

ReEnergy Group plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5281827)

Annual Report & Accounts 2008



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ReEnergy Group Plc (“ReEnergy” or the “Company”), an investing company with an investing strategy seeking to acquire a UK-based trading company involved primarily in renewable energy, waste management or financial services capable of significant organic growth (the “Investing Strategy”) is pleased to announce its results for the twelve months ending 31 December 2008.

Chairman's Review

During early 2008, the Company continued to focus on waste management and water activities. In particular, this involved discussions with Worcestershire County Council in respect of the proposed autoclaving plant at the Hartlebury site. As announced on 31 March 2008, the Company was continuing these discussions, but their protracted nature was placing a strain upon the Company and in particular on the efforts to raise additional short term working capital.

In parallel with the Company's decision to focus ReEnergy Desalination Inc. on its pipeline seawater desalination projects, efforts were made to identify a partner or acquirer in the United States to provide the necessary balance sheet strength. The delay on both fronts, the resultant strain on Group resources and the decision to devote all remaining resources to the Estech Europe Limited (“Estech Europe”) business resulted in the decision to cease all ReEnergy Desalination Inc's operations in February 2008, as announced on 31 March 2008.

On 31 March 2008, the Company also announced that its operating subsidiary, Estech Europe, had signed a Consortium Agreement and Preferred Bidder Letter with VT Group plc (“VT Group”) and Wakefield MBC for the provision of a 150,000 tonne per annum autoclaving facility. Estech Europe were progressing a Design Joint Venture Agreement with VT Group in respect of the Wakefield project and this led to discussions commencing for the possible sale of the Estech Europe subsidiary to VT Environmental Engineering Ltd (“VT Environmental”), a wholly owned subsidiary of VT Group.

On 17 June 2008, the Company announced the sale of its operating subsidiary, Estech Europe, to VT Environmental Engineering Ltd. The consideration payable following settlement and accrual adjustments, was £1,642,601. The net cash consideration received on 17 June 2008, after warranty retention, settlement agreement and advances repaid, was £1,356,000.

A retention against warranty claims of £150,000, from the consideration received, was held in a joint account which, less any warranty claims, was to be released by VT Group on 15 August 2008. VT Group asserted claims in the value of £96,486 against the warranty retention. However, on 19 January 2009, the Company announced that all warranty claims issued against the Company in respect of the sale of Estech Europe to VT Environmental had been settled. The sum of £3,285 (plus accrued interest) was remitted to VT Environmental in full and final settlement of the warranty claims from the sum of £150,000 retained in the joint account. Accordingly, on 13 January 2009, the Company received the sum of £148,208.35, being the balance of the retention plus accrued interest, less account fees and bank transfer charges.

As a result of the delay in the completion of the disposal of Estech Europe, the Company was not able to prepare its accounts for the year ended 31 December 2007 in a timely manner. Consequently, under the AIM Rules, the Company's shares were suspended on 27 June 2008, pending publication of the annual report and accounts.

The disposal of Estech Europe was a disposal of the Company's last trading subsidiary and, in accordance with AIM Rule 15, the Company is treated as an investing company. On 30 July 2008, the Company held an Extraordinary General Meeting (the “EGM”) at which a resolution which set out its Investing Strategy was duly passed. Accordingly, the Company is in the process of identifying suitable acquisition candidates in line with the Investing Strategy.

On 6 November 2008, the Company released its Annual Report and Accounts for the twelve-months ended 31 December 2007. In accordance with AIM Rule 18, the Company's interim results for the six-months ended 30 June 2008 (the "Interim Results") were required to be released no later than 30 September 2008. The Company had already announced that it had failed to meet that deadline and as a result the Company's shares remained suspended pending publication of the Interim Results. On 11 December 2008, the Company released the Interim Results and the suspension of trading in the Company's shares was lifted with immediate effect.

The Company closed its London office on 21 November 2008.

Board and Advisor Changes

Michael Roger Hewitt, Non-Executive Chairman of ReEnergy, had originally, as announced in October 2007, commenced the transition from Executive Chairman, with the intention of becoming wholly non-executive from 1 January 2008. With the development of events in 2008, including the negotiation of the sale of Estech Europe to VT Environmental, it became necessary for him to continue in an executive capacity until 1 November 2008, on which date he became Non-Executive Chairman of the Company.

Jonathan Allen was appointed Executive Director on 30 September 2007 and Group Managing Director of the Company's, Waste Management Services division, on 1 November 2007. He became a Non-Executive Director following the EGM.

Andy Biffen was appointed Executive Director and Chief Operating Officer of Waste Management on 30 April 2007. He was appointed Group Technical & Development Director on 1 November 2007. On 31 July 2008, he resigned as an employee but remained as a Non-Executive Director of the Board. He resigned from the Board on 23 December 2008. The Board is grateful to Andy for his contribution to, and support of, the Company.

Dr. Grant Jones was appointed Executive Director, Chief Operating Officer of the Company's activities in the United States and Chief Executive of ReEnergy Desalination Inc. on 1 May 2007. On 1 November 2007 he was appointed Group Managing Director of the Company's Water Treatment Services division. He resigned from the Board on 15 April 2008 and left the Company on 14 October 2008.

Tony Morgan's appointment as a Non-Executive Director of the Company, which was due to end on 27 September 2008, was extended on 30 July 2008 as a result of the need to determine the future of the Company and to carry out the objectives of the Investing Strategy approved at the EGM. Tony will be retiring at the Company's forthcoming Annual General Meeting ("AGM") and the Board is most grateful for his support and expertise over the past two and a half years.

Steve Mueller, Non-Executive Director, resigned from the Board on 30 July 2008, as advised in the Notification of Investing Strategy and notice of Extraordinary General Meeting dated 14 July 2008. The Board is grateful to Steve for his advice and support.

Wayne Keast, Non-Executive Director, resigned from the Board on 8 August 2008, as advised in the Notification of Investing Strategy and notice of Extraordinary General Meeting dated 14 July 2008. The Board is grateful to Wayne for his advice and support.

On 4 July 2008, the Company announced the appointment of Strand Partners Limited as its broker with immediate effect in place of Blue Oar Securities Limited.

On 5 September 2008, Tenon Audit Limited was appointed as the Company's auditors. They replaced Baker Tilly UK Audit LLP, who resigned by mutual agreement on 19 August 2008.

Estech Europe Warranty Retention

The warranty retention fund of £148,208 was released by VT Group on 13 January 2009. This represented the sum of £150,000 retained in escrow, less an agreed warranty claim of £3,285, plus accrued interest on the account of £1,493.

Financial Overview

The Group's expenditure for the period under review was consistent with budgets. Following the sale of Estech Europe and the EGM, the Directors are winding down operations and working to execute its Investing Strategy.

The Board is confident that it has sufficient cash reserves to allow it to settle the remaining Company obligations and achieve the objectives of the Investing Strategy and that the Company will have more than fifteen months' operating cash as of 30 April 2009.

Outlook

Subsequent to the EGM and release of the Interim Results on 11 December 2008, the Company has initiated discussions with a number of potential acquisition targets and has continued to pursue other investment opportunities in line with its Investing Strategy.

Arthur WC "Tony" Morgan, Senior Independent Non-Executive Director, will be retiring at the AGM. The Board is grateful to Tony for his advice and support.

I shall be retiring as Non-Executive Chairman and Director and as Acting Company Secretary at the AGM. I am grateful for the support of the Board and shareholders over the past five years during some difficult and challenging times. As a result of the Board changes at the Company, on conclusion of the AGM, the Board will only have one director, Jonathan Allen. Once the Company undertakes a transaction, in line with its Investing Strategy, the Company will then seek to appoint an appropriate number of directors, both executive and non-executive with the requisite skills, and will at that point re-populate the Audit, Remuneration and Appointment Committees.

I wish the Board and the Company every good fortune for the future.

The Board remains confident of the future potential for ReEnergy as an investment vehicle and its ability to create shareholder value.



Michael Roger Hewitt
Chairman

Board of Directors and Advisers

ReEnergy Group plc

Directors

Michael Roger Hewitt	(Executive Chairman) (Non-Executive Chairman from 1 November 2008)
Andrew Paul Biffen	(appointed Executive Director 30 April 2007) (Non-Executive Director from 31 July 2008) (resigned 23 December 2008)
Grant Harvey Jones	(appointed Executive Director 30 April 2007) (resigned 15 April 2008)
Jonathan Allen	(appointed Executive Director 30 September 2007) (Non-Executive Director from 30 July 2008)
Steven Mueller	(Non-Executive Director) (resigned 30 July 2008)
Arthur W C (“Tony”) Morgan	(Independent Non-Executive Director) (Senior Independent Non-Executive Director from 19 July 2007)
Wayne Bruce Keast	(Non-Executive Director) (resigned 8 August 2008)

Audit Committee

Arthur W C (“Tony”) Morgan (Chairman)
Steven Mueller (resigned 30 July 2008)
Michael Roger Hewitt (from 5 September 2008)
Wayne Bruce Keast (resigned 8 August 2008)

Remuneration Committee

Arthur W C (“Tony”) Morgan (Chairman)
Steven Mueller (resigned 30 July 2008)
Wayne Bruce Keast (resigned 8 August 2008)
Michael Roger Hewitt (from 5 September 2008)

Appointments Committee

Michael Roger Hewitt (Chairman)
Arthur W C (“Tony”) Morgan
(from 15 July 2007)

Board of Directors and Advisers

(continued)
ReEnergy Group plc

Secretary

Max Herbert	(resigned 29 February 2008)
Grant Jones	(acting Company Secretary from 1 March 2008 to 16 April 2008)
Marilyn Clarke	(acting Company Secretary from 16 April 2008 to 11 December 2008)
Michael Roger Hewitt	(acting Company Secretary from 11 December 2008)

Registered Office

66 Chiltern Street
London, W1U 4JT

Company number

Registered number 5281827

Nominated Adviser

Strand Partners Limited
26 Mount Row
London, W1K 3SQ

Auditors

Tenon Audit Limited (from 5 September 2008)
66 Chiltern Street
London, W1U 4JT

Broker

Blue Oar Securities Limited (until 4 July 2008)

Strand Partners Limited (from 4 July 2008)
26 Mount Row
London, W1K 3SQ

Solicitors

Squire, Sanders & Dempsey
Tower 42, 25th Floor
25 Old Broad Street
London, EC2N 1HQ

Bankers

Barclays Bank plc
1 Churchill Place
London, E14 5HP

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire, HD8 0LA

The Directors present their report and the Group's audited accounts for the year ended 31 December 2008, and the Company's audited accounts for the year ended 31 December 2008.

Principal Activities

ReEnergy Group plc was previously a renewable energy company and this involved during 2008:

- The processing of municipal solid waste using Fibrecycle™ technology to recover recyclable materials and produce re-usable organic fibre (Estech Europe); and
- Water treatment involving seawater desalination for niche applications (ReEnergy Desalination Inc.).

On 16 June 2008 the Group concluded a sale and purchase agreement with VT Environmental, a subsidiary of VT Group, for Estech Europe. In June 2007 the Group ceased its licensing arrangement with Pirelli Ambiente for RDF technology. The seawater desalination business within ReEnergy Desalination Inc. was closed and operations ceased in February 2008.

Following the EGM on 30 July 2008, the Company is pursuing the Investing Strategy approved at the EGM. The Board determined that the Company's Investing Strategy will be to acquire a UK-based trading company involved primarily in renewable energy, waste management or financial services and which is capable of significant organic growth. The Company has been reviewing various companies and has initiated discussions with a number of potential acquisition targets. The Company has continued to pursue other investment opportunities in line with its Investing Strategy.

Business review and future developments

The business is in an early stage of development. In view of this the Directors do not consider there to be any appropriate key performance indicators at this stage.

A review of the development of the business during the period and the prospects for the Group is given in the Chairman's statement on pages 3 to 5.

Share Capital

At 31 December 2008, the Company's issued share capital was £5,090,323.00, consisting of 101,806,460 ordinary shares of a nominal value of 5 pence each. .

Results

The results for the Group are set out in the Consolidated Income Statement on page 21 and commented upon in the Chairman's Statement on pages 3 to 5.

Dividends

The Directors are precluded from recommending a dividend as there are no retained earnings.

Substantial shareholders

At 30 April 2009, the Directors had been notified of the following interests which amounted to 3% or more of the issued share capital of the Company:

Name	Number of shares	Percentage
Heritage Trust Company Limited	17,331,667	17.02
RAB Capital	15,549,804	15.27
NewSmith Global Opps Hedge Fund	7,575,000	7.44
Lynchwood Nominees Limited	6,666,666	6.55
Jack Allen Holdings Limited	6,517,696	6.40
Karl Hick & David Mee	5,533,072	5.43
Goldman Sachs International	5,264,000	5.17
Trustee for Boston Equities Corporation Bankruptcy and Richard Kipperman	5,164,217	5.07
John Allen	4,127,026	4.05

Political and Charitable donations

No political or charitable donations were made during the year.

Employees

The Group aims to be an equal opportunities employer with a commitment to help people develop their potential. As of 15 December 2008, all employment within the Company had ceased.

Policy with regard to creditors

The Group does not follow any specific code on the payment of suppliers. However, it is the Group's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. At 31 December 2008, the number of days of trade creditors for the Group, calculated by reference to the total amounts invoiced by suppliers was 25 days (2007: 31 days).

Principal risks and uncertainties*Financial risk management*

Note 23 to the Financial Statements describes the interest rate, liquidity and currency risks to which the Group is exposed. At 31 December 2008, the operations of the Group had been curtailed significantly with the closure of the office and elimination of all salaried staff. Based on the current operating cash available, the Directors consider that the Group has sufficient liquidity to enable it to operate for the next fifteen months. At this stage of its development the currency and interest rate risks to the Group are considered to be minimal. However, as the Group develops and merges with an operating target, appropriate strategies will be developed to ensure that the currency and interest rate risks to the Group are minimised.

Directors' Report

(continued)

ReEnergy Group plc

Going concern

As of 31 December 2008, the Company had a cash balance of £510,000. Based on the cash available and cash flow forecast in anticipation of a merger, the Company will have more than fifteen months operating cash, as of 30 April 2009, taking into account all known risks and uncertainties.

Following their review, the Directors believe that cash flow can be managed with a significantly curtailed organisation to enable the Group to continue in operational existence until an appropriate merger transaction is completed. Accordingly, the Going Concern basis has been adopted for the preparation of these accounts.

Directors

The Directors who served since 1 January 2008 with their interests in the ordinary shares of the Company at 31 December 2008 were as follows:

Name		Number of Ordinary Shares	Percentage of Ordinary Share Capital	Under Options
Steven Mueller	Resigned 30 July 2008	◆ 2,226,110	2.19%	-
Michael Roger Hewitt		‡ 1,087,500	1.01%	♠ -
Jonathan Allen	Appointed 30 September 2007	2,093,991	2.06%	-
Arthur W. C. ("Tony") Morgan		-	-	-
Wayne Bruce Keast	Resigned 8 August 2008	-	-	-
Andrew Paul Biffen	Appointed 30 April 2007 Resigned 22 December 2008	-	-	-
Grant Harvey Jones	Appointed 30 April 2007 Resigned 15 April 2008	-	-	-

‡ This figure includes 1,037,500 shares held by Michael Roger Hewitt and 50,000 shares held by Rosemary Hewitt.

♠ 500,000 share options granted on 18 December 2004 which were exercisable at 5 pence from 18 December 2005 until 17 December 2007. The options expired without being exercised on the termination date.

◆ As at appointment Steven Mueller held no shares in the Company but held 2,926,110 shares in ReEnergy Pacific for which he received 2,926,110 shares in ReEnergy Group plc in a share for share exchange.

Directors Liability Insurance

Directors & Officers Liability Insurance has been provided by the Company.

Auditor

The reappointment of Tenon Audit Limited will be proposed at the Company's AGM.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Michael R. Hewitt', with a stylized flourish at the end.

Michael Roger Hewitt
Chairman
21 June 2009

Introduction

ReEnergy Group plc was listed on AIM in December 2005 and is committed to high standards of corporate governance. In March 2006, the Board adopted the guidance on corporate governance given by The Quoted Companies Alliance (2005) which we consider to be appropriate for our business.

The Board is accountable to the shareholders for good governance and the statement below is based on the review of corporate governance that was carried out by the Audit Committee and describes how the principles of good governance have been applied.

Constitution of the Board

Currently the Board consists of three Non-Executive Directors, namely:

- | | | |
|----------------------|---|--|
| Michael Roger Hewitt | - | Non-Executive Chairman (Executive Chairman to 31 October 2008; Non-Executive Chairman from 1 November 2008.) |
| Jonathan Allen | - | Non-Executive Director |
| Tony Morgan | - | Independent Non-Executive Director |

The Board constitution gives rise to one area of non-compliance that the Audit Committee has considered in their review. The combination of the roles of Chairman and Chief Executive has the potential to give rise to a concentration of power in one individual. Michael Roger Hewitt was Executive Chairman until 1 November 2008. The Audit Committee considered this matter and believed that this was in the best interests of the shareholders at this stage of the Group's development. Michael Roger Hewitt, the Chairman, has widely accepted major experience of the waste management business at senior executive level. In the period leading up to ReEnergy's listing on AIM and following the refinancing of the Group, it was very much in the shareholders' interests for the Chairman to have executive control of the Group's activities as he was able both to negotiate external arrangements and lead the Group internally.

At an appropriate time in the future it was intended that the roles would be split, but in the meantime in order to ensure proper governance;

- The role of Senior Independent Non-Executive Director would continue to require a greater degree of consultation and involvement on the main business issues.
- The Board met more regularly than the once a month set out in the approved annual cycle of meetings.

Non-Executive Directors

Tony Morgan has undertaken the roles of Senior Independent Non-Executive Director and chairman of the Audit and Remuneration Committees.

Committees of the Board

The Board has three standing committees, each of which has terms of reference setting out their authority and duties including the following:

The *Audit Committee* comprised Tony Morgan as Chairman and sole member following the resignations of Steven Mueller and Wayne Keast on 30 July 2008 and 8 August 2008 respectively. Michael Roger Hewitt was appointed to the Committee on 5 September 2008. The Committee reviews the report and accounts and the preliminary and interim statements, including the Board's statement on Internal Financial Control in the Annual Report, prior to their submission to the Board for approval. The Audit Committee also reviews Corporate Governance within the Group and reports on this to the Board. In addition the Audit Committee assesses the overall performance of the external auditors including scope, cost effectiveness and objectivity.

The Committee is also charged with reviewing the independence of the external auditors and monitors the level of non-audit fees. These fees are disclosed in Note 2 to the accounts. In the opinion of the Audit Committee, which has reviewed these fees and the procedures that Tenon Audit Limited have in place to ensure they retain their independence, the auditor's independence is not compromised.

The Committee can meet for private discussion with the external auditors, who attend its meetings, as required.

The *Remuneration Committee* comprises Tony Morgan as Chairman and sole member following the resignations of Steven Mueller and Wayne Keast on 30 July 2008 and 8 August 2008 respectively. Michael Roger Hewitt was appointed to the Committee on 5 September 2008. The Committee determines, on behalf of the Board, the Group's policy on executive remuneration and the remuneration packages for Executive Directors. It also approves and administers the Executive Share Option Scheme and the grant of options as part of the remuneration package.

The *Appointments Committee* comprises Tony Morgan and Michael Roger Hewitt. In addition to their roles of considering the appointment of Directors and senior managers the Committee is also charged with reporting to the Board on the effectiveness of the Board, its sub-committees and its Directors at the end of the annual audit cycle.

As a result of the Board changes at the Company, on conclusion of the AGM, the Board will only have one director, Jonathan Allen. Once the Company undertakes a transaction, in line with its Investing Strategy, the Company will then seek to appoint an appropriate number of directors, both executive and non-executive with the requisite skills, and will at that point re-populate the Audit, Remuneration and Appointment Committees.

Attendance at Meetings

During the year the Directors have attended the following meetings of the Board and its sub-committees.

Michael Roger Hewitt	- Board meetings 7/7
Jonathan Allen	- Board meetings 7/7
Andrew Biffen	- Board meetings 5/6
Grant Jones	- Board meetings 5/5
Steve Mueller	- Board Meetings 3/5
Tony Morgan	- Board meetings 6/7
Wayne Keast	- Board meetings 3/5

There were no meetings of the Appointments Committee.

There were no formal meetings of the Remuneration Committee, although remuneration matters were discussed by the Committee members by telephone and correspondence.

Internal Control

The Board is responsible for reviewing and approving the adequacy and effectiveness of the Group's internal controls, which includes financial and operational control, risk management and compliance.

In order to establish effective procedures for internal control and communicate this throughout the Group, including its subsidiaries, the Board has issued two important documents to all staff. These are 'The Board Protocol' and 'The Manual of Internal Control'.

The key elements of the Group's internal control are set out in these documents. They contain:

- a clearly defined structure for the Group, its subsidiaries and management teams
- powers which the Board has reserved to itself. These include the approval of all business plans and budgets for the Group and all its subsidiaries, the establishment of subsidiary companies and appointment of Directors to them and the process for project approval and capital expenditure
- terms of reference for the Audit and Remuneration Committees, which defines the roles of its Directors
- details as to how often the Board should meet (as a minimum) and an annual cycle of meetings. This covers the process for the preparation of Board agendas, Board papers and their prior consideration by the management team at its weekly meetings
- detailed business plans and budgets to be approved annually and performance monitored by the management team and the Board at its monthly meeting
- procedures for the approval of expenditure, the levels of authority and the management controls

The Directors acknowledge their responsibility for the Group's system of internal financial control and risk management and place considerable importance on maintaining this. The Manual of Internal Control and the process for authorisation that it imposes together with the Board Protocol, which sets out the process for authorising business plans, budgets and projects, form an important part of the Group's risk management. Even so it should be noted that internal financial control can only provide reasonable and not absolute assurance against material errors, losses or fraud.

Corporate Governance Report

(continued)

ReEnergy Group plc

There is currently no internal audit function within the Group owing to the small size of the administrative function. However there is a high level of review by Directors and the need for them to authorise transactions. The need for a separate internal audit function will be kept under review.

The Board Protocol and The Manual of Internal Control will continue to be updated and refined as operational experience is assessed. In the difficult period prior to our refinancing there was an understandable disruption to normal administration but greater emphasis needs to be placed on the discipline of a formal cycle of meetings and the timely production of documentation.

Going Concern

As of 31 December 2008, the Company had a cash balance of £510,000. Based on the cash available and cash flow forecast in anticipation of a merger the Company will have more than fifteen months operating cash, as of 30 April 2009 taking into account all known risks and uncertainties.

Following their review, the Directors believe that cash flow can be managed to enable the Group to continue in operational existence until an appropriate merger transaction is completed. In order to accommodate the board strategy the Group closed the corporate office and eliminated all salaried staff as part of a curtailed operation plan. Accordingly, the Going Concern basis has been adopted for the preparation of these accounts.

Relations with Shareholders

The Company endeavours to maintain regular communications with shareholders through Regulatory Announcements, via the Group's website and by direct contact with its major shareholders. The Board values the views of its shareholders and maintains a regular dialogue with investment and fund managers, other investors and equity analysts to ensure that the investing community receives a consistent view of the Group's progress.

Introduction

The Remuneration Committee is responsible for the determination of the remuneration policy of the Group's Executive Directors and Senior Executives. This Committee is also responsible for the administration and operation of the employee share option schemes, making recommendations on this to the Board.

Remuneration Policy

The policy of the Group on Directors' remuneration is to provide competitive packages, which reward the Group management for above average individual performance. Remuneration packages comprise a basic salary, annual performance-related bonus, pension and participation in the share option scheme together with medical health insurance. Salaries and bonuses are reviewed annually.

Service Contracts

The Executive Directors have all signed Service Agreements with the Company. These contracts do not have fixed terms but are subject to 12 months notice by the Company and 6 months notice by the Executive Director. The Non-Executive Directors are appointed by a letter of appointment for a fixed term of two years. Contracts may be terminated by giving two months notice, without compensation for loss of office. All newly appointed Directors are required to offer themselves for election at the next Annual General Meeting of the Company and their appointments are subject to them being so elected. All the Service Agreements with the Company had been terminated as of 31 December 2008.

Directors' Remuneration Report

(continued)

ReEnergy Group plc

Directors' Emoluments

The following emoluments were paid to the Directors during the year ended 31 December 2008:

	Salary incl. fees & consultancy	Settlements	Benefits	Total excl. Pension	Contributions to a money purchase pension scheme	Total
	£000	£000	£000	£000	£000	£000
M.R. Hewitt ♦	107	79	5	191	17	208
J. Allen *	80	-	11	91	3	94
A. P. Biffen	82	106	3	191	14	205
G. H. Jones	111	-	2	113	3	116
S. Mueller	-	-	-	-	-	-
A. Morgan	50	10	-	60	-	60
W. Keast	10	-	-	10	-	10
Total	440	195	21	656	37	693

* Note: Jonathan Allen was an Executive Director of ReEnergy until 30 July 2008 but was employed and remunerated by Estech Europe through the date of the sale transaction 16 June 2008. Thereafter during the period under review he received emoluments as a Non-Executive Director of £6,000 from ReEnergy Group plc which are included in the above table.

♦ Note: Roger Hewitt's emoluments include £18,000 relating to unpaid salary from November and December 2007, during which time the Company was experiencing cash flow difficulties. Mr. Hewitt did not receive his unpaid 2007 or 2008 accrued remuneration until August 2008, when the Company had the cash flow available for payment.

The compromise settlements for M R Hewitt and A P Biffen and the notice for A Morgan were discussed by the Remuneration Committee and approved on 4 August 2008. They were approved by the ReEnergy Board on 5 September 2008.

The emoluments of Directors for the year ended 31 December 2008 compared with the emoluments of Directors for the year ended 31 December 2007 were as follows:-

	2008	2007
	£000	£000
Remuneration for management services	461	804
Compensation for loss of office	195	-
Payments to a defined contribution pension fund	37	45
Total Directors' Emoluments	693	849

Statement of Directors' Responsibilities

ReEnergy Group plc

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 the Group and of the profit or loss of the group for that period. In preparing those financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business; and
- d. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 requirements of 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.

In so far as the Directors, individually, are aware:

- e. there is no relevant audit information of which the Group's auditor is unaware; and
- f. the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent Auditor's Report

to the members of

ReEnergy Group plc

We have audited the Group and parent company financial statements ("the financial statements") of ReEnergy Group plc (the "Company") for the year ended 31 December 2008 set out on pages 21 to 51.

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 International Financial Reporting Standards ("IFRS") as adopted by 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 and are properly prepared in accordance with the Companies Act 1985 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the business review section of the Directors' Report.

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

Basis of audit opinion

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

Independent Auditor's Report

to the members of

(continued)

ReEnergy Group plc

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of the Group's loss for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 31 December 2008;
- the financial statements to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Tenon Audit Limited

22 June 2009

Tenon Audit Limited
Registered Auditor
Chartered Accountants
66 Chiltern Street
London, W1U 4JT

Consolidated Income Statement

For the year ended 31 December 2008

ReEnergy Group plc

		2008	2007
	Notes	£000	£000
Administrative expenses – which include:	2	(2,047)	(12,861)
Net impairments, exceptional charges and credits	2	-	(8,100)
Loss from operations		(2,047)	(12,861)
Investment income	4	36	530
Finance costs	5	(5)	(9)
Loss on ordinary activities before taxation	2	(2,016)	(12,340)
Taxation	6	-	-
Loss retained on ordinary activities after tax		(2,016)	(12,340)
Loss per ordinary share – basic and diluted	7	(2.0)p	(13.6)p

The Operating Loss for the year arises from the Group's continuing operations.

The accompanying accounting policies and notes form an integral part of the financial statements.

Consolidated Statement of Total Recognised Income and Expenses

for the year to 31 December 2008

	2008	2007
	£000	£000
Loss for the year	(2,016)	(12,340)
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	60	(102)
Total recognised income and expenses relating to the year	(1,956)	(12,442)

Consolidated Balance Sheet

At 31 December 2008

ReEnergy Group plc

		2008	2007
	Notes	£000	£000
Non-current assets			
Goodwill	9	-	-
Other intangible assets	9	-	-
Property, plant and equipment	10	-	48
Investments	11	-	-
		<u>-</u>	<u>48</u>
Available for sale investments	11	-	1,863
Current assets			
Trade and other receivables	12	161	283
Cash and cash equivalents		510	1,666
		<u>671</u>	<u>1,949</u>
Current liabilities			
Trade and other payables	13	(143)	(1,126)
		<u>528</u>	<u>823</u>
Net current assets		528	823
Total assets less current liabilities		528	2,734
Non-current liabilities			
Trade and other payables	13	-	(250)
		<u>528</u>	<u>2,484</u>
Net assets		528	2,484
Equity			
Share capital	14	5,090	5,090
Share premium	15	24,101	24,101
Share option reserve	15	-	-
Merger reserve	15	209	209
Translation reserve	15	(100)	(160)
Accumulated losses	15	(28,772)	(26,756)
Total equity		<u>528</u>	<u>2,484</u>

The accompanying accounting policies and notes form an integral part of the financial statements.

Approved by the Board and authorised for issue on 21 June 2009.



Michael Roger Hewitt
Non-Executive Chairman



Jonathan Allen
Non-Executive Director

Company Balance Sheet

At 31 December 2008

ReEnergy Group plc

	Notes	2008 £000	2007 £000
Non-current assets			
Other intangible assets	9	-	-
Property, plant and equipment	10	-	2
Investments	11	-	-
		<u>-</u>	<u>2</u>
Available for sale investments	11	-	1,863
Current assets			
Trade and other receivables	12	161	162
Cash and cash equivalents		507	1,650
		<u>668</u>	<u>1,812</u>
Current liabilities			
Trade and other payables	13	(143)	(487)
Net current assets		<u>525</u>	<u>1,325</u>
Total assets less current liabilities		<u>525</u>	<u>3,190</u>
Non-current liabilities		-	-
Net assets		<u>525</u>	<u>3,190</u>
Equity			
Share capital	14	5,090	5,090
Share premium account	15	24,101	24,101
Share option reserve	15	-	-
Profit and loss account	15	(28,666)	(26,001)
Total equity	15	<u>525</u>	<u>3,190</u>

The accompanying accounting policies and notes form an integral part of the financial statements.

Approved by the Board and authorised for issue on 21 June 2009.



Michael Roger Hewitt
Non-Executive Chairman



Jonathan Allen
Non-Executive Director

Consolidated Statement of Changes in Shareholders' Equity For the year ended 31 December 2008

ReEnergy Group plc

	-----Attributable to equity holders of the Company-----						
	Share Capital £000	Share premium account £000	Share Option reserve £000	Merger reserve £000	Accum- ulated losses £000	Trans- lation reserve £000	Total £000
At 1 January 2007	4,078	20,521	235	209	(14,416)	(58)	10,569
Changes in equity for 2007							
Loss for the year	-	-	-	-	(12,340)	-	(12,340)
Issue of share capital	1,012	3,580	-	-	-	-	4,592
Costs of issue of shares	-	-	-	-	-	-	-
Share based payments	-	-	(235)	-	-	-	(235)
Movement on re-translation of overseas subsidiaries	-	-	-	-	-	(102)	(102)
At 31 December 2007	5,090	24,101	-	209	(26,756)	(160)	2,484
Changes in equity for 2008							
Loss for the year	-	-	-	-	(2,016)	-	(2,016)
Movement on re-translation of overseas subsidiaries	-	-	-	-	-	60	60
At 31 December 2008	5,090	24,101	-	209	(28,772)	(100)	528

See the ReEnergy Company Statement of Changes in Shareholders' Equity for the year ended 31 December 2008 on page 45.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

ReEnergy Group plc

		2008	2007
	Notes	£000	£000
Operating cash flow before changes in working capital and provisions	20	(1,929)	741
Income taxes (paid) / refunded		-	-
Interest element of finance lease rental payments		(2)	(8)
		<u>(1,931)</u>	<u>733</u>
Movement in working capital			
Decrease in debtors		123	121
Decrease in creditors		(706)	(923)
		<u>(583)</u>	<u>(802)</u>
Net cash from operating activities		<u>(2,514)</u>	<u>(69)</u>
Cash flows from investing activities			
Interest received		36	529
Acquisition of equipment		(16)	(16)
Disposal of subsidiary		1,505	-
		<u>1,525</u>	<u>513</u>
Net cash used in investing activities		<u>1,525</u>	<u>513</u>
Cash flows from financing activities			
Repayment of finance leases		(41)	(70)
Loans repaid		(126)	(5,259)
		<u>(167)</u>	<u>(5,329)</u>
Net cash (used) / from financing activities		<u>(167)</u>	<u>(5,329)</u>
Net (decrease) in cash and cash equivalents		<u>(1,156)</u>	<u>(4,885)</u>
Cash and cash equivalents at beginning of the period		1,666	6,551
		<u>1,666</u>	<u>6,551</u>
Cash and cash equivalents at end of the period		<u>510</u>	<u>1,666</u>

Company Cash Flow Statement
For the year ended 31 December 2008

ReEnergy Group plc

		2008	2007
	Notes	£000	£000
Operating cash flow before changes in working capital and provisions	20	(2,699)	(1,201)
Income taxes (paid) / refunded		-	-
		(2,699)	(1,201)
Movement in working capital			
Increase/(Decrease) in debtors		2	(70)
(Decrease)/Increase in creditors		(345)	33
		(3,042)	(1,238)
Net cash from operating activities			
Cash flows from investing activities			
Interest received		36	529
Disposal of subsidiary		1,863	-
		1,899	529
Net cash used in investing activities			
Cash flows from financing activities			
Loans repaid		-	(4,158)
		-	(4,158)
Net cash (used) / from financing activities			
Net (decrease) in cash and cash equivalents		(1,143)	(4,867)
Cash and cash equivalents at beginning of the period		1,650	6,517
		507	1,650
Cash and cash equivalents at end of the period			

1. Accounting policies

The principal accounting policies, which have been consistently applied in the Group's financial information throughout the period under review, are as follows:

Basis of accounting

The financial information has been prepared under the historical cost convention, except as detailed below, and to comply with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Group has adopted all new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to the Group's operations and effective for accounting periods beginning on 1 January 2007.

The accounting policies applied in these financial statements are in accordance with IFRS and applied in accordance with those parts of the Companies Act 1985 that remain applicable to companies reporting under IFRS.

At the date of authorisation of this report the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 1	Presentation of Financial Statements - revised (1 January 2009)
IAS 23	Borrowing Costs – revised (1 January 2009)
IAS 27	Determining the cost of an investment in the separate financial statements (1 January 2009)
IAS27	Consolidated and Separate Financial Statements – amended (1 July 2009)
IAS 32	Financial Instruments Presentation – amended (1 January 2009)
IAS39	Financial Instruments: Recognition and Measurement – Eligible hedged items – amended (1 July 2009)
IAS39	Recognition and Measurement – revised (1 July 2008)
IFRS1	First-time Adoption of International Financial Reporting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – amended (1 January 2009)
IFRS 2	Share-Based Payment Vesting Conditions and Cancellations – amended (1 January 2009)
IFRS3	Business Combinations – revised (1 July 2009)
IFRS7	Financial Instruments; Disclosures – Reclassification of Financial Assets (1 July 2008)
IFRS8	Operating segments (1 January 2009)
IFRIC 13	Customer Loyalty Programmes (1 July 2008)
IFRIC 15	Agreements for the Construction of Real Estate (1 January 2009)
IFRIC16	Hedges of a Net Investment in a Foreign Operation (1 October 2009)
IFRIC17	Distributions of Non-Cash Assets to Owners (1 July 2009)
IFRIC18	Transfer of Assets from Customers (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 when the relevant standards come into effect for periods commencing on or after the implementation date.

Notes to the Financial Statements

(continued)

ReEnergy Group plc

Responsibility statement

The Board is responsible for preparing the financial statements. To the best of its knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the listed Company and the undertakings included in the consolidation taken as a whole;
- the Chairman's statement and the Report of the Directors include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Company is responsible for all information drawn up and made public.

Going Concern

As of 31 December 2008 the Company had a cash balance of £510,000. Since the Company sold its Estech Europe subsidiary in mid 2008 the board has closed the office and eliminated all personnel in an effort to secure a merger candidate for the Company. Based on the cash available and cash flow forecast in anticipation of a merger the Company will have more than fifteen months operating cash as of 30 April 2009, taking into account all known risks and uncertainties.

Following their review, the Directors believe that cash flow can be managed to enable the Group to continue in operational existence until an appropriate merger transaction is completed. In order to accommodate the board strategy they have virtually eliminated all staffing costs and the corporate office. Accordingly, the Going Concern basis has been adopted for the preparation of these accounts.

Basis of consolidation

The consolidated balance sheet and income statement include the financial statements of the Company and its subsidiaries made up to 31 December 2008. Subsidiary undertakings acquired are accounted for using the purchase method and their results are included in the financial statements from the dates of acquisition.

Under the share purchase agreement dated 13 December 2004 and 17 March 2005 the Company acquired the entire issued share capital of ReEnergy USA Inc. (formerly Reenergy Pacific Corporation) by means of a share for share exchange. The Company gained control on 13 December 2004. IFRS 3 has not been applied as this business consolidation falls outside the scope of IFRS 3. The transfer of ownership has therefore been accounted for in accordance with the principles of merger accounting hence the assets and liabilities of ReEnergy USA Inc. and its subsidiary and associated undertakings have been brought in at their book values.

Notes to the Financial Statements

(continued)

ReEnergy Group plc

Goodwill

Goodwill on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly-controlled entity at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such other occasions that events or change in circumstances indicate that it might be impaired. This is the only area that has been affected by the IFRS transitions.

The directors look at the value of goodwill on an annual basis and determine if impairment is necessary based on the projected future cash flows of the operation.

Other intangible assets

Other intangible assets relate to the intellectual property acquired by the Group either through licence agreements or outright purchase. Other intangible assets are stated at historical cost less amortisation.

Amortisation is provided at rates calculated to write down each asset from the date of its acquisition to its estimated residual value evenly over the term of the licence or its expected useful life, as follows:

Licences	Term of the licence
Acquired intellectual property	20 years

A license of £40,000 in Estech Europe was fully impaired in during 2007. See notes 9 and 10 for further details.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Estech Europe demonstration plant	5 years
Motor vehicles	3 years
Other plant, machinery and equipment	2 to 4 years

Fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount.

Investments

Investments in subsidiary companies are shown at cost less any provision for impairment.

Notes to the Financial Statements

(continued)

ReEnergy Group plc

Taxation

The tax expense represents the sum of the current tax and deferred tax.

The tax currently payable is based on the taxable result for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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.

Segmental analysis

The Group's primary segmental analysis is based on its two business segments: waste management and water desalination. This is consistent with the way the Group manages itself and with the format of the Group's internal financial reporting.

The secondary analysis is presented according to the geographic markets comprising Europe and United States of America. The Group's geographical segments are determined by the location of the Group's assets and operations.

Costs are allocated between segments on an actual basis.

Foreign currencies

Transactions denominated in foreign currencies are converted into sterling at the rate of exchange at the time of the transaction. At each balance sheet date, monetary assets and liabilities are converted at the rate of exchange at the balance sheet date with any gain or loss being included in the income statement.

On consolidation, assets and liabilities of overseas operations are converted at the balance sheet rate while the income statement is translated at the average rate for the year. Any exchange gain or loss being included in the income statement.

Share based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date was calculated using the Black-Scholes model and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The assumptions underlying the number of awards expected to vest are subsequently adjusted to reflect conditions prevailing at the balance sheet date. At the vesting date of an award, the cumulative expense is adjusted to take account of the awards that actually vest.

Equity-settled share-based transactions with parties other than employees and those providing similar services are measured at the fair value of goods or services provided, unless this cannot be reliably measured in which case the transaction is measured at the fair value of the equity instrument granted.

Notes to the Financial Statements

(continued)

ReEnergy Group plc

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are operating leases and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Pension costs

The Group makes payments on behalf of certain employees to personal pension plans. The pension costs charged in the financial statements represent the contributions payable by the Group for the period.

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of the instrument at a constant rate on the carrying amount.

Financial instruments

The Group's financial risk management policies are designed to reduce the risk of currency, liquidity and credit risk exposure.

The Group's financial instruments comprise cash at bank and other items including trade receivables and trade payables that arise directly from its operations. The Group does not engage in instruments of a speculative nature.

Cash and cash equivalents

Cash and cash equivalents comprises cash in hand and short-term deposits with a maturity of less than three months with any qualifying financial institution.

Notes to the Financial Statements

(continued)

ReEnergy Group plc

2. Loss on operating activities before taxation

Loss on ordinary activities before taxation is stated after charging / (crediting):

	2008	2007
	£000	£000
Exceptional impairment of goodwill	-	20,299
Exceptional impairment of other intangible fixed assets (licences)	-	1,201
Exceptional write-back of indebtedness following restructure	-	(13,400)
	<u>-</u>	<u>8,100</u>
Amortisation of other intangible fixed assets (licences)	-	580
Auditors remuneration – Tenon Audit Limited	25	55
Auditors remuneration – Baker Tilly UK Audit LLP	-	96
Operating lease rentals – other	71	181
Share based payment (credit) / expense	-	(235)
Exceptional legal and professional fees relating to the acquisition of the minority interest in Estech Europe	-	130
Loss on disposal of fixed assets	20	-
Loss on disposal of Estech Europe	45	-
Depreciation of tangible fixed assets – owned	9	33
– leased	5	10
	<u>175</u>	<u>850</u>
	175	8,950

Notes to the Financial Statements

(continued)

ReEnergy Group plc

Amounts payable to the auditors and their associates in respect of both audit and non-audit services:

	2008	2007
	£000	£000
Fees for the audit of ReEnergy Group plc		
- Tenon Audit Limited	25	35
- Baker Tilly UK Audit LLP	-	80
Fees for the audit of other Group companies		
- Tenon Audit Limited	-	20
- Baker Tilly UK Audit LLP	-	14
Fees for services relating to taxation		
- Baker Tilly UK Audit LLP	-	2
Total audit fees	<u>25</u>	<u>151</u>

The exceptional impairment of goodwill in 2007 was £20,299,000 which arose following the decision to dispose of Estech Europe.

The other 2007 exceptional impairments relate to other intangible fixed assets amounting to £1,201,000 of which £1,161,000 was impairment in full of the Pirelli licence and £40,000 was impairment that arose following the decision to dispose of Estech Europe.

The 2007 exceptional write-back of £13,400,000 that had been provided for future consideration was no longer a liability following the restructuring and that arose following the decision to dispose of Estech Europe. (See note 9)

Notes to the Financial Statements

(continued)

ReEnergy Group plc

3. Segmental analysis

The Group's operating activities during the period relate to the development of its business as a waste management and water desalination technology provider. All of the Group's projects were at a developmental phase with a similar risk and reward profile, and in relation to the Group's activities have been primarily in Europe and in the United States of America as presented below.

Segmental results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segmental result

	2008 £000	2007 £000
Europe	(1,797)	(11,948)
United States of America	(219)	(392)
Total	<u>(2,016)</u>	<u>(12,340)</u>

Assets and (Liabilities)

	2008 £000	2007 £000
Europe		
Assets	668	3,913
Liabilities	<u>(143)</u>	<u>(1,482)</u>
	525	2,431
United States of America		
Assets	3	84
Liabilities	<u>-</u>	<u>(31)</u>
	3	53

Net assets

<u>528</u>	<u>2,484</u>
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Additions to property, plant, equipment, and intangible assets

	2008 £000	2007 £000
Europe	16	16
United States of America	<u>-</u>	<u>-</u>
	16	16

Other

	2008 £000	2007 £000
Depreciation		
Europe	13	39
United States of America	1	4
Amortisation		
Europe	-	580
United States of America	-	-
Share based payments		
Europe	-	(235)
Net impairments, exceptional charges and credits		
Europe	-	(8,100)

Notes to the Financial Statements

(continued)

ReEnergy Group plc

4. Investment income

	2008	2007
	£000	£000
Bank interest receivable	36	471
Other interest -	-	59
	<u>36</u>	<u>530</u>

5. Finance Costs

	2008	2007
	£000	£000
Interest and finance charges payable on loans	2	8
Exchange loss	3	1
	<u>5</u>	<u>9</u>

6. Taxation

	2008	2007
	£000	£000
Current tax		
UK Corporation tax:		
Adjustments in respect of previous years	-	-

Factors affecting the tax charge for the year:

	2008	2007
	£000	£000
Loss on ordinary activities before tax	<u>(2,016)</u>	<u>(12,340)</u>
Loss on ordinary activities multiplied by standard UK tax rate of 28.50% (2007: 30.00%)	(574)	(3,702)
Expenses not deductible for tax purposes	177	2,670
Temporary differences	-	54
Tax losses carried forward	397	978
Tax (credit)/ charge for period	<u>-</u>	<u>-</u>

The tax credit arises in relation to research and development expenditure incurred by Estech Europe.

Unrecognised deferred tax asset:-

	2008	2007
	£000	£000
Tax losses carried forward	2,030	5,158
Accelerated capital allowances	1	21
Other temporary differences	-	78
	<u>2,031</u>	<u>5,257</u>

No deferred tax asset has been recognised for tax losses carried forward on the basis that it is not sufficiently certain that circumstances will arise in which these amounts could be recovered.

Notes to the Financial Statements

(continued)

ReEnergy Group plc

7. Earnings per Ordinary Share

Basic earnings per share is calculated by dividing the loss for the financial year of £2,016,000 (2007: £12,340,000) attributable to ordinary shareholders by the weighted average number of ordinary shares in issue of 101,806,460 (2007: 90,606,493). There is no dilutive effect of shares to be issued due to the loss arising in the year.

8. Employees

The average monthly number of persons (including Directors) employed by the Group was 8 (2007: 21). All staff are employed in administrative or managerial roles.

Staff costs for the above employees and Directors

	2008 £000	2007 £000
Wages and salaries	1,087	1,711
Social security costs	112	153
Other pension costs	43	64
	-	-
	<u>1,242</u>	<u>1,928</u>

Directors' Emoluments

	2008 £000	2007 £000
Remuneration for management services	461	804
Compensation for loss of office	195	-
Company contributions to defined contribution scheme	37	45
	<u>693</u>	<u>849</u>

Four (2007: Five) Directors accrued benefits under defined contribution schemes.

Amounts paid to highest paid Director

	2008 £000	2007 £000
Emoluments	191	184
Company contributions to defined contribution scheme	17	4
	<u>208</u>	<u>188</u>

Emoluments of the Directors are set out in the Remuneration Report on page 17.

Notes to the Financial Statements

(continued)

ReEnergy Group plc

9. Goodwill and Other intangible Assets – Group

	Licences £000	Goodwill (restated) £000	Total (restated) £000
Cost			
Brought forward at 1 January 2008	-	2,643	2,643
Write-off	-	(2,643)	(2,643)
At 31 December 2008	-	-	-
Amortisation and impairment			
Brought forward at 1 January 2008	-	2,643	2,643
Write-off	-	(2,643)	(2,643)
At 31 December 2008	-	-	-
Net book value at 31 December 2008	-	-	-
Cost			
Brought forward at 1 January 2007	2,521	24,942	27,463
Transfer to Available for sale investments	-	(22,299)	(22,299)
Disposals	(2,521)	-	(2,251)
At 31 December 2007	-	2,643	2,643
Amortisation and impairment			
Brought forward at 1 January 2007	740	2,643	3,383
Transfer to Available for sale investments		(20,299)	(20,299)
Charge in year	580	-	580
Impairment in year	1,201	20,299	21,500
Disposals	(2,521)		(2,521)
At 31 December 2007	-	2,643	2,643
Net book value at 31 December 2007	-	-	-

Licences represent the rights, for a specified period of time, to exploit certain technologies.

The Pirelli licence, which was purchased for £2,321,000 in 2006, was amortised over a four year life to a value of £1,161,000 and was impaired in full at 31 December 2007. Pirelli notified the Group that the licence had terminated in April 2007. The Group entered into discussions regarding a non-exclusive licence although concluded in December 2007 that additional capital expenditure to promote the Refuse Derived Fuel product was not the best use of resources at that time and any further discussions ceased.

Notes to the Financial Statements

(continued)

ReEnergy Group plc

The Estech Europe licence with a remaining net value of £40,000 was impaired in 2007 due to the cancellation of the agreement by the licensor. A new non-exclusive licence was negotiated in April 2008 and was included in the sale of Estech Europe.

The goodwill net book value of £20,299,000 was impaired at 31 December 2007 due to the sale of Estech Europe in June 2008 to VT Environmental. The total cash proceeds from the sale was £2,000,000 less £357,399 in accrued vendor settlements, giving a balance of net proceeds of £1,642,601. Of the net proceeds received £87,000 was repaid to VT Environmental for advances to ReEnergy and £150,000 was retained in escrow for future warranty claims within ninety days of the sale. The warranty retention fund of £148,208 was released by VT Environmental on 13 January 2009. This represented the sum of £150,000 retained in escrow, less an agreed warranty claim payment of £3,285, plus accrued interest of £1,493.

Goodwill and other intangible Assets – Company

	Licences £000
Cost	
Brought forward at 1 January 2008	-
Disposals	-
At 31 December 2008	<u>-</u>
Amortisation	
Brought forward at 1 January 2008	-
Disposals	-
At 31 December 2008	<u>-</u>
Net book value at 31 December 2008	<u>-</u>
Cost	
Brought forward at 1 January 2007	2,321
Disposals	(2,321)
At 31 December 2007	<u>-</u>
Amortisation	
Brought forward at 1 January 2007	580
Charge in year	580
Impairment in year	1,161
Disposals	(2,321)
At 31 December 2007	<u>-</u>
Net book value at 31 December 2007	<u><u>-</u></u>

Notes to the Financial Statements

(continued)

ReEnergy Group plc

10. Property, plant and equipment – Group

	Plant and equipment £000	Motor Vehicles £000	Total £000
Cost			
Brought forward at 1 January 2008	295	44	339
Additions	16	-	16
Disposals	(311)	(44)	(355)
At 31 December 2008	-	-	-
Depreciation			
Brought forward at 1 January 2008	249	42	291
Written back on disposals	(261)	(44)	(305)
Charge in year	12	2	14
At 31 December 2008	-	-	-
Net book value at 31 December 2008	-	-	-
Cost			
Brought forward at 1 January 2007	280	44	324
Additions	16	-	16
Movement arising from retranslation of assets in overseas companies	(1)	-	(1)
At 31 December 2007	295	44	339
Depreciation			
Brought forward at 1 January 2007	226	22	248
Charge in year	23	20	43
Impairment in year	-	-	-
At 31 December 2007	249	42	291
Net book value at 31 December 2007	46	2	48
Assets held under finance leases:-			
		2008	2007
		£000	£000
The net book value of assets held under finance leases was:-		-	7

Notes to the Financial Statements

(continued)

ReEnergy Group plc

Property, plant and equipment – Company

	Plant and equipment £000
Cost	
Brought forward at 1 January 2008	9
Additions	-
Disposals	(9)
At 31 December 2008	<u>-</u>
Depreciation	
Brought forward at 1 January 2008	7
Written back on disposals	(9)
Charge in year	2
At 31 December 2008	<u>-</u>
Net book value at 31 December 2008	<u>-</u>
Net book value at 31 December 2007	<u>2</u>

No assets were held under finance leases.

11. Investments

Group

The Group's investments in subsidiary undertakings are as follows:

Company

Shares in Group undertakings:	£000
At 1 January 2006	<u>14,535</u>
Reduction in the cost of investments	(89)
Impairment in year	(714)
At 31 December 2006	<u>13,732</u>
Impairment in year	(11,732)
Transfer to Available for sale investments	(2,000)
At 31 December 2007 and 2008	<u>-</u>

The Company directly holds investments in the following subsidiaries:-

Name of Company	Principal activity	Country of registration	% of issued shares held and voting rights
ReEnergy USA Inc (formerly Renergy Pacific Corporation)	Holding company	State of Delaware, USA	100%

Notes to the Financial Statements

(continued)

ReEnergy Group plc

The Company indirectly holds investments in the following subsidiaries:-

Name of Company	Principal activity	Country of registration	% of issued shares held and voting rights
Oases U.K. Limited	Holding company	England and Wales	93.86%
ReEnergy U.K. Limited (Dissolved December 2008)	Holding company	England and Wales	100%
ReEnergy Desalination Inc. (formerly Oases Global Systems Inc.) (Dissolved November 2008)	Desalination	State of Delaware, U.S.A	100%

Estech Europe

Available for sale investments

The gross consideration for the disposal on 16 June 2008 of the operating subsidiary Estech Europe to VT Environmental Engineering Limited is reflected in the amount of £2,000,000 less an accrual of £137,000 in the 31 December 2007 financial statements. The net consideration received in accordance with the agreement is as follows:

	£000
Total Consideration	2,000
Settlement and accrual adjustments	(357)
Subtotal	<u>1,643</u>
Warranty claim	(3)
Warranty interest received	2
Other settlement agreement	(50)
VT Group advances repaid	<u>(87)</u>
Net Consideration	<u><u>1,505</u></u>

The net loss on the sale of Estech Europe is as follows:

Estech Europe settlement and accrual adjustments	(357)
Net assumption of indebtedness on sale to VT Group	<u>312</u>
Net Loss on Sale of Estech Europe	<u><u>(45)</u></u>

The assets and liabilities (including cash) that were disposed of on the sale of the operating subsidiary, Estech Europe is summarized below:

Cash	(5)
Trade and other receivables	(69)
Trade and other payables	<u>386</u>
Net assumption of indebtedness on sale to VT Group	<u><u>312</u></u>

Notes to the Financial Statements

(continued)

ReEnergy Group plc

12. Trade and other receivables

Group

Amounts falling due within one year:	2008	2007
	£000	£000
Other debtors	148	197
Prepayments and accrued income	13	86
	161	283

Company

Amounts falling due within one year:	2008	2007
	£000	£000
Other debtors	148	127
Prepayments and accrued income	13	35
	161	162

13. Trade and other payables

Group

Amounts falling due within one year:	2008	2007
	£000	£000
Trade creditors	93	321
Obligations under finance leases	-	63
Other taxation and social security costs	-	36
Other creditors	-	24
Accruals and deferred income	50	682
	143	1,126

The other creditors represents £nil (2007: £24,000) due to stakeholders in Estech Europe.

Amounts falling due after one year:

	2008	2007
	£000	£000
Obligations under finance leases	-	-
Loans from former shareholders in Oases U.K. Limited	-	250
	-	250

Obligations under finance leases and hire purchase contracts:

	2008	2007
	£000	£000
One to two years	-	-
	-	-

The loan from former shareholders of Oases U.K. Limited was settled and paid in accordance with the employment agreements of the holders upon their severance of employment with the Company. The loan balance of £249,647 and accrued interest of £54,129 totalling £303,776 was settled for £153,493 in cash payments during 2008. The Company recorded a discount of £147,711 in 2008.

Notes to the Financial Statements

(continued)

ReEnergy Group plc

Company

Amounts falling due within one year:	2008 £000	2007 £000
Trade creditors	93	245
Other taxation and social security costs	-	21
Accruals and deferred income	50	221
	<u>143</u>	<u>487</u>

14. Share Capital

	31 December 2008 £000	31 December 2007 £000
Authorised		
200,000,000 Ordinary 5p Shares	10,000	10,000
Issued and fully paid:		
101,806,460 Ordinary 5p Shares (2007: 101,806,460)	5,090	5,090

Warrants

1. On 20 October 2005, as part of the consideration for raising finance, Boston Equities were granted 400,000 warrants to subscribe for Ordinary Shares at a price of 37.5 pence per ordinary share exercisable until 19 October 2008. The warrants expired without being exercised on the termination date.
2. Further to their letter of engagement dated 9 August 2005 to provide financial advice leading to a successful IPO, Strand Partners Limited were granted a warrant on the following terms;
 - i) Strand Partners will be entitled to subscribe for Ordinary Shares in the Company at any time during the three years following the date of issue of such warrant; the number of shares to be issued pursuant to the warrant is 2 per cent of the lesser of: the Ordinary Shares in issue at the time the warrant is exercised; or an uplift of 50 per cent on the number of Ordinary Shares in issue on completion of the Placing; and
 - ii) the exercise price of the warrant will be the same price per share as the placing price; 75 pence.

The warrants expired without being exercised on the termination date.
3. On 12 May 2006, as part of the consideration for acting as brokers to the Company, Blue Oar Securities plc (formerly Corporate Synergy plc) was granted an option to subscribe for 300,000 Ordinary Shares at a price per share of 30 pence for a period of 3 years from the date of grant. The warrants expired without being exercised on the termination date.

Notes to the Financial Statements

(continued)

ReEnergy Group plc

15. Reconciliation of Shareholders' Funds and Movements on Reserves

Group

Reconciliation of movements in shareholders' funds:	2008	2007
	£000	£000
Loss for the financial year	(2,016)	(12,340)
Other gains and losses relating to the period	60	(102)
Issue of share capital	-	4,592
Cost of share options	-	(235)
Movement in the period	(1,956)	(8,085)
Opening shareholders' funds	2,484	10,569
Closing shareholders' funds	528	2,484

Movements on Reserves

	Retained Earnings £000	Merger Reserve £000	Share Option Reserve £000	Share Premium £000	Total £000
At 1 January 2007	(14,474)	209	235	20,521	6,491
Loss for the financial year	(12,340)	-	-	-	(12,340)
Premium on issue of shares	-	-	-	3,580	3,580
Expenses on issue of shares	-	-	-	-	-
Share based payments	-	-	(235)	-	(235)
Movement on retranslation of overseas subsidiaries	(102)	-	-	-	(102)
At 31 December 2007 (restated)	(26,916)	209	-	24,101	(2,606)
Loss for the financial year	(2,016)	-	-	-	(2,016)
Premium on issue of shares	-	-	-	-	-
Expenses on issue of shares	-	-	-	-	-
Share based payments	-	-	-	-	-
Movement on retranslation of overseas subsidiaries	60	-	-	-	60
At 31 December 2008	(28,872)	209	-	24,101	(4,562)

The merger reserve reflects the difference between the share capital and share premium of ReEnergy USA and the nominal value of ordinary shares issued on acquisition.

Notes to the Financial Statements

(continued)

ReEnergy Group plc

Company

Reconciliation of movements in shareholders' funds:	2008	2007
	£000	£000
Loss for the financial year	(2,665)	(16,322)
Issue of share capital	-	4,592
Cost of share options	-	(235)
Movement in the period	(2,665)	(11,965)
Opening shareholders' funds	3,190	15,155
Closing shareholders' funds	525	3,190

Movements on Reserves

	Share Capital	Retained Earnings	Share Premium	Share Options Reserve	Total
	£000	£000	£000	£000	£000
At 1 January 2007	4,078	(9,679)	20,521	235	15,155
Issue of share capital	1,012	-	3,580	-	4,592
Expenses on issue of shares	-	-	-	-	-
Loss for the financial year	-	(16,322)	-	-	(16,322)
Share based payments	-	-	-	(235)	(235)
At 31 December 2007	5,090	(26,001)	24,101	-	3,190
Premium on issue of shares	-	-	-	-	-
Expenses on issue of shares	-	-	-	-	-
Loss for the financial year	-	(2,665)	-	-	(2,665)
Share based payments	-	-	-	-	-
At 31 December 2008	5,090	(28,666)	24,101	-	525

Notes to the Financial Statements

(continued)

ReEnergy Group plc

16. Company income statement

As permitted by s230 of the Companies Act 1985, the Company has not presented its own income statement. The Company's loss for the year ended 31 December 2008 was £2,665,000 (2007: £16,322,000).

17. Share-based payments

The charge made to the income statement based on the fair value of options and warrants granted in accordance with IFRS 2 – Share Based Payments. Fair values have been calculated using the Black-Scholes model. The weighted average contractual life relating to equity settled instruments outstanding at the year end was six months (2007: six months).

	2008		2007	
	Instruments No.	Weighted average exercise price	Instruments No.	Weighted average exercise price
Outstanding at 1 January				
Share options	-	-	1,000,000	5.0p
Share options	300,000	30.0p	300,000	30.0p
Warrants issued in respect of services provided	1,520,280	65.1p	1,520,280	65.1p
	1,820,280	40.1p	2,820,280	40.1p
Granted/Lapsed during year:				
Expired warrants	(1,520,280)	65.1p	-	-
Expired share options	-	-	(500,000)	5.0p
Cancelled share options	-	-	(500,000)	5.0p
Outstanding at 31 December	300,000	30.0p	1,820,280	59.3p
Exercisable at 31 December	300,000	30.0p	1,820,280	59.3p

On 30 April 2007, Paul Craven resigned as a Director and his 500,000 share options were bought out at that date for £50,000 and cancelled with immediate effect.

Expected volatility was estimated to be 108 per cent (2007: 108.0 per cent) and was estimated by reference to historical share price movements in the Group. Based on the 2007 post balance sheet event, sale of Estech Europe, and the company's search for a merger partner the Directors concluded that a credit in full be made to the income statement in 2007, rather than a charge. The credit in 2007 amounted to £235,000 with no adjustment in 2008.

The Company has made no dividend payments to date and there is no expectation of making payments in the immediate future; this variable has been set to zero for all grants.

The risk free rates and the share price at the date of grant are as follows:

Date of grant	Risk free rate	Share price at Date of grant
18 December 2004	4.47%	5p
9 August 2005	4.24%	50p
20 October 2005	4.29%	50p
12 May 2006	4.73%	32p

Notes to the Financial Statements

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ReEnergy Group plc

Equity settled instruments outstanding at the end of the year have the following expiry dates and exercise prices.

Expiry date	Exercise price	2008 Options No.	2007 Options No.
17 December 2007	5.0p	-	1,000,000
8 August 2008	37.5p		400,000
19 October 2008	75.0p		1,120,280
11 May 2009	30.0p	300,000	300,000
		<u>300,000</u>	<u>2,820,280</u>

18. Operating lease commitments

Group

At 31 December 2008, the Group had no commitments under non-cancellable operating leases. The commitments as of 31 December 2007 under non-cancellable operating leases are set out below:

	Land and buildings	
	2008	2007
	£000	£000
<i>Minimum future payments of leases are payable as follows:</i>		
Within 1 year	-	-
Within 2 to 5 years	-	-
After more than 5 years	-	-
	<u>-</u>	<u>-</u>
	Other	
	2008	2007
	£000	£000
Within 1 year	-	65
Within 2 to 5 years	-	-
After more than 5 years	-	-
	<u>-</u>	<u>65</u>

19. Pension commitments

The Group pays pension contributions to personal pension plans for certain employees, the assets of which are held separately for each employee in independently administered funds. The pension cost charge represents contributions payable by the Group for the period and amounted to £43,058 (2007: £64,250). No contributions remained payable at the 2008 and 2007 year end, respectively.

Notes to the Financial Statements

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ReEnergy Group plc

20. Reconciliation of Operating Loss to Net Cash (Outflow) from Operating Activities - Group

	2008	2007
	£000	£000
Operating loss	(2,016)	(12,340)
Depreciation	15	43
Interest received	(36)	-
Impairment of goodwill	-	20,299
Amortisation of other intangible assets	-	580
Impairment of intangible assets	-	1,201
Loss on disposal of fixed assets	49	-
Share based payments / (credit)	-	(235)
(Decrease) / increase in provisions	-	(13,400)
Currency translation of subsidiary	59	-
Shares issued in lieu of payment	-	4,593
Net cash (outflow)/inflow from operating activities	(1,929)	741

Assets and liabilities (including cash) disposed of on the sale of the operating subsidiary, Estech Europe were analysed in note 11.

Reconciliation of Operating Loss to Net Cash (Outflow) from Operating Activities - Company

	2008	2007
	£000	£000
Operating loss	(2,665)	(16,322)
Depreciation	2	2
Interest received	(36)	(529)
Impairment of goodwill	-	22,949
Amortisation of other intangible assets	-	580
Impairment of intangible assets	-	1,161
Share based payments / (credit)	-	(235)
(Decrease) / increase in provisions	-	(13,400)
Shares issued in lieu of payment	-	4,593
Net cash (outflow)/inflow from operating activities	(2,699)	(1,201)

21. Contingencies

There were no contingent liabilities at the end of 2008 (2007: £nil).

22. Commitments

There was no capital expenditure contracted for but not provided for at 31 December 2008 for the Group or for the Company (2007: £nil).

Notes to the Financial Statements

(continued)

ReEnergy Group plc

23. Financial Instruments

The Group uses financial instruments comprising cash, liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group financial instruments are interest rate risk, currency exchange risk and liquidity risk. The policies for managing these risks are reviewed and agreed by the Board as indicated in the financial risk management note in the Directors' report.

Short term debtors and creditors have been excluded from the following disclosures, other than currency risk disclosures.

Interest rate risk

The Group finances its operations through share capital as set out below.

The interest rate exposure to the financial assets and liabilities of the Group was:-

	Fixed interest rate	Floating interest rate	At December Nil	At December 2008
	£000	£000	£000	£000
Balances at 31 December 2008				
Assets				
Cash at bank and in hand				
Amounts held in £ sterling	-	-	507	507
Amounts held in US\$	-	-	3	3
Interest rate exposure on assets	-	-	510	510
Liabilities				
Amounts payable within one year denominated in sterling:				
Finance leases (amounts due within one year)	-	-	-	-
Other creditors payable within one year	-	-	(50)	(50)
Amounts denominated in US\$	-	-	-	-
Amounts payable after one year denominated in sterling:				
Finance leases (amounts due after one year)	-	-	-	-
Amounts payable after one year denominated in US\$				
Loans due to former shareholders in Oases U.K. Limited	-	-	-	-
Interest rate exposure on liabilities	-	-	460	460
Interest rate exposure on net liabilities	-	-	460	460

Notes to the Financial Statements

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ReEnergy Group plc

	Fixed	Floating	As restated	
	interest	interest	Nil	2007
Balances at 31 December 2007	rate	rate	£000	£000
	£000	£000		
Assets				
Cash at bank and in hand				
Amounts held in £ sterling	-	1,100	551	1,651
Amounts held in US\$	-	-	15	15
Interest rate exposure on assets	-	1,100	566	1,666
Liabilities				
Amounts payable within one year denominated in sterling:				
Finance leases (amounts due within one year)	(63)	-	-	(63)
Other creditors payable within one year	-	-	(828)	(828)
Amounts denominated in US\$	-	-	(14)	(14)
Amounts payable after one year denominated in sterling:				
Finance leases (amounts due after one year)	-	-	-	-
Amounts payable after one year denominated in US\$				
Loans due to former shareholders in Oases U.K. Limited	(250)	-	-	(250)
Interest rate exposure on liabilities	(313)	-	(842)	(1,155)
Interest rate exposure on net liabilities	(313)	1,100	(276)	511

There were no obligations under finance leases due after more than one year for 2008 and 2007, respectively.

The terms of repayment of the loans due to former shareholders in Oases U.K. Limited are described in the Creditors Note 13.

The Group had no material un-drawn committed borrowing facilities at 31 December 2008 (2007: £nil).

The Directors consider that the fair value of the Group's financial assets and liabilities is not materially different from their carrying value.

The interest rate exposures are as follows:

The floating interest rate receivable on cash balances in £ sterling is 1.73 per cent below UK base rate (2007: 0.61 per cent below UK base rate). At 31 December 2008 the interest rate receivable on cash balances was nil per cent (2007: 5.65 per cent).

The average interest rate payable on liabilities with fixed rates of interest was nil per cent (2007 8.0 per cent).

The average interest rate payable on liabilities with floating interest rates was nil per cent (2007 2.0 per cent above UK base rate).

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ReEnergy Group plc

Liquidity risk

The Group seeks to manage this risk by ensuring that sufficient financial liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. It was in order to ensure the provision of liquid funds for the future development of the Group that the initial public offering was undertaken on 30 December 2005 and a secondary fund raising was undertaken on 25 April 2006.

Currency exchange risk

The Group has subsidiaries in the USA and is subject to currency exposures on both its balance sheet and transactions undertaken during the year. The Group has not made use of any currency options.

The Group had the following monetary assets and liabilities denominated in US\$ at 31 December 2008:

		2008	2007
Net monetary (liabilities) denominated in US\$	In US\$000s	-	(62)
Net monetary (liabilities) denominated in US\$	In £000s	-	(31)
Net monetary assets / (liabilities) denominated in £ sterling	In £000s	3	53

Financial assets

At 31 December 2008 and 2007 £nil and £1,100,000, respectively was on deposit with Barclays Bank plc with the balance at 2007 accruing 6.25 per cent gross interest per annum.

24. Related party transactions – ReEnergy Group plc

The following definitions apply to entities referred to in the related party transactions note.

Strand Partners was a related party during 2008 and 2007 by reason of having rights to future Ordinary Shares in the Company. The warrants expired without being exercised in August 2008.

Related party transactions – ReEnergy USA Inc. (formerly ReEnergy Pacific Inc.)

One of the founders of ReEnergy USA, Steve Mueller, is a stockholder of DG Energy Solutions LLC from whom ReEnergy USA Inc. leased office space in 2008 and in 2007 in the amounts of £19,998 and £89,436, respectively.

25. Post balance sheet events

- The warranty retention fund of £148,208 was released by VT Environmental on 13 January 2009. This represented the sum of £150,000 retained in escrow, less an agreed warranty claim payment of £3,285, plus accrued interest of £1,493.
- The Company applied to strike-off and dissolve Oases U.K. Limited and ReEnergy U.S.A. Inc. in April 2009 and May 2009, respectively.