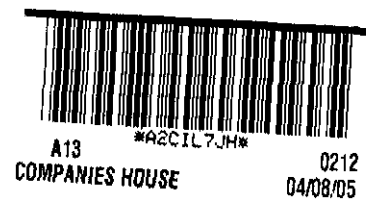


KP RENEWABLES PLC

Company Number 4981279

Report and Financial Statements

31 December 2004



DIRECTORS' REPORT

The Directors present their report and audited financial statements of the Group for the 13 months from 1 December 2003 (date of incorporation) to 31 December 2004.

Principal Activities

The principal activity of the Company during the period was that of a holding company. The Company's subsidiaries have entered into a number of framework power purchase agreements (to provide renewable energy) with major suppliers of electricity in the UK. However, at 31 December 2004, neither the Company nor any of its subsidiaries had commenced trading, although a number of them had incurred management and overhead costs.

The Company has raised equity finance in July 2005 and listed its entire issued share capital on the Alternative Investment Market ("AIM"). The Group is now planning to construct a number of renewable energy plants and trading is expected to commence.

The Company obtained a certificate to carry on business on 28 May 2004.

Results and Dividends

The loss for the period before and after taxation was £220,951.

The directors do not recommend a dividend.

The Directors and their Interests

The Directors who served the Company during the period together with their beneficial interests, including family holdings, in the shares of the Company were as follows:

	Ordinary Shares of £0.01 each at 31 December 2004	%
Dr J Watkins (appointed 1 December 2003) - Executive Director	*	
P Taylor (appointed 5 May 2004, resigned 10 August 2004) - Executive Director	**	
R McGrigor (appointed 5 May 2004, resigned 10 August 2004) - Executive Director	600,000	1.48
J Bryant (appointed 5 May 2004) - non-executive Chairman	370,000	0.91
E Delamer House (appointed 5 May 2004, resigned 31 December 2004) - Executive Director	***	
D Lindley OBE (appointed 5 May 2004) - non-executive director	250,000	0.62
S Drummond (appointed 5 May 2004) - non-executive director	**** 25,000	0.06
D Lloyd-Jacob CBE (appointed 1 December 2003) - non-executive director	300,000	0.74
P O'Kane (appointed 5 May 2004, resigned 20 August 2004) - non-executive director	285,000	0.70
P Carey (appointed 11 August 2004, resigned 28 February 2005) - Executive Director	30,000	0.07
R Smyth (appointed 18 November 2004) - Executive Director	*****	

* Dr J Watkins is the ultimate controlling party, owning a majority of the issued shares of Kwikpower International plc, which company owned 34,000,200 shares in the Company at 31 December 2004, representing 84.06% of the issued share capital at that date. This percentage has subsequently reduced to 74.00% of the issued share capital, following further share issues.

** Mr P. Taylor holds 600,000 options - see note 10.

*** Mrs E Delamer House holds 850,000 options - see note 10.

**** Mr S Drummond is interested in an agreement whereby a company in which he has a beneficial interest will receive shares with a value of £500,000 on the successful listing of the Company's shares on AIM (see note 10).

***** Mr R Smyth acquired 850,000 ordinary shares in 2005, equivalent to approximately 2.1% of the current issued share capital.

In accordance with the Company's Articles of Association, Dr J Watkins and Mr D Lloyd-Jacob will retire at the Annual General Meeting, and seek re-election.

Significant shareholdings

Shareholders owning more than 3 per cent of the issued share capital at 31 December 2004 were:

	No. of Shares	%
Kwikpower International plc	34,000,200	84.06
Rockstone Ventures Limited	270,465	6.69

Auditors

The Company's auditors, Moore Stephens, are willing to continue in office. A resolution to reappoint Moore Stephens as auditors of the Company will be proposed at the forthcoming Annual General Meeting in accordance with section 385 of the Companies Act 1985.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss 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 which are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



T Trigg
Secretary

29 July 2005

Independent Auditors' Report to the Shareholders of KP Renewables plc

We have audited the financial statements of KP Renewables plc for the 13 months from 1 December 2003 (date of incorporation) to 31 December 2004 set out on pages 4 to 15. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 auditor's 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 Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion


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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2004 and of the Group's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

St. Paul's House
Warwick Lane
London EC4M 7BP


Moore Stephens
Registered Auditors
Chartered Accountants

29 July 2005

Consolidated Profit and Loss Account

	Notes	13 months from 1 December 2003 to 31 December 2004 £
Administrative expenses	2	(220,951)
Loss on ordinary activities before and after taxation	11	<u>(220,951)</u>

Consolidated Statement of Total Recognised Gains and Losses

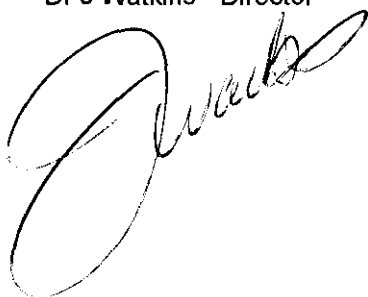
There are no recognised gains and losses other than as shown above.

Consolidated Balance Sheet

		At 31 December 2004 £
	Notes	
Fixed assets		
Intangible assets	6	514,791
Current assets		
Debtors	8	88,220
Cash at bank and in hand		10,740
		<hr/>
		98,960
Creditors: amounts falling due within one year	9	(156,660)
		<hr/>
Net current liabilities		(57,700)
		<hr/>
Net assets		457,091
		<hr/>
Capital and reserves		
Called-up share capital	10, 11	404,464
Share premium account	11	273,578
Profit and loss account	11	(220,951)
		<hr/>
Equity shareholders' funds	11	457,091
		<hr/>

Approved by the Board on 29 July 2005

Dr J Watkins - Director



Company Balance Sheet

		At 31 December 2004 £
	Notes	
Fixed assets		
Investments	7	345,000
Current assets		
Debtors	8	270,438
Cash at bank and in hand		5,712
		<hr/> 276,150
Creditors: amounts falling due within one year	9	(151,629)
Net current assets		<hr/> 124,521
Net assets		<hr/> <hr/> 469,521
Capital and reserves		
Called-up share capital	10, 11	404,464
Share premium account	11	273,578
Profit and loss account		(208,521)
Equity shareholders' funds		<hr/> <hr/> 469,521

Approved by the Board on 29 July 2005

Dr J Watkins - Director



Consolidated Cash Flow Statement

		13 months from 1 December 2003 to 31 December 2004
	Notes	£
Operating loss		(220,951)
Creditors		136,664
Debtors		(65,630)
Shares issued in lieu of payment		1,250
Net cash outflow from operating activities		(148,667)
Acquisitions and disposals		
Net cash acquired with acquisition of subsidiary undertaking	7	14,367
		(134,300)
Financing		
Issue of ordinary share capital		95,040
Loan from parent undertaking		50,000
Increase in cash and cash equivalents		10,740

Material non-cash transactions

During the period, the Group had the following material non-cash transactions:

- On 31 March 2004, the Company acquired the entire issued share capital of KP Renewables (Operations) Limited (formerly KP Bioenergy Limited) from Kwikpower International plc, the Company's own parent undertaking, by issuing 34,500,000 ordinary shares of 1p each at par (see notes 7, 10 and 13).
- On 30 March 2004, the Company issued 725,574 ordinary shares at 1p each in respect of monies collected by KP Renewables (Operations) Limited (see notes 10 and 13) totalling £202,000. Originally, KP Renewables (Operations) Limited was to issue shares, however, this was changed with the formation of KP Renewables plc.
- During the period ended 31 March 2004, prior to its acquisition by the Company, KP Renewables (Operations) Limited paid certain expenses on behalf of the Company, totalling £22,481 (see note 13).
- During the period ended 31 March 2004, prior to the acquisition of KP Renewables (Operations) Limited by the Company, the Company lent KP Renewables (Operations) Limited £10,000 net in the ordinary course of business. KP Renewables (Operations) Limited also collected certain share monies payable to the Company totalling £4,750 (see note 13).
- On 31 December 2004, the Company issued 3 million ordinary shares of 1p each to its parent undertaking, Kwikpower International plc, as part settlement (£30,000) of a loan (£50,000) made to it by that company (see notes 9 and 13).

NOTES TO THE FINANCIAL INFORMATION

1. Accounting Policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with generally accepted accounting principles in the United Kingdom.

Going Concern

The financial statements for the 13 months from 1 December 2003 (date of incorporation) to 31 December 2004 have been prepared on the going concern basis. This has been applied taking into account the raising by the Company of £3.1 million (net of expenses) of equity finance, subject to Admission of the Company's shares to the Alternative Investment Market ("AIM") on or before 31 July 2005. The Company's shares were admitted to AIM on 29 July 2005.

Basis of consolidation

The Group financial statements consolidate the financial statements of KP Renewables plc and all its subsidiary undertakings, whether held directly or indirectly. No profit and loss account is presented for the Company as permitted by section 230 of the Companies Act 1985.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its expected useful economic life of 20 years from commencement of operations. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Government grants

Grants of a revenue nature are credited to the profit and loss account so as to match them with the expenditure to which they relate.

Investments

Fixed asset investments are stated at cost less provision for impairment. The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Leases

Rentals payable under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Pensions

For defined contribution personal pension plans the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Deferred Tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. Operating loss

Administrative expenses in the 13 months from 1 December 2003 (date of incorporation) to 31 December 2004 includes £70,000 in relation to the rental of the Company's offices during the period and £4,400 in respect of audit fees.

In addition, fees payable to the auditors in respect of other services provided in the period ended 31 December 2004, totalled approximately £45,000. These costs will be offset against share premium account following the successful raising of finance in 2005.

3. Directors' emoluments and staff costs

Directors' emoluments, which are the only staff costs incurred by the Group, were as follows:

	13 months to 31 December 2004 £
Wages and salaries	43,333
Social security costs	5,147
Pension costs	-
	<hr/> 48,480 <hr/>

In addition, the Group paid management charges to Kwikpower International plc totalling £64,000 during the period ended 31 December 2004. These management charges include the provision of services of Dr James Watkins, a director of the Company.

The average monthly number of employees (all executive directors) during the period was 3, all in a management capacity.

Upon the receipt of funds from the raising of equity finance and Admission of the Company's shares to AIM, further salary costs will become payable totalling approximately £275,000. These costs only become payable on the successful raising of certain amounts of finance and are in connection with contractual arrangements entered into, or to be entered into, between the Company and certain of the Executive Directors (current and former). As contractual arrangements are still to be finalised, the actual amount payable could be higher. In accordance with Financial Reporting Standard Number 12, Provisions, Liabilities and Assets, these costs have not been accrued at 31 December 2004. Accordingly they will be charged to the profit and loss account in 2005.

4. Loss attributable to members of parent company

The loss in the financial statements of the Company was £208,521.

5. Taxation

No charge to taxation arose due to the losses incurred during the period.

At 31 December 2004, the Group had a deferred tax asset (using a tax rate of 30%) of approximately £66,000, which has not been recognised due to the current uncertainty of future profits. Upon the commencement of trading and generation of profits, this asset is expected to be recognised.

6. Intangible assets

Group

Goodwill on consolidation

Cost:

Additions and at 31 December 2004 (note 7)

£
514,791

7. Fixed asset investments

The subsidiary undertakings of the Group at 31 December 2004 were as follows:

Name	Parent Company	Country of Incorporation	Principal Activity	Effective proportion of shares held
KP Renewables (Operations) Limited	KP Renewables plc	England	Holding company	100%
KP Bioenergy Holding Limited	KP Renewables (Operations) Limited	England	Holding company	100%
KP Wind Holdings Limited	KP Renewables (Operations) Limited	England	Holding company	100%
KP Snodland Power Limited	KP Bioenergy Holding Limited	England	Renewable energy	100%
KP Crayford Power Limited	KP Bioenergy Holding Limited	England	Renewable energy	100%
North Otter Windfarm Limited	KP Wind Holdings Limited	England	Renewable energy	100%
Lephinmore Windfarm Limited	KP Wind Holdings Limited	England	Renewable energy	100%

Of these companies, only KP Renewables (Operations) Limited had incurred expenses at 31 December 2004. Further details are set out below. The other subsidiaries all had an issued share capital of £2 represented by either cash or amounts due from parent undertaking.

On 31 March 2004 the Company acquired the whole of the issued share capital of KP Renewables (Operations) Limited from the Company's ultimate parent undertaking, Kwikpower International plc (Gibraltar), in consideration for the issue of 34,500,000 ordinary shares of 1p each in the Company at par. The cost of this acquisition was £345,000, based on the directors' valuation of the fair value at that time.

The acquisition of KP Renewables (Operations) Limited on 31 March 2004 comprised:

	£
Investments	4
Debtors	10,113
Cash	14,367
Creditors due within one year - KP Renewables plc	(194,275)
Net liabilities	(169,791)
Goodwill arising on acquisition	514,791
	345,000
Discharged by:	
Fair value of shares issued	345,000

The profit and loss account of KP Renewables (Operations) Limited for the period from 1 January 2003 to 31 March 2004 can be summarised as set out below. Prior to this period, KP Renewables (Operations) Limited had not traded.

	£
Administrative expenses	(179,873)
Other operating income - grant income	10,080
	<hr/>
Loss for the period before and after tax	(169,793)
	<hr/>

Administrative expenses included £172,195 in connection with a services agreement between Kwikpower International plc and KP Renewables (Operations) Limited (see note 13 for details of costs incurred in connection with this agreement subsequent to 31 March 2004).

In the opinion of the directors, the aggregate value of the investment in subsidiary undertakings is not less than the amount at which it is stated in the balance sheet.

8. Debtors

	Group	Company
	£	£
Amount owed by subsidiary undertaking	-	182,218
Other debtors – rent deposit	14,000	14,000
Prepayments	61,896	61,896
Other debtors	12,324	12,324
	<hr/>	<hr/>
	88,220	270,438
	<hr/>	<hr/>

Prepayments include £17,000 paid in advance in connection with the listing of the Company's shares on AIM.

9. Creditors: amounts falling due within one year

	Group	Company
	£	£
Loan from parent undertaking	20,000	20,000
Accrued expenses – parent undertaking	44,850	44,500
Accrued expenses – fellow subsidiary undertaking	36,647	36,647
Accruals and other creditors	55,163	50,482
	<hr/>	<hr/>
	156,660	151,629
	<hr/>	<hr/>

As set out in Note 3, upon the receipt of funds from the issue of shares in 2005, further salary costs totalling approximately £275,000 will become payable in respect of contractual obligations for which the benefit was received during the 13 months ended 31 December 2004. Furthermore, salary costs incurred in the period subsequent to 31 December 2004, and which have not been paid, will also become payable. These costs will be charged to the profit and loss account in 2005.

10. Called up share capital

	No.	£
<i>Authorised:</i>		
Ordinary shares of 1p each	75,000,000	750,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of 1p each	40,446,374	404,464
	<hr/>	<hr/>

On incorporation, the Company had an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each, of which 2 ordinary shares of £1 each were issued at par. On 20 December 2003 the £1 shares were sub-divided into 1p shares, creating 5,000,000 authorised ordinary shares of 1p each and 200 issued ordinary shares of 1p each; furthermore, the authorised share capital of the Company was increased by £700,000 to £750,000, resulting in 75,000,000 authorised ordinary shares of 1p each.

During the period 20 December 2003 to 31 March 2004, 2,130,000 ordinary shares of 1p each were issued at prices ranging from 1p to 10p per ordinary share of 1p each, for a total of £64,800. This resulted in £43,500 being credited to the share premium account.

On 30 March 2004, 725,574 ordinary shares were issued to former investors in KP Renewables (Operations) Limited at an average premium of 26.8p each for a total of £202,000. This resulted in £194,744 being credited to the share premium account.

As set out in Note 7, 34,500,000 ordinary shares of 1p each were issued at par to Kwikpower International plc on 31 March 2004.

During November and December 2004, a total of 90,600 ordinary shares of 1p each were issued at a price of 40p per share, realising £36,240, of which £35,334 has been credited to the share premium account.

On 31 December 2004, in partial settlement (£30,000) of a loan (£50,000) made to it by Kwikpower International plc, the Company issued 3 million ordinary shares of 1p each at par. These shares were subsequently transferred to another party by Kwikpower International plc.

On 31 January 2005, 850,000 ordinary shares of 1p each were issued to a current director of the Company. 600,000 ordinary shares at 1p each were issued at par and 250,000 ordinary shares of 1p each were issued at 10p each.

On 31 January 2005, 600 ordinary shares of 1p each were issued at a price of 40p per share, realising £240.

Contingent on Admission of the Company's shares to AIM, there are option agreements in place for certain current and former executive directors.

The total number of options that can be granted under the scheme at present is 600,000 to a former director, P. Taylor, 850,000 to a former director, E Delamer House, and a variable amount to a current director, R. Smyth.

The terms of the options for P. Taylor are that they are exercisable for a period of 5 years from the date of original grant (17 June 2004) at an exercise price of 1p per share.

The terms of the options for E Delamer House are exercisable for a period of five years from the date of original grant (5 January 2005) at an exercise price of 1p per share.

The maximum number of shares that R. Smyth can subscribe for is equivalent to 1% of the total issued share capital of the Company on admission to AIM, with various dates, depending on certain events occurring (whichever occurs first) as follows:

- Date of Admission 25%
- 12 months after date of Admission or 18 May 2006 25%
- 12 months after date of Admission or 18 May 2007 25%
- 12 months after date of Admission or 18 May 2008 25%

The options for R. Smyth will vest 3 years after grant and are exercisable for 7 years after vesting subject to the Rules of the KPR Share Option Plan.

An additional bonus award of shares (or options with equivalent value) may also be awarded to R. Smyth, with the maximum amount of this award during the first 3 years of his employment (from 18 November 2004) being 1% of the total issued share capital of the Company on admission to AIM. The price for exercising these options is to be in accordance with the KPR Share Option Plan.

Contingent on Admission of the Company's shares to AIM, shares with a total value of £115,520 will be issued to shareholders who invested in the Company in November/December 2004 and January 2005, at 125p per share. The number of ordinary shares of 1p each which will be issued on the successful Admission of the Company's shares to AIM is therefore 92,416, and £114,596 will be credited to the share premium account.

Contingent on Admission of the Company's shares to AIM, shares with a total value of £500,000 will be issued to a company in which a director has an interest and which has provided services to the Group (see note 13). The exact number of ordinary shares of 1p each to be issued is dependent on the Company's share price on Admission. This is included within other financial commitments (see note 12).

Contingent on Admission of the Company's shares to AIM, warrants with a value of £250,000 are to be issued to a former financial advisor for services provided. This is included within other financial commitments (see note 12).

11. Reconciliation of equity shareholders' funds and movements on reserves

	Called-up share capital	Share premium account	Profit and loss account	Total
	£	£	£	£
At incorporation	2	—	—	2
Loss for the period	—	—	(220,951)	(220,951)
Shares issued	404,462	273,578	—	678,040
At 31 December 2004	404,464	273,578	(220,951)	457,091

12. Other financial commitments

At 31 December 2004, the Group and Company had a licence agreement with a fellow subsidiary undertaking (which in turn has a rental agreement with the freeholder of the Group's premises) for the rental of offices for which £3,500 was payable within one year. Subsequent to the year end, a new contract was entered into, the result being that the Company is committed to pay rent under contracts totalling £45,500 (£3,500 per month until 31 January 2006).

As set out in note 3, following the successful raising of equity finance by the Company, certain liabilities to former and current directors of the Company in respect of services provided crystallise. The Directors' best estimate of the maximum liability as at 31 December 2004, based on contracts, where signed, or indicative offers to be made to former directors, where no contract has yet been signed, is £275,000.

During the period, the Group incurred costs which will be netted off against the proceeds of the equity finance raised, but which have not been accounted for in these financial statements. The total of these costs was approximately £1.45 million at 31 December 2004, of which approximately £60,000 had already been billed or paid and is included in prepayments (see note 7). Certain of these costs will be satisfied by the issue of shares (£500,000) or warrants (£250,000), the remainder being settled in cash.

13. Related party transactions

Period to 31 March 2004

On 31 March 2004, the Company acquired KP Renewables (Operations) Limited from Kwikpower International plc, the Company's parent undertaking, for £345,000, issuing 34,500,000 ordinary shares of 1p each at par.

During the period 31 March 2004 (date of acquisition by the Company) to 31 December 2004, KP Renewables (Operations) Limited incurred costs totalling approximately £7,000 in connection with a services agreement with Kwikpower International plc. This agreement provided for the services of, inter alia, Dr James Watkins, a director of the Company. This agreement was terminated on 30 April 2004 and replaced by an agreement between the Company and Kwikpower International plc (see below). At 31 December 2004, the liability had been settled in full.

Prior to its acquisition by the Company, KP Renewables (Operations) Limited collected cash totalling £206,750 on behalf of the Company. As a result of the foregoing, and certain other transactions between the Company and KP Renewables (Operations) Limited, at 31 March 2004, the date of acquisition, the Company was owed £194,274 by KP Renewables (Operations) Limited.

Period from 1 April 2004 to 31 December 2004

During the period ended 31 December 2004, the Company was charged £64,000 by Kwikpower International plc in respect of management charges, in accordance with a service agreement which commenced on 1 May 2004. At 31 December 2004, £44,740 remained outstanding (see note 9). This agreement provides for the services of, inter alia, Dr J Watkins, a director of the Company.

During the period ended 31 December 2004, the Company was charged £35,000 by a fellow subsidiary undertaking, Kwikpower Management Services Limited in respect of rental of offices. Other charges resulted in £36,647 remaining outstanding as at 31 December 2004.

During the period ended 31 December 2004, CO2e, a company in which Mr Steve Drummond, a non-executive Director of the Company since 5 May 2004, charged the Company £250,000, which monies are only payable on the Company's successful listing on AIM. This has not been included in the figures presented, but is included within other financial commitments (note 12). In addition, as noted in note 10, shares with a total value of £500,000 are to be issued to CO2e on the Company's successful listing on AIM.

During the period ended 31 December 2004, Partner Capital Limited (formerly Crosby & Partners), a company in which Mr Peter O'Kane, a non-executive Director of the Company from 5 May 2004 to 18 August 2004, charged the Company £201,500, which monies are only payable on the Company's successful listing on AIM; as such, this has not been included in the figures presented, but is included within other financial commitments (note 12).

During the period ended 31 December 2004, Kwikpower International plc loaned the Company £50,000 on an interest free, unsecured basis, repayable on the Company's successful raising of equity finance. On 31 December 2004 £30,000 of this loan was converted into 3 million ordinary shares of 1p each, issued at par; these shares were subsequently transferred to an external third party. At 31 December 2004, £20,000 remains outstanding (see note 9).

Kwikpower International plc has entered into an agreement with a creditor of the Group whereby it will transfer shares to the value of approximately £87,000 in full settlement of the debt due to the creditor by the Group. This amount will not be re-charged to the Group. These costs arose in

connection with entering into a framework power purchase agreement. Furthermore, Kwikpower International plc will transfer further shares to the creditor with a value of £50,000 in respect of services to be provided by this creditor to the Group. These share transfers are due to occur on or before admission of the Company's shares to AIM.

14. Parent undertaking and controlling party

The Company's immediate parent undertaking is Kwikpower International plc, a company incorporated in Gibraltar.

The ultimate controlling party is Dr. James Watkins, a director of the Company.

15. Post balance sheet events

On 28 February 2005 Paul Carey, a director of the Company, resigned. A settlement agreement for the termination of his services has yet to be finalised. During the period 11 August 2004 (date of commencement of employment) to 31 December 2004, no salary was paid to Mr Carey. Included within other financial commitments, which only crystallise on the Company's successful raising of finance, is a provision in respect of Mr Carey's services from date of commencement of employment (11 August 2004) to 31 December 2004 (see note 12).

Pursuant to a Prospectus dated 18 May 2005, and subject to Admission of the Company's shares to AIM becoming effective on or before 31 July 2005, the Company has raised a total of £3.9 million (before expenses) in consideration for shares to be issued. The total number of shares issued was 4,656,128, thereby increasing the Company's total number of issued shares to 45,953,102 ordinary shares of 1p each. The Company's shares were admitted to AIM on 29 July 2005.

At an Extraordinary General Meeting of the Company, properly convened with short notice, on 13 May 2005 a resolution was passed to increase the authorised share capital from 75 million to 100 million ordinary shares of 1p each.