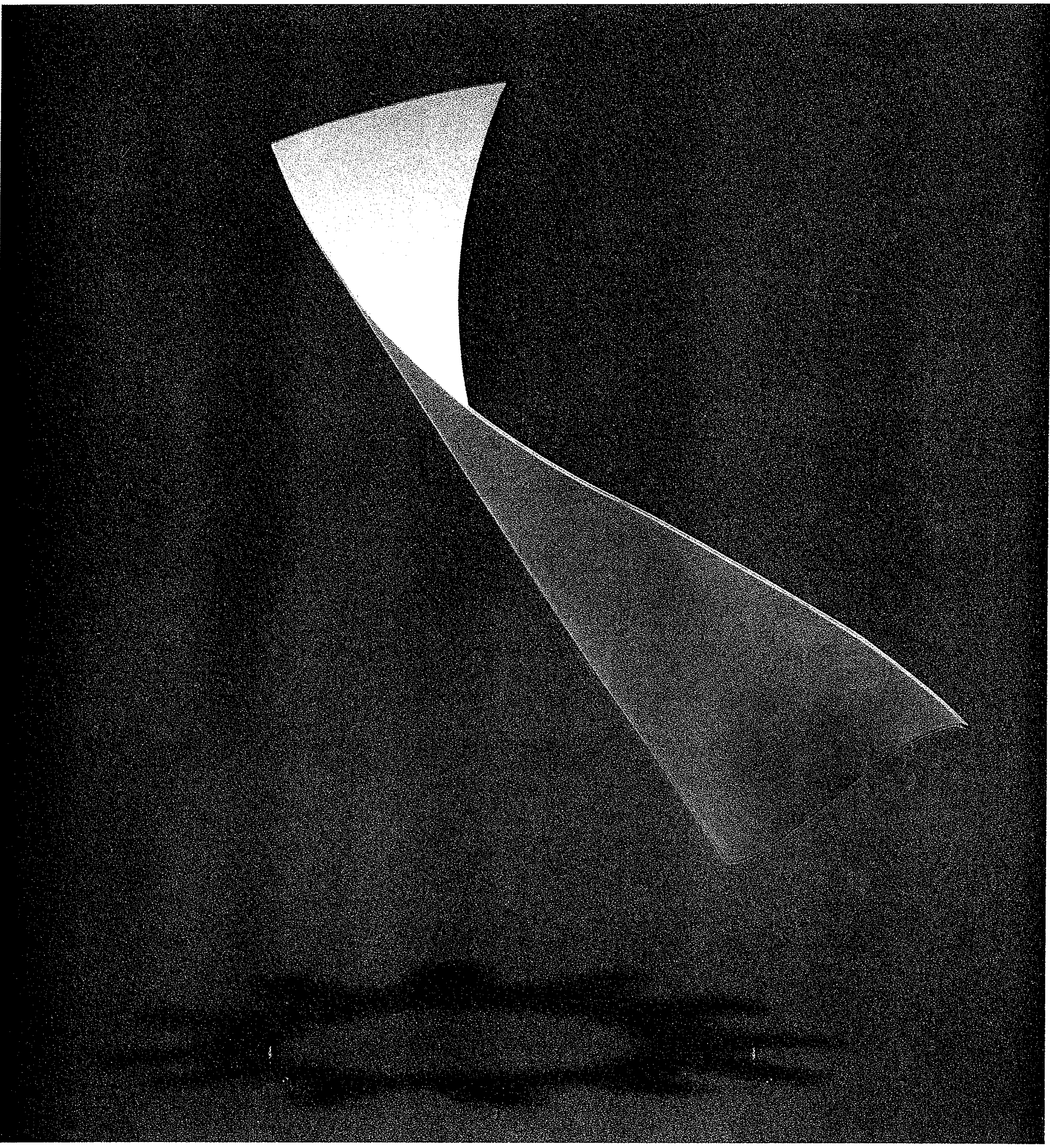
THE WindFund

ANNUAL REPORT 1998



Contents

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Chairman's report: investing in energy without end

Glen Saunders, Chairman, The Wind Fund.

Highlights were a feature of 1998 for The Wind Fund PLC:

- our first two renewable energy investments – the Haverigg II wind cluster and the Beochlich hydroelectric scheme
- the launch of our second share issue with the support of the Energy Minister – raising more than £1.5 million by the end of the year
- our work with Triodos Bank to create a one-stop-shop for finance for smaller-scale wind and hydropower projects.

But there is one moment in 1998 which best captured for me what The Wind Fund is all about.

In October, two coach-loads of Wind Fund shareholders from all round the country braved the worst storms of the year to converge on Haverigg in Cumbria.

As they wandered around the turbines, battered by the rain and gale force wind, they communicated a tangible sense of pride and achievement. This wind cluster, feeding clean, green, renewable electricity into the nation's electricity system, was what their investment in Wind Fund shares had helped to create.

Their own personal investment might not be large – and in some cases a thousand pounds or less – but each knew that, along with more than a thousand other Wind Fund shareholders, they now had a real stake in a renewable future for the UK.

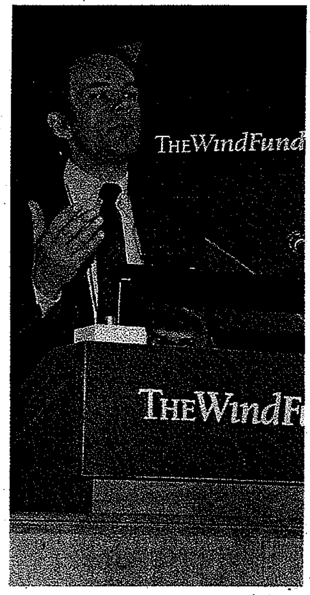
It is not just that The Wind Fund has created an investment opportunity which aims for sustainability from an environmental as well as a financial perspective. Or that, working with Triodos Bank, we are providing wind and hydropower developers with a real, community-based financial alternative to selling out to the big utilities.

But that The Wind Fund is helping to build a growing base of people who have a vested interest in the success of a diverse, vibrant and sensitively planned renewable energy industry in the UK. These are people who will actively support renewable energy in the face of a 'NIMBY' minority which is dominating the planning process. And they are people who can help to push the Government towards making the right moves as it shifts from consultation to stronger policy action over the next few years.

Our achievements in 1998 have set us up well for the future. The proceeds of our share issue provide the opportunity to make further investments in new projects. And our greatly expanded body of shareholders creates a potential force for change which we have barely begun to tap in the interests of the company and renewable energy in the UK. The challenge for the coming years is to build on the successes of 1998 by making the most of these opportunities.

Glen Saunders, Chairman

The Wind Fund PLC: 1998 in summary



Charles Secrett, Executive Director, Friends of the Earth, speaking at the Wind Fund share launch in May 1998

MAKING INVESTMENTS

Within two months of 1998, The Wind Fund had invested in its first two renewable energy projects – Haverigg II wind cluster in Cumbria and the Beochlich hydroelectric scheme at Balliemeanoch in Argyll, Scotland.

In keeping with our approach to date, at the time The Wind Fund invested, each project was simply a collection of plans, contracts, leases, authorisations and agreements. In each case, a renewable energy development company had secured planning permission, all the necessary authorisations and a 15 year premium priced Non Fossil Fuel Obligation (NFFO) or Scottish Renewables Order (SRO) contract for the electricity produced.

The Wind Fund acquired and invested in these projects to see them through construction and then to own and operate them into the future.

The Wind Fund's investment in each project was through subsidiaries – Haverigg II Limited and The Wind Fund (Beochlich) Limited – whose sole focus is on its specific project. This approach contains the risk of each project within the subsidiary whilst enabling The Wind Fund to retain control.

The construction of both projects took place during 1998 with loan finance for 80 per cent of the costs secured from Triodos Bank. Haverigg II began generating wind-powered electricity on schedule in August. Beochlich, with its more extensive civil engineering, started producing hydro-electricity early in 1999.

RAISING NEW CAPITAL AND WELCOMING NEW SHAREHOLDERS

The investments in Haverigg II and Beochlich used the proceeds of both The Wind Fund's first public share offer of 1995 and a private placement early in 1998. It was decided to raise capital for further new investments through a second public share offer.

On 13 May 1998, with support from Energy Minister John Battle MP, Friends of the Earth, Jonathon Porritt, the British Wind Energy Association and others, The Wind Fund's second share issue was launched. Sponsored by Triodos Bank, shares were offered for subscription at £1.30, a premium of 30p over the offer price for the 1995 share issue. A minimum subscription was set low at £260 so as 200 shares
many people as possible could take a stake in renewable energy through The Wind Fund.

As John Battle said for the launch:

'The Government is proposing a new and strong drive to develop renewable energy options. I want to encourage public support and extend community involvement in both the planning and ownership of green energy schemes and The Wind Fund is an excellent instrument to achieve this.'

The share issue remained open for the rest of the year, finally closing on 28 February 1999. By 31 December 1998, net proceeds of the issue amounted to 25 % subscribed.
£1,584,971 with some 1,000 new shareholders, creating a total shareholder base of nearly 1,300 and still growing.

Wind Fund shareholders at the open day, Haverigg II

A ONE-STOP-SHOP FOR FINANCE FOR SMALLER-SCALE WIND AND HYDRO-POWER

Working together, The Wind Fund and Triodos Bank represents a unique combination which can offer a full 'one-stop-shop' for financing smaller-scale wind and hydro-power developments.

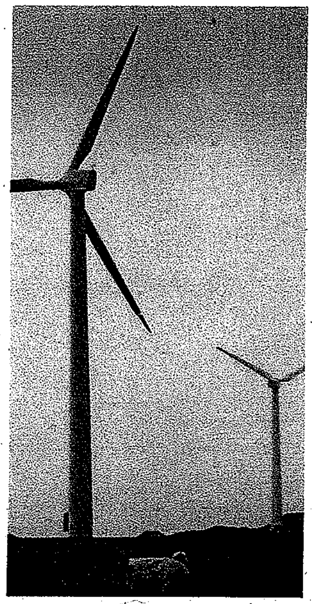
For developers this can represent a real alternative to selling their projects to the major utility and power generation companies. It offers the potential for developers to retain a stake in their developments in partnership with The Wind Fund.

To promote this one-stop-shop approach, a guide focused on wind power was launched at the British Wind Energy Association's Annual Conference in Cardiff in September. The guide's title, 'A breath of fresh air,' was taken from a developer's comment on working with Triodos Bank. The guide sets out three steps to help reduce the costs of development:

- improved understanding by developers of our procedures and requirements
- the use, wherever possible, of standardised legal documentation to avoid the costs of 'going back to square one' for every project, and
- the gathering and preparation of technical data and legal documentation in ways which reduce the costs of the due diligence procedures.

Welcomed by experienced and novice developers alike, 'A breath of fresh air' has fulfilled a previously unmet need for information about financing. A similar standardised approach is being developed for hydro-power projects.

The projects



Part of the Wind cluster at Haverigg II

HAVERIGG II WIND CLUSTER

Haverigg II is an extension to one of the first wind power developments in the UK. Located on a disused airfield on low lying coastal land near Millom in Cumbria, this new development was acquired by The Wind Fund in January 1998. Four new WindWorld W-4200/600 KW turbines were installed during 1998 adding to the five already at the site.

Developed by Windcluster Ltd, the original 1.125 MW wind cluster (now known as 'Haverigg I') was commissioned in August 1992. The project has received widespread local support and is acknowledged to be one of the country's most environmentally sensitive and appropriately-sited wind energy developments. The site is still used for rough grazing by livestock.

With more than twice the capacity of the existing project, Haverigg II has been supplying power direct to the local grid since August 1998, matching the typical annual needs of more than 1,600 homes. Electricity output is sold under a Non-Fossil Fuel Obligation (NFFO) contract.

Haverigg II was set up as a company to enable community ownership. As owners, The Wind Fund represents a 'community of interest' in the project. A further dimension - a 'community of location' - was added to the ownership of the project when, in May 1999, The Wind Fund sold one of the turbines to the Baywind Energy Co-operative, which has shareholders concentrated in Cumbria.

BEOCHLICH HYDROELECTRIC PROJECT

The Beochlich hydroelectric project is based in what is thought to be one of the best regions for small-scale hydro-power in Scotland.

The Beochlich burn runs into the south east side of Loch Awe in Argyll in the west of Scotland. The burn falls steeply some 250 m to the loch shore, draining water from a catchment area of 957 hectares of high plateau. The catchment area as a whole receives an average annual rainfall of 2,450 mm.

The Beochlich project involves the creation of a new 6 m high dam to form a new storage reservoir of 5.8 ha surface area, providing approximately 2 days storage at peak output. Almost 2 km of new ductile iron pipeline falling through 202 m over its length feeds two Pelton wheel turbines, manufactured by Canyon Turbines in the USA. These produce 949 kw peak electrical output when running at maximum flow.

A new short overhead line meets existing distribution lines running along the south shore of Loch Awe - the latter having been upgraded as part of the project to accommodate the larger power flows.

To confirm the low environmental impact of the development, habitat surveys and other assessments were commissioned. Water pipelines have been buried and the powerhouse is designed and sited for minimum visibility. Planning consent was granted by Argyll and Bute Council in June 1997.

The electricity generated by Beochlich Hydro is sold under a contract awarded under the first round of the Scottish Renewables Order (SRO1). The anticipated average annual energy output is 4,820 MWh, equal to the domestic needs of about 1,200 homes.

The Beochlich hydroelectric project was developed by Caledonian Energy Ltd. The initial phase of construction was completed in January 1999.

Officers and Professional Advisers

DIRECTORS

G Saunders
M Robinson
P Blom
G England
T Kirby

REGISTERED OFFICE

Brunel House
11 The Promenade
Clifton
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SOLICITORS

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AUDITORS

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol BS1 4JP

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES

The Wind 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.

REVIEW OF THE BUSINESS

The group achieved a profit after tax for the year to 31 December 1998 of £12,901. This represents an increase over the results for 1997 (profit of £10,656).

Towards the end of 1997, the Board were able to approve investment in two projects which were developed during 1998.

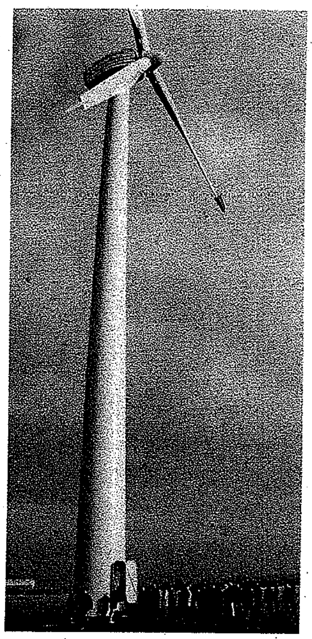
On 20 January 1998, The Wind Fund PLC purchased additional share capital of £474,498 in its subsidiary undertaking, The Wind Fund (Beochlich) Limited. The Wind Fund (Beochlich) Limited has subsequently entered into an agreement to develop and operate a small-scale hydro-electric project at Balliemeanoch, Argyll.

On 12 February 1998, The Wind Fund PLC acquired the entire share capital of two ordinary shares of £1 each in Haverigg II Limited for a consideration of £2. Subsequently, Haverigg II Limited increased its authorised share capital and The Wind Fund PLC acquired a further 317,868 ordinary shares of £1 each.

Haverigg II Limited has now entered into an agreement to develop and operate a four turbine wind farm. One of four turbines operated was sold on 1 May 1999 to Baywind Energy Co-operative Limited.

On 30 January 1998, The Wind Fund PLC issued 245,000 shares for a consideration of £311,150 via a private placement to Wind Fund Holdings BV, a related party of Triodos Deelnemingen BV, which holds the fully paid 'A' ordinary share in the share capital of the company.

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



Open Day at Haverigg II

RESULTS AND DIVIDENDS

The directors do not recommend the payment of a dividend. The retained profit of £11,297 (1997: £10,656) has been transferred to reserves.

YEAR 2000

The group has kept the question of year 2000 compliant software under constant review throughout 1998. Assurances have been obtained from suppliers of new equipment that software is year 2000 compliant. Action plans exist to ensure that all other software used is compliant. Upgrades and replacements will be undertaken as necessary to ensure that such systems will operate without disruption beyond the year 2000. The company has statements from the suppliers of key operating equipment purchased in the year stating that machinery is year 2000 compliant. Other costs in the year to 31 December 1998 were not significant and we estimate that further costs will not be material.

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 supplier's 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:

G Saunders
M Robinson
P Blom
G England
T Kirby

DIRECTORS' INTERESTS IN SHARES

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

	50p Ordinary shares fully paid	
	1998	1997
G Saunders	2,300	2,300
M Robinson	325	-
P Blom	-	-
G England	-	-
T Kirby	-	-

P Blom is a director of Triodos Deelnemingen BV which owns the fully paid 'A' ordinary share in the share capital of the company.

POST BALANCE SHEET EVENTS

On 21 January 1999, The Wind Fund PLC purchased additional share capital of 20,000 shares in its subsidiary, Haverigg II Limited.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

G Saunders
Secretary

M Robinson
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 the group as at the end of the financial year and of the profit and loss of the group 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 group 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 group and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' report to the members of the Wind Fund PLC

We have audited the financial statements on pages 10 to 20 which have been prepared under the accounting policies set out on page 13.

Respective responsibilities of directors and auditors

As described on page 8 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 and the group'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 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche, 14 June 1999

Chartered Accountants and
Registered Auditors

Consolidated profit and loss account

Year ended 31 December 1998

	Note	Continuing operations 1998 £	1997 £
Turnover		145,765	-
Administrative expenses		(108,379)	(17,905)
Other operating income		557	-
Operating profit/(loss)	2	37,943	(17,905)
Interest receivable		38,199	31,315
Interest payable		(63,241)	-
Profit on ordinary activities before taxation		12,901	13,410
Tax on profit on ordinary activities	5	-	(2,754)
Profit on ordinary activities after taxation		12,901	10,656
Equity minority interest		(1,604)	-
Retained profit for the year	14	11,297	10,656

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

Consolidated balance sheet

31 December 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	7	3,451,753	-
Current assets			
Debtors	9	154,045	-
Cash at bank and in hand		1,588,844	549,394
		1,742,889	549,394
Creditors: amounts falling due within one year	10	(449,822)	(18,648)
Net current assets		1,293,067	530,746
Total assets less current liabilities		4,744,820	530,746
Creditors: amounts falling due after more than one year	11	(2,593,497)	-
Net assets		2,151,323	530,746
Capital and reserves			
Called up share capital	13	954,887	288,115
Share premium account	14	1,139,311	221,112
Profit and loss account	14	32,816	21,519
Attributable to equity shareholders		2,127,014	530,746
Equity minority interest		24,309	-
Shareholders' funds	15	2,151,323	530,746

These financial statements were approved by the Board of Directors on 21 May 1999
Signed on behalf of the Board of Directors

M Robinson
Director

Company balance sheet

31 December 1998

	Note	1998	1997
		£	£
Fixed assets			
Investments	8	792,370	2
Current assets			
Debtors	9	1,702	-
Cash at bank and in hand		1,341,037	549,394
		1,342,739	549,394
Creditors: amounts falling due within one year	10	(29,498)	(18,650)
Net current assets		1,313,241	530,744
Net assets		2,105,611	530,746
Capital and reserves			
Called up share capital	13	954,887	288,115
Share premium account		1,139,311	221,112
Profit and loss account		11,413	21,519
Equity shareholders' funds		2,105,611	530,746

The loss for the financial year was £10,106 (1997 £10,656 profit)
These financial statements were approved by the Board of Directors on 21 May 1999
Signed on behalf of the Board of Directors

G Saunders
Secretary

M Robinson
Director

Consolidated cash flow statement

Year ended 31 December 1998

	Note	1998 £	1997 £
Net cash (outflow) from operating activities	16	(19,440)	(8,796)
Returns on investments and servicing of finance			
Interest received		38,199	31,315
Interest paid		(63,241)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		(25,042)	31,315
Taxation			
UK corporation tax paid		(2,916)	(5,211)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,261,306)	-
Net cash (outflow)/inflow before financing		(3,308,704)	17,308
Financing			
Issue of share capital		1,607,676	-
Increase in debt		2,740,478	-
Increase in cash in the year	18	1,039,450	17,308

Notes to the accounts

Year ended 31 December 1998

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.

Investments

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

Tangible fixed assets

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

Plant and machinery	5% per annum

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.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and all subsidiaries for the financial year ended 31 December 1998. 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.

Leases

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

2. OPERATING PROFIT/(LOSS)

	1998	1997
Operating profit/(loss) is after charging:	£	£
Auditors' remuneration:		
- audit services	4,115	1,762
- other services including taxation	1,175	588
- depreciation	41,274	-

In addition, fees of £5,450 were paid to the auditors in respect of work done in relation to the share issue. These costs have been offset against the share premium account.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998	1997
The emoluments of directors of the company were:	£	£
Directors' emoluments	8,290	6,440

No pensions emoluments were paid on the behalf of directors.
There were no employees of the company other than the directors.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1998	1997
	£	£
Loans repayable after more than five years	63,241	-

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998	1997
	£	£
UK corporation tax at 21% (1997: 24%)	-	2,916
Over provision in previous year	-	(162)
	-	2,754

No corporation tax arises owing to the availability of capital allowances.

6. 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 loss for the financial year amounted to £10,106 (1997 - profit £10,656).

7. TANGIBLE FIXED ASSETS

Group	Assets under course of construction	Plant and machinery	Total
	£	£	£
Cost			
At 1 January 1998	-	-	-
Additions	1,325,405	2,167,622	3,493,027
At 31 December 1998	1,325,405	2,167,622	3,493,027
Accumulated depreciation			
At 1 January 1998	-	-	-
Additions	-	41,274	41,274
At 31 December 1998	-	41,274	41,274
Net book value			
At 31 December 1998	1,325,405	2,126,348	3,451,753
At 31 December 1997	-	-	-

8. INVESTMENTS

Company	1998	1997
Investments in subsidiary undertakings at cost:	£	£
As at 1 January 1998	2	-
Investment in The Wind Fund (Beochlich) Limited	474,498	2
Investment in Haverigg II Limited	317,870	-
As at 31 December 1998	792,370	2

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 93% of the issued ordinary shares of Haverigg II Limited, a company incorporated in England. The principal business activity of Haverigg II Limited is power supply.

9. DEBTORS

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Trade debtors	60,472	-	-	-
Amounts owed by subsidiary undertakings	-	-	400	-
Other debtors	79,723	-	-	-
Called up share capital not paid	1,302	-	1,302	-
Prepayments and accrued income	12,548	-	-	-
	154,045	-	1,702	-

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Bank loans	168,948	-	-	-
Trade creditors	129,264	-	-	-
Amounts owed to subsidiary undertaking	-	-	-	2
Corporation tax	-	2,916	-	2,916
Other creditors including taxation and social security	14,740	610	-	610
Accruals and deferred income	136,870	15,122	29,428	15,122
	449,822	18,648	29,428	18,650

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

	Group		Company	
	1998	1997	1998	1997
	£	£	£	£
Loan notes	113,525	-	-	-
Bank loans	2,458,005	-	-	-
Trade creditors	21,967	-	-	-
	2,593,497	-	-	-

12. BORROWINGS

	1998	1997
	£	£
Bank loans	2,626,953	-
Due within one year	168,948	-
Due after more than one year	2,458,005	-
	2,626,953	-

Analysis of loan repayments:

Bank loans and overdrafts:		
- within one year	168,948	-
- within one to two years	193,440	-
- within two to five years	689,118	-
- after five years	1,575,447	-
	2,626,953	-

Bank loans comprise of £2,626,953 with Triodos Bank and bear interest at 2.5% over Royal Bank of Scotland base rate. This is repayable in monthly installments and is secured by fixed and floating charges on the fixed assets of the subsidiary companies.

Loan notes of £113,525 are held by The Wind Company (UK) Limited who operate the wind turbines. These are redeemable upon the sale of 1 or more wind turbines upon by Haverigg II Limited. Interest is charged in equal amounts to dividends paid by Haverigg II Limited.

13. CALLED UP SHARE CAPITAL

Authorised	1998	
	No.	£
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

Called up, allotted and fully paid	1998	1997
	£	£
Fully paid ordinary shares of £0.50 each	954,885	288,113
'A' ordinary share of £2 each	2	2
	954,887	288,115

During the year, 1,333,544 ordinary shares with an aggregate nominal value of £666,772 were issued fully paid for cash of £1,726,256.

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.

14. STATEMENT OF MOVEMENT ON RESERVES

Group	Share premium account £	Profit and loss account £
At 1 January 1998	221,112	21,519
Retained profit for the year	-	11,297
Issue of share capital	1,059,484	-
Share issue costs	(141,285)	-
At 31 December 1998	1,139,311	32,816

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	1998 £	1997 £
Profit for the financial year	11,297	10,656
New share capital subscribed (net of issue costs)	1,584,971	-
Minority interest	24,309	-
Net additions to shareholders' funds	1,620,577	10,656
Opening shareholders' funds	530,746	520,090
Closing shareholders' funds	2,151,323	530,746

16. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	1998 £	1997 £
Operating profit/(loss)	37,943	(17,905)
Increase in debtors	(154,045)	-
Increase in creditors	55,388	9,109
Depreciation	41,274	-
Net cash (outflow) from operating activities	(19,440)	(8,796)

17. ANALYSIS OF NET DEBT

	At 1 January 1998 £	Cash flow £	At 31 December 1998 £
Cash at bank and in hand	549,394	1,039,450	1,588,844
Debt due after one year	-	(2,571,530)	(2,571,530)
Debt due within one year	-	(168,948)	(168,948)
Total	549,394	(1,701,028)	(1,151,634)

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1998 £	1997 £
Increase in cash in the year	1,039,450	17,308
Cash inflow from increase in debt	(2,740,478)	-
Change in net debt resulting from cash flows	(1,701,028)	17,308
Movement in net debt in the year	(1,701,028)	17,308
Net debt at 1 January 1998	549,394	532,086
Net debt at 31 December 1998	(1,151,634)	549,394

19. CAPITAL COMMITMENTS

	1998	1997
	£	£
At 31 December 1998, the group was committed to the following capital expenditure	86,047	-

20. OPERATING LEASE COMMITMENTS

At 31 December 1998 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings
	£
Leases which expire:	
- over five years	12,500

21. RELATED PARTY TRANSACTIONS

Under the terms of the 'Provision for Administrative Services Agreement' entered into between Triodos Bank, an associate of Triodos Deelnemingen BV and The Wind Fund PLC, Triodos Bank is responsible for handling all the administrative running of the company. During the year, Triodos Bank received fees of £10,000 for this service.

During the year, costs of £72,900 in relation to the 1995 issue of shares became due to an associate of Triodos Deelnemingen BV as a result of the further successful issue of shares in 1998. These costs have been set against the share premium account.

During the year Triodos Bank received fees of £30,875 in respect of loan arrangements fees, £15,000 in respect of project management fees and £5,000 in respect of sponsorship services for the prospectus dated 12th May 1998.

22. POST BALANCE SHEET EVENTS

On 21 January 1999, The Wind Fund plc acquired 20,000 ordinary shares in its subsidiary Haverigg II Limited.

One of four turbines operated by Haverigg II Limited was sold on 1 May 1999 to Baywind Energy Co-operative Limited. The amount received was greater than net book value. Loan notes of £113,525 were redeemed as part of this sale.