

Triodos Renewable Energy Fund

ANNUAL REPORT 2003



Contents

Chair's report	2
Officers and professional advisers	3
Directors' report	4
Statement of directors' responsibilities	6
Auditors' report	6
Consolidated profit and loss account	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated cash flow statement	11
Notes to the accounts	12

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*Front cover photo: Photomontage of Sheringham Shoal offshore wind farm
being developed by E-Concern. Image courtesy of Ecofys & Hydrosearch*

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Chair's report

Welcome to the 2003 Annual Report.

2003 was a year of great changes for the Fund. First, there was a change of name to reflect the more general nature of the clean renewable energy sources in which the Fund is interested in. Second, a new Board of Directors was appointed to the Fund to help develop a reinvigorated strategy to create a more relevant company having a greater impact within the sector. The new Board members bring considerable energy expertise and experience from the investment, business and environmental sectors. Part of the Board's new work includes updating the Fund's governance principles.

However, planned developments for the future cannot offset the practical realities of the present. The Fund made a significantly smaller profit for the year of £23,732 (2002: £75,513). The major cause of this poor result were further problems at Beochlich, largely due to unacceptable performance by service subcontractors. We therefore reviewed our operation and maintenance arrangements, and have taken appropriate and necessary action taken to improve them to expected high standards. Haverigg has continued to perform well with high availability, but 2003 was an exceptionally low wind year and overall energy production from the site was significantly down on previous years. Haverigg was therefore unable to compensate for the operating loss at Beochlich.

The Fund continued to investigate diligently wind projects with planning permission, which could be acquired for construction. These attempts have proved frustratingly difficult. We reached advanced stages of negotiations with two parties regarding the acquisition of wind farm projects, but failed to complete in both instances. In one case, this was due to the owner of the project unexpectedly going into insolvency, with the resulting sale of the holding company preventing us from purchasing the project alone. In the other case, we were in a competitive bid with utility suppliers who outbid us. This was largely due to the way in which Renewable Obligation Certificates (ROCs) are often worth significantly more to utility companies than the price they are prepared to offer independent operators. It is a competitive advantage that the Fund does not enjoy. Overall, the stuttered implementation of the Fund's investment strategy in line with our anticipated plans made 2003 a highly frustrating year.

Despite these temporary setbacks, the Board and management are confident about the future and determined to improve investment performance. The Renewable Fund was begun in order to promote clean renewable energy by investing in new projects and sites. It has become clear over recent years that, as the market has developed, so the Fund has needed a new investment development model. In 2003, major structural changes were made to carry the Fund forward.

Following a positive and upbeat AGM, where investors present continued to urge the Fund to expand its operations and investments while providing reasonable returns, the Board have been working with management and staff to finalise and implement a strategy to broaden the type of renewable investments that the Fund backs. At the end of the year, we had signed a commitment to invest in the European renewable energy group E-Concern, whose activities include solar and wind development across Europe and include projects such as the proposed 315MW UK offshore wind project, Sheringham Shoal near Norfolk. In addition to generation projects, E-concern also develop energy savings products such as 'Innogrow'. This new development won the Innovation Award at the international 'Horti Fair', and delivered the first commercial closed greenhouse in the Netherlands. The closed greenhouse is an innovative concept that results in 20% higher greenhouse production whilst dramatically reducing energy consumption and water use. Investing in a renewable energy company rather than an operating project is a new departure for the Fund, and is in line with our new strategy; nevertheless, it builds upon the experience of fund

management carried out by Triodos Bank. The investment was completed in February 2004, and has resulted in the Fund taking an equity stake of €750,000.

Our first priority must be to ensure that the efficiency of operational projects which we own are optimised. It may continue for some time to be a challenge to achieve these needed improvements, but it remains our primary responsibility to ensure that we act professionally and swiftly in our role as owners to deliver the best results for our shareholders.

Following the strategic review, we also see practical possibilities to develop new ways of working with developers and renewable energy companies. This will include alternative forms of finance such as loan stock, carefully selected investments in pre-planning projects, and equity stakes in lower-risk renewable energy companies.

Given the development stage that the Fund is in, and in light of our projects' operating performance and the recent restructuring, the Board has recommended to pay a dividend of 1.1p per share for the financial year 2003.

While the British renewable energy market remains in a state of flux, and there are still endemic obstacles like unhelpful planning regimes to overcome, we believe that there are significant short, medium and long-term investment and expansion opportunities for the Fund. Public opinion continues to grow in favour of renewable and energy efficient solutions; and, recent government announcements extending ROCs obligations to a 15% target in 2015 are providing a policy framework for developers to have confidence in generally in renewable energy projects (and, particularly, wind). A priority is therefore to ensure that the shape of the Fund is appropriately aligned to the current needs of UK developers. Such positioning should enable us to convincingly meet our overall objective: bringing about new and expanded renewable energy projects and supplies through investments which offer a healthy financial return. In order to meet this twin-track goal, and ensure a balance between sound expansion and satisfactory returns, we are continuing to open up and expand further the dialogue between shareholders, Board and management around the balance of the risks that the Fund should take within its portfolio. We look forward to continuing this conversation with investors, and to improved future performance.

Charles Secrett
Chair

Officers and Professional Advisers

DIRECTORS

Charles Secrett

Emma Howard Boyd

James Blanchard

John Harrison

Triodos Investments Ltd

SECRETARY

Triodos Investments Ltd

REGISTERED OFFICE

Brunel House
11 The Promenade
Clifton
Bristol BS8 3NN

BANKERS

Triodos Bank
Brunel House
11 The Promenade
Clifton
Bristol BS8 3NN

SOLICITORS

TLT Solicitors
One Redcliffe Street
Bristol BS99 7JZ

AUDITORS

Elliott Bunker
30 Queen Square
Bristol BS1 4ND

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

Triodos Renewable Energy Fund plc was established to provide equity finance for small-scale renewable energy projects. The principal activity of the company is direct investment in the development and operation of small-scale renewable energy projects such as wind farms and hydro schemes. It provides a mechanism for individuals and institutions to invest directly in renewable energy opportunities. Its subsidiaries, The Wind Fund (Beochlich) Limited and Haverigg 11 Limited operate a hydro electric project and a wind farm project respectively. The company also holds a share in Solar Development Capital, an investment company established to invest in renewable energy enterprises in developing countries.

REVIEW OF THE BUSINESS

The group achieved a profit before taxation for the year to 31 December 2003 of £32,969 (2002: £103,718).

Triodos Renewable Energy Fund plc made investments in 1998 into two operating projects via subsidiary undertakings, Haverigg 11 Limited and The Wind Fund (Beochlich) Limited.

Haverigg 11 Limited runs a four turbine wind farm in Cumbria of which one turbine is owned by Baywind Energy Co-operative Limited. Electricity output at Haverigg 11 over the year was 5,630,312 kWh: 11.6% lower in 2003 than 2002 due to lower average wind speeds.

The Wind Fund (Beochlich) Limited runs a hydro-electric scheme in Argyll, Scotland. Electricity output was 2,473,074kWh: 35.4% lower in 2003 than 2002. Having made significant progress in 2002, the scheme developed further problems relating to grid synchronisation and control systems. Changes to key personnel within the company performing operation and maintenance had a damaging effect on the level of service given to the project and new contractors have been appointed.

The fund also holds an investment in Solar Development Capital – a fund set up to invest in private sector business activity in the distribution, retail and financing of environmentally sound and reliable energy – principally photovoltaics ('PV' or 'solar power') to those rural communities in the developing countries without access to a reliable electric grid.

RESULTS AND DIVIDENDS

The directors recommend the payment of a final proposed dividend of £29,649 (2002: £88,948). The retained loss for the year of £5,917 (2002: £13,435) has been transferred to reserves.

The directors consider that the company is well placed to perform satisfactorily in the future.

INTRODUCTION OF THE EURO

The group has minimal ongoing sales and purchases outside the UK. Discussions with major customers and suppliers show little requirement for dealing in the Euro currency. It is proposed to deal with the Euro in the same way as any other non-sterling currency until the Euro becomes a more established currency and/or a decision is taken by the UK Government to join the Euro currency.

PAYMENT POLICY

The group policy is to comply with the terms of payment agreed with a supplier rather than to follow a particular code or standard. Where terms are not negotiated, the company endeavours to adhere to the suppliers' standard terms. Trade creditors relate mainly to fixed assets purchased in the year and so no meaningful creditors' days calculation is possible.

DIRECTORS

The directors during the year were as follows:

Charles Secrett (*Appointed 25.09.03*)

Emma Howard Boyd (*Appointed 25.09.03*)

James Blanchard (*Appointed 25.09.03*)

John Harrison

Triodos Investments Ltd (*Appointed 19.12.03*)

Matthijs Bierman (*Resigned 25.09.03*)

Tim Kirby (*Resigned 25.09.03*)

DIRECTORS' INTERESTS IN SHARES

The directors and their interests in the ordinary shares of the company at the beginning of the financial year and end of the financial year were:

		50p Ordinary shares fully paid
	2003	2002
Charles Secrett	-	-
Emma Howard Boyd	-	-
James Blanchard	-	-
John Harrison	2,000	2,000
Triodos Investments Ltd	400	400

Approved by the Board of Directors
and signed on behalf of the Board on 27 May 2004

Triodos Investments Ltd **Emma Howard Boyd**
Secretary Director

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors' report to the members of Triodos Renewable Energy Fund plc

We have audited the financial statements of Triodos Renewable Energy Fund plc for the year ended 31 December 2003 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit 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 statement in accordance with applicable law and United Kingdom Accounting Standards.

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

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

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

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Elliott Bunker

Chartered Accountants and Registered Auditors

28 May 2004

Consolidated profit and loss account

Year ended 31 December 2003

	Note	Continuing operations	
		2003 £	2002 £
Turnover	1	386,921	471,827
Cost of sales		(245,207)	(246,795)
Gross profit		141,714	225,032
Administrative expenses		(77,400)	(80,596)
Operating profit	3	64,314	144,436
Interest receivable and similar income		59,241	68,489
Interest payable and similar charges	5	(90,586)	(109,207)
Profit on ordinary activities before taxation		32,969	103,718
Tax credit/(charge) on profit on ordinary activities	6	(9,237)	(28,205)
Profit on ordinary activities after taxation		23,732	75,513
Dividends payable	7	(29,649)	(88,948)
Retained profit/(loss) for the year	17	(5,917)	(13,435)

The company has no recognised gains and losses other than the profit for the current financial year or the preceding financial year. Accordingly no statement of total recognised gains and losses has been prepared.

Consolidated balance sheet

At 31 December 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	9		2,526,165		2,687,834
Investments	10		42,333		23,088
Current assets					
Debtors	11	144,190		118,018	
Cash at bank and in hand		1,695,377		1,833,777	
Investment		173,500		173,500	
		<u>2,013,067</u>		<u>2,125,295</u>	
Creditors: amounts falling due within one year					
	12	<u>(522,578)</u>		<u>(531,260)</u>	
Net current assets			<u>1,490,489</u>		<u>1,594,035</u>
Total assets less current liabilities			<u>4,058,987</u>		<u>4,304,957</u>
Creditors: amounts falling due after more than one year					
	13		<u>(1,146,747)</u>		<u>(1,396,037)</u>
Provisions for liabilities and charges					
	15		<u>(97,219)</u>		<u>(87,982)</u>
Net assets			<u><u>2,815,021</u></u>		<u><u>2,820,938</u></u>
Capital and reserves					
Called up share capital	16		1,212,930		1,212,930
Share premium account	17		1,551,950		1,551,950
Profit and loss account	17		50,141		56,058
Equity shareholders' funds	18		<u><u>2,815,021</u></u>		<u><u>2,820,938</u></u>

These financial statements were approved by the Board of Directors on 27 May 2004

Signed on behalf of the Board of Directors

Triodos Investments Ltd
Director

Emma Howard Boyd
Director

Company balance sheet

At 31 December 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Investments	10		857,408		838,163
Current assets					
Debtors	11	918,813		717,976	
Cash at bank and in hand		1,520,962		1,675,421	
		<u>2,439,775</u>		<u>2,393,397</u>	
Creditors: amounts falling due within one year					
	12	<u>(201,520)</u>		<u>(222,101)</u>	
Net current assets					
			<u>2,238,255</u>		<u>2,171,296</u>
Net assets					
			<u><u>3,095,663</u></u>		<u><u>3,009,459</u></u>
Capital and reserves					
Called up share capital	16		1,212,930		1,212,930
Share premium account	17		1,551,950		1,551,950
Profit and loss account	17		330,783		244,579
			<u>3,095,663</u>		<u>3,009,459</u>
Equity shareholders' funds					
			<u><u>3,095,663</u></u>		<u><u>3,009,459</u></u>

These financial statements were approved by the Board of Directors on 27 May 2004

Signed on behalf of the Board of Directors

Triodos Investments Ltd
Director

Emma Howard Boyd
Director

Consolidated cash flow statement

Year ended 31 December 2003

	Note	2003		2002	
		£	£	£	£
Net cash inflow from operating activities	19		237,162		435,999
Returns on investments and servicing of finance					
Interest received		59,241		68,489	
Interest paid		(90,586)		(109,207)	
Net cash outflow from returns on investments and servicing of finance			(31,345)		(40,718)
Capital expenditure and financial investment					
Investment in Solar Development Capital		(19,245)		(10,726)	
Purchase of tangible fixed assets		(4,790)		(40,227)	
Net cash outflow from capital expenditure and financial investment			(24,035)		(50,953)
Net cash inflow/ (outflow) before use of liquid resources and financing			181,782		344,328
Equity Dividends Paid		(86,719)		(88,948)	
Financing					
Repayment of borrowings		(233,865)		(232,057)	
Net cash outflow from financing			(320,584)		(321,005)
Increase/(decrease) in cash in the year	21		(138,802)		23,323

Notes to the accounts

Year ended 31 December 2003

I. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all subsidiaries for the financial year ended 31 December 2003. The directors have also taken advantage of the exemption granted by the Companies Act to omit the company profit and loss account from these financial statements.

Current asset investment

Current asset investments represent cash held on deposit.

Investments

Investments held as fixed assets are stated at cost less any impairment in value.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Plant and machinery	5% per annum
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Assets under course of construction are not depreciated.

Turnover

Turnover which is stated net of value added tax represents amounts invoiced in relation to the company's and group's principal activities in the United Kingdom.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Leases

Rentals in respect of operating leases are charged to profit and loss in equal annual amounts over the lease term.

2. CLASS OF BUSINESS

The directors consider that there is only one class of business and hence segmental information by class is not provided.

3. OPERATING PROFIT

	2003	2002
Operating profit is after charging:	£	£
Auditors' remuneration:		
- audit services	6,500	5,136
- other services including taxation	2,500	2,015
Depreciation	166,458	165,316
Other operating leases	20,658	24,919
	<u> </u>	<u> </u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003	2002
The emoluments of directors of the company were:	£	£
Directors' emoluments	4,011	14,050
	<u> </u>	<u> </u>

No pension emoluments were paid on the behalf of directors.

There were no employees of the company other than the directors.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Loans repayable after more than five years	90,586	109,207
	<u> </u>	<u> </u>
	<u>90,586</u>	<u>109,207</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003	2002
	£	£
Deferred taxation credit/(charge)	(9,237)	(28,205)
	<u> </u>	<u> </u>

7. DIVIDENDS

	2003	2002
	£	£
Final proposed 1.1p per ordinary share (2002: 3.3p) per ordinary share	26,684	80,053
Final proposed dividend per 'A' ordinary share	2,965	8,895
	<u> </u>	<u> </u>
	<u>29,649</u>	<u>88,948</u>

8. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year amounted to £86,204 (2002: £27,639).

9. TANGIBLE FIXED ASSETS

	Plant and machinery £	Total £
Cost		
At 1 January 2003	3,326,761	3,326,761
Additions	4,790	4,790
	<hr/>	<hr/>
At 31 December 2003	3,331,551	3,331,551
	<hr/>	<hr/>
Accumulated depreciation		
At 1 January 2003	638,928	638,928
Provision for the year	166,458	166,458
	<hr/>	<hr/>
At 31 December 2003	805,386	805,386
	<hr/>	<hr/>
Net book value		
At 31 December 2003	2,526,165	2,526,165
	<hr/>	<hr/>
At 31 December 2002	2,687,834	2,687,834
	<hr/>	<hr/>

10. INVESTMENTS

Company

Investments in subsidiary undertakings at cost:	£
At 1 January 2003 and at 31 December 2003	815,075
	<hr/>

The company owns 100% of the issued ordinary shares of The Wind Fund (Beochlich) Limited, a company incorporated in England. The principal business activity of The Wind Fund (Beochlich) Limited is power supply.

The company owns 100% of the issued ordinary shares of Haverigg 11 Limited, a company incorporated in England. The principal business activity of Haverigg 11 Limited is power supply.

Other investments (Solar Development Capital):	£
Investment made in response to capital calls as at 1 January 2003	23,088
	<hr/>
Additions	19,245
	<hr/>
Balance as at 31 December 2003	42,333
	<hr/>

II. DEBTORS

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	58,916	40,578	-	-
Amounts owed by group undertakings	-	-	907,750	717,574
Other debtors	21,585	6,503	11,063	402
Prepayments and accrued income	63,689	70,937	-	-
	<u>144,190</u>	<u>118,018</u>	<u>918,813</u>	<u>717,976</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans	247,482	232,057	-	-
Trade creditors	2,096	16,779	-	2,374
Other creditors including taxation and social security	16,820	21,267	594	2,209
Accruals and deferred income	133,918	81,825	78,664	38,186
Proposed dividend	122,262	179,332	122,262	179,332
	<u>522,578</u>	<u>531,260</u>	<u>201,520</u>	<u>222,101</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank loans	<u>1,146,747</u>	<u>1,396,037</u>	-	-

14. BORROWINGS

	2003	2002
	£	£
Bank loans		
Amounts payable:		
- due within one year	247,482	232,057
- due after more than one year	1,146,747	1,396,037
	<u>1,394,229</u>	<u>1,628,094</u>
Analysis of loan repayments	£	£
Bank loans and overdrafts:		
- within one year	247,482	232,057
- within one to two years	262,899	246,984
- within two to five years	860,811	840,424
- after five years	23,037	308,629
	<u>1,394,229</u>	<u>1,628,094</u>

Bank loans comprise of £1,394,229 with Triodos Bank and bear interest currently at 2.5% over Royal Bank of Scotland base rate. This is repayable in monthly instalments and is secured by fixed and floating charges on the fixed assets of the subsidiary companies.

15. PROVISIONS FOR LIABILITIES AND CHARGES

Group	At 1 January 2003 £	Charged to profit and loss account £	At 31 December 2003 £
Deferred taxation	87,982	9,237	97,219

The amounts of deferred tax provided and unprovided in the accounts are as follows:

	Provided		Unprovided	
	2003 £	2002 £	2003 £	2002 £
Accelerated capital allowances	336,231	359,650	-	-
Trading losses	(239,012)	(271,668)	-	-
	97,219	87,982	-	-

16. CALLED UP SHARE CAPITAL

	2002 No.	and 2003 £
Authorised		
Ordinary shares of £0.50 each	50,000,000	25,000,000
'A' ordinary share of £2 each	1	2
	50,000,001	25,000,002
	2003 £	2002 £
Called up, allotted and fully paid		
Fully paid ordinary shares of £0.50 each	1,212,928	1,212,928
'A' ordinary share of £2 each	2	2
	1,212,930	1,212,930

Rights attached to shares

The 'A' ordinary share has the right:

- to receive 10% of the aggregate of any dividends declared;
- to prevent the passing of any special resolution, any extraordinary resolution, any resolution where special notice is required, or any resolution required to be forwarded to the Registrar of Companies in accordance with Sections 122, 123 or 380 of the Companies Act, being given such number of votes as necessary to stop such a resolution;
- to appoint or remove a director by being given such number of votes as necessary to pass such a resolution; and
- in all other cases, such number of votes as represents 10% of the entire voting rights of the company.

Warrant to subscribe for shares

On 25 September 2003 the Company issued a warrant in favour of Triodos Investments Ltd to subscribe for up to 1,000,000 ordinary shares of 50p each at a price to be calculated by reference to the last traded price per ordinary share on the Matched Bargain Market less the sum of three pence per ordinary share. The warrant to be exercised on a 'back to back' basis in tranches of not more than 50,000 ordinary shares at any one time. The warrant will cease once a new public offering of shares is made by the company.

17. STATEMENT OF MOVEMENT ON RESERVES

	Share premium account	Profit and loss account
Group	£	£
At 1 January 2003	1,551,950	56,058
Retained loss for the year	-	(5,917)
	<hr/>	<hr/>
At 31 December 2003	1,551,950	50,141
	<hr/> <hr/>	<hr/> <hr/>
	£	£
Company		
At 1 January 2003	1,551,950	244,579
Retained profit for the year	-	86,204
	<hr/>	<hr/>
At 31 December 2003	1,551,950	330,783
	<hr/> <hr/>	<hr/> <hr/>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
Group	£	£
Retained loss for the financial year	(5,917)	(13,435)
	<hr/>	<hr/>
Net distributions to shareholders' funds	(5,917)	(13,435)
Opening shareholders' funds	2,820,938	2,834,373
	<hr/>	<hr/>
Closing shareholders' funds	2,815,021	2,820,938
	<hr/> <hr/>	<hr/> <hr/>
	£	£
Company		
Retained profit for the financial year	86,204	27,639
New share capital subscribed (net of issue costs)	-	-
	<hr/>	<hr/>
Net additions to shareholders' funds	86,204	27,639
Opening shareholders' funds	3,009,459	2,981,820
	<hr/>	<hr/>
Closing shareholders' funds	3,095,663	3,009,459
	<hr/> <hr/>	<hr/> <hr/>

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH

Inflow from operating activities	2003	2002
	£	£
Operating profit	64,314	144,436
(Increase)/Decrease in debtors	(26,572)	69,521
Increase/(Decrease) in creditors	32,962	56,726
Depreciation	166,458	165,316
Net cash inflow from operating activities	237,162	435,999

20. ANALYSIS OF NET FUNDS

	At 1 January 2003	Cash flow	Non-cash changes	At 31 December 2003
	£	£	£	£
Cash at bank and in hand	1,834,180	(138,802)	-	1,695,378
Overdrafts	-	-	-	-
Bank loans falling due within one year	(232,057)	233,865	(249,289)	(247,481)
Bank loans falling due after more than one year	(1,396,036)	-	249,289	(1,146,747)
Current asset investments	173,500	-	-	173,500
	379,587	95,063	-	474,650

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003
	£
Decrease in cash at bank in the year	(138,802)
Decrease in overdrafts in the year	-
Cash outflow from decrease in debt	233,865
Change in net debt resulting from cash flows	95,063
Movement in net debt in the year	95,063
Net funds/(debt) at 1 January	379,587
Net funds at 31 December	474,650

22. CAPITAL COMMITMENTS

	2003	2002
	£	£
At 31 December 2003, the group was committed to the following capital expenditure	-	-

On 2 March 2002, the directors agreed to invest us\$500,000 in Class 'A' shares in Solar Development Capital Limited.

Solar Development Capital Limited is managed by Stichting Triodos nv Partners, a joint venture involving Triodos Ventures bv which owns the 'A' ordinary share in Triodos Renewable Energy Fund plc.

This company is now to be wound up so no further capital will be committed. Of the investment to date of \$63,370 dollars 50% is likely to be refunded. Based on the dollar rate at 31 December 2003 of 1.792 this would equate to a loss of £24,652.

On 23 February 2004 the Company purchased 6,250 ordinary shares in E-Concern bv for a consideration of €750,000, representing 3.85% of the issued share capital of E-Concern bv

23. OPERATING LEASE COMMITMENTS

At 31 December 2003 the group was committed to making the following payments during the next year in respect of operating leases:

Land and buildings	2003	2002
	£	£
Leases which expire - in over five years	16,775	16,493
	<u> </u>	<u> </u>

24. RELATED PARTY TRANSACTIONS

Under the terms of the 'Provision for Administrative Service Agreement' entered into between Triodos Bank, an associate of Triodos Ventures bv and Triodos Renewable Energy Fund plc, Triodos Bank is responsible for handling all of the administration of the company. During the year Triodos Bank received fees of £18,000 for this service (2002: £18,000). This amount is included in creditors at the year end.

