



Business Diversification Plan

Executive Summary

Sept 2012

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The Company

Arduaine Farm Services Ltd is a successful contracting business specialising in the installation and maintenance of private water supplies. Established by Michael Campbell in 1997, the family run business operates from Arduaine Farm and serves the Argyll and Islands area.

The Opportunity

The installation, servicing and repair of small scale wind turbines has been identified as a potential growth opportunity. The target market for this renewable energy technology matches the company's existing customer base and the skills, plant and equipment required to undertake this work already exist within the business. Arduaine Farm Services Ltd intends to implement a "wind and water" business strategy.

The Market

The UK market for small to medium size wind turbines was estimated by Renewable UK to be worth £50 million in 2011. Forecasted growth of 176% in 2012 gives a current market value of £138 million. This exceptional growth is being fuelled by Feed-in-Tariff payments for renewable energy generation and rising energy costs.

The target market for small scale wind turbines up to 15kW comprises of farms, country estates and rural enterprises. This matches the company's existing customer base for water related services. Installers of small wind turbines need to be accredited through the Microgeneration Certification Scheme (MCS) in order to register installations and enable customers to claim the Feed-in-Tariffs available.

Gaia-Wind Ltd are a Glasgow based manufacturer of small wind turbines, a market leader in this sector and recently confirmed as one of the fastest growing private companies in Scotland. Arduaine Farm Services personnel have successfully completed Gaia-Wind's training programme and have been appointed as an Approved Gaia-Wind Turbine Installer.

Route to Market

During the initial twelve month period, Arduaine Farm Services will operate as a sub-contractor to Gaia-Wind in a partnership agreement. The experience gained over this time will be used to demonstrate competency in small wind turbine technology and allow the company to apply for MCS accreditation. Once attained, the business will operate independently of Gaia-Wind enabling a wider range of products and services to be offered. At this point, the company's trading arrangement with Gaia-Wind will progress to a Reseller Agreement.

A Gaia-Wind turbine was installed on Arduaine Farm in September 2012. The installation was carried out by Arduaine Farm Services under the supervision of the manufacturer and will provide the company with a demonstration site for prospective customers and a reference project for the MCS accreditation process.

Personnel

The company currently has three full time employees and supports a further two self-employed operatives through sub-contract work. The sales forecast for new wind related business in the first twelve month period is achievable with the existing workforce. In the second year of operation following successful MCS accreditation, an additional two full-time staff will be employed to assist in wind related activities.

A training programme will be implemented in the first twelve month period to ensure employees received appropriate training to meet the required industry standards and statutory requirements. This will ensure the company is best placed to achieve MCS accreditation.

Finances

| Sales Forecast for Wind Related Activities | | | |
|--------------------------------------------|---------|---------|---------|
| | Year 1 | Year 2 | Year 3 |
| Sales Forecast £'s | 110,000 | 190,000 | 225,000 |
| Number of Installations | 10 | 18 | 21 |
| Contribution Margin % | 61.2% | 52.3% | 52.3% |
| Contribution £'s | 67,300 | 99,400 | 117,700 |

Arduaine Farm Services entry into this new market requires no major capital investment. The majority of plant and equipment required to undertake the work already exists within the business.

A small capital investment of £5k for specialist tools and equipment will be required which will be funded from revenue.

Staff training will be part funded by Skills Development Scotland through The Low Carbon Skills Fund with the balance funded from the company's existing training budget.