

Triodos Renewables

Annual report 2006



Triodos Renewable Energy Fund plc trading as Triodos Renewables

Content

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Registered in England and Wales no. 2978651

Cover photographs show the erection of Caton Moor wind farm, 2006

Chair's report

Welcome to the 2006 accounts for Triodos Renewables. I am pleased to report another very successful year of investment and performance for the Fund, alongside our intention to raise additional investment capital in 2007 from existing and new shareholders.

In fact, 2006 was the Fund's most successful year to date with a number of key investments boosting the environmental, financial and social impact of the Fund's activities and continuing our strategic objective to broaden and deepen our portfolio.

For example, in May, we invested in the first commercial initiative – Connective Energy - to come from the Carbon Trust. Connective Energy is a joint venture between Triodos Renewables, Doosan Babcock and Carbon Trust Enterprises, which is developing technologies that efficiently capture and reuse waste heat from industry. Then, in September, Triodos Renewables acquired the Hainsford Group, comprising Caton Moor wind farm in Lancashire and Sigurd, a single turbine in Orkney. The combined capacity of these two projects, 17.3 MW, has helped us to increase our renewable energy supplies by almost sevenfold in the past two years. This transaction supercedes and replaces our previous loan agreement with the Hainsford Group for upgrading and repowering the Caton Moor wind farm.

In a world that increasingly recognises how much needs to be done to prevent dangerous climate change and sea-level rise, Triodos Renewables is making a real difference by demonstrating how to marry strong environmental and social objectives with sound financial performance and rates of return for our investors. We currently generate enough clean, green electricity to power 15,000 homes and save 62,100 tonnes of CO_2 emissions each year.

Together with continued strong performance from our other renewable energy schemes, our sale of shares in E-Concern BV lifted the Fund's profitability for the year to its highest level yet. We are therefore pleased to propose a 4.0 pence per share dividend to be paid in 2007, which is both in line with the forecast of our 2005 Prospectus and a significant increase on last year's dividend payment of 1.0 pence per share.

Our shareholders are of vital importance to the Fund's continued success. As we have proposed and agreed with existing shareholders at our AGMs, we will continue to discuss investment issues with you and seek to involve you in the strategic development of our portfolio. In this regard, I'd like to say a big thank you to all of those who responded to our questionnaire last autumn. A tremendous 50% filled in their views and sent them to us. As supporters of renewable energy, your views will also be important in promoting new schemes at vital stages during the planning process.

We are working to build on the success of 2006 in the coming year - which will include a first full year's output from our new acquisitions - and believe our performance gives us the platform to grow sustainably and profitably. As I wrote in last year's report, we continue to experience lively competition in securing suitable sites and projects for investors. We will continue with our strategic objective of diversifying into other types of sound renewable energy schemes and companies, including solar and off-shore/marine projects.

Our solid growth and performance in 2006 mean that the Fund is now ready to raise additional share capital for further schemes. Taking into account your responses to last autumn's questionnaire, we are working up a Share Prospectus that balances shareholders' stated needs with the needs of the Fund. We will be writing to all of you in due course with further details of this our fourth share issue, which we encourage you to support.

In conclusion, we hope that you are satisfied with the Fund's performance and progress to date, and are as excited as we are by the Fund's future prospects. Thank you to all our shareholders for your active support and encouragement - and we look forward to continuing to work closely with you to improve our performance even further over 2007 and beyond.

Charles Secrett
Chair

Officers, Management and Professional Advisers

DIRECTORS

Charles Secrett (Chair)

Emma Howard Boyd

James Blanchard

John Harrison

Triodos Investments Ltd

COMPANY SECRETARIES

Triodos Investments Ltd

Matthew Robinson

MANAGEMENT

Managing Director:
James Vaccaro

Finance Director:
Matthew Robinson

Investment Manager:
Matthew Clayton

Administration:
Kath Easton, Catherine Jolliffe

REGISTERED OFFICE

Brunel House
11 The Promenade
Clifton
Bristol, BS8 3NN

BANKERS

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

SOLICITORS

TLT Solicitors LLP
One Redcliff Street
Bristol, BS1 6TP

AUDITORS

Elliott Bunker Ltd
3-8 Redcliffe Parade West
Bristol, BS1 6SP

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2006.

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. The Group now comprises five operating companies: Triodos Renewables (Beochlich) Limited which operates a hydro electric project and Triodos Renewables (Haverigg II) Limited, Triodos Renewables (Ness Point) Limited, Triodos Renewables (Caton Moor) Limited and Triodos Renewables (Sigurd) Limited which operate wind farm projects. It has investments in joint venture companies, Connective Energy Limited (33%) and Triodos Mellinsus Projects Limited (60%).

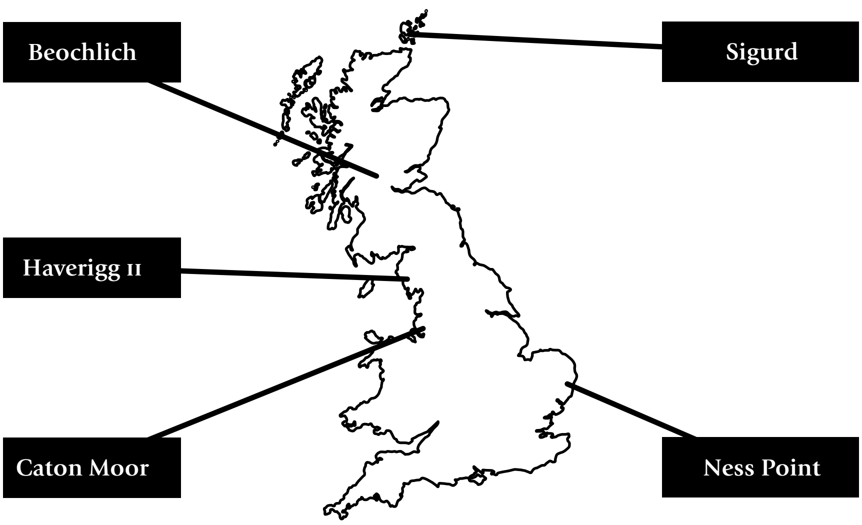
REVIEW OF THE BUSINESS

The group achieved a profit before taxation for the year to 31 December 2006 of £752,017 (2005 £464,076).

Triodos Renewable Energy Fund plc made investments in 1998 into two operating projects via subsidiary undertakings: Triodos Renewables (Haverigg II) Limited and Triodos Renewables (Beochlich) Limited. On 3 June 2005 the entire issued share capital of Triodos Renewables (Ness Point) Limited was acquired. On 8 August 2006 the company acquired 33% of the issued share capital of Connective Energy Limited. On 16 August 2006 the company acquired 60% of the issued share capital of Triodos Mellinsus Projects Limited. On 28 September 2006 the entire issued share capital of Hainsford Group Limited was acquired; and, as part of this transaction, the issued share capital of Triodos Renewables (Ness Point) Limited, Triodos Renewables (Sigurd) Limited and Triodos Renewables (Caton Moor) Limited was transferred to Brunel Wind Limited, a wholly-owned subsidiary holding company.

On 23 February 2004, the company purchased 6,250 ordinary shares in E-Concern BV for a consideration of €750,000 (£506,755), representing 3.85% of the issued share capital of E-Concern BV. At the end of 2005, the company disposed of 32% of this holding at a gain of £244,837. The balance of this investment was sold during 2006 realising a further gain of £517,773.

OPERATING PROJECTS



Beochlich

The Beochlich hydro electric project is located in an area thought to be one of the best for small-scale hydro power in Scotland. Beochlich Burn runs into the southeast side of Loch Awe in Argyll, West Scotland. It falls steeply some 250m to the loch shore, draining water from a high plateau. The 1.0 MW hydro project, which was built in 1998, involved the creation of a six-metre high dam to form a new storage reservoir, which feeds water through two turbines.

Electricity output for the year 2006 was 3,754,419 kWh (2005: 4,254,394 kWh), an 11.8% decrease. The reduction in output is attributable to low reservoir levels in the summer, and an electrical fault which prevented generation for a short period in December. Losses covered by insurance claims totalled £19,332.

Caton Moor

Caton Moor wind farm is in an upland area within the Forest of Bowland in northern Lancashire, just east of Morecambe Bay. It was one of the earliest commercial wind farms built in the UK, coming into service in 1994. In 2005 the repowering of Caton Moor commenced, with the wind farm's ten older turbines replaced by eight modern and more efficient ones with a total site capacity of 16.0 MW. The company acquired the wind farm as it was commissioned in 2006 as part of the purchase of the entire issued share capital of Hainsford Group Limited. Electricity output for the last three months of 2006 was 15,725,916 kWh, which, even accounting for seasonality factors, would lead to an improvement on the annual forecast of 47,000,000 kWh.

Connective Energy

In the summer of 2006, the company invested in a new, low carbon business venture, Connective Energy Limited. A joint venture between Triodos Renewables, Doosan Babcock and the Carbon Trust, Connective Energy plans to become a leading supplier of low carbon heat solutions by using waste heat to displace primary generation. About 45% of the UK's industrial primary energy consumption is wasted. Instead of being used, this heat is released into the environment. Connective Energy will capture it at source and transfer it in the form of steam or hot water to other industrial or public sector consumers in the same area, providing a stable, low cost heat supply. The company's share of the start-up losses of Connective Energy Limited amounted to £110,791 in 2006.

Haverigg II

Based in Cumbria, Haverigg II was a joint venture between Triodos Renewables and The Wind Company (UK), which enabled the second wind cluster at the Haverigg site to be built. The site has a total capacity of 2.4 MW, with one of the four turbines now being owned by Baywind Energy Cooperative. Electricity output for the year 2006 was 5,672,280 kWh (2005: 5,808,786 kWh), a decrease of 2.4%. Warranty claims for 216,648 kWh of lost production were made in the year, and compensation received in addition to revenue derived from electricity sales.

Ness Point

This is the UK's largest wind turbine, and is situated at Ness Point in Lowestoft in Suffolk. Standing on the site of a former gas works, and nicknamed 'Gulliver' after a competition in the local paper, the turbine is a popular addition to the industrial landscape in the town. At 126 metres in height, it has a capacity of 2.75 MW. Electricity output for the year 2006 was 8,044,636 kWh (2005: 7,873,250 kWh), an increase of 2.1%.

Sigurd

Sigurd is a single wind turbine project sited on Burgar Hill in the Orkney Islands. This turbine was commissioned in 2001 and is sited on one of the windiest onshore sites in Europe. The turbine has a capacity of 1.3 MW and was acquired as part of the purchase of the entire issued share capital of Hainsford Group Limited. A transformer failure in October meant that little production was achieved in the last quarter of 2006. Replacement parts have been sourced and purchased. It is planned that the turbine will be fully operational again in the Spring of 2007.

Triodos Mellinsus Projects Limited

Since 2006, the company have been working with community wind project developers, Mellinsus Renewables to develop a portfolio of renewable energy projects in the UK. In 2006 a joint venture, Triodos Mellinsus Projects Limited, was formed between the company and Mellinsus Renewables. The company owns 60% of the issued share capital of Triodos Mellinsus Projects Limited. The joint venture has a pipeline of around 30 MW of onshore wind projects due to enter the planning process over the coming three years. Once approved and built it is anticipated that they will become investments within the company's portfolio.

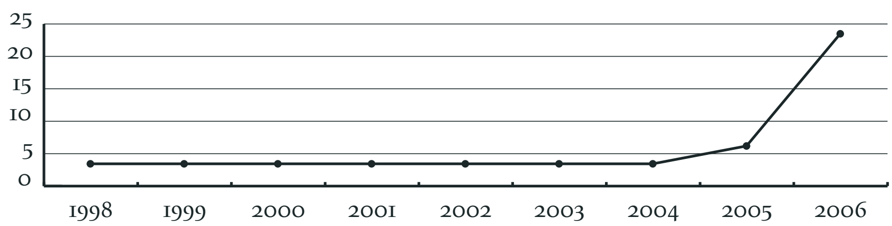
PORTFOLIO

Portfolio

The portfolio has grown significantly over the past few years:

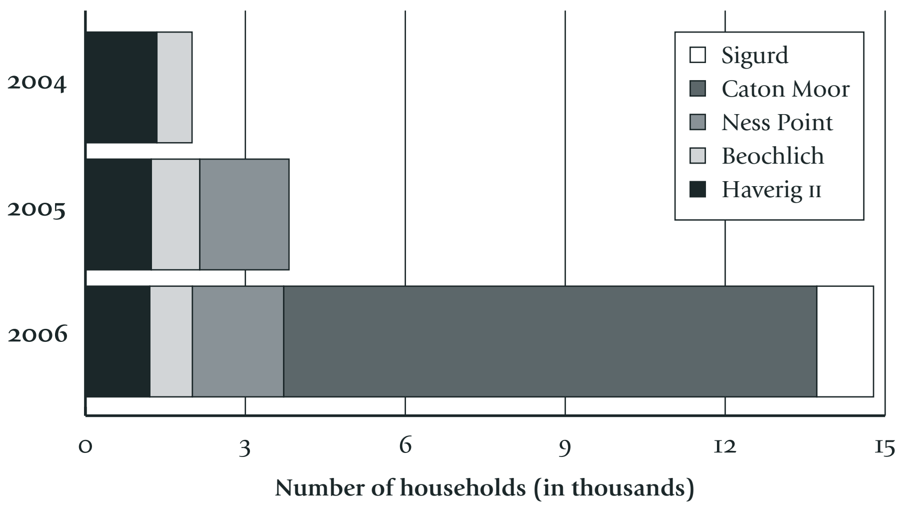
	2004	2005	2006
MW operating portfolio capacity	3.40	6.15	23.45
Turnover / £'000	452	868	2,199
Operating Profit / £'000	108	163	557

MW OPERATING PORTFOLIO CAPACITY



The chart below illustrates the power generated as 'households equivalent'[1] which the company's portfolio can generate (using forecast output where full year outputs are no available).

GENERATION – HOUSEHOLD EQUIVALENT



[1] Average UK Household Electricity Consumption – 4.7 MWh/p.a., British Wind Energy Association, 2006.

The current shape of the portfolio is:

Operational projects	95% (target per 2005 Prospectus 80%)
Investments	4% (target per 2005 Prospectus 10%)
Developments	1% (target per 2005 Prospectus 10%)

In addressing this investment mix, we are actively seeking to increase our investments in renewable energy companies, alongside potentially diversifying into new technologies such as wave and tidal energy. In addition, we are seeking to secure some development stage projects in order to ensure operating projects for the future.

FINANCIAL RESULTS AND DIVIDENDS

The group achieved a profit before tax of £752,017 (2005: £464,076). This compared favourably with the 2005 Prospectus projection for 2006 of £493,000. Earning per share was 8.31 pence (2005: 6.53 pence).

The Directors recommend the payment of a final proposed dividend of £278,133 (2005: £64,922) to be paid from retained profits in 2007. The retained profit for the year of £455,099 (2005: £381,290) has been transferred to reserves.

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

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
Emma Howard Boyd
James Blanchard
John Harrison
Triodos Investments Ltd

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	
	2006	**2005**
Charles Secrett	700	700
Emma Howard Boyd	1,400	1,400
James Blanchard	-	-
John Harrison	5,000	5,000
Triodos Investments Ltd	400	400

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Elliott Bunker Ltd be re-appointed as auditors of the company will be put to the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board on 18 April 2007

Matthew Robinson
Secretary

Charles Secrett
Director

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice.

In so far as the Directors are aware:

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Matthew Robinson
Secretary

Charles Secrett
Director

Independent Auditors' report to the shareholders of Triodos Renewable Energy Fund plc

We have audited the financial statements of Triodos Renewable Energy Fund plc for the year ended 31 December 2006, 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 shareholders, 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 shareholders 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 shareholders 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 the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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. 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 mis-statements within it.

Basis of 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and the group as at 31 December 2006 and of the profit of the group for the year then ended, and

- the financial statements have been prepared in accordance with the Companies Act 1985, and
- the information given in the Directors Report is consistent with the financial statements for the year ended 31 December 2006.

Elliott Bunker Ltd
Chartered Accountants and Registered Auditors
3-8 Redcliffe Parade West
Bristol BS1 6SP

18 April 2007

Consolidated profit and loss account

Year ended 31 December 2006	Note	Continuing operations 2006 £	2005 £
Turnover	1	2,199,075	868,088
Cost of sales		(1,084,911)	(397,124)
Gross profit		1,114,164	470,964
Administrative expenses	25	(557,562)	(307,873)
Operating profit	3	556,602	163,091
Gain/(loss) on investment		517,773	244,837
Income from investments		-	37,288
Interest receivable and similar income		234,505	104,444
Interest payable and similar charges	5	(446,072)	(85,584)
Share of associated company loss		(110,791)	-
Profit on ordinary activities before taxation		752,017	464,076
Tax credit/(charge) on profit on ordinary activities	6	(234,539)	(82,786)
Profit on ordinary activities after taxation		517,478	381,290
Minority interests		2,543	-
Dividends paid	7	(64,922)	-
Retained profit for the year	17	455,099	381,290

The group has no recognised gains or 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 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	9		17,773,385		4,463,747
Intangible assets	9		14,363,016		940,018
Investments	10		139,209		2,144,087
			32,275,610		7,547,852
Current assets					
Debtors	11	1,536,833		321,529	
Investments		221,500		173,500	
Cash at bank and in hand		663,101		1,304,258	
		2,421,434		1,799,287	
Creditors: amounts falling due within one year	12	(5,892,808)		(968,642)	
Net current assets/(liabilites)			(3,471,374)		830,645
Total assets less current liabilities			28,804,236		8,378,497
Creditors: amounts falling due after more than one year	13		(19,478,959)		(609,917)
Provisions for liabilities and charges	15		(768,078)		(223,056)
Net assets			8,557,199		7,545,524
Capital and reserves					
Called up share capital	16		3,128,997		2,921,498
Share premium account	17		4,566,098		4,217,061
Profit and loss account	17		864,607		406,965
Minority interests			(2,503)		-
Equity shareholders' funds	18		8,557,199		7,545,524

These financial statements were approved by the Board of Directors on 18 April 2007

Signed on behalf of the Board of Directors

Charles Secrett
Director

James Blanchard
Director

Company balance sheet

At 31 December 2006

	Note	2006	2006	2005	2005
		£	£	£	£
Fixed assets					
Investments	10		6,350,395		3,712,545
Current assets					
Debtors	11		11,187,638		3,469,758
Cash at bank and in hand		63,739		990,441	
		11,251,377		4,460,199	
Creditors: amounts falling due within one year	12	(6,337,345)		(579,187)	
Net current assets			4,914,032		3,881,012
Total assets less current liabilities			11,264,427		7,593,557
Creditors: amounts falling due after more than one year	13		(3,000,000)		-
Net assets			8,264,427		7,593,557
Capital and reserves					
Called up share capital	16		3,128,997		2,921,498
Share premium account	17		4,566,098		4,217,061
Profit and loss account	17		569,332		454,998
Equity shareholders' funds			8,264,427		7,593,557

These financial statements were approved by the Board of Directors on 18 April 2007

Signed on behalf of the Board of Directors

Charles Secrett
Director

James Blanchard
Director

Consolidated cash flow statement

Year ended 31 December 2006

	Note		2006		2005
		£	£	£	£
Net cash inflow from operating activities	19		1,055,010		785,998
Returns on investments and servicing of finance					
Gain on E-concern investment		517,773		244,837	
Investment income		-		37,288	
Minority interest share of loss		2,543			
Interest received		234,505		104,444	
Interest paid		(446,072)		(85,584)	
Net cash inflow from returns on investments and servicing of finance			308,749		300,985
Taxation					
Corporation tax paid			(1,115)		-
Capital expenditure and financial investment					
New share capital		556,536		4,773,209	
Share issue costs		-		(409,309)	
Bank loans		17,350,000		-	
Other loans		3,000,000		-	
Minority investment		40			
Increase in current asset investment		(48,000)		-	
Purchase of tangible and intangible fixed assets		(27,415,089)		(2,537,454)	
Net cash outflow from capital expenditure and financial investment			(6,556,513)		1,826,446
Acquisitions and disposals					
Investment in E-concern BV repaid		344,087		162,668	
Acquistion of Ness Point Ltd		-		(718,493)	
Investment in Connective Energy Ltd		(250,000)		-	
Hainsford Energy (Caton Moor) Ltd loan repaid		1,800,000		(1,800,000)	
Deferred tax provision on acquisition		399,344		-	
Net cash inflow from acquisitions and disposals			2,293,431		(2,355,825)
Net cash outflow before use of liquid resources and financing			(2,900,438)		557,604

Year ended 31 December 2006

	Note		2006		2005
		£	**£**	**£**	**£**
Equity Dividends paid		(23,847)		(85,870)	
Financing					
Repayment of borrowings		(507,980)		(260,426)	
Net cash outflow from financing			(531,827)		(346,296)
			(3,432,265)		211,308
Increase/(Decrease) in cash in the year	21		(641,157)		211,308
(Increase)/Decrease in bank overdraft in year	21		(2,791,108)		-
Net movement in cash and cash equivalents			**(3,432,265)**		**211,308**

Notes to the accounts

Year ended 31 December 2006

1. 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 2006. 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
Land & buildings	4% per annum

Assets under course of construction are not depreciated.

Intangible fixed assets & Goodwill

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

Power Purchase Agreement & Goodwill 5% per annum

Development Costs

Development costs representing prospective renewable energy projects at the pre-planning permission stage are stated at cost and 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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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. The total turnover of the group for the period has been derived from its principal activity wholly undertaken in the UK.

3. OPERATING PROFIT

	2006	2005
Operating profit is after charging:	£	£
Auditors' remuneration:		
- audit services	12,000	6,000
- other services including taxation	14,049	3,978
Depreciation & amortisation	682,453	280,434
Other operating leases	56,393	35,295

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2006	2005
The emoluments of Directors of the company were:	£	£
Directors' emoluments	7,200	6,885

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

	2006	2005
	£	£
On overdrafts	36,476	14,286
Loans repayable up to ten years	409,596	71,298
	446,072	85,584

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006	2005
	£	£
Current tax:		
Corporation tax charge on profits in the period	(88,647)	(901)
Adjustment in respect of previous years	(214)	-
	(88,861)	(901)
Deferred taxation		
Origination and reversal of timing differences	(140,361)	(81,885)
Effect of increased tax rate on opening liability	(169,283)	-
Increase in discount	163,966	-
	(145,678)	(81,885)
Total tax charge	(234,539)	(82,786)

7. DIVIDENDS

	2006	2005
	£	£
Final dividend paid per ordinary share	58,430	-
Final dividend paid per 'A' ordinary share	6,492	-
	64,922	-

Note 26 explains dividends in respect of the 2006 earnings.

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 £114,334 (2005: £111,445 profit).

9. FIXED ASSETS

	Group Tangible Fixed Assets		
	Land & Buildings	**Plant & Machinery**	**Total**
Cost	£	£	£
At 1 January 2006	-	5,684,983	5,684,983
Additions	325,000	13,452,664	13,777,664
At 31 December 2006	325,000	19,137,647	19,462,647
Accumulated depreciation			
At 1 January 2006	-	1,221,236	1,221,236
Additions	100,384	367,642	468,026
At 31 December 2006	100,384	1,588,878	1,689,262
Net book value			
At 31 December 2006	224,616	17,548,769	17,773,385
At 31 December 2005	-	4,463,747	4,463,747

Group
Intangible Fixed Assets

	Goodwill	Development Costs	Power Purchase Agreement	Total
Cost	£	£	£	£
At 1 January 2006	693,618	-	279,975	973,593
Additions	13,545,685	91,740	-	13,637,425
At 31 December 2006	14,239,303	91,740	**279,975**	**14,611,018**
Accumulated depreciation				
At 1 January 2006	12,712	-	20,863	33,575
Additions	200,428	-	13,999	214,428
At 31 December 2006	**213,140**	**91,740**	34,862	**248,002**
Net book value				
At 31 December 2006	14,026,163	**91,740**	**245,113**	**14,363,016**
At 31 December 2005	680,906	-	259,112	940,018

10. INVESTMENTS

	Group	Company
	£	£
Investments in subsidiary undertakings at cost:		
Balance brought forward	2,144,087	3,712,545
New in year	-	4,200,060
Acquisition of Hainsford Group Ltd	-	1,196,051
	2,144,087	9,108,656
Other investments:		
New in year	250,000	250,000
Share of associated company loss	(110,791)	(110,791)
Disposals in year	(344,087)	(1,097,470)
	(204,878)	(958,261)
Loan to Hainsford Energy (Caton Moor) Ltd repaid	(1,800,000)	(1,800,000)
Balance as at 31 December 2006	139,209	6,350,395

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

The company owns 100% of the issued ordinary shares of Triodos Renewables (Haverigg II) Limited, a company incorporated in England. The principal business activity of Triodos Renewables (Haverigg II) Limited is energy supply.

On 5 June 2006, the company acquired 100% of the issued ordinary shares of Brunel Wind Limited, a company incorporated in England. The principal business activity of Brunel Wind Limited is energy supply.

On 8 August 2006, the company acquired 33% of the issued ordinary shares of Connective Energy Limited, a company incorporated in England. The principal business activity of Connective Energy Limited is energy supply.

On 16 August 2006, the company acquired 60% of the issued ordinary shares of Triodos Mellinsus Projects Limited, a company incorporated in England. The principal business activity of Triodos Mellinsus Projects Limited is energy supply.

On 28 September 2006, the company acquired 100% of the issued ordinary shares of Triodos Renewables (HGL) Limited, a company incorporated in England. The principal business activity of Triodos Renewables (HGL) Limited is energy supply.

11. DEBTORS

		Group		Company
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	1,058,535	242,715	-	-
Amounts owed by group undertakings	-	-	11,004,711	3,394,811
Other debtors	290,564	-	182,927	6,892
Prepayments and accrued income	187,734	78,814	-	68,055
	1,536,833	321,529	11,187,638	3,469,758

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

		Group		Company
	2006	2005	2006	2005
	£	£	£	£
Bank overdrafts	2,791,108	-	2,791,108	-
Bank loans	1,252,283	279,305	-	-
Trade creditors	-	7,385	-	-
Other creditors	61,292	47,083	61,292	26,758
Taxation and social security	191,039	7,793	83,911	-
Accruals and deferred income	1,547,114	618,179	778,597	543,532
Amounts owed to group undertakings	-	-	2,572,465	-
Dividends payable	49,972	8,897	49,972	8,897
	5,892,808	968,642	6,337,345	579,187

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

		Group		Company
	2006	2005	2006	2005
	£	£	£	£
Bank loans	16,478,959	609,917	-	-
Other loans	3,000,000	-	3,000,000	-
	19,478,959	609,917	3,000,000	-

14. BORROWINGS

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Bank loans and overdrafts				
Amounts payable:				
- due within one year	4,043,391	279,305	2,791,108	-
- due after more than one year	16,478,959	609,917	-	-
	20,522,350	889,222	2,791,108	-
Other loans				
Amounts payable:				
- due within one year	-	-	-	-
- due after more than one year	3,000,000	-	3,000,000	-
	3,000,000	-	3,000,000	-

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Analysis of loan repayments				
Bank loans and overdrafts				
- within one year	4,043,391	279,305	2,791,108	-
- within one to two years	5,930,635	298,753	-	-
- within two to five years	1,107,404	311,164	-	-
- after five years	9,440,920	-	-	-
	20,522,350	889,222	2,791,108	-
Analysis of loan repayments				
Other loans				
- within one year	-	-	-	-
- within one to two years	-	-	-	-
- within two to five years	3,000,000	-	3,000,000	-
- after five years	-	-	-	-
	3,000,000	-	3,000,000	-

Bank loans comprise £17,731,242 with Triodos Bank, of which £610,390 bear interest at 2.25% over Royal Bank of Scotland base rate, £12,495,852 bear interest at a fixed rate of 6.40% and £4,625,000 bear interest at a fixed rate of 6.00%. Of this, £13,106,242 is repayable in monthly instalments and £4,625,000 repayable on or before 28 March 2008. All bank loans are secured by first fixed and floating charges on the fixed assets of the subsidiary companies. Other loans comprise £3,000,000, which bear interest at a fixed rate of 9.00%, are repayable on 28 September 2011 and are secured by second fixed and floating charges on the fixed assets of the subsidiary companies. The bank overdraft comprises a facility of £3,500,000 with Triodos Bank, which bears interest at 0.75% over Royal Bank of Scotland base rate and is secured by a guarantee from Triodos Innovation Fund BV.

15. PROVISIONS FOR LIABILITIES AND CHARGES

Group	At 1 January 2006 £	Charged to profit and loss account £	At 31 December 2006 £
Deferred taxation	223,056	215,022	438,078
Hainsford Group Limited on acquisition	399,344	(69,344)	330,000
Total	622,400	145,678	768,078

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

	Provided 2006 £	2005 £
Accelerated capital allowances	864,057	388,679
Tax losses carried forward	(262,013)	(165,623)
Capital gains	330,000	-
Discount	(163,966)	-
	768,078	223,056

16. CALLED UP SHARE CAPITAL

	2006 and 2005 No.	£
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

	2006 £	2005 £
Called up, allotted and fully paid		
Fully paid ordinary shares of £0.50 each	3,128,995	2,921,496
'A' ordinary share of £2 each	2	2
	3,128,997	2,921,498

During the year 414,998 ordinary shares of £0.50 each were issued at a premium of £0.90

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.

17. STATEMENT OF MOVEMENT ON RESERVES

Group	Share premium account £	Profit and loss account £
At 1 January 2006	4,217,061	406,965
Addition during year	349,037	-
Retained profit for the year	-	457,642
At 31 December 2006	4,566,098	864,607

Company	£	£
At 1 January 2005	4,217,061	454,998
Addition during year	349,037	-
Retained profit for the year	-	114,334
At 31 December 2006	4,566,098	569,332

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2006 £	2005 £
Retained profit/(loss) for the financial year	457,642	381,290
Minority interests	(2,503)	-
New share capital subscribed (net of issue costs)	556,536	4,363,900
Net distributions to shareholders' funds	1,011,675	4,745,190
Opening shareholders' funds	7,545,524	2,800,334
Closing shareholders' funds	**8,557,199**	**7,545,524**

Company	£	£
Retained profit/(loss) for the financial year	114,334	111,445
New share capital subscribed (net of issue costs)	556,536	4,363,900
Net additions to shareholders' funds	670,870	4,475,345
Opening shareholders' funds	7,593,557	3,118,212
Closing shareholders' funds	**8,264,427**	**7,593,557**

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	556,602	163,091
(Increase)/Decrease in debtors	(1,215,304)	(187,423)
Increase/(Decrease) in creditors	1,031,259	529,896
Depreciation & amortisation	682,453	280,434
Net cash inflow from operating activities	1,055,010	785,998

20. ANALYSIS OF NET FUNDS

	At 1 January 2006 £	Cash flow £	Non-cash changes £	At 31 December 2006 £
Cash at bank and in hand	1,304,258	(641,157)	-	663,101
Overdrafts	-	(2,791,108)	-	(2,791,108)
Bank loans falling due within one year	(279,305)	(972,978)	-	(1,252,283)
Bank & other loans falling due after more than one year	(609,917)	(18,869,042)	-	(19,478,959)
Current asset investments	173,500	48,000	-	221,500
	588,536	(23,226,285)	-	(22,637,749)

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

	2006 £
(Decrease) in cash at bank in the year	(641,157)
(Increase) in overdrafts in the year	(2,791,108)
Cash inflow from increase in debt	(19,842,020)
Increase in current asset investments	48,000
Change in net debt resulting from cash flows	(23,226,285)
Movement in net debt in the year	(23,226,285)
Net funds/(debt) at 1 January	588,536
Net funds at 31 December 2006	(22,637,749)

22. CAPITAL COMMITMENTS

	2006 £	2005 £
At 31 December 2006, the group was committed to the following capital expenditure	250,000	-

23. OPERATING LEASE COMMITMENTS

At 31 December 2006, the group was committed to making the following payments during the next year in respect of operating leases:

	2006 £	2005 £
Land and buildings		
Leases which expire in over five years	60,630	27,640

24. RELATED PARTY TRANSACTIONS

Under the terms of the 'Provision of Fund Management Services Agreement' Triodos Bank is responsible for the fund management and the administrative running of the company. During the year, Triodos Bank received fees of £332,680 for this service (2005: £146,994). This amount is included in creditors at the year end.

25. ADMINISTRATIVE EXPENSES

Administrative expenses comprised:

	2006 £	2005 £
Fund management & administration	332,680	146,994
Operating management	1,500	-
Directors' remuneration	7,200	6,885
Rates	59,638	17,313
Insurance	51,623	34,384
Legal & professional costs	43,376	19,503
Audit & Accountancy	26,049	9,978
Finance fees	23,811	35,919
Bank charges & interest	804	1,613
Project costs	-	19,570
AGM costs	7,549	11,611
Sundry & reimbursed expenses	3,332	4,103
	557,562	307,873

26. POST BALANCE SHEET EVENTS

On 27 March 2007, the Directors declared a dividend of 4.0p pence per Ordinary Share in respect of the company's 2006 earnings. The cost of this dividend is £278,133 (2005: £64,992)

27. CONTINGENT LIABILITIES

A dispute has arisen concerning the final consideration still to be paid in respect of the acquisition of the entire issued share of Hainsford Group Limited. This matter has been referred to an Expert Accountant for adjudication. The amount in question is £1,627,469.

28. CONTROLLING INTEREST

There is no party that holds a controlling interest in the company.

Notes

Notes

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