

# **Ventus VCT plc**

## **Annual Report & Financial Statements**

for the year ended 28 February 2010



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Ventus VCT plc invests in companies that develop, construct and operate renewable energy projects.

Registered No: 5205442

Cover and inside cover:  
Fenpower Limited, Cambridgeshire  
(Photograph: M. Ridley, 2010).

# I am pleased to present the Annual Report and Financial Statements of Ventus VCT plc (the "Company") for the year ended 28 February 2010.

### **Net Asset Value, Results and Dividends – Ordinary Shares**

At the year end, the net asset value of the ordinary share fund of the Company stood at £16,611,000 or 101.4p per ordinary share. The revenue profit attributable to ordinary shareholders for the year was £407,000 or 2.69p per ordinary share. The capital loss attributable to ordinary shareholders for the year was £2,165,000 or 14.31p per ordinary share, resulting in a net loss to ordinary shareholders for the year of £1,758,000 or 11.62p per ordinary share.

The value of investments held by the ordinary share fund at 28 February 2010 was £14,305,000 compared to £15,880,000 at 28 February 2009. The Investment Manager's Report gives details of investments made during the year, together with information about the valuation of all investee company holdings within the portfolio.

The income generated in the ordinary share fund during the year comprised dividend income and interest earned on mezzanine loan stock and cash deposits. Total income for the year to 28 February 2010 was £728,000 compared to £1,202,000 for the year to 28 February 2009. The reduced income was primarily attributable to a decrease in dividends resulting from the poor performance of Redimo LFG Limited and reduced interest from mezzanine loans due to restructuring of the loan arrangements with Firefly Energy Limited. The interest from cash on deposit also declined as cash has been substantially deployed to acquire share capital in and to make mezzanine loans to investee companies.

The Company declared a dividend of 1.50p per ordinary share for the first half-year and proposes to declare a dividend of 2.00p per ordinary share for the second half-year, resulting in a total annual dividend of 3.50p per ordinary share. The dividend will be paid on 27 July 2010 to all shareholders on the register as at the close of business on 2 July 2010.

### **Net Asset Value and Results – "C" Shares**

On 12 February 2009 the Company launched a joint "C" share offer with Ventus 2 VCT plc. The first allotment of "C" shares was made on 24 March 2009 and the offer closed on 30 June 2009 having raised £6,544,000 for the Company, excluding issue costs.

At the year end, the net asset value of the "C" share fund of the Company stood at £6,400,000 or 92.4p per "C" share. The revenue loss attributable to "C" shareholders for the period was £54,000 or 0.88p per "C" share. The capital loss attributable to "C" shareholders for the period was £90,000 or 1.48p per "C" share, resulting in a net loss to "C" shareholders for the period of £144,000 or 2.36p per "C" share.

The value of investments held by the "C" share fund at 28 February 2010 was £325,000. The Investment Manager's Report gives details of investments made during the period, together with information about the valuation of all investee company holdings within the portfolio.

The income generated in the "C" share fund during the period comprised interest earned on mezzanine loan stock, UK treasury bills and cash deposits. Total income for the period to 28 February 2010 was £31,000, of which £11,000 was derived from mezzanine loan stock. As at 28 February 2010, the "C" share fund held cash and cash equivalents totalling £6,468,000.

The Company has not declared a dividend in respect of the "C" shares.

### **Share Offers**

On 17 November 2009 the Company launched a "top-up" offer inviting subscriptions for up to £1.5 million of ordinary shares. The offer closed on 18 January 2010 and was fully subscribed. On 25 January 2010, 1,384,610 ordinary shares of 25p were allotted at a price of 108p per ordinary share. After issue costs, the Company raised £1,413,000 from the offer.

On 8 February 2010 the Company launched a second "C" share offer, seeking to raise up to £10 million jointly with Ventus 2 VCT plc. The full terms of the offer are set out in the prospectus published on 8 February 2010. Since the year end, the Company has allotted 4,404,421 "C" shares in respect of this second "C" share offer, which has raised a further £4,162,000 for the "C" share fund, after issue costs. The offer closed on 31 May 2010.

### **Investments**

The Company's Investment Manager, Climate Change Capital Limited, continues to be actively engaged in managing the portfolio and in identifying and negotiating potential investment opportunities to invest the "C" share capital that has been raised. The investments made, dividends paid and capital raised constitute the important events of the year.

As at 28 February 2010, the ordinary share fund of the Company held investments in 12 companies with a total value of £14.3 million. The "C" share fund held investments in one company with a value of £0.3 million.

The Investment Manager's Report provides details of the investments held as at 28 February 2010 and as at the date of this report. All investments are structured so as to be treated as qualifying holdings for the purposes of Venture Capital Trust ("VCT") regulations, unless otherwise stated.

### **VCT Qualifying Status**

The Company retains PricewaterhouseCoopers LLP to review its compliance with VCT regulations. The Directors are satisfied that the Company continues to fulfil the conditions for maintaining VCT status.

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### Shareholder Communications

In accordance with the Company's commitment to environmental sustainability and to minimise costs wherever appropriate, the financial statements will continue to be made available through regulated news service providers and on the Company website at [www.ventusvct.com](http://www.ventusvct.com). Any shareholder who wishes to receive notification of reports by email or post may request this by contacting the Registrar.

### Outlook

In order to deal with certain changes to the Listing Rules regarding the independence of Directors (further details on which are set out in the Directors' Report), the Board has proposed the appointment of David Williams and Charles Conner in place of Alan Moore, Paul Thomas and Colin Wood. Both David Williams and Charles Conner have significant experience in the renewables market and the Board endorses their appointment.

The Company has substantially invested the ordinary share capital raised and the Investment Manager is progressing several opportunities for new investments to be made from the "C" share fund. The Company has previously reported operational difficulties during the year with its investment in Redimo LFG Limited which has resulted in a reduction of the ordinary share net asset value as the value of the investment has been fully written down. This has also had an impact on the ability of the Company to increase the final ordinary share dividend above the level paid in the previous financial year.

It remains the long term dividend objective of the Company to pay an average annual dividend of 8p per share in respect of each share class. As other investments are now fully operational within the ordinary share fund portfolio the Company is becoming less reliant on income from individual investments and the Directors consider that the Company holds a well diversified portfolio of investments that is expected to yield long term stable income streams to support the dividend objective.

The UK renewable energy market continues to be an attractive sector in which to make investments and the Company remains well positioned to support small to medium sized companies at a time when access to capital continues to be a challenge. The Investment Manager's Report provides further comment on the wider market outlook and the opportunities open to the Company.

The Board of Directors would like to express its appreciation of the hard work and professionalism demonstrated by the Investment Manager and all the Company's service providers throughout the year.

**David Pinckney**

Chairman

7 June 2010

Climate Change Capital Limited (the "Investment Manager") is pleased to present a review of the investment activities of the Company.

Total investment value in the ordinary share fund in 13 companies

**£15.3m**

Total investment value in the "C" share fund in two companies

**£1.85m**

#### **Summary of Investments – Ordinary Shares**

As at the date of this report, the Company holds investments in the ordinary share fund in 13 companies with a total investment value of £15.3 million, representing a net increase in value on cost of £1.7 million.

£13.6 million of the investments held by the ordinary share fund, by value at the date of this report, are in investee companies which are now trading and operating their assets. The ordinary share fund also holds investments valued at £1.7 million in earlier stage opportunities, typically investee companies whose assets are in construction or who are seeking planning permission.

#### **Summary of Investments – "C" Shares**

The "C" share fund made its first investment during the year ended 28 February 2010. As at the date of this report, the Company holds investments in the "C" share fund in two companies with a total investment value of £1.85 million.

The "C" share fund holds an investment valued at £1.5 million in a company with planning consent to construct a wind farm. The "C" share fund also holds an investment worth £0.35 million in a company which is developing a portfolio of renewable energy assets.

#### **Investment pipeline**

The Investment Manager is assessing and progressing several potential investment opportunities to be made from the "C" share fund and the additional capital raised through the "top-up" offer.

#### **Additional capital raised**

The Company raised £6.5 million of "C" share capital and additional ordinary share capital of £1.4 million during the year ended 28 February 2010. The Company has also raised a further £4.2 million in "C" share capital since the year end, through a joint "C" Share offer with Ventus 2 VCT plc. The offer closed on 31 May 2010.

#### **Investment portfolio summary**

The following table shows total investments made from the ordinary share fund as at 28 February 2010 and as at the date of this report in terms of cost and value. The additions, disposals and unrealised gains and losses made in the year are also presented, as is the total amount invested and contractually committed as at the date of this report.

# INVESTMENT MANAGER'S REPORT

Continued

Ordinary Shares		Investment value as at 28 February 2009	Additions/ (disposals) in the year to 28 February 2010	Unrealised gains/ (losses) in the year to 28 February 2010	Investment cost as at 28 February 2010	Investment value as at 28 February 2010	Investment cost as at 7 June 2010	Investment value as at 7 June 2010	Investment value & commitments as at 7 June 2010
Company name	Details	£000	£000	£000	£000	£000	£000	£000	£000
Fenpower Limited	10 megawatt wind farm	Q 3,859	-	(10)	2,069	3,849	2,069	3,849	3,849
Craig Wind Farm Limited*	10 megawatt wind farm	Q 3,012	-	(81)	2,093	2,931	2,093	2,931	2,931
A7 Greendykeside Limited	4 megawatt wind farm	Q 2,020	-	(2)	1,536	2,018	1,536	2,018	2,018
Firefly Energy Limited*	Renewable energy	Q 2,000	-	-	2,000	2,000	2,000	2,000	2,000
Achairn Energy Limited*	6 megawatt wind farm	Q 463	-	124	463	587	463	587	587
A7 Lochhead Limited*	6 megawatt wind farm	Q 1,000	-	72	1,000	1,072	1,000	1,072	1,072
Broadview Energy Limited*	Wind farm development	Q 1,154	-	-	750	1,154	750	1,154	1,154
Redimo LFG Limited*	10 megawatt landfill gas portfolio	Q 2,000	-	(2,000)	2,000	-	2,000	-	-
Spurlens Rig Wind Limited*	Wind farm development	100	32	-	132	132	132	132	132
Olgrinmore Limited*	Wind farm development	40	6	-	46	46	46	46	46
Redeven Energy Limited*	Wind farm development	120	196	-	316	316	356	356	356
Catfield Wind Power Limited*	Wind farm development	36	(36)	-	-	-	-	-	-
Potash Wind Farm Limited*	Wind farm development	44	(44)	-	-	-	-	-	-
Stalham Wind Power Limited*	Wind farm development	8	(8)	-	-	-	-	-	-
Meridian Wind Power Limited*	Wind farm development	24	(24)	-	-	-	-	-	-
Wind Power Renewables Limited*	Wind farm development	-	200	-	200	200	200	200	200
Greenfield Wind Farm Limited*	Wind farm development	PQ -	-	-	-	-	1,002	1,002	1,002
<b>Total</b>		<b>15,880</b>	<b>322</b>	<b>(1,897)</b>	<b>12,605</b>	<b>14,305</b>	<b>13,647</b>	<b>15,347</b>	<b>15,347</b>

Q – Investment complies with HM Revenue & Customs VCT regulations on qualifying holdings.

PQ – Part of the investment complies with HM Revenue & Customs VCT regulations on qualifying holdings.

\* – A company in which Ventus 2 VCT plc and Ventus 3 VCT plc have also invested. Along with Ventus VCT plc, these VCTs were managed by Climate Change Capital Limited during the financial year.

The following table shows total investments made from the “C” share fund as at 28 February 2010 and as at the date of this report in terms of cost and value. The total amount invested and contractually committed as at the date of this report is also presented.

“C” Shares		Investment value as at 28 February 2009	Additions in the year to 28 February 2010	Investment cost as at 28 February 2010	Investment value as at 28 February 2010	Investment cost as at 7 June 2010	Investment value as at 7 June 2010	Investment value & commitments as at 7 June 2010
Company name	Details	£000	£000	£000	£000	£000	£000	£000
Muirhall Windfarm Limited <sup>&amp;</sup>	Wind farm development	-	325	325	325	-	-	-
Greenfield Wind Farm Limited*	Wind farm development	PQ -	-	-	-	1,500	1,500	1,500
Renewable Power Systems Limited <sup>&amp;</sup>	Landfill gas operator	Q -	-	-	-	350	350	350
<b>Total</b>			<b>325</b>	<b>325</b>	<b>325</b>	<b>1,850</b>	<b>1,850</b>	<b>1,850</b>

Q – Investment complies with HM Revenue & Customs VCT regulations on qualifying holdings.

PQ – Part of the investment complies with HM Revenue & Customs VCT regulations on qualifying holdings.

\* – A company in which Ventus 2 VCT plc and Ventus 3 VCT plc have also invested.

& – A company in which Ventus 2 VCT plc has also invested.

## Investment portfolio review

A review of each of the investments held by the Company as at the date of this report is presented below.

### Fenpower Limited

The Company holds an investment valued at £3.8 million in Fenpower Limited, which operates a ten megawatt wind farm in Cambridgeshire. The wind farm was developed in two phases. The first phase, consisting of three wind turbines, has been operational since May 2007 and the second phase, consisting of two additional turbines, became operational in April 2008.

The Company has a one third ownership interest in Fenpower Limited for which it paid a consideration of £308,000 and has also provided mezzanine loan facilities of £1,761,000.

The wind farm has experienced some operational issues with the three wind turbines developed as the first phase in 2007, which has resulted in a marginal loss of availability. The technical issues are under investigation by Fenpower Limited in conjunction with the turbine supplier and a solution has been identified to remedy the problem. Some of the technical issues have been resolved and performance has improved.

The loss of production is not expected to affect Fenpower Limited's ability to meet its mezzanine loan obligations as a substantial part of the lost revenue is claimable against the turbine manufacturer's warranty. The Company received mezzanine interest payments from Fenpower of £313,000 during the year ended 28 February 2010 and £284,000 since the year end against income accrued in the current and prior periods, which is in line with budget. No dividend was payable to the Company in the financial year ended 28 February 2010. The Investment Manager expects the first dividends to be paid in March 2011.

### Craig Wind Farm Limited

The Company holds an investment valued at £2.9 million in Craig Wind Farm Limited, which operates a ten megawatt wind farm in the

Scottish Borders. The site became operational in October 2007.

Performance over the first full year of operation was below budget, primarily due to a series of minor technical issues with the wind turbines, resulting in a claim against the warranty from the turbine manufacturer for a substantial part of the lost revenue.

There has been a substantial improvement in the performance of the wind turbines in the second year of operation as the manufacturer has resolved the majority of the faults that affected production levels in the first year. The Manager is continuing to keep the situation under close review in conjunction with the other shareholders and Craig Wind Farm Limited's technical consultants.

The Company owns 37.5% of the ordinary shares in Craig Wind Farm Limited and has also provided a £1,014,000 mezzanine loan facility. Mezzanine interest payments are being made in accordance with the loan agreement; £244,000 of mezzanine interest was paid in the financial year ended 28 February 2010 and £196,000 has been paid since the year end against income accrued in the current and prior periods.

Craig Wind Farm Limited has also applied for planning permission to extend the site by the addition of two more wind turbines. The application is pending determination by the local planning authority and if successful would create the potential to increase the overall generating capacity at the site by 50% of the existing installed capacity. The Manager is working with the other shareholders to progress this extension opportunity.

### A7 Greendykeside Limited

The Company holds an investment valued at £2.0 million in A7 Greendykeside Limited, a company that has developed a four megawatt wind farm in Lanarkshire, Scotland. The site became operational in November 2007.

Performance of the wind turbines over the year has been in line with expectations. Mezzanine interest payments are being made in accordance with the loan agreement. Interest payments totalling £247,000 were received during the year ended 28 February 2010 and a

further £39,000 was received in March 2010 against income accrued from current and prior periods. The first dividend distribution from this investment was received by the Company in October 2009 for £25,000 and a further £50,000 was received in March 2010.

The Company owns 50% of the ordinary share capital of A7 Greendykeside Limited and £620,000 has been invested by way of a mezzanine loan facility.

### Firefly Energy Limited

Firefly Energy Limited is the parent company of a group of trading subsidiaries that have entered into long term power purchase agreements with customers for 41.7 megawatts of generating capacity across five wind farm developments. The five wind farm projects are fully operational and generating revenues for the group.

Firefly Energy Limited has expanded its business of the provision of power purchase agreement administration services over the course of the financial year. There is a strong probability that further contracts of this nature will be secured, providing an ancillary income stream to the business alongside the income from the five main long term power purchase agreements.

The Company holds an investment of £2,000,000 in Firefly Energy Limited by way of a £200,000 subscription for 50% of the ordinary share capital and a shareholder loan which has capital outstanding of £1,800,000. Interest payments totalling £354,000 were made to the Company in the year ended 28 February 2010. The mezzanine loan agreement with Firefly Energy Limited was renegotiated during the year ended 28 February 2010. With effect from 1 March 2009, the rate of interest applied to the loan of £1,800,000 was reduced and it was agreed that interest would not be applied to accrued interest amounts.

### Achairn Energy Limited

Achairn Energy Limited is a company operating a six megawatt wind farm in Caithness, Scotland. The site became operational on schedule in May 2009.

Whilst the wind farm has only been operational for a relatively short period of time, performance has been satisfactory and in line with expectations. The turbines in use at this site are the same as those being used at the A7 Greendykeside Limited site and therefore the Investment Manager believes there is a reasonable expectation of similar high levels of operational availability going forward.

The Company has invested £203,000 to acquire 8.5% of the ordinary share capital in Achairn Energy Limited and has provided £260,000 by way of a mezzanine loan facility. Now that Achairn Energy Limited has been operational for a suitable period, the Company's investment has been revalued at £587,000. Since the year end the Company has received £48,000 in mezzanine interest against income accrued in the current and prior periods.

### **A7 Lochhead Limited**

A7 Lochhead Limited is a company that operates a six megawatt wind farm in Lanarkshire, Scotland. Construction was completed on time and on budget in June 2009.

The wind farm has only been operational for a relatively short period of time, however performance to date has been satisfactory and in line with expectations. The turbines in use at this site are again the same as those being used at the A7 Greendykeside Limited site and therefore the Manager believes there is a reasonable expectation of similar high levels of operational availability going forward.

The Company has invested £820,000 to acquire 30% of the ordinary share capital in A7 Lochhead Limited and has provided a further £180,000 by way of a mezzanine loan facility. In March 2010, the Company received interest payments of £34,000 against income accrued in the current and prior periods and dividends of £30,000. In line with the investment valuation policy, the Company's investment has been revalued to £1,072,000.

### **Broadview Energy Limited**

The Company holds an investment valued at £1.15 million in Broadview Energy Limited, an established wind farm development company and operator of small wind sites. The investment represents a holding of approximately 13.4% in the ordinary shares of Broadview Energy, which was acquired for £0.75 million.

Broadview Energy Limited has constructed a three turbine wind farm in Aberdeenshire which is now fully operational and has secured planning consent for a further site in the north east of England which will consist of five wind turbines. A further four turbine site has also received consent and two further sites are expected to receive planning determinations shortly.

Broadview Energy Limited has not declared or made any payment of dividends as the strategy of the business is currently to reinvest any trading revenues back into growing the business in the immediate future.

### **Redimo LFG Limited**

The Company invested £2,000,000 for 50% of the ordinary share capital of Redimo LFG Limited. Redimo LFG Limited owns and operates a portfolio of generating stations which use landfill gas to produce electricity for export onto the grid.

The Company announced on 1 December 2009 that Redimo LFG Limited had encountered operational issues with the generating equipment at one of the sites that it operates. Two of the key variables in Redimo LFG's financial performance are the number of operational hours achieved by the engines at each of its sites (and therefore the amount of electricity that is generated) and the price at which that electricity can be sold.

The operational issues with the generating equipment at Redimo LFG's largest site led to more engine downtime than had been projected in the budget at the time the investment was made. Redimo LFG has also experienced a decline in gas volumes at the smallest of the sites within its portfolio at a quicker rate than

originally forecast. This has resulted in lower than expected energy generation at this site. In addition, Redimo LFG is the only operating asset in the Company's investment portfolio to have a significant element of electricity market risk in its energy offtake contracts. Winter 2009/10 and Summer 2010 wholesale energy prices have been set much lower than anticipated and this has further contributed to a shortfall against Redimo LFG's anticipated revenues.

The ability of Redimo LFG to trade out of its current position remains contingent on improved levels of operational performance and also on the level of future wholesale energy prices. Given the uncertainty on both of these key elements at the time of the announcement and given that Redimo LFG remains in breach of certain covenants under its banking facilities, the Company determined in December 2009 that it was prudent to fully write down the value of its investment in Redimo LFG.

Remedial work to rectify the operating issues continues but, despite some improvement in operating performance, the expectation remains that Redimo LFG will operate below its budgeted financial performance for the foreseeable future as a result of increased operating costs and continued depressed forward wholesale electricity price projections. It has therefore been determined that the value of the investment should be held at nil at this time.

### **Spurlens Rig Wind Limited**

The Company has invested £132,000 in Spurlens Rig Wind Limited to acquire 40% of the ordinary share capital. Spurlens Rig Wind Limited holds the rights to a wind farm being developed in the Borders region of Scotland.

Permission is being sought to install six wind turbines and a planning application is expected to be submitted shortly. The original wind farm proposal envisaged a site comprised of five turbines, however the development consultants engaged by Spurlens Rig Wind Limited identified the potential to increase the scope of the scheme in consultation with the local planning authorities.

Once the planning application has been submitted, a decision is anticipated within six to twelve months. The Company has secured the rights to provide the finance required to build the wind farm should planning permission be granted.

#### **Olgrinmore Limited**

An investment of £46,000 has been made for 11.8% of the ordinary share capital of Olgrinmore Limited, a company developing a two turbine wind farm in Caithness, Scotland.

A planning application was submitted in January 2009 but was refused in June 2010; the company is considering an appeal.

The Company originally invested £32,000 for a 10% stake in Olgrinmore Limited and has since subscribed for shares in two subsequent capital raising rounds to fund the increased cost of the planning application. The increased costs have arisen as additional reports have been commissioned to address specific planning issues raised by statutory consultees.

The Company has secured the rights to provide the finance required to build the wind farm should planning permission be granted subject to an appeal against the initial planning decision being made.

#### **Redeven Energy Limited**

As at the date of the report, an investment of £356,000 has been made in Redeven Energy Limited, by way of a loan, to fund the development of three wind farm sites in East Anglia. The Company has a 40% shareholding in this wind farm development company which has entered into a joint venture agreement with the landlord at the three sites.

Planning consent was awarded on the first site in December 2009 to install five wind turbines. Consent for the second site which will include two wind turbines was granted in June 2010. The planning application for the third site which will include two wind turbines is expected to be submitted later this year once the required planning reports have been completed.

The Company has secured the rights to provide the finance required to build the wind farms for the sites where planning permissions are obtained.

#### **Wind Power Renewables Limited**

In August 2009 the Company's positions in Catfield Wind Power Limited, Potash Wind Farm Limited, Stalham Wind Power Limited, Meridian Wind Power Limited and Witton Wind Farm Limited were consolidated by way of a share for share transfer into Wind Power Renewables Limited, which is the holding company for these development companies. The Company has invested £120,000 for equity and holds 20% of the ordinary shares of Wind Power Renewables Limited. The Company has also provided £80,000 by way of a mezzanine loan.

Two of the six wind farm developments that comprise the company's assets have now been submitted for planning permission and are awaiting determination. One of the developments has been refused planning permission and an appeal is being considered. One further site is ready for submission to the planning authorities and scoping activity on the remaining two sites has been undertaken with a view to submitting applications in due course.

#### **Greenfield Wind Farm Limited / Muirhall Windfarm Limited**

During the year ended 28 February 2010, the Company advanced an interim loan facility totalling £325,000 to Muirhall Windfarm Limited, a company owning a fully consented six turbine wind farm site in West Lothian, Scotland. The loan facility was provided as part of an exclusivity arrangement in respect of the long term financing of the project and to facilitate the costs of securing the grid connection for the scheme. The loan was extended by £50,000 in March 2010 and was repaid in full when the Company acquired a holding in Muirhall Windfarm Limited's parent company, Greenfield Wind Farm Limited on 19 March 2010 as part of the long term financial structure for the wind farm scheme.

On 19 March 2010, the Company's ordinary share fund acquired 167 shares in Greenfield Wind Farm Limited for a consideration of £334,000, representing a shareholding of 8.35%. The Company's "C" share fund acquired 250 shares for a consideration of £500,000, representing a shareholding of 12.5%. Therefore, the Company holds 20.85% of the ordinary share capital of Greenfield Wind Farm Limited in aggregate. The ordinary share fund and "C" share fund also advanced mezzanine loans of £668,000 and £1,000,000 respectively.

In aggregate with Ventus 2 VCT plc and Ventus 3 VCT plc (companies also managed by Climate Change Capital Limited), the Company has invested a total of £6,000,000 in Greenfield Wind Farm Limited.

Works on the site commenced in early April 2010 and the six wind turbines are scheduled to be installed and fully operational by the end of December 2010.

The investment in ordinary shares of Greenfield Wind Farm Limited has been structured so it meets the qualifying tests under HM Revenue & Customs VCT regulations. The mezzanine loans are not structured as qualifying holdings.

#### **Renewable Power Systems Limited**

Since the year end, the "C" share fund has provided a loan facility of £350,000 to Renewable Power Systems Limited, a company which specialises in the development and operation of landfill gas sites and other forms of energy from waste generation. As part of the agreement to provide the loan facility the Company has secured an exclusivity agreement over the projects that Renewable Power Systems requires external finance to progress. This facility is structured as a short to medium term investment and, as the Company does not hold equity in Renewable Power Systems Limited, it is not a qualifying investment under HM Revenue & Customs VCT regulations.

**Top ten investments**

Details of the top ten investee companies held by the Company at 28 February 2010, by value, including those with a value greater than 5% of the total portfolio at that date, are disclosed in the table below:

	Investment information					Portfolio company information			
	Cost £000	Value £000	Shareholding and voting rights %	Income recognised by the Company during the year £000	Basis of valuation	Date of latest audited accounts	Net Assets £000	Turnover £000	Profit/(loss) before tax £000
Fenpower Limited	2,069	3,849	33.33%	220	DCFU	31/03/2009	799	1,731	452
Craig Wind Farm Limited	2,093	2,931	37.50%	166	DCFU	31/08/2009	2,071	1,959	438
A7 Greendyside Limited	1,536	2,018	50.00%	104	DCFU	30/04/2009	1,164	957	218
Firefly Energy Limited	2,000	2,000	50.00%	170	PORI	31/03/2009	18	261	(249)
Broadview Energy Limited	750	1,154	13.40%	-	PORI	31/12/2008 <sup>A</sup>	1,526	n/a	n/a
A7 Lochhead Limited	1,000	1,072	30.00%	24	DCFU	31/03/2009	1,957	-	52
Achairn Energy Limited	463	587	8.50%	39	DCFU	30/11/2008	1,219	-	20
Redeven Energy Limited	316	316	40.00%	-	PORI	31/03/2009	2	-	1
Wind Power Renewables Limited	200	200	20.00%	3	PORI	31/03/2009 <sup>A</sup>	-	n/a	n/a
Spurlens Rig Wind Limited	132	132	40.00%	-	PORI	31/03/2009	252	-	-

A – abbreviated accounts (unaudited)

Basis of valuation:

DCFU = Discounted future cash flows from the underlying business excluding interest earned to date

PORI = Price of recent investment, reviewed for impairment

**Valuation policy**

It is the accounting policy of the Company to hold its investments at fair value. In this report, investee companies whose assets have been fully constructed and have passed an initial satisfactory operational period are valued using a discounted cash flow methodology to establish their fair value. The periodic adjustment to the valuation of these investments is primarily attributable to the changes in long term projected value of the energy and associated benefits that are generated by the assets when compared to the original assumptions used at the last valuation date and changes in the discount factors applied to the resultant cash flows. With the exception of Redimo LFG Limited, which has been valued at nil, the fair values of the other investee companies are not considered to be materially different from the historical cost of investment.

However, those investments that are not fully operational and have not passed a period of satisfactory operation are reviewed for impairment. Investments in companies that are not building operational assets are also reviewed for impairment.

**Investment Policy**

The investment policy of the Company is focused on investing in companies developing renewable energy projects with installed capacities of two to twelve megawatts, although larger projects may also be considered. Given the target investment size, investments will generally be in companies developing projects initiated by specialist small-scale developers, small industrial sites and smaller projects which are not attractive to large development companies and utilities.

**Asset Allocation**

The Investment Manager seeks to maximise, so far as is practicable, the Company's investment in equity securities and loan stock of companies owning renewable energy projects with full planning consent, ready for construction of the project to commence or whose assets are already operational. Up to 10% of net proceeds raised from the initial share offer and the "C" share offer respectively may be allocated to development funding for early stage renewable energy projects prior to planning permissions being obtained.

The Company's policy is to maintain cash reserves of at least 5% of net proceeds raised from the initial share offer and the "C" share offer for the purpose of meeting operating expenses and purchasing its shares in the market. Circumstances may arise which will require the

Company to hold less than 5% of net proceeds in cash for a limited period of time.

In order to comply with VCT requirements, at least 70% by value of the Company's investments are required to be comprised of qualifying investments. The Company typically invests up to £2 million in equity and loan stock in each investee company with no more than £1 million invested in an investee company in any single tax year.

The Company typically owns 25% to 50% of the equity share capital of each investee company and a portion of its investment in each investee company may be in the form of loan stock.

The Company's uninvested funds are placed on deposit or invested in short-term fixed income securities until suitable investment opportunities are found.

### **Risk Diversification**

The geographical focus of the portfolio is centred on the UK market. This is mitigated by making investments in a wide geographical spread of projects that are situated throughout the UK. Funds are also invested with a range of small-scale independent developers so project risk is not concentrated with only a few developers. The portfolio contains projects at different stages of the asset lifecycle, ranging from pre-planning, to construction and then into operation. Investments are made via subscriptions for new share capital or via loan stock instruments in order to secure a negotiated level of return from the project. The majority of investments are made in special purpose companies set up specifically to develop each project and any bank debt financing will normally be non-recourse to the Company.

The returns from projects are largely dependent on the UK Government's continued support for renewable energy, primarily under the Renewables Obligation and Feed In Tariff mechanisms. The effects of any negative change to this policy are mitigated by the UK Government's historic practice of grandfathering financial support mechanisms for existing assets. This risk is further mitigated by the Company typically negotiating fixed and/or floor price mechanisms into the power purchase

agreements entered into by project companies for the sale of their generated output.

### **Gearing**

The Company does not intend to borrow funds for investment purposes. However the Company is exposed to gearing through its investee companies which typically fund the construction costs of each project through senior bank debt finance. The Investment Manager is involved in negotiating the terms of this finance to ensure competitive terms are achieved. The interest rate is typically fixed via an interest rate swap for the duration of the bank loan so that investee companies are not exposed to changes in market interest rates.

To the extent that borrowing is required, the Directors shall restrict the borrowings of the Company, and shall, so far as possible, by the exercise of the Company's voting powers in and other rights or powers of control over its subsidiaries, secure that they restrict their borrowings. The aggregate principal amount at any time outstanding, in respect of money borrowed by the group, shall not without the previous sanction of an ordinary resolution of the Company exceed a sum equal to 10% of the adjusted share capital and reserves of the Company in accordance with its Articles. These provisions only apply to the bank debt taken by investee companies where those companies are considered to be subsidiaries of the Company. At the date of this report none of the investee companies are considered to be subsidiaries of the Company.

### **Maximum Exposures**

In order to gauge the maximum exposure of the funds to various risks, the following can be used as a guide:

#### *i) Investments in qualifying holdings*

70-95% of the funds will be invested in qualifying holdings no later than three years after the date that provisional approval by HM Revenue & Customs of the Company's status as a VCT becomes effective. The relevant compliance date for the initial share offer was 1 March 2008 and for the first "C"

share offer and ordinary share "top-up" offer is 1 March 2012. The relevant compliance date for the second "C" share offer is 1 March 2013.

For the purposes of the 70% qualifying holdings requirement, disposals of qualifying investments for cash may be disregarded for a period of six months. Where a VCT breaches one or more of the requirements due to factors outside of its control, it may apply to HM Revenue & Customs for a determination that the breach will be disregarded for a period of 90 days while the breach is remedied.

#### *ii) Concentration limits*

Under VCT regulations no more than 15% of the Company's total assets should be in a single investee company at the time the investment is made in that investee company.

#### *iii) Investments in pre-planning projects*

A maximum of 10% of the net funds raised from each of the initial share offer and "C" share offer respectively may be invested in pre-planning projects.

### **UK Market Outlook**

The UK wind market saw a record year during 2009. According to renewableUK (formerly the British Wind Energy Association) approximately 650 megawatts of new capacity was installed onshore during the year (532 megawatts during 2008) and 200 megawatts installed offshore. In addition, approximately 1,800 megawatts of new, onshore capacity was submitted to planning as was 1,200 megawatts of new offshore installations. The UK now has over 4,000 megawatts of installed wind capacity, including 1,000 megawatts offshore. These milestones were achieved against a background of continued turmoil in the wider economy and a banking sector still recovering from the shocks of the global credit crunch.

As reported last year, the disruption in credit markets had resulted in a significant tightening of terms and conditions for new lending and increased pricing for such facilities. While the number of lending banks in the renewables

space remained relatively small in 2009 it was at least reassuring to note that terms being offered had stabilised, providing a degree of certainty that funding could be procured for appropriately structured transactions.

Bank leverage ratios have remained broadly where they were in 2008, resulting in a greater requirement for equity contributions to projects. As such, the number of opportunities for investors with capital to deploy remains significant, particularly as project developers have witnessed a deterioration in the likely purchase price of sites as short to medium term power prices have fallen away and other potential investors in the market see internal competition for capital to increase still further. Whilst the fall in wholesale electricity prices has not been helpful, the factors mentioned above, coupled with the downward pressure on turbines prices and shorter delivery times, have combined to provide a welcome environment for the Company as a key provider of investment capital to the small to medium sized UK market.

The UK legislative and political framework has provided mixed fortunes for the various renewable technologies. The £4 billion liquidity capital facility provided by the European Investment Bank through a panel of domestic banks and intended to improve the access to capital for UK renewable energy projects has seen a number of projects funded, but these appear to have been at the medium and larger end of the market and, as such, smaller project have not been beneficiaries.

Wind has seen its pivotal role further reinforced through the introduction of the UK's Feed in Tariff on 1 April 2010, with installations of less the 500 kilowatts receiving particularly favourable pricing outside the ROC scheme and a Feed in Tariff being offered to new offshore wind installations. Other emerging technologies have fared well with the Feed in Tariff as the Government has sought to strengthen the role of a more diverse renewable generation portfolio in the UK, in both size and technology terms, whilst bringing domestic users the potential to earn from micro generation capabilities.

**Climate Change Capital Limited**  
Investment Manager

7 June 2010

The Directors present their Annual Report and the audited Financial Statements for the Company's financial year ended 28 February 2010.

**Business review**

The business review has been prepared in accordance with the requirements of Section 417 of the Companies Act 2006 and best practice. The purpose of the review is to provide shareholders with a summary of the business objectives of the Company, the board's strategy to achieve those objectives, the risks faced, the regulatory environment, the key performance indicators ("KPIs") used to measure performance and the Company's status as a going concern.

*Principal activities and status*

The Company is an investment company, as defined in Section 833 of the Companies Act 2006 and has received approval as a Venture Capital Trust from HM Revenue & Customs for the year ended 28 February 2009. The Directors consider that the Company has conducted its affairs in a manner to enable it to comply with Section 274 of the Income Tax Act 2007. The investment policy of the Company is set out in the Investment Manager's Report. The Company is a public limited company, incorporated in England and listed on the London Stock Exchange. The registered address of the Company is The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

The Company has no employees other than the Directors.

The Company's business during the year and future developments are reviewed in the Chairman's Statement and the Investment Manager's Report.

*Companies Act 2006 disclosures: environmental matters*

The Board recognises the requirement under Section 417(5) of the Companies Act 2006 to detail information about environmental matters (including the impact of the Company's business on the environment). It is the specific purpose of the Company to invest in companies that develop and operate assets which generate energy from renewable sources. Through its investment policy, the Company is committed to

**Key performance indicators**

**Results and dividends**

For the year ended 28 February 2010	Ordinary Shares		"C" Shares		Total £000
	£000	Pence per share <sup>1</sup>	£000	Pence per share <sup>1</sup>	
Revenue profit/(loss) attributable to equity shareholders	407	2.69	(54)	(0.88)	353
Capital loss attributable to equity shareholders	(2,165)	(14.31)	(90)	(1.48)	(2,255)
Net loss attributable to equity shareholders	(1,758)	(11.62)	(144)	(2.36)	(1,902)
Dividends paid during the year	(675)	(4.50)	-	-	(675)
Total movement in equity shareholders' funds excluding capital raising	(2,433)	(16.12)	(144)	(2.36)	(2,577)
Total expense ratio <sup>2</sup>		3.42%		3.08%	3.32%

As at 28 February 2010	Ordinary Shares		"C" Shares		Total £000
	£000	Pence per share <sup>3</sup>	£000	Pence per share <sup>3</sup>	
Net asset value	16,611	101.4	6,400	92.4	23,011
Total shareholder return <sup>4</sup>	18,621	114.8	6,400	92.4	25,021

1 The "per share" value is determined in respect of the weighted average number of shares in issue during the year, except in respect of the dividends paid in the year, which is determined on the basis of the number of shares eligible to receive dividends at the time the dividends were paid.

2 The total expense ratio represents the total operating expenditure during the year (excluding irrecoverable VAT) as a percentage of the net asset value of the Company at year end.

3 The "per share" value is determined in respect of the number of shares in issue as at the year end.

4 The total shareholder return represents the net asset value of the Company at year end plus the cumulative dividends paid by the Company since incorporation.

mitigating the impact of climate change by contributing to the transition to a low carbon economy and a cleaner environment.

The performance of the Company is reviewed in the Investment Manager's Report, including the Company's compliance with HM Revenue & Customs VCT regulations. The Company's prospects are considered in the UK Market Outlook section of the Investment Manager's Report.

**Principal risks**

Other than the inherent risks associated with investment activities, which are discussed in the Investment Manager's Report, the risks described below are those which the Directors consider to be material:

- Failure to meet and maintain the investment requirements for compliance with HM Revenue & Customs VCT regulations.

*The Board mitigates this risk by regularly reviewing investment management activity with appropriately qualified advisers and by obtaining pre-approval from HM Revenue & Customs for each investment.*

- Inadequate control environment at service providers.

*The Board mitigates this risk by only appointing service providers of a high standing under agreements that set out their responsibilities and by obtaining assurances from them that all exceptions have been reported to the Board.*

- Non-compliance with the Listing Rules of the Financial Services Authority, Companies Act Legislation, HM Revenue & Customs VCT regulations and other applicable regulations.

*The Board mitigates this risk by employing external advisers fully conversant with applicable statutory and regulatory requirements who report regularly to the Board on the Company's compliance.*

## Going concern

The Company has significant cash and liquid resources and the major cash flows (namely investments and dividends) are within the Company's control. The Board has a reasonable expectation that the Company is able to continue in operational existence for a period of at least twelve months from the date of this report. The Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

The liquidity risks and details of the Company's policy for managing its financial risks are shown in note 16. The Company's investment activities are described in the Investment Manager's Report and its performance is reviewed in the Directors' Report.

## Share capital

At a general meeting held on 2 March 2009, the Company passed several resolutions concerning the Company's share capital:

## Authorised share capital

The authorised share capital was increased from £10,000,000 to £15,000,000 by the creation of 20,000,000 "C" shares of 25p each.

## Authority to allot

The Directors were authorised to allot relevant securities (in accordance with Section 551 of the Companies Act 2006) up to a maximum aggregate nominal amount of £6,250,015.25. This authority expires on 1 March 2014.

## Disapplication of pre-emption rights

The Directors were empowered to allot equity securities for cash (further to the authority referred to above) without first offering such securities to existing shareholders in proportion to their shareholdings – such power being limited to the allotment of securities only in certain, defined circumstances. This power expires on 1 March 2014.

## Authority to repurchase shares

At the Annual General Meeting ("AGM") held on 1 July 2009 the Company renewed its authority to repurchase up to 14.99% of its own issued ordinary share capital and up to 14.99% of its own issued "C" share capital.

## Issued share capital

During the year ended 28 February 2010, 1,384,610 ordinary shares and 6,924,686 "C" shares were allotted.

## Post balance sheet share allotments

Between the year end and the date of this report a further 4,404,421 "C" shares were allotted pursuant to the joint offer which opened on 8 February 2010. Therefore, as at the date of this report, the share capital is made up of 16,384,793 ordinary shares of 25p each and 11,329,107 "C" shares of 25p each which have been issued and are fully paid up and are quoted on the London Stock Exchange.

## Rights and restrictions attaching to shares and powers of the Board of Directors

As set out in the Company's Articles of Association, subject to the provisions of the Companies Act 2006 and to any special rights conferred on the holders of any other shares, any share may be issued with or have attached to them such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide. The business of the Company shall be managed by the Board of Directors which may exercise all the powers of the Company, subject to the provisions of the Companies Act 2006, the Memorandum of Association of the Company, the Company's Articles of Association and any special resolution of the Company. Copies of the Articles of Association can be obtained from Companies House in the UK or by writing to the Company Secretary.

## CREST

The Company's shares are available for trading in CREST, the settlement system for uncertified stocks and shares.

## Dividends

The dividend for the half-year to 31 August 2009 of 1.50p per ordinary share was paid on 13 January 2010 to shareholders on the register on 11 December 2009. The Directors recommend a final dividend of 2.00p per share to be paid on 27 July 2010 to ordinary shareholders on the Register on 2 July 2010. This gives a total dividend for the year of 3.50p per share. Note 7 of the Financial Statements gives details of the dividends declared and paid in the current and prior financial years.

## Directors and their interests

The Directors who held office during the year and their interests in the Company were as follows:

	28 February 2010 Ordinary Shares	28 February 2010 "C" Shares	28 February 2009 Ordinary Shares
D Pinckney (Chairman)	10,300	2,600	10,300
A Moore	15,068	5,200	10,300
P Thomas	10,300	5,200	10,300
C Wood	10,300	5,200	10,300

All the Directors are non-executives and all are independent, except Paul Thomas who is Chairman of the Investment Committee of the Investment Manager.

The Listing Rules governing the constitution of VCT boards of directors will change in September 2010. Specifically, the definition of "independent" with respect to directors of VCTs will change. It has always been the case that a VCT board is required to have a majority of directors who are independent of the investment manager as well as an independent chairman. From September 2010 however, a director of a VCT will not be considered independent with respect to that VCT if he or she is also a director of another VCT managed by the same investment manager. At present, each of the VCTs managed by Climate Change Capital Limited, Ventus VCT plc and Ventus 2 VCT plc, has the same directors.

In order to comply with the Listing Rules, the Board has resolved that Alan Moore, Paul Thomas and Colin Wood will resign their directorships with effect from 13 July 2010 and recommends that Mr David Williams and Mr Charles Conner should offer themselves for election as directors of the Company at the AGM. As an employee of the Investment Manager and a member of the Investment Committee of the Investment Manager, Charles Conner will not be independent. The Board believes that this reconstitution of the Board is the most appropriate way to deal with the new Listing Rules and is in the interests of the shareholders. Alan Moore, Paul Thomas and Colin Wood are proposed to continue in office as directors of Ventus 2 VCT plc.

In accordance with the Company's Articles of Association and the Financial Reporting Council's (FRC) 2006 Combined Code and the Listing Rules of the Financial Services Authority, David Pinckney will retire at the AGM and being eligible, will offer himself for re-election. As Mr Pinckney has acted in the interests of the Company throughout the period of his appointment and demonstrated commitment to his role, the Board recommends he be re-elected at the AGM.

Biographical information on the Directors and prospective directors is shown on pages 21 and 22. The terms of the Directors' appointment and replacement are set out in the Corporate Governance Statement.

## Substantial interests

As at 28 February 2010 and the date of this report, the Company was aware that Heartwood Nominees Limited held beneficial interests and voting rights of 6.72% of the Company's ordinary share capital. The Company was not aware of any other beneficial interest exceeding 3% or more of the voting rights attached to the Company's ordinary or "C" share capital.

## Investment management, administration and performance fees

Climate Change Capital Limited, whose ultimate parent undertaking is Climate Change Capital Group Limited, is the Investment Manager of the Company and provides management and other administrative services to the Company. Climate Change Capital Limited also provided similar services to Ventus 2 VCT plc and Ventus 3 VCT plc during the financial year. The principal terms of the investment management agreement are set out in note 3 of the Financial Statements.

In the opinion of the Directors, the continuing appointment of the Investment Manager, on the terms agreed, is in the interests of the shareholders. The Directors are satisfied that the Investment Manager will continue to manage the Company's investment programme in a way which will enable the Company to achieve its objectives.

## Company Secretary

The City Partnership (UK) Limited has been appointed to provide company secretarial services to the Company as set out in the company secretarial services agreement. For these services the Company Secretary receives an annual fee of £12,000 plus VAT. The company secretarial services agreement is for an initial period of three years from 1 February 2009, terminable thereafter by either party giving not less than six months notice in writing.

## VCT monitoring status

The Company retains PricewaterhouseCoopers LLP to advise on its compliance with the taxation requirements relating to VCTs.

## Financial instruments

The Company's financial instruments comprise investments in unquoted companies, Government securities and cash, trade and other receivables and trade and other payables. Further details are set out in note 16 of the Financial Statements.

## Supplier payment policy

The Company's payment policy is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. During the year, all suppliers were paid within the terms agreed.

## Directors' statement as to disclosure of information to the Auditors

The Directors who were in office on the date of approval of these Financial Statements have confirmed that, as far as they are aware, there is no relevant audit information of which the Auditors are unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditors.

## Auditors

A resolution to re-appoint PKF (UK) LLP as the Auditors of the Company will be proposed at the forthcoming AGM.

Details of the non-audit services provided to the Company by the Auditors, are set out in note 4 of the Financial Statements.

## Annual General Meeting

Enclosed with this Annual Report and Financial Statements is the Notice of Annual General Meeting ("AGM") of the Company (or any adjournment thereof) to be convened for Tuesday, 13 July 2010 at 12 noon. A copy of the Notice is set out on page 44 of this document (the "Notice"). A Form of Proxy for use in connection with the AGM has been issued with this document.

The business of the meeting is outlined below:

### Resolution 1 – Annual Report and Financial Statements

The Directors are required to present to the AGM the Annual Report and Financial Statements for the financial year ended 28 February 2010.

### Resolution 2 – To declare a final dividend

The final dividend cannot exceed the amount recommended by the Directors and can only be paid after the members at a general meeting have approved it. The Directors recommend a final dividend of 2.00p per share payable on 27 July 2010 to the holders of ordinary shares registered at the close of business on 2 July 2010, which will bring the total dividend for the year to 3.50p per share.

### Resolution 3 – Directors' Remuneration Report

Under Regulation 11 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Company is required to produce a Directors' Remuneration Report for each relevant financial year and to seek shareholder approval for that report at the AGM. The Directors'

Remuneration Report is on pages 16 and 17 of the Annual Report and Financial Statements.

### Resolution 4 – Re-election of Director

Mr David Pinckney retires by rotation in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

### Resolution 5 – Election of Director

Mr Charles Conner offers himself for election.

### Resolution 6 – Election of Director

Mr David Williams offers himself for election.

### Resolution 7 – Re-appointment of Auditors

This resolution proposes that PKF (UK) LLP be re-appointed as Auditors of the Company.

### Resolution 8 – Remuneration of the Auditors

This resolution proposes that the Directors be authorised to set the Auditors' remuneration.

### Resolution 9 – Renewal of authority for the Company to purchase its shares

Resolution 9, which will be proposed as a special resolution, will, if passed, authorise the Company to purchase in the market up to 2,456,080 ordinary shares and 1,698,233 "C" shares, representing 14.99% of the current issued share capital of each class, at a minimum price of 25p per share and a maximum price, exclusive of any expenses, of not more than an amount equal to the higher of (a) 105% of the average of the middle market prices shown in the quotations for a share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. This authority will be effective until the earlier of the date of the AGM of the Company to be held in 2011 and the date which is 18 months after the date on which

this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting). The Board believes that it is beneficial to the Company for it to continue to have the flexibility to purchase in the market its own shares. However, the Board considers it in the best interests of all shareholders if the Directors use their authority to make share buy-backs sparingly. This resolution seeks authority from the shareholders for the Company to be authorised to do so when considered appropriate by the Directors. This resolution would renew the authority granted to the Directors at the last AGM of the Company. The minimum and maximum prices to be paid for the shares are stated in the Notice. Repurchases of shares will be made at the discretion of the Board and will only be made in the market at prices below the prevailing net asset value ("NAV") per share as and when market conditions are appropriate. Any shares which are repurchased in this way may be cancelled or held as treasury shares, which may then be cancelled or sold for cash, as determined by the Board. The Directors consider that this authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares. The Directors are aware that the secondary market for the shares of VCT companies can be illiquid and that shares may trade at a discount to their NAV. The Company has established a special reserve out of which it may fund share buy-backs.

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**Action to be taken**

Shareholders have been issued with a Form of Proxy for use in connection with the AGM. Shareholders are requested to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Company's Registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time of the AGM (excluding any time which is not part of a working day). Completion and return of a Form of Proxy will not preclude shareholders from attending and voting at the AGM in person should they subsequently decide to do so.

**Recommendation**

The Directors believe that all of the resolutions are in the best interests of the Company and its shareholders as a whole and, accordingly, unanimously recommend that you vote in favour of the resolutions, as they intend to do in respect of their own beneficial holdings of shares.

By order of the Board

**The City Partnership (UK) Limited**

Secretary

7 June 2010

# DIRECTORS' REMUNERATION REPORT

This report has been prepared by the Directors in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Company and Groups (Accounts and Reports) Regulations 2008. An ordinary resolution to approve the report will be proposed at the AGM to be held on Tuesday, 13 July 2010.

## Remuneration policy

The Board comprises four Directors, all of whom are non-executive. The Board does not have a separate remuneration committee as the Company has no employees, other than the non-executive Directors.

The Board considers that Directors' fees should reflect the time commitment required and the high level of responsibility borne by Directors and should be broadly comparable to those paid by similar companies. It is not considered appropriate that Directors' remuneration should be performance-related, and none of the Directors are eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits in respect of their services as non-executive Directors of the Company.

The total remuneration of non-executive Directors has not exceeded the £100,000 per annum limit set out in the Articles of Association of the Company.

No Director has a contract of service with the Company. All of the Directors have been provided with letters of appointment. The Articles of Association provide that Directors shall retire and offer themselves for re-election at the first AGM after their appointment and at least every three years thereafter. A Director's appointment will continue unless terminated by the Company by giving three months written notice. A Director's appointment may also be terminated in certain other circumstances.

## Directors' fees (audited information)

The following fees were paid to individual Directors in respect of the year ended 28 February 2010 with comparative figures for the year ended 28 February 2009:

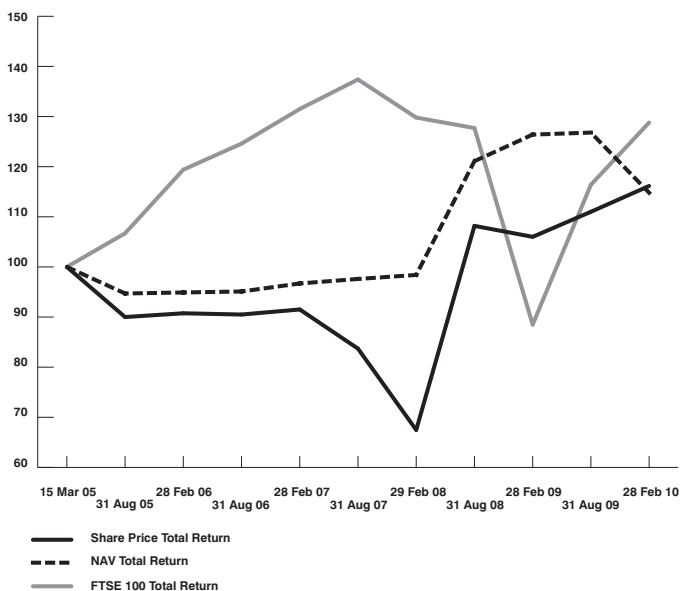
	28 February 2010 £	28 February 2009 £
D Pinckney (Chairman)	20,000	20,000
A Moore	15,000	15,000
P Thomas	15,000	15,000
C Wood	15,000	15,000
Aggregate emoluments	65,000	65,000

None of the Directors received any other remuneration during the year.

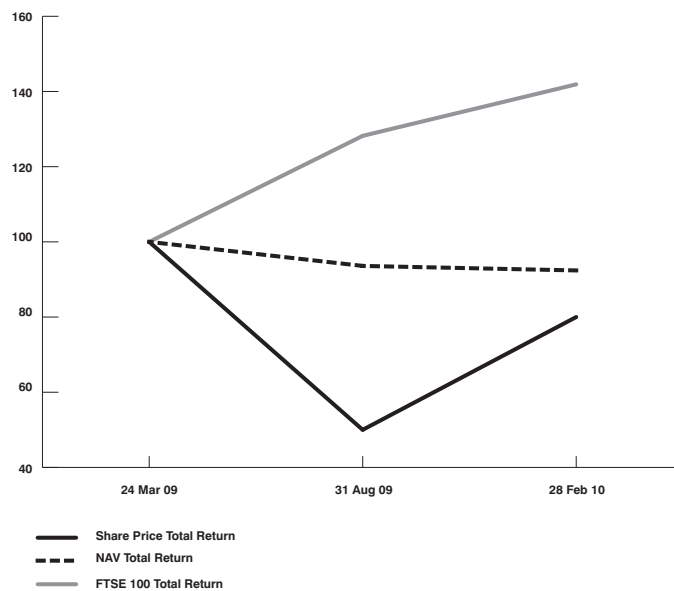
## Company performance

Due to the positioning of the Company in the market as a specialist VCT investing in companies that will develop, construct and operate small on-shore UK renewable energy projects, the Directors consider that, currently, there is no suitable company or index that can be identified for comparison. However in order to comply with the Directors' Remuneration Report Regulations 2002, the FTSE 100 Index has been used as a comparative.

### Total shareholder return on ordinary shares



### Total shareholder return on "C" shares



The graph demonstrates the change in value, in terms of Share Price Total Return<sup>1</sup> and NAV Total Return<sup>2</sup>, based on £100 invested in ordinary shares on the date they were first listed on the London Stock Exchange (15 March 2005) over the period to 28 February 2010 compared with the total return attributable to £100 invested in companies comprising the FTSE 100 Index over the same period. The graph shows that there has been a reduction in shareholder value during the year in respect of total shareholder return based on NAV, which is representative of the net downward revaluation of investments as detailed in the Investment Manager's report.

The graph demonstrates the change in value, in terms of Share Price Total Return<sup>1</sup> and NAV Total Return<sup>2</sup>, of £100 invested in "C" shares on the date they were first listed on the London Stock Exchange (24 March 2009) over the period to 28 February 2010 compared with the total return attributable to £100 invested in companies comprising the FTSE 100 Index over the same period. The graph shows that there has been a reduction in shareholder value during the year in respect of total shareholder return based on NAV which is representative of the "C" share fund's loss for the year. To date there have been no dividends paid to "C" shareholders.

- 1 Share Price Total Return is the return attributable to the share price of the shares held assuming that dividends paid to those shares were immediately reinvested in shares at the market price as at the date the dividends were paid.
- 2 NAV Total Return is the net asset value of the shares held plus the cumulative dividends paid to those shares over the period in which they were held.

By order of the Board

**The City Partnership (UK) Limited**  
Secretary

7 June 2010

The Board of Ventus VCT plc has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Combined Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

This is the first year in which the Company has reported against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Combined Code), the Board considered that reporting against these principles and recommendations will provide better information to shareholders.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Combined Code, except as set out below.

The Combined Code includes provisions relating to:

- the role of the chief executive
- executive directors' remuneration
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

In addition to the provisions above, the Directors acknowledge that the Company did not comply with the AIC Code in its recommendation that the chairman of a company may not chair the audit committee. However, the Board considers that, in view of his extensive international auditing experience, it is appropriate and in the interests of shareholders that David Pinckney, as Chairman of the Company, should also chair the audit committee. Also, contrary to the recommendations of the AIC Code, due to the small number of Directors comprising the Board, it has not been considered necessary by the Directors to implement a formal review process

in respect of the Board's performance and that of individual Directors.

#### Board of Directors

Throughout the year ended 28 February 2010 the Board consisted of four Directors, all of whom are non-executive. The Board ensures that it has the appropriate balance of skills, experience and age amongst its Directors. Biographical information on the Directors, including the other significant commitments of the Chairman, is shown on pages 21 and 22.

#### Independence

In accordance with the Listing Rules of the Financial Services Authority, the Board has reviewed the independence of each Director and of the Board as a whole. Directors withdrew from discussions concerning their individual status.

Mr Thomas is also the Chairman of the Investment Committee of the Investment Manager and, therefore, is not considered to be independent. In the last year all of the Board members have served as Directors of Ventus 2 VCT plc and Ventus 3 VCT plc. These companies have appointed Climate Change Capital Limited as their Investment Manager. The Board believes that each Director, with the exception of Mr Thomas, has demonstrated that he is independent in character and judgement and independent of the Investment Manager and therefore, that Mr Pinckney, Mr Moore and Mr Wood are each considered independent.

As discussed in detail in the Directors' Report, in order to comply with impending changes to the Listing Rules in regard to Directors' independence, the Board has resolved that Alan Moore, Paul Thomas and Colin Wood will resign their directorships with effect from 13 July 2010 and recommends that Mr David Williams and Mr Charles Conner should offer themselves for election as Directors of the Company at the AGM.

#### Directors' responsibilities

The Board meets at least quarterly and is in regular contact with the Investment Manager between these meetings. The Directors held 13 meetings of the Board during the year. In addition, there were a number of ad-hoc meetings, including meetings related to the approval of the Half-Yearly Report, the Interim Management Statements and the "C" share offer and prospectus. The number of meetings of the Board and the Audit Committee held during the year and the attendance of the Directors is shown in the table below:

	Board Meeting Attendance	Audit Committee Attendance
D Pinckney (Chairman)	13 (13)	2 (2)
A Moore	8 (8)	N/A
P Thomas	11 (11)	2 (2)
C Wood	7 (7)	2 (2)

The figure in brackets indicates the total number of meetings at which the Director was expected to attend.

All the Directors are equally responsible under the law for the proper conduct of the Company's affairs. In addition, the Directors are responsible for ensuring that the policies and operations are in the best interests of all the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

The AIC Code states that the Board should have a formal schedule of matters specifically reserved to it for decision, to ensure that it has firm direction and control of the Company. The schedule of matters reserved to it includes the general investment strategy of the Company and the performance of the Company. The terms and conditions of appointment of non-executive Directors are available upon written application to the Company Secretary.

All Directors have direct access to the Company Secretary and independent advisers at the Company's expense provided prior clearance has been obtained from the Board. The Company Secretary is responsible to the Board for ensuring that Board and Committee procedures are followed and for compliance with applicable rules and regulations. The Company

Secretary is also responsible to the Board for ensuring the timely delivery of information and reports and that the statutory obligations of the Company are met.

When Directors have concerns that cannot be resolved about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns is encouraged to provide a written statement to the Chairman, for circulation to the Board.

At each AGM of the Company one third of the Directors shall retire from office. The Directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot. Furthermore, no Director shall be required to retire by rotation earlier than the third AGM after the meeting at which he was elected. In addition, should a Director of the Company be considered not to be independent, he is subject to re-election under Listing Rule 15.2.13A, and will therefore offer himself for re-election annually.

In accordance with the AIC Code, the Company has in place directors' and officers' liability insurance.

Upon joining the Board, new Directors will receive a full, formal and tailored induction. As the Company has no major shareholders, it is considered unnecessary to provide shareholders with the opportunity to meet new non-executive Directors at a specific meeting other than the AGM.

Due to the size and structure of the Board together with the nature of the Company's business, a formal performance evaluation of the Board, its committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise.

#### **Audit Committee**

The Audit Committee comprises David Pinckney, Colin Wood and Paul Thomas. Due to his extensive international auditing experience (detailed in the Directors' Information on pages 21 and 22), it is deemed appropriate that David

Pinckney is Chairman of both the Audit Committee and the Board of the Company. The Committee meets twice a year to review the Annual and Half-yearly Financial Statements before submission to the Board. The roles and responsibilities of the Audit Committee, including reviewing the Company's internal controls, risk management systems and monitoring auditor independence, are set out in written terms of reference. These are available upon written application to the Company Secretary. The Audit Committee has primary responsibility for making recommendations on the appointment, reappointment and removal of the external Auditors.

The appointment of PKF (UK) LLP as the Company's Auditors was approved by shareholders at the AGM held on 1 July 2009. The Board recommended the services of PKF (UK) LLP to the shareholders in view of the firm's extensive experience in auditing Venture Capital Trusts.

The Audit Committee reviews the nature and extent of non-audit services provided by the Company's external Auditors and ensures that the Auditors' independence and objectivity is safeguarded. During the year under review, the Company's external Auditors provided tax compliance services and advice. The Board is satisfied that the fees charged and work undertaken did not affect the Auditors' objectivity.

#### **Nomination and Remuneration Committees**

To date, no Nomination or Remuneration Committees have been established. The establishment of a Nomination Committee is not considered necessary as the appointment of new Directors and recommendations for the re-election of Directors are matters considered by the Board. Matters relating to remuneration of Directors, all of whom are non-executive, are considered by the Board and any Director is excluded from meetings whose purpose is the setting of his own remuneration.

Each Director has signed a formal letter of appointment, copies of which are available from the registered office and will be available on the day of the AGM. None of the Directors has a contract of service with the Company, nor have

there been any other contracts or arrangements between the Company and any Director at any time. No Director has been granted any options to acquire shares in the Company.

#### **Internal control**

In accordance with the AIC Code, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The Board acknowledges that it is responsible for the Company's systems of internal control and financial reporting. Internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Board has delegated, contractually to third parties, the management of the investment portfolio, the custodial services (which include safeguarding the Company's assets), the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which has been in place for the year under review and up to the date of approval of the accounts. This process is regularly reviewed by the Board. Having considered the need for an internal audit function, the Board has decided that the structure of the Company does not justify it. The Board will continue to monitor and review the risk management process on a regular basis.

The Company has a clearly defined investment policy. Investment decisions are taken by the Board after due consideration of the recommendations of the Investment Manager's Investment Committee. The Board performs regular reviews of the Company's performance in respect of the investments and other assets, liabilities, revenue and expenditure.

The Audit Committee reviews each of the Company's half-yearly and annual reports, interim management statements and associated announcements. The Audit Committee regularly reviews management accounts information to make comparisons to budget. The Audit

Committee also regularly reviews the internal controls adopted and implements appropriate policies to deal with operational risks. The findings of the external Auditors in respect of internal controls and financial reporting are discussed at Audit Committee meetings and appropriate recommendations are made to the Board.

The principal features of the internal control systems which the Company has in place in respect of financial reporting include:

- segregation of duties between the analysis of investment valuations, review of the assumptions made in valuing investments and the recording of these valuations in the accounting records;
- bank reconciliations are carried out on a regular basis; and
- the Audit Committee reviews financial information prior to its publication.

#### Performance of the Investment Manager

The primary focus of regular board meetings is to review the investment performance against the Company's stated investment policy and objectives. In doing so, the Board assesses the performance of the Investment Manager and considers whether the arrangements made between the Company and the Investment Manager are appropriate and in the interests of shareholders.

#### Going concern

The Directors are required to consider the going concern status of the Company and prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The going concern status of the Company is discussed in the Directors' Report.

#### Listing Rules disclosures: DTR 7.2.6

The Company has two classes of shares, ordinary and "C" shares, which carry no right to fixed income. Details of the Company's share capital, including the number of shares authorised and allotted, are set out in the Directors' Report.

At a general meeting of the Company, on a show of hands, every member who is present in person and entitled to vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share held.

Any profits of each share fund which the Company may determine to distribute in respect of any financial year shall be distributed among the shareholders pro rata according to the amounts paid up or credited as paid up on the shares held.

The capital and assets of the Company on a winding-up or other return of capital shall be applied in repaying to the shareholders the amounts paid up or credited as paid up on such shares and subject thereto shall belong to and be distributed according to the number of such shares held.

The identity of each of the shareholders with a significant holding as at the year end and the date of this report, including details of the size and nature of their holding, is disclosed in the Substantial Interests section of the Directors' Report.

As at the year end and date of this report the Company had no immediate or ultimate controlling parties and there were no shares in issue carrying special rights with regard to control of the Company.

In accordance with the Company's Articles of Association, subject to the provisions of the Companies Act 2006 and to any special rights conferred on the holders of any other shares, any shares may be issued with or have attached to them such rights and restrictions as the Company may by ordinary resolutions decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide.

There are no shares in issue which hold special rights.

The Company may by ordinary resolution appoint any person who is willing to act as a Director, either to fill a vacancy or as an additional Director. Each Director is to be appointed by separate resolution.

The Company may by special resolution make amendment to the Company's Articles of Association.

The powers of the Company's Directors in relation to the Company issuing or buying back its own shares are set out in the Director's Report.

#### Relations with shareholders

The Company communicates with shareholders and solicits their views where it is appropriate to do so. All shareholders are welcome at the AGM which provides a forum for shareholders to ask questions of the Directors and to discuss with them issues affecting the Company. The Board as a whole approves the Chairman's Statement which forms part of the Annual and Half-yearly Reports to shareholders in order to ensure that they present a balanced and understandable assessment of the Company's position and future prospects. Notice of the AGM accompanies this Annual Report, which is sent to shareholders a minimum of 20 working days before the meeting.

A separate resolution is proposed at the AGM on each substantially separate issue. The Registrar collates the proxy votes, and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the Combined Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the next AGM can be found at the end of these Financial Statements. A proxy form in respect of this meeting has been issued to shareholders separately.

The Company's Board comprises four Directors, three of whom are independent of the Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Company. The Directors have wide experience of investment in both smaller growing companies and larger quoted companies. Information about the current and prospective Directors and the reasons for the proposed changes to the constitution of the Board is set out below.

**David Pinckney FCA** - Chairman (aged 69)

David Pinckney was, from 1998 until December 2003, first chief operating officer for the Far East and then Vice Chairman of AXA Investment Managers SA, the investment management arm of the AXA Group with over US\$500 billion under management. He was a member of the Executive and Audit Committees. From 1987 to 1997, he was Group Finance Director and Joint Managing Director of The Thornton Group (a subsidiary of Dresdner Bank), which specialized in equity investment management, in particular in the Asia/Pacific region. From 1984 to 1986, he was Managing Director of Wrightson Wood Financial Services Limited, a company specialising in international corporate finance and venture capital. From 1963 to 1983, he was with Peat, Marwick Mitchell (now KPMG), where, in his last six years, he was Senior Audit Partner for France and French speaking Africa. He was non-executive Chairman of the AIM-quoted Park Row Group PLC from 2002 to 2003, when the Group was successfully sold. He is a Director of Albion Development VCT PLC and Chairman of DP Property Europe Limited (formerly Rutley European Property Limited) and was Chairman of Syndicate Asset Management PLC until 31 March 2010, when he retired. He is a Chartered Accountant and an "Expert Comptable" (a French Accountant). He has been a member of the Board since October 2004.

**Alan Moore OBE, CEng FIMechE** (aged 61)

Alan Moore has more than 40 years' experience in the UK electricity industry, beginning his career with the Central Electricity Generating Board. From 1998 to May 2004, he was the Managing Director of National Wind Power (now npower Renewables), one of the largest developers and owners of wind generation assets in the UK. He is Co-Chairman of the UK Government's Renewables Advisory Board and Chairman of Cowrie Limited, a fund which invests in offshore environmental research projects, and he is also a non-executive director of Partnerships for Renewables Limited. He is a past Chairman of the British Wind Energy Association. He has been a member of the Board since October 2004.

**Paul Thomas ACA** (aged 53)

Paul Thomas is Managing Director of Private Investor Capital Limited, the London-based independent private equity firm that invests in transactions of up to £5 million in growing, unquoted UK businesses. He has over 25 years of private equity experience, including 19 years with ECI Partners LLP, the London based midmarket buy-out house, where he was Managing Director until retiring in 2003. During his time with ECI, the firm made over 100 equity investments in transactions ranging in size from £500,000 to £25 million, deploying capital of more than £200 million. Previously, he was with Price Waterhouse for 6 years, latterly in corporate finance. He is a physics graduate and a Chartered Accountant. He is Chairman of the Ventus funds Investment Committee of the Manager and has been a member of the Board since October 2004.

**Colin Wood** (aged 63)

Colin Wood spent 27 years as a civil servant in the Scottish Office before retiring from a senior position in the Scottish Executive in 2001. He is an economics graduate and from 1993 to 1998, he was Senior Economic Adviser and Head of the Economics and Statistics Unit at the Scottish Office Industry Department, where he was responsible for providing economic advice on a range of issues including energy markets and the environment. He is a Director of The Century Building Society in Edinburgh. He has been a member of the Board since October 2004.

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## Appointments and resignations

As discussed in detail in the Directors' Report, in order to comply with the changes to the Listing Rules, which will become effective in September 2010, the Board has recommended that Mr Charles Conner and Mr David Williams should be appointed to the Board of Directors.

Accordingly, they will stand for election at the AGM to be held on 13 July 2010. Alan Moore, Paul Thomas and Colin Wood will resign their directorships with effect from 13 July 2010.

## Charles Conner (aged 57)

Charles Conner is Senior Adviser to Climate Change Capital Limited and serves as a member of the Ventus funds Investment Committee. He was the lead investment manager of the Ventus funds from 2004 until 2007. He has 20 years of experience in corporate finance, property finance and private equity. He has substantial experience in the financing of various sectors of the energy industry, including exploration and development, pipelines, oilfield equipment, distributed generation and renewable energy. He has also originated and structured energy outsourcing transactions, with a particular emphasis on reduction of energy consumption and emissions. He holds a BS degree from Purdue University and an MBA from Harvard Business School.

## David Williams (aged 51)

David Williams is a graduate Chartered Electrical Engineer who also holds qualifications in Management, Accountancy and Finance. He has been involved in renewable energy for 20 years. Following 19 years with utility company SWALEC, he started Energy Power Resources Limited (EPRL) in 1996 and shortly afterwards undertook a £25 million private placement, the UK's largest private placement in renewable energy, which enabled the company to generate over 100MW of base load capacity. David Williams was Chief Executive of EPRL until February 2002. He co-founded Eco2 in November 2002 and led negotiations on a £100 million funding deal with Good Energies Investments Limited and Bank of Tokyo Mitsubishi UFJ to build a windfarm in Scotland, Wales' first commercial scale biomass project and a number of other windfarm projects. He now leads an ambitious business plan to develop over £1 billion of biomass projects throughout Europe. David Williams is a member of the British government's Renewables Advisory Board and was previously an Independent Grant Assessor for the DTI. He has also been a member of the DEFRA Biomass Implementation Advisory Group and is a non-executive adviser to New Zealand based CE3 renewable energy fund.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

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The Directors are responsible for preparing the Directors' Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

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 International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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 of the profit or loss of the Company for that period. In preparing these 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 the Financial Statements have been prepared in accordance with IFRS as adopted by the European Union
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Directors confirm, to the best of their knowledge that:

- the Financial Statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the management report included within the Chairman's Statement, Investment Manager's Report and Directors' Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

The names and functions of all the Directors are stated on pages 21 and 22.

# DIRECTORS AND ADVISERS

## Directors

David Pinckney FCA  
Alan Moore OBE, CEng FIMechE  
Paul Thomas ACA  
Colin Wood

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## Investment Manager

Climate Change Capital Limited  
3 More London Riverside  
London  
SE1 2AQ

## Company Secretary

The City Partnership (UK) Limited  
Thistle House  
21 Thistle Street  
Edinburgh  
EH2 1DF

## Auditors

PKF (UK) LLP  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

## Registrars and Registered Office

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

## Principal Banker

HSBC Bank plc  
60 Queen Victoria Street  
London  
EC4N 4TR

## VCT Taxation Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

## Broker

Matrix Corporate Capital LLP  
One Vine Street  
London  
W1J 0AH

## Solicitor

Berwin Leighton Paisner LLP  
Adelaide House  
London Bridge  
London  
EC4R 9HA

# INDEPENDENT AUDITORS' REPORT

to the members of Ventus VCT plc

We have audited the Financial Statements of Ventus VCT plc for the year ended 28 February 2010 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 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

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.

## Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Corporate Governance Statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Services Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with the Financial Statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements and the part of the Directors' Remuneration Report to be audited 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 12, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

## Rosemary Clarke

(Senior statutory auditor)  
for and on behalf of  
PKF (UK) LLP, Statutory auditors  
London, UK

7 June 2010

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2010

	Note	Revenue £000	Capital £000	Ordinary Shares Total £000	Revenue £000	Capital £000	"C" Shares Total £000	Revenue £000	Capital £000	Total Total £000
Net unrealised loss on investments	9	-	(1,897)	(1,897)	-	-	-	-	(1,897)	(1,897)
Income	2	728	-	728	31	-	31	759	-	759
Investment Management fees	3	(110)	(328)	(438)	(35)	(106)	(141)	(145)	(434)	(579)
Other expenses	4	(138)	-	(138)	(60)	-	(60)	(198)	-	(198)
<b>Profit/(loss) before taxation</b>		480	(2,225)	(1,745)	(64)	(106)	(170)	416	(2,331)	(1,915)
Taxation	6	(73)	60	(13)	10	16	26	(63)	76	13
<b>Profit/(loss) and total comprehensive income for the year attributable to equity shareholders</b>		407	(2,165)	(1,758)	(54)	(90)	(144)	353	(2,255)	(1,902)
<b>Return per share:</b>										
Basic and diluted return per share (p)	8	2.69	(14.31)	(11.62)	(0.88)	(1.48)	(2.36)			

The Company has only one class of business and derives its income from investments made in the UK.

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union. The revenue and capital columns shown above constitute supplementary information prepared under the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" 2009 ("SORP") published by the Association of Investment Companies.

The accompanying notes on pages 32 to 43 form an integral part of these Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2009

	Note	Revenue £000	Capital £000	Total £000
Net unrealised gain on investments	9	-	3,597	3,597
Income	2	1,202	-	1,202
Investment Management fees	3	(77)	(231)	(308)
Other expenses	4	(184)	-	(184)
<b>Profit before taxation</b>		941	3,366	4,307
Taxation	6	(154)	60	(94)
<b>Profit and total comprehensive income for the year attributable to equity shareholders</b>		787	3,426	4,213
<b>Return per share:</b>				
Basic and diluted return per ordinary share (p)	8	5.25	22.84	28.09

The first allotment of "C" shares took place on 24 March 2009, therefore the Statement of Comprehensive Income for the year ended 28 February 2009 represents the ordinary share fund only.

The Company has only one class of business and derives its income from investments made in the UK.

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union. The revenue and capital columns shown above constitute supplementary information prepared under the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" 2009 ("SORP") published by the Association of Investment Companies.

The accompanying notes on pages 32 to 43 form an integral part of these Financial Statements.

# BALANCE SHEET

as at 28 February 2010

		As at 28 February 2010			As at 28 February 2009
	Note	Ordinary Shares £000	"C" Shares £000	Total £000	£000
<b>Non-current assets</b>					
Investments	9	14,305	325	14,630	15,880
Trade and other receivables	10	109	-	109	990
		<b>14,414</b>	<b>325</b>	<b>14,739</b>	16,870
<b>Current assets</b>					
Trade and other receivables	10	843	38	881	413
Cash and cash equivalents	11	1,412	6,468	7,880	672
		<b>2,255</b>	<b>6,506</b>	<b>8,761</b>	1,085
<b>Total assets</b>		<b>16,669</b>	<b>6,831</b>	<b>23,500</b>	17,955
<b>Current liabilities</b>					
Trade and other payables	12	(58)	(431)	(489)	(324)
<b>Net current assets</b>		<b>2,197</b>	<b>6,075</b>	<b>8,272</b>	761
<b>Net assets</b>		<b>16,611</b>	<b>6,400</b>	<b>23,011</b>	17,631
<b>Equity attributable to equity holders</b>					
Share capital	13	4,096	1,731	5,827	3,750
Share premium		1,067	4,813	5,880	-
Special reserve		10,437	-	10,437	10,437
Capital reserve – realised		(1,018)	(90)	(1,108)	(750)
Capital reserve – unrealised		1,700	-	1,700	3,597
Revenue reserve		329	(54)	275	597
<b>Total equity</b>		<b>16,611</b>	<b>6,400</b>	<b>23,011</b>	17,631
<b>Basic and diluted net asset value per share (p)</b>	14	<b>101.4</b>	<b>92.4</b>		117.5

The first allotment of "C" shares took place on 24 March 2009, therefore the balance sheet as at 28 February 2009 represents the ordinary share fund only.

Approved by the Board and authorised for issue on 7 June 2010.

**David Pinckney**

Director

The accompanying notes on pages 32 to 43 form an integral part of these Financial Statements.

Ventus VCT plc. Registered No: 05205442

# STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2010

	Share capital £000	Share premium £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>Ordinary Shares</b>							
<b>At 1 March 2009</b>	3,750	-	10,437	(750)	3,597	597	17,631
Shares issued in the year	346	1,149	-	-	-	-	1,495
Issue costs	-	(82)	-	-	-	-	(82)
Profit/(loss) and total comprehensive income for the year	-	-	-	(268)	(1,897)	407	(1,758)
Dividends paid in the year	-	-	-	-	-	(675)	(675)
<b>At 28 February 2010</b>	4,096	1,067	10,437	(1,018)	1,700	329	16,611

	Share capital £000	Share premium £000		Capital reserve realised £000		Revenue reserve £000	Total £000
<b>"C" Shares</b>							
<b>At 1 March 2009</b>	-	-		-		-	-
Shares issued in the year	1,731	5,194		-		-	6,925
Issue costs	-	(381)		-		-	(381)
Profit/(loss) and total comprehensive income for the year	-	-		(90)		(54)	(144)
<b>At 28 February 2010</b>	1,731	4,813		(90)		(54)	6,400

<b>Total</b>	capital £000	Share premium £000	Share reserve £000	Special realised £000	Capital reserve unrealised £000	Capital reserve reserve £000	Revenue Total £000
<b>At 1 March 2009</b>	3,750	-	10,437	(750)	3,597	597	17,631
Shares issued in the year	2,077	6,343	-	-	-	-	8,420
Issue costs	-	(463)	-	-	-	-	(463)
Profit/(loss) and total comprehensive income for the year	-	-	-	(358)	(1,897)	353	(1,902)
Dividends paid in the year	-	-	-	-	-	(675)	(675)
<b>At 28 February 2010</b>	5,827	5,880	10,437	(1,108)	1,700	275	23,011

All amounts presented in the Statement of Changes in Equity are attributable to equity holders. The revenue reserve is a distributable reserve. The special reserve may be used to fund buy-backs of shares as and when it is considered by the Board to be in the interests of the shareholders.

iThe accompanying notes on pages 32 to 43 form an integral part of these Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2009

	Share capital £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>At 1 March 2008</b>	3,750	10,437	(579)	-	335	13,943
Profit/(loss) and total comprehensive income for the year	-	-	(171)	3,597	787	4,213
Dividends paid in the year	-	-	-	-	(525)	(525)
<b>At 28 February 2009</b>	3,750	10,437	(750)	3,597	597	17,631

The first allotment of "C" Shares took place on 24 March 2009, therefore the Statement of Changes in Equity for the year ended 28 February 2009 represents the ordinary share fund only.

All amounts presented in the Statement of Changes in Equity are attributable to equity holders. The revenue reserve is a distributable reserve. The special reserve may be used to fund buy-backs of shares as and when it is considered by the Board to be in the interests of the shareholders.

The accompanying notes on pages 32 to 43 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

for the year ended 28 February 2010

	Year ended 28 February 2010			Year ended 28 February 2009
	Ordinary Shares £000	"C" Shares £000	Total £000	£000
<b>Cash flows from operating activities</b>				
Investment income received	1,182	-	1,182	603
Deposit interest received	6	17	23	24
Investment management fees paid	(439)	(142)	(581)	(299)
Other cash payments	(150)	(70)	(220)	(179)
<b>Cash generated from / (used in) operations</b>	599	(195)	404	149
Taxes paid	(81)	-	(81)	(98)
<b>Net cash inflow/(outflow) from operating activities</b>	518	(195)	323	51
<b>Cash flows from investing activities</b>				
Purchases of investments	(322)	(325)	(647)	(1,483)
Proceeds from sale of investments	-	-	-	2,000
<b>Net cash (outflow)/inflow from investing activities</b>	(322)	(325)	(647)	517
<b>Cash flows from financing activities</b>				
"C" shares issued	(194)	6,925	6,731	194
"C" share issue costs	-	(381)	(381)	-
"C" shares to be issued	-	444	444	-
Ordinary shares issued	1,495	-	1,495	-
Ordinary share issue costs	(82)	-	(82)	-
Dividends paid	(675)	-	(675)	(525)
<b>Net cash inflow/(outflow) from financing activities</b>	544	6,988	7,532	(331)
<b>Net increase in cash and cash equivalents</b>	740	6,468	7,208	237
<b>Cash and cash equivalents at the beginning of the year</b>	672	-	672	435
<b>Cash and cash equivalents at the end of the year</b>	1,412	6,468	7,880	672

The first allotment of "C" Shares took place on 24 March 2009, therefore the Statement of Cash Flows for the year ended 28 February 2009 represents the ordinary share fund only.

The accompanying notes on pages 32 to 43 form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2010

## 1. Accounting policies

### Accounting convention

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), to the extent that they have been adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies under IFRS.

The Financial Statements have been prepared on the historical cost basis, as modified for the measurement of certain financial instruments at fair value through profit or loss. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" 2009 ("SORP") is consistent with the requirements of IFRS, the Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP.

### Changes in accounting policy and disclosure

The accounting policies adopted are consistent with those of the previous financial year except as follows:

*IAS 1 (revised) "Presentation of Financial Statements":*

The Company has elected to present a single performance statement: the Statement of Comprehensive Income. The change in accounting policy only impacts presentation aspects of the Financial Statements.

*IFRS 7 "Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments":*

Amendments to IFRS 7 were issued by the IASB in March 2009 and are effective for annual periods beginning on or after 1 January 2009. The amendments require enhanced disclosures around fair value measurement to be disclosed, using a three-level hierarchy.

*IFRS 8 "Operating Segments":*

The adoption of this standard has had no material impact on the segmental information reported by the Company.

Other standards and interpretations which are effective for this financial period but are not currently relevant for the Company are IFRS 2 (amendment), IAS 23 and IFRICs 13 to 16.

Other standards and interpretations have been issued which will be effective for future reporting periods but have not been early adopted in these Financial Statements. These include IFRS 1, IFRS 2, IFRS 3, IFRS 5, IAS 1, IAS 24, IAS 27, IAS 32, IAS 38, IAS 39, IFRIC 14, IFRS 9, IFRIC 9, IFRIC 17, IFRIC 18 and IFRIC 19. These changes are not expected to have a material impact on the financial statements.

### Income

Income on investments is stated on an accruals basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest receivable on cash and non-equity investments is accrued to the end of the year. No tax was withheld at source on interest income.

Dividend income from investments is recognised when the shareholders' rights to receive payment has been established, normally the ex-dividend date.

### Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses have been presented as revenue items except when expenses are split and charged partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. The investment management fee has been allocated 25% to revenue and 75% to capital, in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company.

Other than the management fees, expenses have been allocated between the ordinary and "C" share funds on the basis of the number of shares in issue during the year.

### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets or liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Due to the Company's status as a Venture Capital Trust, no provision for deferred taxation is required in respect of any realised or unrealised appreciation in the Company's investments.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Financial Instruments

Financial assets and financial liabilities are recognised on the Company's Balance Sheet when the Company has become a party to the contractual provisions of the instrument.

### Trade and other receivables

Trade and other receivables are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. A provision for impairment is made where there is objective evidence (including counterparties with financial difficulties or in default on payments) that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the Statement of Comprehensive Income.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Company with maturities of less than three months. These short-term deposits are classified under cash equivalents as they meet the definition in IAS 7 "Cash Flow Statements" of a short-term highly liquid investment that is readily convertible into known amounts of cash and subject to insignificant risk of change in value.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

#### *Trade and other payables*

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

#### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received amount, net of direct issue costs.

#### *Special reserve*

The special reserve was created further to a plea made at the High Court to cancel the Company's share premium account in respect of the shares issued in the initial offer for the Company's ordinary shares. The special reserve may be used to fund buy-backs of shares as and when it is considered by the Board to be in the interests of the shareholders.

#### *Capital reserve - realised*

This reserve includes gains and losses compared to cost on the realisation of investments and expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policy on expenses.

#### *Capital reserve – unrealised*

This reserve includes increases and decreases in the valuation of investments held at fair value.

#### *Investments*

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends and increases in fair values, all investments are designated as fair value through profit or loss on initial recognition. A financial asset is designated within this category if it is acquired, managed and evaluated on a fair value basis in accordance with the Company's documented investment policy. In the year of acquisition, investments are initially measured at cost, which is considered to be their fair value. Thereafter, the investments are measured at subsequent reporting dates on a fair value basis in accordance with IFRS. Gains or losses resulting

from revaluation of investments are taken to the capital account of the Statement of Comprehensive Income.

Investments in unquoted companies are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines. The price of recent investment methodology, reviewed for impairment, is applied until the relevant investee company's generating assets have proved stable operational performance for an acceptable period of time. This time period will vary depending on the nature of the renewable energy technology that the investee company uses, but is typically between 6 and 18 months following completion of the construction phase. The investments in unquoted companies are subsequently valued using the discounted future cash flows from the underlying business excluding interest earned to date.

The key assumptions that have a significant impact on fair value in the discounted cash flow valuations are the discount factor used, the price at which the power and associated benefits can be sold and the level of electricity the investee company's generating assets are expected to produce. The discount factor applied to the cash flows is regularly reviewed by the Investment Committee of the Investment Manager to ensure it is set at the appropriate level and is benchmarked to other investments in the renewable energy sector using similar generating technology. The Investment Committee and the Board will also give consideration to the specific performance characteristics of the particular type of generating technology being used. The price at which the output from the generating assets is sold is often fixed in the medium term under power purchase agreements. For periods outside the term of these agreements the assumed future prices are taken from external third party market data which take the form of specialist consultancy reports. Specifically commissioned external consultant reports are also used to verify the expected electrical output from the investee company's generating assets taking in to account their type and location. All of these key assumptions are reviewed regularly by the Investment Committee of the Investment Manager and the Board.

When an investee company has gone into receivership or liquidation, the investment, although physically not disposed of, is treated as being realised. The Company has taken the exemption, permitted by IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures, from equity accounting for investments where it has significant influence or joint control.

The majority of money held pending investment is invested in financial instruments with same day or two-day access and as such is treated as cash and cash equivalents.

#### **Key assumptions and key sources of estimation uncertainty**

The preparation of the Financial Statements requires the application of estimates and assumptions which may affect the results reported in the Financial Statements. Estimates, by their nature, are based on judgement and available information. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are those used to determine the fair value of investments at fair value through profit or loss.

#### **Dividends payable**

Dividends payable are recognised as distributions in the Financial Statements when the Company's liability to make payment has been established.

#### **Segmental Reporting**

The Directors consider that the Company has engaged in a single operating segment as reported to the chief operating decision maker which is that of investing in equity and debt. The chief operating decision maker is considered to be the Board.

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 2. Income

	Ordinary Shares £000	"C" Shares £000	Total £000
<b>Year ended 28 February 2010</b>			
<b>Income from investments</b>			
Mezzanine loan stock interest	702	11	713
Dividends	25	-	25
	727	11	738
<b>Other income</b>			
UK treasury bill income	-	15	15
Bank deposit interest	1	5	6
	728	31	759
<b>Year ended 28 February 2009</b>			
<b>Income from investments</b>			
Mezzanine loan stock interest			826
Dividends			350
			1,176
<b>Other income</b>			
Bank deposit interest			26
			1,202

## 3. Investment management fees

	Ordinary Shares £000	"C" Shares £000	2010 Total £000	2009 Ordinary Shares £000
Investment management fees	438	141	579	308

The Investment Manager is entitled to an annual fee equal to 2.5% of NAV. This fee is exclusive of VAT and is paid quarterly in advance. The fee covers the provision by the Investment Manager of investment management services as well as all accounting and administrative services together with the additional annual trail commission payable to authorised financial intermediaries. Total annual running costs are in aggregate capped at 3.6% of NAV (excluding the Investment Manager's performance-related incentive fee and any irrecoverable VAT), with any excess being borne by the Investment Manager.

The Investment Manager will receive a performance-related incentive fee subject to the Company achieving certain defined targets. No incentive fee will be payable until the Company has provided a cumulative return to investors in the forms of growth in NAV plus payment of dividends ("the Return") of 60p per share. Thereafter, the incentive fee, which is payable in cash, is calculated as 20% of the amount by which the Return in any accounting period exceeds 7p per share. The incentive fee is exclusive of VAT.

The management agreement may be terminated on 12 months' notice, given at any time after 21 January 2013.

## 4. Other expenses

	Ordinary Shares £000	"C" Shares £000	2010 Total £000	2009 Ordinary Shares £000
Directors' remuneration	46	19	65	65
Fees payable to the Company's Auditors for:				
- Audit of the Company's Annual Financial Statements	12	5	17	19
- Other services relating to taxation	1	1	2	3
- Other services	2	1	3	9
Legal and professional fees	-	-	-	2
Other expenses	77	34	111	86
	138	60	198	184

Other services provided by the Company's Auditors related to the reviews of the Half-yearly Report. Tax services provided by the Company's Auditors related to corporation tax compliance.

## 5. Directors' remuneration

	Ordinary Shares £000	"C" Shares £000	2010 Total £000	2009 Ordinary Shares £000
D Pinckney	14	6	20	20
A Moore	11	4	15	15
P Thomas	11	4	15	15
C Wood	10	5	15	15
Aggregate emoluments	46	19	65	65

Further details regarding Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 16 and 17.

## 6. Taxation

	Ordinary Shares £000	"C" Shares £000	2010 Total £000	2009 Ordinary Shares £000
<b>(a) Tax charge/(credit) for the year</b>				
Current UK corporation tax:				
Charged/(credited) to revenue reserve	95	(10)	85	154
Credited to capital reserve	(69)	(16)	(85)	(60)
	26	(26)	-	94
Adjustments to tax charge/ (credit) in respect of prior periods:				
Credited to revenue reserve	(22)	-	(22)	-
Charged to capital reserve	9	-	9	-
	(13)	-	(13)	-
	13	(26)	(13)	94
<b>(b) Factors affecting the tax charge/(credit) for the year</b>				
(Loss)/ profit before taxation	(1,745)	(170)	(1,915)	4,307
Tax charge/(credit) calculated on (loss)/ profit before taxation at the applicable rate of 21% (2009: 26%)	(366)	(36)	(402)	1,120
Effect of:				
UK dividends not subject to tax	(5)	-	(5)	(92)
Capital losses/ (gains) not subject to tax	397	-	397	(934)
Adjustments to tax charge in respect of prior periods	(13)	-	(13)	-
Unrecognised deferred tax asset	-	10	10	-
	13	(26)	(13)	94

The applicable rate of tax in the year ended 28 February 2010 represents the rate of corporation tax applied to taxable profits of less than £300,000 in the tax years 2009 and 2010. The applicable rate of tax in the year ended 28 February 2009 represents the marginal rate of corporation tax applied to taxable profits in the range between £300,000 and £1,500,000 in the tax years 2008 and 2009.

No provision for deferred taxation has been made on potential capital gains due to the Company's current status as a VCT under section 274 of the ITA and the Directors' intention to maintain that status. The Company intends to continue to meet the conditions required to maintain its status as a VCT for the foreseeable future. There is an unrecognised deferred tax asset of £9,268 in respect of unrelieved surplus operating expenses.

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 7. Dividends

	2010 £000	2009 £000
Amounts recognised as distributions to equity holders in the year:		
Previous year's final dividend of 3.00p per ordinary share (2009: 2.00p)	450	300
Current year's interim dividend of 1.50p per ordinary share (2009: 1.50p)	225	225
	<b>675</b>	<b>525</b>

There were no dividends paid to "C" shareholders during the year ended 28 February 2010.

The Directors recommend a final dividend of 2.00p per ordinary share (2009: 3.00p) to be paid on 27 July 2010 to all ordinary shareholders on the register as at the close of business on 2 July 2010. The proposed final dividend is subject to approval by the shareholders at the AGM and has not been included as a liability in these Financial Statements. The Company does not propose to pay a dividend to "C" shareholders.

Subject to approval of the final dividend, the total dividend to be paid to ordinary shareholders in respect of the financial year is set out below:

	2010 £000	2009 £000
Amounts paid or to be paid to equity holders in respect of the financial year:		
Interim dividend for the year ended 28 February 2010 of 1.50p per ordinary share (2009: 1.50p)	225	225
Proposed final dividend for the year ended 28 February 2010 of 2.00p per ordinary share (2009: 3.00p)	328	450
	<b>553</b>	<b>675</b>

## 8. Basic and diluted return per share

The net loss per ordinary share for the year ended 28 February 2010 is based on £1,758,000, (2009: net profit of £4,213,000) and the weighted average number of ordinary shares in issue during the year of 15,132,954 (2009: 15,000,183).

The basic revenue return per ordinary share is based on the net revenue from ordinary activities after taxation of £407,000 (2009: £787,000) and the weighted average number of ordinary shares in issue during the year of 15,132,954 (2009: 15,000,183).

The net capital loss per ordinary share is based on the net loss from ordinary activities after taxation of £2,165,000 (2009: net gain of £3,426,000) and the weighted average number of shares in issue during the year of 15,132,954 (2009: 15,000,183).

There is no difference between the basic loss per ordinary share and the diluted loss per ordinary share because no dilutive financial instruments have been issued.

The net loss per "C" share for the period ended 28 February 2010 is based on £144,000 and the weighted average number of "C" shares in issue during the period of 6,089,818.

The basic revenue loss per "C" share is based on the net loss from ordinary activities after taxation of £54,000 and the weighted average number of "C" shares in issue during the period of 6,089,818.

The net capital loss per "C" share is based on the net loss from ordinary activities after taxation of £90,000 and the weighted average number of shares in issue during the period of 6,089,818.

There is no difference between the basic loss per "C" share and the diluted loss per "C" share because no dilutive financial instruments have been issued.

Since the year end, the Company has issued a further 4,404,421 "C" shares in respect of the Company's second "C" share offering, which launched on 8 February 2010. The offer closed on 31 May 2010.

## 9. Investments

Year ended 28 February 2010	Ordinary Shares			"C" Shares Mezzanine loan stock £000	Total		
	Shares £000	Mezzanine loan stock £000	Total £000		Shares £000	Mezzanine loan stock £000	Total £000
<b>Opening position</b>							
Opening cost	6,528	5,755	12,283	-	6,528	5,755	12,283
Opening unrealised gains	3,597	-	3,597	-	3,597	-	3,597
Opening fair value	10,125	5,755	15,880	-	10,125	5,755	15,880
<b>During the year</b>							
Purchases at cost	30	292	322	325	30	617	647
Unrealised losses	(1,854)	(43)	(1,897)	-	(1,854)	(43)	(1,897)
Closing fair value	8,301	6,004	14,305	325	8,301	6,329	14,630
<b>Closing position</b>							
Closing cost	6,558	6,047	12,605	325	6,558	6,372	12,930
Closing unrealised gains/(losses)	1,743	(43)	1,700	-	1,743	(43)	1,700
Closing fair value	8,301	6,004	14,305	325	8,301	6,329	14,630

Year ended 28 February 2009	Ordinary Shares			Total £000
	Shares £000	Mezzanine loan stock £000	Total £000	
<b>Opening position</b>				
Opening cost	5,066	7,734	12,800	
Opening fair value	5,066	7,734	12,800	
<b>During the year</b>				
Purchases at cost	1,662	341	2,003	
Sales proceeds	(200)	(2,320)	(2,520)	
Unrealised gains	3,597	-	3,597	
Closing fair value	10,125	5,755	15,880	
<b>Closing position</b>				
Closing cost	6,528	5,755	12,283	
Closing unrealised gains	3,597	-	3,597	
Closing fair value	10,125	5,755	15,880	

The shares held by the Company are in unquoted UK companies. The Investment Manager's Report on pages 3 to 10 provides details in respect of the Company's shareholding in each investment together with details of mezzanine loans issued.

Investments acquired and disposed of during the year are detailed in the Investment Manager's Report.

There was a material write down in the value of Redimo LFG Limited during the year, which amounted to £2,000,000 in total. The value of the investment in Redimo LFG Limited is held at nil as at the balance sheet date. An explanation of the reasons for the impairment in the value of this investment is provided in the Investment Manager's Report.

Under IFRS 7, the Company is required to report the category of fair value measurements used in determining the value of its investments, to be disclosed by the source of inputs, using a three-level hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the instrument that are not based on observable market data (unobservable inputs) (Level 3).

As at 28 February 2010, each of the Company's investments held was valued using inputs which are considered to be Level 3 inputs and a reconciliation of the movements is provided in the table above. The Company is further required to disclose the effect of changing one or more inputs with reasonable alternative assumptions where a significant change to the fair value measurement would result. The investment portfolio has been reviewed for the effect of alternative valuation inputs, namely the sensitivity of the total value of all investments to a 1% increase or decrease in the discount factor applied to the valuation models of investments which have been valued using the discounted future cash flows from the underlying business. The application of the upside alternative discount factor would have resulted in the total value of all investments having been £813,897 or 5.69% higher. The application of the downside alternative discount factor would have resulted in the total value of all investments having been £761,682 or 5.32% lower.

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 10. Trade and other receivables

	Ordinary Shares £000	"C" Shares £000	2010 Total £000	2009 Ordinary Shares £000
<b>Non-current assets</b>				
Accrued interest income	109	-	<b>109</b>	990
	109	-	<b>109</b>	990
<b>Current assets</b>				
Accrued interest income	834	12	<b>846</b>	408
Other receivables	3	23	<b>26</b>	-
Prepayments	6	3	<b>9</b>	5
	843	38	<b>881</b>	413

Included in accrued interest income is mezzanine loan stock interest totalling £108,590 (2009: £990,028) which is due after more than one year, which represents non-current assets. The Directors consider that the carrying amounts of trade and other receivables approximate to their fair value.

## 11. Cash and cash equivalents

	Ordinary Shares Cash £000	Cash £000	"C" Shares Treasury Bills £000	Total £000	Cash £000	Total Treasury Bills £000	Total £000
As at 1 March 2009	672	-	-	-	672	-	672
Net increase	740	2,470	3,998	6,468	3,210	3,998	7,208
As at 28 February 2010	1,412	2,470	3,998	6,468	3,882	3,998	7,880

	Ordinary Shares Cash £000
As at 1 March 2008	435
Net increase	237
As at 28 February 2009	672

Cash and cash equivalents comprise bank balances and cash held by the Company including UK treasury bills. The carrying amount of these assets approximates to their fair value.

## 12. Trade and other payables

	Ordinary Shares £000	"C" Shares £000	2010 Total £000	2009 Ordinary Shares £000
Corporation tax	26	(26)	-	94
Other payables	-	446	<b>446</b>	194
Accruals	32	11	<b>43</b>	36
	58	431	<b>489</b>	324

Other payables includes £444,000 of subscriptions to the "C" share offer received before the allotment of "C" shares had been approved by the Board (2008: £194,000). The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

### 13. Share capital

	Ordinary Shares		"C" Shares		Total
	Number of shares of 25p each	£000	Number of shares of 25p each	£000	
<b>Authorised</b>					
At 1 March 2009	40,000,000	10,000	-	-	40,000,000
Shares authorised during the year	-	-	20,000,000	5,000	20,000,000
At 28 February 2010	40,000,000	10,000	20,000,000	5,000	60,000,000

	Ordinary Shares		"C" Shares		Total
	Number of shares of 25p each	£000	Number of shares of 25p each	£000	
<b>Allotted, called up and fully paid</b>					
At 1 March 2009	15,000,183	3,750	-	-	15,000,183
Allotted, called up and fully paid during the year	1,384,610	346	6,924,686	1,731	8,309,296
At 28 February 2010	16,384,793	4,096	6,924,686	1,731	23,309,479

At 28 February 2010 the Company had two classes of shares which carry no right to fixed income. The rights and obligations attaching to the Company's shares are set out in the Corporate Governance Statement on pages 18 to 20.

#### "C" share offer

Further to an Extraordinary General Meeting held on 2 March 2009 the authorised share capital of the Company was increased from £10,000,000 to £15,000,000 by the creation of 20,000,000 "C" shares of 25 pence each.

During the year the following allotments of "C" shares of 25 pence took place at a price of 100 pence per share:

Date of allotment	Number of shares
24 March 2009	2,200,023
3 April 2009	2,448,579
4 April 2009	806,826
18 May 2009	843,482
7 July 2009	625,776
<b>Total</b>	<b>6,924,686</b>

Following these allotments there were 6,924,686 "C" shares of 25 pence each in issue at 28 February 2010.

The offer for "C" shares was closed on 30 June 2009 and the final allotment was made on 7 July 2009. After issue costs, £6,543,828 was raised from these share issues. Under an agreement between the Company and the Investment Manager, the Company agreed to pay the Investment Manager an offer fee of 5.5% of the gross proceeds (but net of up front commission paid to authorised introducers by the Company). During the year, Climate Change Capital Limited earned a fee of £201,986 from the Company in respect of this offer.

#### Ordinary share "top-up" offer

Under the authority granted to them at the Extraordinary General Meeting held on 2 March 2009, on 17 November 2009 the Directors announced an offer to subscribe for up to £1.5 million of ordinary shares. The offer closed on 18 January 2010 and was fully subscribed. On 25 January 2010, 1,384,610 ordinary shares of 25 pence were allotted at a price of 108 pence per share.

Following this allotment there were 16,384,793 ordinary shares of 25 pence each in issue at 28 February 2010.

After issue costs, the Company raised £1,413,132 from this ordinary share offer. Under an agreement between the Company and the Investment Manager, the Company agreed to pay the Investment Manager an offer fee of 5.5% of the gross proceeds. During the year, Climate Change Capital Limited earned a fee of £82,246 from the Company in respect of this offer.

**14. Basic and diluted net asset value per share**

The calculation of net asset value per ordinary share as at 28 February 2010 is based on net assets of £16,611,000 (2009: £17,631,000) divided by 16,384,793 (2009: 15,000,183) ordinary shares in issue at that date. The net asset value per "C" share as at 28 February 2010 is based on net assets of £6,400,000 divided by 6,924,686 "C" shares in issue at that date.

**15. Post balance sheet events**

Since the balance sheet date the "C" share fund increased its loan to Muirhall Windfarm Limited by £50,000, however the loan of £375,000 was repaid in full when the Company acquired a holding in Muirhall Windfarm Limited's parent company, Greenfield Wind Farm Limited on 19 March 2010. The ordinary share fund subscribed for 167 shares in Greenfield Wind Farm Limited for a consideration of £334,000. The "C" share fund subscribed for 250 shares for £500,000. The ordinary share fund and "C" share fund also advanced mezzanine loans of £668,000 and £1,000,000 respectively.

On 29 March 2010, the "C" share fund advanced a loan of £200,000 to Renewable Power Systems Limited under a facility which had been agreed with the company on 14 January 2010. A further amount of £150,000 was advanced to the company by the "C" share fund on 9 April 2010.

On 25 May 2010, the ordinary share fund advanced a further £40,000 loan to Redeven Energy Limited.

Since the balance sheet date, the Company has allotted a further 4,404,421 "C" shares. As at the date of this report, there are 11,329,107 "C" shares in issue. The Company's second "C" share offer closed on 31 May 2010. The issue price of each "C" share was £1. The rights attaching to each class of shares are set out in full in the Company's Articles of Association.

**16. Financial instruments and risk management**

The Company's financial instruments comprise investments in unquoted companies, cash and cash equivalents, trade and other receivables and trade and other payables. The investments in unquoted companies and UK treasury bills are categorised as "fair value through profit or loss" and the other financial instruments are initially recognised at fair value and subsequently at amortised cost. The main purpose of these financial instruments is to generate revenue and capital appreciation.

The Company has not entered into any derivative transactions and has no financial asset or liability for which hedge accounting has been used.

The main risks arising from the Company's financial instruments are interest rate and investment risk. The Board reviews and agrees policies for managing each of these risks, and they are summarised below. These policies have remained unchanged since the beginning of the financial year.

**Interest rate risk profile of financial assets and financial liabilities**

**Financial assets**

**As at 28 February 2010**

	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
<b>Ordinary Shares</b>				
<i>At fair value through profit or loss:</i>				
Ordinary shares	8,301	n/a	n/a	n/a
Mezzanine loan stock	6,004	0%-13.5%	11.93%	11 years
<i>Loans and receivables:</i>				
Cash	1,412	0.25%	0.25%	n/a
Accrued interest income	943	n/a	n/a	n/a
<hr/>				
	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
<b>"C" Shares</b>				
<i>At fair value through profit or loss:</i>				
Mezzanine loan stock	325	12.50%	12.50%	1 month
UK treasury bills	3,998	0.41%	0.44%	3 months
<i>Loans and receivables:</i>				
Cash	2,470	0.25%	0.33%	n/a
Accrued interest income	12	n/a	n/a	n/a

**As at 28 February 2009**

	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
<i>At fair value through profit or loss:</i>				
Ordinary shares	10,125	n/a	n/a	n/a
Mezzanine loan stock	5,755	9%-13.5%	12.10%	12 years
<i>Loans and receivables:</i>				
Cash	672	3.52%	3.52%	n/a
Accrued interest income	1,398	n/a	n/a	n/a

The Company's trade and other receivables did not hold a right to interest income.

The impact of applying a reasonable sensitivity in interest rates to cash on deposit is not significant.

The risk from future fluctuations in interest rate movements should be mitigated by the Company's intention to complete its investment strategy and to hold a majority of its investments in instruments which are not exposed to market interest rate changes.

Interest income earned from mezzanine loan stock held by both the ordinary share fund and "C" share fund is not subject to movements resulting from market interest rate fluctuations as the rates are fixed, therefore this income presents a low interest rate risk profile. However, interest earned from mezzanine loan stock remains exposed to fair value interest rate risk when bench-marked against market rates.

**Financial liabilities**

The Company has no guarantees or financial liabilities other than the accruals. All financial liabilities are categorised as other financial liabilities.

**Currency exposure**

All financial assets and liabilities are held in sterling, hence there is no foreign currency exchange rate exposure.

**Borrowing facilities**

The Company has no committed borrowing facilities as at 28 February 2010 (2009: £nil).

**Investment risk**

As a VCT, it is the Company's specific business to evaluate and control the investment risk in its portfolio of unquoted companies, the details of which are discussed in the Investment Manager's Report.

**Investment price risk**

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment. The Company aims to mitigate the impact of investment price risk by adhering to its investment policy of risk diversification, as described in the Investment Manager's Report.

The sensitivity of the investments held by the ordinary share fund to a 10% increase or decrease in valuation would be an increase or decrease in the profit before tax of the share fund of £1,430,500 or 81.32% (2009: £1,588,045 or 36.87%) and an increase or decrease in net asset value of the same amount or 8.61% (2009: 9.01%).

The sensitivity of the investments held by the "C" share fund to a 10% increase or decrease in valuation would be an increase or decrease in the profit before tax of the share fund of £32,500 or 19.1% and an increase or decrease in net asset value of the same amount or 0.51%.

A 10% variable is considered to be a suitable factor by which to demonstrate a potential change in fair value over the course of a year. The analysis assumes no tax effect applied on the gain or loss.

**Liquidity risk**

Due to the nature of the Company's qualifying investments, it is not possible to liquidate investments in ordinary shares and mezzanine loan stock easily. The main cash outflows are made for investments, which are within the control of the Company. In this respect, the Company may be regarded as subject to a low level of liquidity risk. The cash equivalents are held on deposit or in UK treasury bills and are therefore readily convertible into cash.

**Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company is exposed to credit risk through its receivables, investments in mezzanine loan stock and through cash held on deposit with banks.

The Investment Manager evaluates credit risk on mezzanine loan stock prior to making investments as well as monitoring ongoing exposures. Mezzanine loan stock has a fixed charge or a fixed and floating charge over the assets of the investee company in order to mitigate the gross credit risk. The Investment Manager regularly reviews management accounts from investee companies and generally appoints directors to sit on their boards in order to identify and manage the credit risk.

Cash is held on deposit with banks which are AA rated (or equivalent) financial institutions. Consequently, the Directors consider that the risk profile associated with cash deposits is low and the carrying value in the Financial Statements approximates to fair value.

The maximum credit risk of the Company is £15.4 million (2009: £7.8 million) of which the ordinary share fund is exposed to £8.6 million and the "C" share fund is exposed to £6.8 million.

During the year ended 28 February 2010, the value of the investment the Company holds in Redimo LFG Limited was written down to nil. The write down was applied in reaction to Redimo LFG Limited's current poor operational performance and lower than expected revenue, which has resulted in certain loan covenants having been breached. Further details about Redimo LFG Limited are provided in the Investment Manager's Report.

The mezzanine loan agreement with Firefly Energy Limited was renegotiated during the year ended 28 February 2010. With effect from 1 March 2009, the rate of interest applied to the loan of £1,800,000 was reduced and it was agreed that interest would not be applied to accrued interest amounts. Had the agreement not been amended, the accrued interest would have been disclosed as past due.

The expected timing of receipt of trade and other receivables is presented below:

	Total £000	Within 1 year £000	Between 1 and 2 years £000	Over 2 years £000
<b>Ordinary Shares</b>				
Accrued interest income	943	834	105	4
Other receivables	3	3	-	-
	946	837	105	4
<b>"C" Shares</b>				
Accrued interest income	12	12	-	-
Other receivables	23	23	-	-
	35	35	-	-

**17. Contingencies, guarantees and financial commitments**

The Company has entered into the following agreements:-

On 4 April 2006, the Company registered a charge over its shares in Fenpower Limited to Alliance & Leicester Commercial Bank plc as security for a senior loan facility of £4.8 million raised by Fenpower Limited to finance the construction costs of the wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Fenpower Limited.

On 31 July 2006, the Company registered a charge over its shares in Craig Wind Farm Limited to Alliance & Leicester Commercial Bank plc as security for a senior loan facility of £7.6 million raised by Craig Wind Farm Limited to finance the construction costs of the wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Craig Wind Farm Limited.

On 20 December 2006, the Company registered a charge over its shares in A7 Greendykeside Limited to Alliance & Leicester Commercial Bank plc as security for a senior loan facility of £3.5 million raised by A7 Greendykeside Limited to finance the construction costs of the wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of A7 Greendykeside Limited.

On 2 April 2008, the Company undertook a commitment to Alliance & Leicester Commercial Bank plc to subscribe for further equity in Redimo LFG Limited by signing and delivering an application for 5,000 shares, for a consideration of £500,000, on or before 31 December 2008. The Company satisfied this commitment on 19 December 2008. On 2nd April 2008, the Company registered a charge over its shares in Redimo LFG Limited to Alliance & Leicester Commercial Bank plc as security for a senior loan facility of £16.9 million raised by Redimo LFG Limited. The charge includes all existing and future shares that the Company owns in Redimo LFG Limited and therefore includes the 5,000 shares the Company acquired on 19 December 2008 and the further 4,000 shares the Company acquired on 18 February 2009. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Redimo LFG Limited, which is valued at nil at 28 February 2010 for the reasons described in the Investment Manager's Report.

On 22 October 2008, the Company registered a charge over its shares in Achairn Energy Limited to Alliance & Leicester Commercial Bank plc as security for a senior loan facility of £6.9 million raised by Achairn Energy Limited to finance the construction costs of the wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Achairn Energy Limited.

On 28 November 2008, the Company registered a charge over its shares in A7 Lochhead Limited to Alliance & Leicester Commercial Bank plc as security for a senior loan facility of £7.8 million raised by A7 Lochhead Limited to finance the construction costs of the wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of A7 Lochhead Limited.

On 15 January 2010, the Company registered a charge over its shares in Greenfield Wind Farm Limited to Cooperative Bank plc as security for a senior loan facility of £18.3 million raised by Greenfield Wind Farm Limited to finance the construction costs of the wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Greenfield Wind Farm Limited.

On 14 January 2010, the Company entered a loan agreement to provide Renewable Power Systems Limited with a loan of £350,000. As at 28 February 2010, no amount of the loan had been drawn down.

The Company had no other contingencies, financial commitments or guarantees as at 28 February 2010.

## 18. Related party transactions

The Company retains Climate Change Capital Limited as its Investment Manager, a subsidiary of Climate Change Holdings Limited, which is a subsidiary of Climate Change Capital Group Limited. Details of the agreement with the Investment Manager are set out in note 3 of the Financial Statements. During the year the Company was charged £579,000 by the Investment Manager (2009: £400,000 net of £92,000 recovered VAT) of which £438,000 was charged to the ordinary share fund and £141,000 was charged to the "C" share fund.

During the year ended 28 February 2010, the Investment Manager earned offer fees of £201,986 in respect of the first "C" share offer and £82,246 from the ordinary share "top-up" offer.

Climate Change Capital Limited was also the Investment Manager of Ventus 2 VCT plc and Ventus 3 VCT plc during the year; Ventus VCT plc holds certain of its investments in common with these companies as detailed in the Investment Manager's Report. At 28 February 2010, the Company was owed £10,787 by Ventus 2 VCT plc.

The investee companies in which the Company has a shareholding of 20% or more, as identified in the Investment Manager's Report, are related parties; all of which are held by the ordinary share fund only. The aggregate balances at the balance sheet date and transactions with these companies during the year are summarised below:

### Ordinary Shares

	As at 28 February 2010 £000	As at 28 February 2009 £000
<b>Balances</b>		
Investments – shares	6,795	8,728
Investments – mezzanine loan stock	5,723	5,495
Accrued interest income	882	1,377
<b>Transactions</b>		
	Year ended 28 February 2010 £000	Year ended 28 February 2009 £000
Mezzanine loan stock interest income	663	805
Dividend income	25	350

## 19. Controlling party

In the opinion of the Directors there is no immediate or ultimate controlling party.

## 20. Management of capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to continue to provide returns for shareholders.

The requirements of the VCT regulations and the fact that the Company has a policy of not having any borrowings, means that there is limited scope to manage the Company's capital structure. However, to the extent to which it is possible, the Company can maintain or adjust its capital structure by adjusting the amount of dividends paid to shareholders, purchasing its own shares or issuing new shares.

The Board considers the Company's net assets to be its capital.

The Company does not have any externally imposed capital requirements.

There has been no change in the objectives, policies or processes for managing capital from the previous year.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the AGM of Ventus VCT plc will be held at 12 noon on Tuesday, 13 July 2010 at Climate Change Capital's office at 3 More London Riverside, London, SE1 2AQ for the purpose of considering and, if thought fit, passing the following Resolutions (of which, Resolutions 1 to 8 will be proposed as Ordinary Resolutions and Resolution 9 will be proposed as a Special Resolution):

## Ordinary Business

1. To receive the Company's audited Annual Report and Financial Statements for the year ended 28 February 2010.
2. To declare a final dividend of 2.00p per ordinary share in respect of the year ended 28 February 2010.
3. To approve the Directors' Remuneration Report for the year ended 28 February 2010.
4. To re-elect Mr David Pinckney as a Director of the Company.
5. To elect Mr Charles Conner as a Director of the Company.
6. To elect Mr David Williams as a Director of the Company.
7. To re-appoint PKF (UK) LLP as Auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
8. To authorise the Directors to determine the remuneration of the Auditors.

## Special Resolution

9. That the Company be and is hereby generally and unconditionally authorised to make market purchases within the meaning of Section 693(4) of the Act of ordinary shares of 25p each and "C" shares of 25p each in the capital of the Company provided that:
  - (i) The maximum aggregate number of shares hereby authorised to be purchased is 2,456,080 ordinary shares and 1,698,233 "C" shares, representing 14.99% of the current issued share capital of each class;
  - (ii) The minimum price which may be paid for a share is 25p per share;
  - (iii) The maximum price, exclusive of any expenses, which may be paid for a share is an amount equal to the higher of; (a) 105% of the average of the middle market prices shown in the quotations for a share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
  - (iv) The authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the AGM of the Company to be held in 2011 and the date which is 18 months after the date on which this resolution is passed; and
  - (v) The Company may make a contract or contracts to purchase its own shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of its own shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

By order of the Board

**The City Partnership (UK) Limited**  
Secretary

7 June 2010





**The Ventus Funds**  
Managed by Climate Change Capital Ltd

[www.ventusvct.com](http://www.ventusvct.com)



**Climate Change Capital**<sup>®</sup>

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