2007			
	Power plant operations \$'000	Biodiesel plant operations \$'000	Unallocated \$'000	Total \$'000
Revenue				
External sales	6,261	33	-	6,294
Total revenue	<u>6,261</u>	<u>33</u>	<u>-</u>	<u>6,294</u>
Result				
Segment result	<u>(5,249)</u>	<u>(2,142)</u>	<u>(8,199)</u>	(15,590)
Investment income				1,984
Finance cost				(170)
Loss before tax				<u>(13,776)</u>
Taxation charge				-
Loss after tax attributable to equity holders of parent				<u>(13,776)</u>

Balance Sheet

	31 December 2007			
	Power plant operations \$'000	Biodiesel plant operations \$'000	Unallocated \$'000	Total \$'000
Segment assets	<u>25,395</u>	<u>18,100</u>	<u>40,366</u>	<u>83,861</u>
Segment liabilities	<u>1,703</u>	<u>29</u>	<u>1,455</u>	<u>3,187</u>
Net assets				<u>80,674</u>

Other Information

	31 December 2007			
	Power plant operations \$'000	Biodiesel plant operations \$'000	Unallocated \$'000	Total \$'000
Capital expenditure on property, plant and equipment				
Additions	990	10,466	-	11,456
Depreciation	<u>2,061</u>	<u>-</u>	<u>-</u>	<u>2,061</u>

Notes to the Financial Statements (continued)

Footnote 2. Segmental information (continued)

Geographical segments

The Group has one geographical segment, the USA.

3. Assets of disposal group classified as held for sale and discontinued operations

The assets and liabilities related to the power plants, biodiesel equipment, and railcars have been presented as held for sale following the Board of Directors' decision to pursue a sale of these assets. The process for the sale of these assets is underway. This decision remains to be approved by the Group's shareholders.

Analysis of the cashflows of discontinued operations is as follows:

	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Operating cash flows	(440)	(2,985)
Investing cash flows	(396)	(11,456)
Financing cash flows	-	-
Total cash flows	<u>(836)</u>	<u>(14,441)</u>

Assets of disposal group classified as held for sale:

	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Property, plant and equipment	10,519	-
Inventory	3,271	-
Other current assets	1,939	-
Total	<u>15,729</u>	<u>-</u>

Liabilities of disposal group classified as held for sale:

	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Trade and other payables	351	-
Employee wages and benefits	10	-
Other current liabilities	241	-
Provisions	1,240	-
Total	<u>1,842</u>	<u>-</u>

Notes to the Financial Statements (continued)

Footnote 3. Assets of disposal group classified as held for sale and discontinued operations (continued)

Analysis of the results of discontinued operations is as follows:

	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Revenue	8,864	6,294
Cost of sales	(13,402)	(12,073)
Impairment of tangible fixed assets	(24,354)	(1,612)
Gross loss	(28,892)	(7,931)
Loss on disposal of assets	(3,004)	-
Gross loss before tax of discontinued operations	(31,896)	(7,931)
Income tax	(1)	-
Loss for the year from discontinued operations	(31,897)	(7,931)

4. Share-based payments

The Company has a share option scheme for Group employees. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The options vest in increments annually usually over a period of three years from the grant date. If the options remain unexercised after a period of five years from the date of grant, the options expire. Subject to certain limited exceptions, options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	Year ended 31 December 2008		Year ended 31 December 2007	
	Number of Share Options	Weighted Avg. Exercise Price	Number of Share Options	Weighted Avg. Exercise Price
Outstanding at the beginning of the period	3,745,000	\$1.22	4,760,000	\$1.49
Granted during period	3,400,000	\$0.50	1,085,000	\$0.55
Forfeited during period	-	-	(2,100,000)	\$1.49
Outstanding at the end of the period	<u>7,145,000</u>	\$0.88	<u>3,745,000</u>	\$1.22
Exercisable at the end of the period	<u>3,335,107</u>		<u>886,667</u>	

The options outstanding at 31 December 2008 had a weighted average exercise price of \$0.88, and a weighted average remaining contractual life of three years. In 2008, options were granted on 24 January and the aggregate of the estimated fair values of the options granted on that date is \$551,000.

Notes to the Financial Statements (continued)

Footnote 4. Share-based payments (continued)

The options outstanding at 31 December 2007 had a weighted average exercise price of \$1.22, and a weighted average remaining contractual life of four years. In 2007, options were granted on 21 September and the aggregate of the estimated fair values of the options granted on that date is \$197,000.

The inputs into the Black-Scholes model are as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
Weighted average share price	\$0.81	\$1.12
Weighted average exercise price	\$0.88	\$1.22
Expected volatility	35.0%	35.0%
Expected life	5 years	5 years
Risk free rate	4.00%	4.63%
Expected dividends	0%	0%

Expected volatility was determined by using the historical average of similar start-up companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised an expense of \$874,000 (2007: \$415,000) in the period in relation to equity settled share-based payment transactions.

5. Personnel expenses

	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Wages and salaries	4,479	2,516
Social security contributions	151	213
	<u>4,630</u>	<u>2,729</u>

The amounts above include amounts payable provided for to certain directors and key employees under change of control provisions in their contracts. Payments will be made in the event that a change of control occurs.

Average number of employees:

	Year ended 31 December 2008	Year ended 31 December 2007
Managers	3	3
Middle managers	5	4
White collar employees	3	3
Blue collar employees	8	8
	<u>19</u>	<u>18</u>

Notes to the Financial Statements (continued)

6. Directors' remuneration

<i>Remuneration of Directors of the Group</i>	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Michael G. Reynolds	219	267
David M. Lewis	-	318
Donald L. Verbick	518	365
Timothy P. Hunstad	362	233
David E. Pinkman	-	48
Mark R. Draper	70	70
Alexander S. Lambie	66	70
Victor J. Fryling	325	207
	<hr/>	<hr/>
	1,560	1,578
	<hr/> <hr/>	<hr/> <hr/>

The above amounts exclude the change of control provisions payable to the two Executive Directors, as detailed in note 24.

7. Loss from operations

The operating loss is stated after charging/(crediting):

	Note	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Operating lease rentals		1,312	277
Depreciation	13	2,370	2,061
Impairment of tangible fixed assets	13	24,354	1,613
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements		38	53
Fees payable to the Company's auditor and its associates for other services:			
- The audit of the Company's subsidiaries pursuant to legislation		27	41
- Other services pursuant to legislation		26	50
- Tax services		109	14
- Litigation support		143	-
Foreign exchange losses/(gains)		2,721	(208)

8. Investment income

	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Bank interest	1,009	1,984
	<hr/>	<hr/>
	1,009	1,984
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements (continued)

Footnote 8. Investment income (continued)

Investment income is the interest earned on the money market and short-term asset management accounts at Wells Fargo Bank, Minneapolis, Minnesota and Denver, Colorado. The interest rate varies by day, pending market rates.

9. Finance costs

	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Other interest expense	-	170
	<u>-</u>	<u>170</u>

10. Other Losses

	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Other losses	(81)	-
	<u>(81)</u>	<u>-</u>

Other losses arose on the litigation settlement with the Group's former CEO, terms of which are subject to a confidentiality clause.

11. Income tax

	%	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Reconciliation of effective tax rate			
Loss before tax		(42,191)	(13,776)
Income tax at standard rate	28.5/30	(12,024)	(4,132)
Tax losses for which no deferred tax asset was recognised		12,027	4,132
Tax for the period		<u>3</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of timing differences relating to carried forward tax losses as there is insufficient evidence that the asset will be recovered. At 31 December 2008, the Group had carried forward tax losses of approximately \$33.2 million. This includes approximately \$29 million in relation to the US subsidiaries, of which only approximately \$880,000 can be offset each year.

Notes to the Financial Statements (continued)

Footnote 11. Income tax (continued)

Due to the time limit on the carry forward of tax losses in the US, it is expected that the Group will use only \$22 million of the existing US tax losses against future income.

The amounts disclosed above do not take into consideration the impact of any possible sale of the Group, or sale of the power plant assets and biodiesel equipment.

12. Loss and net assets per share

Basic loss per share

The calculation of basic loss per share has been determined as the net loss after tax divided by the weighted average number of equity shares outstanding during the period.

	Year ended 31 December 2008	Year ended 31 December 2007
Net loss attributable to ordinary shareholders <i>in thousands of dollars</i>		
Net loss attributable to ordinary shareholders from continuing operations	(10,297)	(6,385)
Net loss attributable to ordinary shareholders from discontinued operations	(31,897)	(7,391)
Number of ordinary shares <i>in thousands of shares</i>		
Issued ordinary shares at the beginning of the period	95,298	85,843
Issued ordinary shares at the end of the period	95,298	95,298
Weighted average number of ordinary shares <i>in thousands of shares</i>		
Weighted average number of ordinary shares during the period	95,298	91,358
Basic loss per share from continuing operations	\$(0.11)	\$(0.07)
Basic loss per share from discontinued operations	\$(0.33)	\$(0.08)
Basic loss per share from continuing and discontinued operations	\$(0.44)	\$(0.15)

Diluted loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period adjusted for the effects of all potentially dilutive shares.

The only potentially dilutive shares were the share options. These shares are anti-dilutive as they would decrease the loss per share. There is therefore no difference between the basic loss per share and diluted loss per share for the period.

Notes to the Financial Statements (continued)

Footnote 12. Loss and net assets per share (continued)

Net assets per share

	31 December 2008	31 December 2007
Net assets per share		
Net assets attributable to shareholders <i>in thousands of dollars</i>	37,918	80,674
Basic weighted average of ordinary shares <i>in thousand of shares</i>	95,298	91,358
Diluted weighted average of potential shares <i>in thousand of shares</i>	102,443	95,780
Basic net assets per share	<u>\$0.398</u>	<u>\$0.883</u>
Diluted net assets per share	<u>\$0.370</u>	<u>\$0.842</u>

13. Property, plant and equipment

	Land and buildings \$'000	Plant and equipment \$'000	Assets in course of construction \$'000	Fixtures and fittings \$'000	Total \$'000
<i>Cost:</i>					
At 1 January 2007	3,252	20,905	8,646	15	32,818
Additions	105	760	10,466	125	11,456
At 31 December 2007	3,357	21,665	19,112	140	44,274
Additions	5	25	317	53	400
Disposals	-	-	(3,004)	-	(3,004)
Transferred to assets held for sale	(3,355)	(21,690)	(16,425)	(74)	(41,544)
At 31 December 2008	<u>7</u>	<u>-</u>	<u>-</u>	<u>119</u>	<u>126</u>
<i>Depreciation and Impairments:</i>					
At 1 January 2007	7	63	-	-	70
Depreciation charge for the year	147	1,885	-	29	2,061
Impairment recorded in the year	-	-	1,613	-	1,613
At 31 December 2007	154	1,948	1,613	29	3,744
Depreciation charge for the year	153	2,170	-	47	2,370
Impairment recorded in the year	2,104	12,276	9,946	28	24,354
Transferred to assets held for sale	(2,411)	(16,394)	(11,559)	(54)	(30,418)
At 31 December 2008	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
<i>Net Book Value:</i>					
At 31 December 2007	<u>3,203</u>	<u>19,717</u>	<u>17,499</u>	<u>111</u>	<u>40,530</u>
At 31 December 2008	<u>7</u>	<u>-</u>	<u>-</u>	<u>69</u>	<u>76</u>

Notes to the Financial Statements (continued)

Footnote 13. Property, plant and equipment (continued)

The impairment loss on land and buildings, plant and equipment and fixtures and fittings arose in connection with the decision to sell the power plants and the biodiesel equipment.

Due to market conditions for the sale of assets in the current global recession and given the announced strategy to sell the power plants, both plants were deemed to be impaired. The amount of the impairment for each plant was determined by comparing multiple offers for the purchase of the plants received from viable purchasers in early 2009 to the book value.

Due to the significant overcapacity in the biodiesel production industry, the biodiesel equipment purchased for the biodiesel plant was deemed to be impaired at the end of the year. The amount of the impairment was determined by comparing quotes for the purchase of the equipment received from viable purchasers at the end of 2008 to the book value.

14. Investments in subsidiary undertakings

As of 31 December 2008, Renewable Power & Light plc had the following subsidiary, incorporated in the USA.

Subsidiary	Principal Activity	Proportion of ordinary shares held by the company %
RPL Holdings, Inc	Independent power producer	100.0

As of 31 December 2008, RPL Holdings, Inc. had the following subsidiaries, all incorporated in the USA.

Subsidiary	Principal Activity	Proportion of ordinary shares held by the company %
Power City Generating, GP	Non-trading	100.0
Power City Partners, LP	Independent power producer	90.0

The remaining 10% of Power City Partners, LP is held by Power City Generating, GP.

Company:

	31 December 2008 \$'000	31 December 2007 \$'000
Cost at 1 January	-	-
Capital contribution	73,131	-
Cost at 31 December	73,131	-
Impairment during the year	(46,014)	-
Net book value at 31 December	27,117	-

Notes to the Financial Statements (continued)

15. Inventories

	31 December 2008 \$'000	31 December 2007 \$'000
Raw materials	-	142
Spare parts	-	2,934
	<u>-</u>	<u>3,076</u>

Inventories are included within assets held for sale in 2008 (note 3).

16. Trade and other receivables

	Group 31 December 2008 \$'000	Company 31 December 2008 \$'000	Group 31 December 2007 \$'000	Company 31 December 2007 \$'000
Trade receivables	-	-	1,328	-
Prepayments	760	105	726	75
Intercompany receivables	-	14,657	-	91,829
	<u>760</u>	<u>14,762</u>	<u>2,054</u>	<u>91,904</u>

Credit risk management

The Group had six customers in 2008, primarily large, regulated utility companies. Management performs ongoing credit evaluation of its customers and is involved in the day to day credit and collection activity.

17. Non-trade receivables

	Group 31 December 2008 \$'000	Company 31 December 2008 \$'000	Group 31 December 2007 \$'000	Company 31 December 2007 \$'000
Receivable for refund of VAT	171	171	631	631
Other non-trade receivables	-	-	21	-
	<u>171</u>	<u>171</u>	<u>652</u>	<u>631</u>

18. Share capital and reserves

At 31 December 2008, the Company had 10,000,000,000 shares authorised and 95,297,603 shares issued with a nominal value of 1p each. Of these shares, 6,532,957 (2007: nil) were held in an Employee Benefit Trust.

Notes to the Financial Statements (continued)

Footnote 18. Share capital and reserves (continued)

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash, cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in the statements of changes in equity. The loss attributable for the financial period dealt with in the financial statements of the Company was \$(50.8) million (2007: \$(3.1) million). As permitted by s230 of the Companies Act, no separate profit and loss account is presented in respect of the Company.

19. Provisions

	31 December 2008 \$'000	31 December 2007 \$'000
At 1 January	1,200	1,200
Increase	40	-
Transferred to liabilities directly associated with non-current assets held for sale	(1,240)	-
At 31 December	-	1,200

The asset retirement provision represents the obligation to return the site of the power plant to its original condition on expiration of the lease. The provision has been calculated based on information provided to RPL by its independent engineers.

Provisions are included within liabilities directly associated with non-current assets held for sale in 2008.

20. Trade and other payables

	Group 31 December 2008 \$'000	Company 31 December 2008 \$'000	Group 31 December 2007 \$'000	Company 31 December 2007 \$'000
Trade payables	108	-	211	-
Accrued expenses	635	626	1,193	779
Other payables	-	-	18	-
	743	626	1,422	779

Notes to the Financial Statements (continued)

21. Financial commitments

The Group leases railcars and office space under non-cancellable operating lease agreements.

The future aggregate minimum lease payments under these non-cancellable operating leases are as follows:

	31 December 2008	Restated 31 December 2007
	\$'000	\$'000
No later than 1 year	936	1,635
Later than 1 year and no later than 5 years	422	4,561
Later than 5 years	27	135
	<u>1,385</u>	<u>6,331</u>

The 2007 comparatives have been restated to reflect the correct allocation.

The future aggregate minimum sublease payments to be received under non-cancellable operating leases are as follows:

	31 December 2008	31 December 2007
	\$'000	\$'000
No later than 1 year	<u>615</u>	<u>56</u>

Notes to the Financial Statements (continued)

22. Reconciliation of loss from operations to net cash from operating activity

Consolidated cash flow statement

	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Loss from operations	(43,119)	(15,590)
Adjustments for:		
Depreciation of property, plant and equipment	2,370	2,061
Impairment of property, plant and equipment	24,354	1,613
Loss on disposal of assets	3,004	-
IFRS 2 charge	874	415
	<hr/>	<hr/>
Operating cash flows before movement in working capital	(12,517)	(11,501)
Increase in inventories	(195)	(140)
Decrease/(increase) in receivables	444	(1,558)
Increase in payables	987	818
Increase in provision for asset remediation	40	-
	<hr/>	<hr/>
Cash generated from operations	(11,241)	(12,381)
Interest paid	-	(170)
Other losses	(1,517)	-
Income tax	(3)	-
	<hr/>	<hr/>
Net cash from operating activities	<u>(12,761)</u>	<u>(12,551)</u>

Notes to the Financial Statements (continued)

Footnote 22. Reconciliation of loss from operations to net cash from operating activity (continued)

Company cash flow statement

	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Loss from operations	(50,716)	(3,136)
Adjustments for:		
Impairment of investment	46,014	-
IFRS 2 charge	874	415
Operating cash flows before movement in working capital	(3,828)	(2,721)
Decrease/(increase) in receivables	5,907	(18,525)
(Decrease)/increase in payables	(290)	916
Cash generated from operations	1,789	(20,330)
Other losses	(1,517)	-
Net cash from operating activities	272	(20,330)

23. Financial instruments

The Group's financial instruments are presented below:

Continuing Operations:	31 December 2008			31 December 2007		
	Loans and receivables \$'000	Non- financial assets \$'000	Total \$'000	Loans and receivables \$'000	Non- financial assets \$'000	Total \$'000
Cash and cash equivalents	25,397	-	25,397	37,549	-	37,549
Trade receivables	-	-	-	1,328	-	1,328
Prepaid expenses	760	-	760	726	-	726
Other receivables	171	-	171	1,259	-	1,259
Inventories	-	-	-	-	3,076	3,076
Property, plant and equipment	-	76	76	-	39,923	39,923
	26,328	76	26,404	40,862	42,999	83,861

Notes to the Financial Statements (continued)

Footnote 23. Financial instruments (continued)

Assets Held for Sale:

	31 December 2008			31 December 2007		
	Loans and receivables \$'000	Non- financial assets \$'000	Total \$'000	Loans and receivables \$'000	Non- financial assets \$'000	Total \$'000
Cash and cash equivalents	-	-	-	-	-	-
Trade receivables	344	-	344	-	-	-
Prepaid expenses	986	-	986	-	-	-
Other receivables	609	-	609	-	-	-
Inventories	-	3,271	3,271	-	-	-
Property, plant and equipment	-	10,519	10,519	-	-	-
	1,939	13,790	15,729	-	-	-

All of the liabilities of the Group are classified as non-financial liabilities.

All of the assets of the Company are classified as loans and receivables and all of the liabilities are classified as non-financial liabilities.

Risk management

The Board is charged with managing the various risk exposures, including those which arose through holding financial instruments.

Liquidity risk

The Group's approach to liquidity risk is to ensure that sufficient liquidity is available to meet foreseeable requirements and to invest funds securely and profitably. The Group has significant cash resources which are available to meet requirements on a day to day basis.

Notes to the Financial Statements (continued)

Footnote 23. Financial instruments (continued)

Liquidity – Financial Assets

Group:	31 December 2008			31 December 2007		
	Due in less than one month \$'000	Due in one month to one year \$'000	Due in more than one year \$'000	Due in less than one month \$'000	Due in one month to one year \$'000	Due in more than one year \$'000
Continuing Operations:						
Cash Money						
Market	17,262	-	-	15,891	-	-
Time Deposit	7,630	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	18,960
Corporate Obligations	-	-	-	2,663	-	-
Other cash balances	505	-	-	35	-	-
Trade receivables	-	-	-	1,328	-	-
Prepaid expenses	760	-	-	726	-	-
Other receivables	171	-	-	652	-	-
	<u>26,328</u>	<u>-</u>	<u>-</u>	<u>21,295</u>	<u>-</u>	<u>18,960</u>

Group:	31 December 2008			31 December 2007		
	Due in less than one month \$'000	Due in one month to one year \$'000	Due in more than one year \$'000	Due in less than one month \$'000	Due in one month to one year \$'000	Due in more than one year \$'000
Assets Held for Sale						
Cash Money						
Market	-	-	-	-	-	-
Time Deposit	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	-
Corporate Obligations	-	-	-	-	-	-
Other cash balances	-	-	-	-	-	-
Trade receivables	344	-	-	-	-	-
Prepaid expenses	986	-	-	-	-	-
Other receivables	-	-	-	-	-	-
	<u>1,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements (continued)

Footnote 23. Financial instruments (continued)

Company:	31 December 2008			31 December 2007		
	Due in less than one month \$'000	Due in one month to one year \$'000	Due in more than one year \$'000	Due in less than one month \$'000	Due in one month to one year \$'000	Due in more than one year \$'000
Cash Money						
Market	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	-
Corporate						
Obligations	-	-	-	-	-	-
Other cash						
balances	307	-	-	35	-	-
Trade receivables	-	-	-	-	-	-
Prepaid expenses	105	-	-	75	-	-
Other receivables	171	-	-	631	-	-
Intercompany						
receivables	-	-	14,657	-	-	91,829
	583	-	14,657	741	-	91,829

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Credit risk is highly concentrated as the Group has six customers and holds cash with two financial institutions. No provisions have been made against trade receivables and there are no trade receivables that are past due. All potential customers' credit histories are reviewed and high risk customers either rejected or mitigating measures implemented. All railcar sublease customers provide either a letter of credit or the last two months' lease payments as a deposit. The fair value of the letter of credit and deposits held is \$129,000. Invoices are aged monthly and customers with any past due invoices are immediately contacted to arrange for payment.

Market risk

The Group is exposed to interest rate risk and foreign exchange risk.

Interest rate risk

At the year end, the Group had no finance lease obligations, overdrafts, notes or loans. The Group has cash balances at the year end and interest rate risk is limited to the returns achieved on these balances.

Interest rate sensitivity analysis

The sensitivity analysis has been carried out based on the Group's exposure to variable interest rates as at the balance sheet dates. A 1% interest rate increase and decrease has been used in the sensitivity analysis as the directors consider that this is a reasonable assessment for the possibility of changes in interest rates.

As the assets are subject to variable interest rates, the analysis has been prepared assuming that the assets outstanding at the balance sheet dates had been outstanding for the whole year.

Notes to the Financial Statements (continued)

Footnote 23. Financial instruments (continued)

A 1% increase/decrease in interest rates, assuming all other variables were held constant, would result in an increase/decrease to profit for the year of \$254,000 (2007: \$375,000) for the Group. This is due to the higher/lower interest income on the variable rate deposits.

Currency risk

Foreign currency denominated financial assets and liabilities, translated into US\$ at the closing rate, are as follows:

Group:	31 December 2008		31 December 2007	
	GBP \$'000	CDN \$'000	GBP \$'000	CDN \$'000
Financial assets	8,108	-	666	-
Financial liabilities	(197)	(311)	(610)	(306)
Short-term exposure	7,911	(311)	56	(306)
<hr/>				
Company:	31 December 2008		31 December 2007	
	GBP \$'000	CDN \$'000	GBP \$'000	CDN \$'000
Financial assets	8,108	-	666	-
Financial liabilities	(197)	(311)	(610)	(306)
Short-term exposure	7,911	(311)	56	(306)
<hr/>				

The sensitivity analysis has been carried out based on the Group's exposure to foreign currency rates as at the balance sheet dates in the following denominations: the Sterling currency and the Canadian Dollar currency. A 10% increase and decrease in the US Dollar against the relevant foreign currencies has been used in the sensitivity analysis as the directors consider that this is a reasonable assessment for the possibility of changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated assets and liabilities and adjusts their translation at the balance sheet date for a 10% change in the applicable foreign currency rate.

A 10% increase/decrease in foreign currency rates, assuming all other variables were held constant, would result in a decrease/increase to profit for the year of US\$760,000 (2007: US\$25,000) for the Group.

Fair values

The Directors consider that the carrying amount of the Group's and Company's financial assets and liabilities is approximately equal to their fair value.

24. Related party transactions

At 31 December 2007, a balance of \$50,216 was owed to the Company by Michael Reynolds, Non-Executive Chairman, for National Insurance and PAYE due to an overpayment of his Director fee. This balance, plus accrued interest at the rate of 6.25%, was collected in 2008.

Notes to the Financial Statements (continued)

Footnote 24. Related party transactions (continued)

There were no related party transactions in 2008.

The two Executive Directors of the Board, Donald L. Verbick, Senior Vice President, Operations and Timothy P. Hunstad, Vice President and Chief Financial Officer, have change of control provisions in their contracts. The payments of \$0.7 million and \$0.6 million, respectively, have been provided for at the year end and will be paid in the event that a change of control occurs.

25. Foreign currency exchange rates

The financial information disclosed within these financial statements has been reported in US dollars, as this is considered to be the functional currency of the Group. The foreign exchange rate to convert from US dollars to pounds sterling ruling at the period end was 0.68 and the average rate during the period was 0.53.

26. Subsequent Events

On 19 February 2009, the Company completed an Initial Return of Capital of 10 pence per share. The purpose of this strategy is to effect an immediate return of capital to shareholders and to position the Company to provide future distributions of capital to shareholders as assets are sold and working capital needs diminish.

Notice of Annual General Meeting Renewable Power & Light plc

NOTICE IS HEREBY GIVEN THAT the 2009 Annual General Meeting of the Company will be held at 9 Queen Street, Mayfair, London W1J 5PE on Thursday 25 June 2009 at 11.00 a.m. for the following purposes:

Ordinary Business

Resolution 1: To receive the audited financial statements of the Company for the year ended 31 December 2008 and to receive the Directors' Report and the Auditors' Report thereon.

Resolution 2: To approve the annual remuneration report comprised in the audited financial statements of the Company for the year ended 31 December 2008.

Resolution 3: To re-elect Mr. M.G. Reynolds as a Director.

Note: The Company's Articles of Association require one-third of the Directors to retire by rotation each year. Mr. Reynolds is retiring by rotation and seeking re-election at this Annual General Meeting. The Board confirms Mr. Reynolds continues to perform effectively and demonstrate commitment to his role. Further information about Mr. Reynolds is given on page 9.

Resolution 4: To re-elect Mr. T.P Hunstad as a Director.

Note: The Company's Articles of Association require one-third of the Directors to retire by rotation each year. Mr. Hunstad is retiring by rotation and seeking re-election at this Annual General Meeting. The Board confirms Mr. Hunstad continues to perform effectively and demonstrate commitment to his role. Further information about Mr. Hunstad is given on page 9.

Resolution 5: To re-appoint Mazars LLP as Auditors of the Company until the conclusion of the next Annual General Meeting.

Resolution 6: To authorise the Directors of the Company to determine the remuneration of the Auditors.

Notice of Annual General Meeting (continued) Renewable Power & Light plc

Special Business

Resolution 7: To consider and, if thought fit, pass the following resolution as an ordinary resolution: “**THAT** the Directors be given power under Section 80(1) of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in the said Act) up to an aggregate nominal amount of £317,658.68, being one-third of the issued Ordinary Shares, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or 30 June 2010 (whichever is sooner) unless any offer or agreement is made before the end of that period in which case the Directors may allot relevant securities pursuant to such offer or agreement as if the power granted by this resolution had not expired.”

Note: The authority sought by this resolution is for the Directors to be authorised to allot Ordinary Shares up to one-third of the Company’s issued share capital at the date of this notice. This is within the guidelines issued by institutional investors.

A similar, authority was granted at the last Annual General Meeting, which expires at the conclusion of this year’s meeting. This authority will expire at the next Annual General Meeting or on 30 June 2010, whichever is earlier.

Whilst the Directors have no intention at the present time of issuing of relevant securities, other than pursuant to existing rights under employee share schemes, they are seeking annual renewal of this authority in accordance with best practice and to ensure the Company has maximum flexibility in managing its capital resources.

Resolution 8: To consider and, if thought fit, pass the following resolution as a special resolution: “**THAT**, subject to approval of preceding Resolution 7, the Directors be given power under Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94 of the Act) as if the pre-emption provisions of Section 89(1) of the Act did not apply to such allotment. The power shall be limited to the allotment of equity securities specified in preceding Resolution 7 up to an aggregate nominal amount of £95,297.60, being 10% of the Company’s issued share capital and shall expire at the next Annual General Meeting of the Company or 30 June 2010 (whichever is the sooner) unless any offer or agreement is made before expiry of this power in which case the Directors may allot securities pursuant to such offer or agreement as if the power granted by this resolution had not expired.”

Note: When shares are to be allotted for cash, Section 89(1) of the Companies Act 1985 provides that existing shareholders have pre-emption rights and that any new shares are offered first to such shareholders in proportion to their existing shareholdings. This resolution is seeking to authorise the Directors to allot shares of up to an aggregate nominal amount of £95,297.60 otherwise than on a pro-rate

Notice of Annual General Meeting (continued) Renewable Power & Light plc

basis. This represents 10% of the Company's issued share capital at the date of this notice and is within guidelines issued by institutional investors for companies listed on AIM. Since the Company was listed on AIM on 14 December 2006, the directors have issued 9,454,545 shares (5 July 2007) which represents 9.9% of the Company's current issued share capital. This was under the authority given by the shareholders at the 2007 AGM.

A similar authority (but representing 5% of the Company's issued share capital) was granted at the last Annual General Meeting, which expires at the conclusion of this year's meeting. This authority now being sought will expire at the next Annual General Meeting or on 30 June 2010, whichever is earlier.

Whilst the Directors have no intention at the present time of issuing equity securities, other than pursuant to existing rights under employee share schemes, they are seeking annual renewal of this authority in accordance with best practice and to ensure the Company has maximum flexibility in managing its capital resources.

Resolution 9: To consider and, if thought fit, pass the following resolution as a special resolution:

“THAT a general meeting other than an annual general meeting may be called on not less than fourteen clear days' notice.”

Note: The Shareholder Rights Directive is due to be implemented in the UK by 3 August 2009. The consultation period on the draft Regulations to implement the Directive closed on 30 January 2009, but the outcome of which is still awaited. As the draft Regulations are still subject to change, the Company will consider what changes, if any, will need to be made to the Articles of Association (the 'Articles'), once the Regulations have been finalised. Any required resolutions to change the Articles will be put to the shareholders at next year's AGM.

The draft Regulations are proposing to increase the notice period for General Meetings of traded Companies to 21 days. Currently, the Company's Articles permit General Meetings (other than AGMs) to be held at 14 clear days' notice. In order to preserve the ability to call General Meetings with 14 clear days' notice, BERR has advised that companies should seek approval from their shareholders by Special Resolution. Such approval is likely to be required on an annual basis going forward. Whilst the Company does not fall within the definition of a "traded company" under the above Regulations, the Company, like other listed public companies, is seeking this approval from its shareholders, in case the definition in the final version of the Regulations includes the Company.

Notice of Annual General Meeting (continued)
Renewable Power & Light plc

In addition to obtaining approval from the shareholders to hold General Meetings at 14 clear days' notice, the draft Regulations also require for traded companies to offer the facility to the shareholders to vote by electronic means at such meetings. The Company's intention is that it will always try to give as much notice as possible of its General Meetings, but should the circumstances require a General Meeting to be called with less than 21 clear days' notice, arrangements would be put in place, if required by the final version of the Regulations, to provide for voting by electronic means.

Registered Office:
9 Queen Street
Mayfair
London
W1J 5PE

BY ORDER OF THE BOARD

Martha Bruce
Company Secretary
28 May 2009

Notice of Annual General Meeting (continued)

Renewable Power & Light plc

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint more than one proxy, to exercise all or any of his rights to attend, speak and vote in his place on a show of hands or on a poll provided that each proxy is appointed to a different share or shares. Such proxy need not be a member of the Company.
2. To be valid, the completed and signed form of proxy must be returned to the Company's Registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than 48 hours before the time fixed for the meeting. Lodging a form of proxy does not preclude a member from attending and voting at the meeting.
3. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.
5. The following documents are available for inspection during normal business hours at the Company's registered office up to the date of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting from 10:30 a.m. on the day of the meeting until conclusion of the meeting:
 - Copies of all Directors' Service Contracts for periods in excess of one year with the Company or any of its subsidiaries; and
 - A copy of the Memorandum and Articles of Association.