

KP Renewables Plc

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

CHAIRMAN'S STATEMENT

Shareholders will already be aware that the year to 31 December 2006 was a particularly difficult one for the company. As I explained in my Interim

Statement for the period to 30 June 2006, refinancing problems that arose during the year led to the suspension of the company's shares and eventually to serious questions as to whether the company could survive. As a result, it was decided that the only way to retain some residual value and some hope of future recovery for creditors and shareholders was to put the company through a Company Voluntary Arrangement ("CVA") and to restructure and refinance the company on that basis.

The terms of the CVA and refinancing were outlined in my Interim Statement and more fully set out in the Circular to Shareholders dated 16 March 2007. I am pleased to report that the CVA was approved by creditors and shareholders and, following the restructuring of the company's share capital, a placing took place through which #750,000 was eventually raised, as opposed to #575,000 as indicated in the Interim Statement.

As a result, the company is now able to revive its business plan, seek to resuscitate existing projects and to identify new opportunities principally in the renewable energy field, albeit at this stage at a relatively low-key level. The company continues to have the benefit of an experienced team with strong connections in the renewables field, both at Board and consultants' level, and is confident of identifying new and viable businesses and projects in the coming months. The Board believes that, with increasing interest in this sector and with the help of advisers and brokers, the company will be in a good position to raise the necessary finance as and when such viable propositions are identified.

I should meanwhile explain in greater detail the background and reasons for the problems experienced in 2006. Good progress was made in the early months of the year in terms of identifying suitable opportunities for investment and development, and the company entered into a number of significant development agreements. The Chief Executive's Report for the year to 31 December 2005 identified a range of potentially large and exciting projects in which the company was involved. However, it was also made clear that progressing these opportunities would require additional financing and that this was being actively sought at the time of the announcement of the 2005 results in June 2006. The company's development programme was in fact severely restricted by shortage of funds. As I explained in the Interim Statement, this was in large part attributable to the illness and subsequent death of the company's founder and Chief Executive Officer, Dr James Watkins, who had been leading the fund raising efforts.

The Board remained hopeful that the company could generate value from its portfolio of projects while continuing negotiations for the injection of new capital. However, in the absence of new investment, the Board concluded that there were insufficient resources to devote to these projects to bring them to fruition. Indeed, the financial uncertainties surrounding the company were such that, on 21 September 2006, the Board requested that the company's shares be suspended from trading on AIM pending a decision on refinancing.

In the months following the suspension, the Board, with the active assistance of its advisers, conducted a review of all the available options, including the sale of the company's interest in certain projects and further negotiations for new investment, and concluded that the only route forward for creditors and shareholders was to propose a CVA as referred to above, whereby the creditors of the company would be asked to materially compromise the amounts owed to each and, conditional on the creditors agreeing to be so compromised, to raise new equity capital.

The creditors and shareholders of the Company approved the proposed CVA, which was put to them on 10 April 2007. Under the terms of the CVA, creditors will now receive either a payment of 4p in the # in cash or, at the option of individual creditors, a cash payment of 2p in the # plus an allotment of shares to the equivalent value of 2p in the #. As I explained in my Interim Statement, those creditors of the Company who elected for the cash and shares option are entitled to 60% of any net proceeds which may flow from the existing portfolio of projects over a three year period on a pro rata basis, subject to a maximum of 100% of each creditor's CVA claim.

Further to the approval of the CVA, the company completed a placing to raise #750,000. The details of the reorganisation of the share capital and the placing were given in my Interim Statement and are summarised in the Post Balance Sheet Events note in these accounts. The placing was effected at 1p per share in the consolidated form, resulting in the issue of 75,000,000 shares. After taking account of the issue of a further 6,500,000 in settlement of related costs, the number of shares in issue is 83,829,483.

The results for the period under review, which reveal a loss before tax of #2.88m, are largely of academic interest in view of the events described above. The loss was exacerbated by the need to make a charge of #1.1m against assets that the Board considered no longer had any value. This charge principally related to pre-payments made in respect of the Power Purchase Agreements ("PPAs") referred to in the Chief Executive's Report for the year ended 31 December 2005. In view of the fact that two of the PPAs expired during 2006 and the remaining one contained provisions for cancellation in the event of a company administration and in any case would require substantial investment well beyond the level now or at any time available to the Company, it was thought appropriate to make a full provision against the carrying value of the PPAs and the related intangible asset.

David Lloyd-Jacob, Stephen Drummond and Paul Goodrow resigned as directors shortly before the events described above. I am pleased to inform you that Peter Redmond and Richard Armstrong, who advised the company on its reorganisation and assisted in the fundraising, joined the Board on completion of the steps taken to place the company on a firmer footing. Mr Redmond and Mr Armstrong both have extensive experience in the small cap sector of AIM and have particular experience in restructuring and relaunching smaller quoted companies that have fallen into difficulties. I am pleased to report that Dr David Lindley, who has wide experience and expertise in the renewables sector, will remain on the Board and I will continue as Chairman.

The company will continue to operate in the renewable energy sector and the immediate priority of the Board will be to attempt to crystallise value from some of the existing projects in a cost effective manner. There is a portfolio of eight biomass and thirteen wind projects where the Company had entered into development agreements. The company is reviewing these projects to establish whether they can be profitably revived. Although it is too early to comment in detail, the Directors are confident that some of them will in due course bear fruit. It has always been part of the company's strategy to develop certain projects to a point where they could be "sold on" and this in the short term will continue, both in relation to existing projects and in relation to certain new projects that the Directors are beginning to investigate. While the company's business will initially be limited in scale, it is likely to be in shareholders' best interests for consideration to be given either to a significant further fund raising to support investment in a sizable project or to the acquisition of another larger business. The Directors will be actively considering these alternatives in the coming months.

To all intents and purposes, the company has now been relaunched and your Board hopes to build some value both for previous and for new shareholders. Accordingly, the Directors will propose a change of name to Clear Skies Energy Plc at the forthcoming Annual General Meeting of the company, a notice of which is enclosed with these accounts.

I would like to take this opportunity to thank shareholders for their continued support. The Board is confident that it will now be able to progress the development of the business of the company, building on the stability achieved in recent months.

John Bryant
Chairman
28 June 2007

Contacts:

KP Renewables Plc

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	2006 #	2005 #
Administrative expenses and operating loss	2,876,102)	(1,968,099)
Investment income	10,023	30,267
Interest paid	-	(1,548)
	-----	-----
Loss for the year	(2,866,079)	(1,939,380)
	=====	=====
Loss per share	6.15p	4.46p

CONSOLIDATED BALANCE SHEET
As at 31 December 2006

	2006 #	2005 #
ASSETS		
Non-current assets		
Goodwill	-	-
Investment on product development	-	217,796
	-----	-----
	-	217,796
	-----	-----
Current assets		
Project development costs	13,505	-
Trade and other receivables	38,380	1,023,974
Cash and cash equivalents	12,436	1,100,181
	-----	-----
	64,321	2,124,155
	-----	-----
Total assets	64,321	2,341,951
	=====	=====
EQUITY AND LIABILITIES		
Share capital	465,897	465,897
Share option reserve	244,000	244,000
Share premium	3,734,347	3,734,347
Accumulated losses	(5,026,410)	(2,160,331)
	-----	-----
Total equity	(582,166)	2,283,913
	-----	-----
Current liabilities		
Trade and other payables	646,487	58,038
	-----	-----
Total equity and liabilities	64,321	2,341,951
	=====	=====

CONSOLIDATED CASHFLOW STATEMENT
As at 31 December 2006

	2006 #	2005 #
Net cash flow from operating activities		
Cash flow from operating activities	(2,658,306)	(1,362,104)
Interest paid	-	(1,548)
	-----	-----
	(2,658,306)	(1,363,652)
Movement in working capital		
Increase in project development costs	(13,505)	-
Decrease in receivables	985,594	(315,754)
Increase in payables	588,449	(78,622)
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Net cash used in operating activities	(1,097,768)	(1,758,028)
	=====	=====
Cash flows from investing activities		
Interest received	10,023	30,267
Acquisition of subsidiary	-	-
	-----	-----
Net cash from investment activities	10,023	30,267
	=====	=====
Cash flows from financing activities		
Loan from parent	-	(20,000)
Proceeds from issue of share capital	-	2,837,202
	-----	-----
Net cash from financing activities	-	2,817,202
	=====	=====
Net decrease in cash	(1,087,745)	1,089,441

Cash and cash equivalents at beginning of year	1,100,181	10,740
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Cash and cash equivalents at end of year	12,436	1,100,181
	=====	=====

Notes to the Financial Statements

1. Basis of Preparation

The financial information set out above does not constitute the Company's statutory accounts within the meaning of section 240 of the Companies Act 1985. The balance sheet at 31 December 2006 and the profit and loss account and cash flow statement for the year then ended have been extracted from the Company's audited financial statements. The auditors report on those financial statements is unqualified and does not contain statements under sections 237(2) or (3) of the Companies Act 1985.

2. Taxation

No charge to taxation arose due to the losses incurred during the year. At 31 December 2006, the group had a deferred tax asset (using a tax rate of 30%) of approximately #1,500,000, (2005 - #648,000) in respect of unused tax losses. In view of the fact that the group currently has limited income generating activities the directors do not consider it appropriate to recognise this asset.

3. Loss per Share

	2006	2005
Loss for the financial year attributable to ordinary shareholders	#2,866,079	#1,939,380
Basic losses per share	6.15p	4.46p

Basic losses per share has been calculated by dividing the loss for the financial year attributable to shareholders by 46,589,663 being the weighted average number of shares in issue during the year (2005 - 43,524,396). The impact of shares held in option schemes has not been disclosed as this would be anti-dilutive.

4. Publication of Accounts