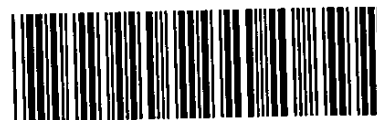


CLARIEN ENERGY (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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COMPANIES HOUSE

CLARIEN ENERGY (UK) LIMITED

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CLARIEN ENERGY (UK) LIMITED

COMPANY INFORMATION

Directors

David Iliff

Company number

05592894

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

Bank of Tokyo-Mitsubishi UFJ Limited
Finsbury Circus House
12-15 Finsbury Circus
London
EC2M 7BT

Registered office

First Floor
Standbrook House
2 – 5 Old Bond Street
London
W1S 4PD

CLARIEN ENERGY (UK) LIMITED
REGISTERED NO: 05592894
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and financial statements for the year ended 31 December 2011

Principal activities

The company is a holding company for subsidiary undertakings engaged in the development and operation of renewable energy plants. The principal activity of the company is to assist in obtaining funding for the subsidiary undertakings which are also the operating companies. Interest is charged at arm's length for funds remitted to subsidiary undertakings.

The principal activities of its subsidiary, Western Bio-Energy Limited, consist of the operation of a 13.8 megawatts biomass plant, to produce and sell electricity and other related products in Margam, Port Talbot.

As at the reporting date, the company is a wholly owned subsidiary undertaking of Eco2 Projects Limited.

Results and dividends

The profit for the year amounted to £1,214,944 (2010: loss of £1,810,816). The directors do not recommend the payment of any dividends.

Review of the business

There are two renewable energy plants, i.e. a biomass plant and a windfarm, owned and operated by subsidiary undertakings within the group.

The biomass plant became fully operational on 14 October 2008 and generated revenue of £10.975 million for the year ended 31 December 2011 (2010: £10.997 million). Revenue is a key performance indicator and there was a 0.2% decrease in revenue compared to 2010 due to general maintenance work that was carried out during the year. However, the directors anticipate that the level of activity and profitability in future years would be satisfactory.

The windfarm, operated and owned by Dummies Huntly Limited, was sold to an external third party on 30 June 2011.

Principal risks and uncertainties

The group is aware of the risks it is exposed to and evaluates them regularly. The principal risks and uncertainties facing the group are broadly grouped into financial risks and risks inherent to the industry.

The key financial risk is that the proceeds from the financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are credit risk, liquidity risk and cash flow risk. Due to the nature of the group's business and the assets and liabilities contained within the group's balance sheet, the only financial risks the directors consider relevant to this group are credit risks and liquidity risks.

These risks are mitigated by the nature of the balances owed, with these due to the group companies. Commodity price exposure, on the other hand, has been managed by entering into fixed price contracts for the sale of all electricity with Scottish Power.

The industry inherent risk lies in the fact that biomass plants are relatively new in the energy industry; hence there is insufficient empirical evidence to support the long-term forecasts of output and performance. However, the results of feasibility studies and the abundance of wood indicate that the project is set to meet its targets.

The company and its subsidiaries participate in the group's centralised treasury arrangements and so share banking arrangements.

CLARIEN ENERGY (UK) LIMITED
REGISTERED NO: 05592894
DIRECTORS' REPORT (CONTIUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

Principal risks and uncertainties (continued)

The directors, having assessed the responses of the directors of the company's fellow subsidiaries to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the group's financial position and of the enquiries made, the group's directors have a reasonable expectation that the group will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors

The following directors held office during the year

David Iliff
Wayne Woo (resigned 30 September 2011)

Directors' indemnity provision

The group has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

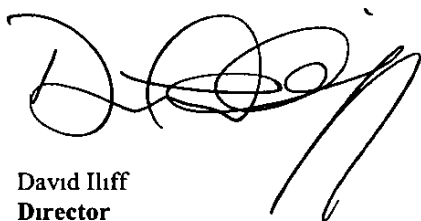
Auditors

In accordance with s485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be put to the shareholder at the Annual General Meeting

Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

On behalf of the board



David Iliff
Director
23 May 2012

CLARIEN ENERGY (UK) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 group will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF CLARIEN ENERGY (UK) LIMITED

We have audited the financial statements Clarien Energy (UK) Limited for the year ended 31 December 2011 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDER OF CLARIEN ENERGY (UK) LIMITED (CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

ERNST+YOUNG LLP

Matthew Seal (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date 23 May 2012

CLARIEN ENERGY (UK) LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	2011	2010	2010
	Notes	£	£	£	£
Turnover					
– Continuing operations		10,975,224		12,710,656	
– Discontinued operations		948,879		-	
Group turnover	2	11,924,103		12,710,656	
Cost of sales	3	(9,246,114)		(9,292,299)	
Gross profit		2,677,989		3,418,357	
Administrative expenses	3	(1,359,552)		(1,257,995)	
Exceptional items	11	-		(514,900)	
Other operating income		552,486		546,567	
Operating profit					
– Continuing operations		1,506,063		2,192,029	
– Discontinued operations		364,860		-	
Group operating profit	4	1,870,923		2,192,029	
Other non-operating income	6	457,725		-	
Profit on sale of subsidiary undertaking	7	3,352,906		-	
Interest receivable and similar income	8	209		203	
Interest payable and similar charges	9	(3,909,252)		(4,101,249)	
Other finance cost		(685,000)		-	
Profit/(loss) on ordinary activities before taxation		1,087,511		(1,909,017)	
Tax on profit/(loss) on ordinary activities	10	(335,571)		(274,359)	
Profit/(loss) on ordinary activities after taxation		751,940		(2,183,376)	
Equity minority interests		463,004		372,560	
Profit/(loss) for the financial year	24	1,214,944		(1,810,816)	

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

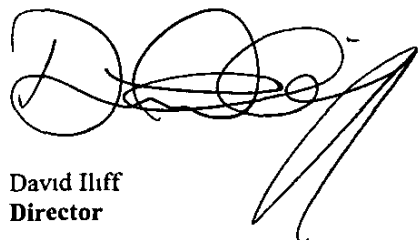
There are no recognised gains or losses other than the profit of £1,214,944 attributable to the shareholder for the year ended 31 December 2011 (2010 loss of £1,810,816)

The notes on pages 11 to 22 form part of these financial statements.

CLARIEN ENERGY (UK) LIMITED
GROUP BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	2010
	Notes	£	£
Fixed assets			
Intangible assets	12	-	1,971,667
Tangible assets	13	31,155,568	41,199,275
		31,155,568	43,170,942
Current assets			
Stock	14	193,352	112,476
Debtors			
– Amounts falling due within one year	15	3,891,002	4,257,637
– Amounts falling due after one year	15	-	398,682
Cash at bank		6,107,850	3,385,718
		10,192,204	8,154,513
Creditors, amounts falling due within one year	16	(4,922,805)	(3,429,206)
Net current assets		5,269,399	4,725,307
Total assets less current liabilities		36,424,967	47,896,249
Creditors: amounts falling due more than one year	17	(47,665,213)	(58,771,238)
Provisions for liabilities and charges	22	(165,698)	(1,282,895)
Net liabilities		(11,405,944)	(12,157,884)
Capital and reserves			
Called up share capital	23	1	1
Profit and loss account	24	(9,329,973)	(10,544,917)
Shareholder's funds	24	(9,329,972)	(10,544,916)
Minority interests		(2,075,972)	(1,612,968)
Capital employed		(11,405,944)	(12,157,884)

These financial statements were approved by the board of directors on 23 May 2012 and were signed on its behalf by

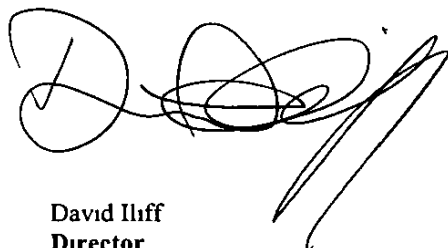


David Iliff
Director

CLARIEN ENERGY (UK) LIMITED
PARENT BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	2010
	Notes	£	£
Fixed assets			
Investments	11	-	-
Current assets			
Debtors			
– Amounts falling due within one year	15	103,694	106,100
– Amounts falling due after one year	15	10,770,496	20,558,804
		10,874,190	20,664,904
Cash at bank		3,916,716	779,035
		14,790,906	21,443,939
Creditors: amounts falling due within one year	16	(3,451,701)	(1,850,805)
Net current assets		11,339,205	19,593,134
Total assets less current liabilities		11,339,205	19,593,134
Creditors: amounts falling due more than one year	17	(36,066,701)	(43,046,534)
Net liabilities		(24,727,496)	(23,453,400)
Capital and reserves			
Called up share capital	23	1	1
Profit and loss account	24	(24,727,497)	(23,453,401)
Shareholder's funds		(24,727,496)	(23,453,400)

These financial statements were approved by the board of directors on 23 May 2012 and were signed on its behalf by



David Iliff
Director

CLARIEN ENERGY (UK) LIMITED
GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

		2011	2010
		£	£
Net cash inflow from operating activities	25	2,100,935	4,510,464
Returns on investments and servicing of finance			
Interest received		209	203
Interest paid		(1,725,701)	(3,437,120)
		(1,725,492)	(3,436,917)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(50,521)	(1,583,518)
Acquisitions and disposals			
Disposal of subsidiary undertaking	26	13,400,953	-
Net cash disposed of with subsidiary undertaking	26	(859,082)	-
		12,541,871	-
Financing			
Government grant income received		2,500	-
Repayment of long-term loans		(10,147,161)	(963,465)
		(10,144,661)	(963,465)
Increase/(decrease) in net cash		2,722,132	(1,473,436)
Reconciliation to net cash			
Net cash at 1 January		3,385,718	4,859,154
Increase/(decrease) in net cash		2,722,132	(1,473,436)
Net cash at 31 December		6,107,850	3,385,718

CLARIEN ENERGY (UK) LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards (United Kingdom Generally Accepted Accounting Practice)

The financial statements are prepared on a going concern basis.

1.1 Basis of consolidation

The group financial statements comprise the financial statements of Clarien Energy (UK) Limited, Western Bio-Energy Limited and Western Bio-Energy (Fuels) Limited for the year ended 31 December 2011

The group profit and loss account and cash flow statement also includes the result and cash flows of Dummies Windfarm Huntly Limited for the six month period to 30 June 2011, the date of its sale outside the group.

The company and its subsidiaries are incorporated in the United Kingdom

1.2 Turnover

Turnover represents the sale of electricity and all other related products produced in the period from the biomass plant and the windfarm. Turnover is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Turnover of the group has been derived from its principal activity wholly undertaken in United Kingdom.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset over its expected useful life, as from the time it is put into operation

Furniture	3 years
Computer equipment	3 years
Biomass plant	25 years
Biomass plant decommissioning assets	25 years
Biomass Machinery	5 years
Windfarm Plant & Machinery	20 years
Windfarm decommissioning assets	20 years

Freehold land is shown at cost and is not subject to depreciation

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

1.4 Operating leases

Rentals payable under operating leases are charged on a straight line basis over the term of the lease to the profit and loss accounts on an accruals basis

1.5 Recognition of interest income

Interest receivable from banks and inter-company loans to subsidiary undertakings is recognised as it accrues

1.6 Interest payable

Interest costs are recognised in the profit and loss account as they accrue

1.7 Provision for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of past event and it is probable that an outflow of economic benefit will be required to settle the obligation.

CLARIEN ENERGY (UK) LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies (continued)

1.8 Provision for decommissioning costs

The group has provided for the present value of estimated decommissioning cost. This accounting policy complies with the requirements of FRS 12 Provision, Contingents Liabilities and Contingent Assets

Each year the decommissioning provision is subject to unwinding of the discounted value in order to bring the provision up to the latest present value. This charge is included within interest payable in the profit and loss account

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account

1.10 Deferred tax

Deferred taxation 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 right to pay less or to receive more, tax, with following exceptions.

- provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,
- 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 an undiscounted 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

1.11 Significant accounting judgements and estimates

As at the year ended 31 December 2011, the group estimated the value of its entitlement to the ROC Buy-out Fund in relation to the 2011/2012 administrative year. In assessing the value of its entitlement, the group estimates the value of the Ofgem Buyout Funds for the appropriate years and the number of ROCs (Renewable Obligation Certificates) that will be presented for the respective years. In the group's balance sheet included within accrued income is £1,063,222 (2010 £1,249,654) in respect of the group's share of Ofgem Buyout Funds

1.12 Government grants

Government grants received in respect of capital expenditure are credited to a deferred income account and released to profit and loss account over the expected useful lives of the assets by equal instalments from the date the plant became fully operational

Income from government grants in respect of revenue expenses are recognised in the profit and loss account to match against the expenditure to which they relate.

1.13 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all cost incurred in bringing each product to its present location and condition, as follows

Raw materials and consumables – purchase cost on a first-in, first-out basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal

CLARIEN ENERGY (UK) LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies (continued)

1.14 Derivative instrument

The group uses interest rate swaps to adjust interest rate exposure

Interest rate swaps

The company's criteria for interest rate swaps are

- the instrument must be related to an asset or a liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Interest differentials are recognised by accruing with net interest receivable. Interest rate swaps are not revalued to fair value or shown on the company balance sheet at the year end. If terminated early, the gain/loss is spread over the remaining maturity of the original instrument.

1.15 Company statement of comprehensive income

As permitted by section 408 of the Companies Act 2006, the company has not presented its own Profit and Loss Account. The company's loss for the financial year was £1,274,096 (2010: £22,453,072).

2 Turnover

Turnover comprises the invoiced value of services supplied by the group, exclusive of Value Added Tax and trade discounts. Turnover of the group has been derived from its principal activity wholly undertaken in United Kingdom.

3 Cost of sales, gross profit and administrative expenses

	2011 Continued	2011 Discontinued	2011 Total	2010 Continued	2010 Discontinued	2010 Total
Turnover	10,975,224	948,879	11,924,103	12,710,656	-	12,710,656
Cost of sales	(8,698,656)	(547,458)	(9,246,114)	(9,292,299)	-	(9,292,299)
Gross profit	2,276,568	401,421	2,677,989	3,418,357	-	3,418,357
Administrative expenses	(1,322,991)	(36,561)	(1,359,552)	(1,257,995)	-	(1,257,995)
Exceptional items	-	-	-	(514,900)	-	(514,900)
Other operating income	552,486	-	552,486	546,567	-	546,567
Group operating profit	1,506,063	364,860	1,870,923	2,192,029	-	2,192,029

4 Group operating profit

	2011 £	2010 £
Depreciation of plant and machinery	1,694,556	1,849,920
Depreciation of furniture	250	6,483
Depreciation of software	1,774	10,832
Depreciation of biomass plant decommissioning assets	27,201	48,930
Amortisation of government grants	532,236	532,135
Amortisation of intangible assets	64,466	130,000
Impairment of goodwill	-	514,900
Auditor's remuneration - audit of financial statements	70,872	48,000
Realised foreign exchange loss	42,570	48,890

CLARIEN ENERGY (UK) LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

5 Staff costs

No remuneration or pension was paid to the directors for their services to the company during the year (2010 £Nil). The company had no other employees (2010 £Nil).

The directors of the company receive a profit share from a separate limited liability partnership. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as members of the LLP.

6 Other non-operating income

	2011	2010
	£	£
Intercompany interest waived	<u>457,725</u>	<u>-</u>

Eco2 Projects Limited, the immediate parent undertaking waived £457,725 of inter-company loan interest payable by Dummues Windfarm Huntly Limited following its sale in June 2011.

7 Profit on sale of subsidiary

	2011	2010
	£	£
Gain on disposal of subsidiary	<u>3,352,906</u>	<u>-</u>

8 Interest receivable and similar income

	2011	2010
	£	£
Bank interest receivable	<u>209</u>	<u>203</u>

9 Interest payable and similar charges

	2011	2010
	£	£
Bank loan interest payable	340,869	362,783
Intercompany loan interest payable	2,874,992	2,818,300
Interest rate swap payments	648,954	844,913
Unwinding of discount on decommissioning provisions	44,437	75,253
	<u>3,909,252</u>	<u>4,101,249</u>

CLARIEN ENERGY (UK) LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

10 Taxation

a) There is no tax provision for current tax in the period as the group has incurred tax losses since June 2006

	2011 £	2010 £
Analysis of tax charge for the period		
UK corporation tax at current rates	-	-
Deferred tax charge	335,571	274,359
Tax charge on result on ordinary activities	<u>335,571</u>	<u>274,259</u>

(b) Factors affecting current tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applicable to the group of 26.5% (2010 28%). The differences are explained below

	2011 £	2010 £
Profit / (loss) on ordinary activities before taxation :	<u>1,087,511</u>	<u>(1,909,017)</u>
Profit / (loss) on ordinary activities multiplied by standard rate corporation tax in UK of 26.5% (2010 28%)	288,190	(534,525)
Effect of		
Expenses not deductible for tax purposes	73,655	202,674
Other timing differences	18,984	426,143
Non-taxable amortisation of deferred income	(141,043)	-
Non-taxable income on sale of subsidiary	(705,876)	-
Losses carried forward	69,132	245,656
Capital allowances in advance of depreciation	(477,231)	(1,119,859)
Tax losses claimed for nil consideration	-	(86,089)
Tax losses surrendered for nil consideration	874,189	866,000
Total current tax charge	<u>-</u>	<u>-</u>

(c) Provision for deferred taxes

	Deferred tax asset 2011 £	Deferred tax asset 2010 £
At 1 January	(156,947)	117,412
Prior year adjustment	207,398	-
Rate change adjustment	19,463	-
Current year movements	(562,432)	(274,359)
Disposal of subsidiary undertaking (note 26)	492,518	-
At 31 December	<u>-</u>	<u>(156,947)</u>
	2011 £	2010 £
Debtors (see note 15)	-	398,682
Creditors amounts falling due after more than one year (see note 17)	-	(555,629)
Total deferred tax asset / (liability)	<u>-</u>	<u>(156,947)</u>

CLARIEN ENERGY (UK) LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

10 Taxation (continued)

	2011	2010
	£	£
Accelerated capital allowances	(1,389,290)	(2,290,242)
Tax losses carried forward	1,389,290	2,133,295
Total deferred tax asset / (liability)	<u>-</u>	<u>(156,947)</u>

The recognised deferred tax balances are disclosed as follows

The deferred tax assets included within debtors are not deemed to be recoverable within one year

(d) Factors that may affect future tax charges

The following changes were announced in the UK Budget in March 2012 (i) the full rate of corporation tax will reduce to 24% with effect from 1 April 2012 and to 23% with effect from 1 April 2013 The deferred tax balances as at 31 December 2011 have been calculated using a rate of 25%

A potential deferred tax asset of £5k relating to timing differences in respect of decommissioning provisions has not been recognised as there is insufficient certainty as regards to the existence of sufficient future taxable profits against which the tax relief arising on the unwind of the provision can be utilised

11 Investment

Investment in subsidiary undertaking represents the company's investment in the following limited company registered in England and Wales

<i>Name of company</i>	<i>Holding</i>	<i>Loss for the period</i>	<i>Aggregate amount of the capital and reserves at 31 December 2011</i>
Western Bio-Energy Limited	80% of ordinary share capital	£(2,315,021)	£(10,379,865)

The carrying amount of investment has been reduced to its recoverable amount of £nil through recognition of an impairment loss of £514,900 This loss was recorded as exceptional items in the 2010 group profit and loss account.

	£
Cost:	
At 1 January 2011 and 31 December 2011	<u>514,900</u>
Amortisation:	
At 1 January 2011 and 31 December 2011	(514,900)
Net book value:	
At 31 December 2011	<u>Nil</u>
At 31 December 2010	<u>Nil</u>

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12 Intangible assets

	£
Cost:	
At 1 January 2011	2,600,000
Disposal of subsidiary undertaking	(2,600,000)
At 31 December 2011	-
Amortisation:	
At 1 January 2011	628,333
Impairment for the year	64,466
Disposal of subsidiary undertaking	(692,799)
At 31 December 2011	-

13 Tangible fixed assets - Group

	Freehold Land	Biomass plant decommissioning assets	Plant & machinery	Furniture & computer equipment	Total
	£	£	£	£	£
Cost					
At 1 Jan 2011	624,000	1,007,729	44,668,291	46,700	46,346,720
Additions	-	-	47,661	2,860	50,521
Disposal of subsidiary undertaking	-	(862,058)	(9,820,742)	-	(10,682,800)
At 31 Dec 2011	624,000	145,671	34,895,210	49,560	35,714,441
Depreciation					
At 1 Jan 2011	-	(174,504)	(4,929,060)	(43,881)	(5,147,445)
Charge for the year	-	(27,201)	(1,694,556)	(2,024)	(1,723,781)
Disposal of subsidiary undertaking	-	183,010	2,129,343	-	2,312,353
At 31 Dec 2011	-	(18,695)	(4,494,273)	(45,905)	(4,558,873)
Net book value					
At 31 Dec 2011	624,000	126,976	30,400,937	3,655	31,155,568
At 31 Dec 2010	624,000	833,225	39,739,231	2,819	41,199,275

14 Stock - Group

	2011 £	2010 £
Raw materials and consumables	193,352	112,476

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15 Debtors

	2011		2010	
	Group	Company	Group	Company
	£	£	£	£
<i>Amounts falling due within one year</i>				
Accrued income	3,254,017	-	3,659,590	-
Prepayments	325,703	8,005	366,223	10,411
Other debtors	311,282	95,689	231,824	95,689
	<u>3,891,002</u>	<u>103,694</u>	<u>4,257,637</u>	<u>106,100</u>
<i>Amounts falling due after one year</i>				
Amount owed by related parties	-	10,770,496	-	20,558,804
Deferred tax assets (see note 10(c))	-	-	398,682	-
	<u>-</u>	<u>10,770,496</u>	<u>398,682</u>	<u>20,558,804</u>
	<u>3,891,002</u>	<u>10,874,190</u>	<u>4,656,319</u>	<u>20,664,904</u>

16 Creditors: amounts falling due within one year

	2011		2010	
	Group	Company	Group	Company
	£	£	£	£
Trade creditors	977,308	1,050	1,702,359	-
Accruals	320,112	17,479	454,971	12,374
VAT payable	284,118	(1,862)	170,495	-
Current instalments due on secured loans (see note 18)	741,267	741,267	1,101,381	1,101,381
Amount owed to related parties	2,600,000	2,693,767	-	737,050
	<u>4,922,805</u>	<u>3,451,701</u>	<u>3,429,206</u>	<u>1,850,805</u>

17 Creditors: amounts falling due more one year

	2011		2010	
	Group	Company	Group	Company
	£	£	£	£
Secured bank loans (see note 18)	11,274,135	11,274,135	21,061,182	21,061,182
Amounts owed by related parties	24,792,567	24,792,566	25,026,180	21,985,352
Deferred tax liability	-	-	555,629	-
Deferred grant income	11,598,511	-	12,128,247	-
	<u>47,665,213</u>	<u>36,066,701</u>	<u>58,771,238</u>	<u>43,046,534</u>

Government grants in respect of capital expenditure relating to the biomass plant which were credited to a deferred income account are released to profit over the expected useful life of 25 years by equal instalments from 14 October 2008, the date the plant became fully operational

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18 Secured bank loans

Loans repayable, included within creditors, are analysed as follows:

	2011	2010
	£	£
Repayable within one year	741,267	1,101,381
Repayable within 1 - 2 years	926,160	1,151,519
Repayable within 2 - 5 years	3,075,142	4,461,030
Repayable after 5 years	7,272,833	15,448,633
	<u>12,015,402</u>	<u>22,162,563</u>

On 9 February 2006, the group obtained two long term loan facilities (Tranches A1 and A2) from the Bank of Tokyo-Mitsubishi UFJ, Limited to finance the development of the windfarm operated by Dummies Windfarm Huntly Limited in Aberdeen, Scotland, and the biomass plant operated by Western Bio-Energy Limited at Port Talbot in South Wales. The terms for each of the loans is for a period of 16 years.

Tranche A1 was for a commitment of £16,900,000 of which £16,844,800 (2010: £16,844,800) was utilised and Tranche A2 was for a commitment £9,400,000 out of which £9,152,794 (2010: £9,152,794) was utilised. The undrawn commitment of Tranche A1 and Tranche A2 will expire in 2022. On 30 June 2011, following the sale of Dummies Windfarm Huntly to an external third party, the undrawn commitment of Tranche A2 was cancelled.

On 30 June 2011, following the sale of Dummies Windfarm Huntly to an external third party, the entire amount owing for Tranche A2 was repaid to Bank of Tokyo-Mitsubishi UFJ, Limited. As at 31 December 2011, the amount owing for Tranche A1 was £12,015,402 (2010: £14,301,857).

As part of the terms of the facility agreements, the entire share capital and assets, including the freehold and leasehold interests, of Eco2 Projects Limited, Clarien Energy (UK) Limited together with Western Bio-Energy Limited and Western Bio-Energy (Fuels) Limited were pledged to the bank as security for the loan. The rate of interest payable on the loans is 1% above LIBOR.

19 Derivatives

The company purchases interest rate swaps to manage interest rate risk. The interest rate swaps will expire in 11 years on 31 December 2022. The fair values of the derivatives held at the Balance Sheet date, determined by reference to their market values, are as follows:

	2011	2010
	£	£
Interest rate swap - notional principal	13,090,371	21,216,204
Interest rate swaps liability	<u>(2,582,665)</u>	<u>(2,457,184)</u>

The weighted average interest rate for the period is 5.692% (2010: 5.450%).

20 Commitments

(a) Operating lease commitment – group company as lessee

In June 2003, the company entered into a 25 year lease of the plot of land at East Mains of Dummie, Drumblade, Huntly, Aberdeenshire, Scotland where the windfarm is situated. The operating lease rental charge is based on installed MWh capacity. The charge increases annually with RPI and as such, the commitment for the following year cannot be established in advance. The rental cost for six month period to 30 June 2011 was £24,856 (2010: £51,955), the date of its sale outside the group.

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FOR THE YEAR ENDED 31 DECEMBER 2011

20 Commitments (continued)

(b) Capital commitments - group

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2011	2010
	£	£
Property, plant and equipment	135,893	-

21 Contingent liabilities

As part of the consideration for the acquisition of Western Bio-Energy Limited, Clarien Energy (UK) Limited issued guaranteed unsecured loan notes totalling £2.5 million. The £2.5 million equals the amount of the adjusted wood fuel savings less accrued interest. The loan notes are redeemable in the years when the wood fuel savings are realised. There were no fuel savings for the year ended 31 December 2011 (2010: £Nil).

Clarien Energy (UK) Limited may have to issue further loan notes as additional consideration for the acquisition of the shares for future fuel savings.

The directors are unable to reliably estimate the total amount of future wood fuel savings and consequently, no provision for any liability has been made in these financial statements.

22 Provisions for liabilities and charges

	2011	2010
	£	£
Decommissioning provision (see note 22 (a))	165,698	1,247,645
Other provisions	-	35,250
	<u>165,698</u>	<u>1,282,895</u>

(a) Provision for decommissioning costs

	£
Decommissioning provision as at 1 January 2011	1,247,645
Unwinding of discounts (Group)	44,437
Disposal of subsidiary undertaking	(1,126,384)
Decommissioning provision at 31 December 2011	<u>165,698</u>

Provision has been made under FRS 12 for estimated decommissioning costs which are calculated as the present value of estimated decommissioning costs using a discount rate of 5.99%. Included within fixed assets is an amount of £126,976 (2010: £833,255) which reflects the company's expectation to recover future decommissioning costs from sales of electricity during 2011 and future years. The asset is being depreciated over 25 years being the expected life of the biomass plant.

23 Share capital

	2011	2010
	£	£
Authorised share capital		
100 Ordinary shares of £1.00 each	100	100
Allotted, called up and fully paid		
1 ordinary share of £1.00	<u>1</u>	<u>1</u>

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24 Reconciliation of shareholders' funds and movements on reserves

Group	Share capital £	Profit & loss account £	Total £
At 31 December 2009	1	(8,734,101)	(8,734,100)
Loss for the financial year	-	(1,810,816)	(1,810,816)
At 31 December 2010	1	(10,544,917)	(10,544,916)
Profit for the financial year	-	1,214,944	1,214,944
At 31 December 2011	1	(9,329,973)	(9,329,972)

Parent company	Share capital £	Profit & loss account £	Total £
At 31 December 2009	1	(1,000,329)	(1,000,328)
Loss for the financial year	-	(22,453,072)	(22,453,072)
At 31 December 2010	1	(23,453,401)	(23,453,400)
Loss for the financial year	-	(1,274,096)	(1,274,096)
At 31 December 2011	1	(24,727,497)	(24,727,496)

25 Reconciliation of operating profit to net cash inflow from operating activities:

	Group	
	2011 £	2010 £
Continuing operations		
Operating profit	1,506,063	2,192,029
Depreciation charge	1,473,171	1,916,165
Amortisation of government grants	(532,236)	(532,135)
Amortisation of intangible assets	-	130,000
Impairment of investments	-	514,900
(Increase) in stocks	(80,876)	2,588
Decrease/(increase) in debtors	(219,490)	(140,113)
(Decrease) in creditors	(614,693)	1,114,401
(Decrease) in provisions	(35,250)	(687,371)
Net cash inflow from continuing operations	1,496,689	4,510,464
Discontinued operations		
Operating profit	364,860	-
Depreciation charge	250,610	-
Amortisation of intangible assets	64,466	-
(Increase) in debtors	(76,913)	-
Increase in creditors	1,223	-
Net cash inflow from discontinued operations	604,246	-
Total net cash inflow from operating activities	2,100,935	4,510,464

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FOR THE YEAR ENDED 31 DECEMBER 2011

26 Disposal of subsidiary undertaking

On 30 June 2011, the group completed the sale of Dummues Windfarm Huntly Limited. The disposal is analysed as follows

Net assets disposed of	£
Fixed assets	8,370,447
Intangible assets	1,907,201
Debtors	661,176
Cash at bank	859,082
Creditors	(130,957)
Deferred taxation	(492,518)
Provisions for liabilities and charges	(1,126,384)
	10,048,047
Profit on disposal (note 7)	3,352,906
	<u>13,400,953</u>
Satisfied by	
Cash	<u>13,400,953</u>

27 Related party transactions

	Interest expense to related party	Amount owed to related party at year end
	£	£
<i>At 31 December 2011</i>		
Eco2 Projects Limited	<u>2,874,992</u>	<u>27,392,567</u>
<i>At 31 December 2010</i>		
Eco2 Projects Limited	<u>2,818,300</u>	<u>25,026,180</u>

28 Ultimate parent undertaking and controlling party

The immediate parent undertaking at the reporting date is Eco2 Projects Limited, a company registered in England & Wales

The directors regard Good Energies Asset Fund LP, a limited partnership registered in England & Wales, as the company's ultimate parent undertaking and controlling party