



Ventus VCT plc

**Annual Report and Financial Statements
for the year ended 29 February 2008**

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Registered No: 5205442

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Directors and advisers

Directors

D Pinckney (Chairman)
A Moore
P Thomas
C Wood

Company Secretary and registered office Registrar

Capita Company Secretarial Services Limited
The Registry
34 Beckenham Road
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Kent
BR3 4TU

Capita Registrars
The Registry
34 Beckenham Road
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Auditor

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London
WC1B 3ST

Broker

Landsbanki Securities (UK) Limited
Beaufort House
15 St Botolph Street
London
EC3A 7QR

Banker

HSBC Bank Plc
60 Queen Victoria Street
London
EC4N 4TR

Taxation adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Investment Manager

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

Solicitor

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

Chairman's statement

I am pleased to present the Annual Report and Financial Statements for Ventus VCT plc (the "Company") for the year ended 29 February 2008. These accounts cover the third full year of investment activity for the Company.

Net Asset Value and Results

Revenue attributable to shareholders for the year was £464,934 or 3.10 pence per share. The capital loss attributable to shareholders for the year was £212,400 or 1.42 pence per share, resulting in a total return to shareholders for the year of £252,534 or 1.68 pence per share.

The main source of revenue was interest earned on mezzanine loan stock investments and UK treasury bills. Running costs of the Company (before irrecoverable VAT) remained within 3.6% of Net Asset Value ("NAV") in accordance with the investment management agreement.

The Company declared a dividend for the first half-year of 1.50 pence per share and proposes to declare a further dividend of 2.00 pence per share for the second half of the year, resulting in a total annual dividend of 3.50 pence per share. The dividend will be paid on 14 July 2008 to all shareholders on the register as at the close of business on 13 June 2008.

At 29 February 2008, the Company's NAV stood at £13,942,867 or 93.0 pence per share.

Investments

The Company's Investment Manager, Climate Change Capital Limited, continues to be actively engaged in identifying and negotiating potential investment opportunities and managing the portfolio. Since the last Half-yearly Report the Investment Manager has succeeded in completing a number of investments which has ensured that the Company has satisfied the requirement to have at least 70% of its investments in qualifying holdings by 1 March 2008, in accordance with HM Revenue & Customs VCT regulations.

As at the date of this report, the Company has made investments and/or contractually committed to invest in a total of sixteen companies representing total funds invested and committed of £12.7 million. The Company has therefore invested and committed 85% of the total funds that it raised.

The Investment Manager's Report on page 3 provides details of the investments made as at 29 February 2008 and the amount invested and committed as at the date of this report.

Venture Capital Trust ("VCT") Qualifying Status

The Company continues to retain the services of PricewaterhouseCoopers LLP to review its ongoing compliance with VCT regulations. PricewaterhouseCoopers LLP has confirmed that the Company has been in compliance with the required conditions throughout the year.

The Board of Directors would like to express its appreciation of the dedication and professionalism demonstrated by the Investment Manager throughout the year.

David Pinckney

Chairman

2 June 2008

Investment Manager's report

Climate Change Capital Limited (the "Investment Manager") is pleased to present a review of the investment activities of the Company since the last Half-yearly Report.

Summary of investments

As at the date of this report, the Company has made investments and/or contractually committed to invest in a total of sixteen companies representing total funds invested and committed of £12.7 million.

As at 1 March 2008 the Company had invested over 70% of its investments in qualifying holdings in order for the Company to comply with HM Revenue & Customs VCT regulations. The Company continues to meet this requirement as at the date of this report with £11.6 million of its investments in qualifying holdings. A further £0.8 million of qualifying investments have been committed and the Company has £0.3 million of non-qualifying investments and commitments. The Company has therefore invested and contractually committed 85% of the funds that it raised.

£9.2 million of the investments made and/or contractually committed are in investee companies which are now trading and operating their assets and therefore starting to generate investment returns. A further £1.5 million has been invested and/or committed in companies whose assets are in the course of construction and are scheduled to become operational within the next year. The Company has also invested approximately £1.0 million in earlier stage development opportunities, typically investee companies seeking planning permissions on new wind farm sites.

Investment pipeline

The Company has now substantially invested the initial funds raised and the Investment Manager is focussed on consolidating the portfolio by ensuring that investee companies complete construction on schedule and operate in a way which will optimise returns on the investments.

It is expected that new investment opportunities will continue to arise which will be evaluated and incorporated into the portfolio where appropriate. The early stage investments made in wind farm development companies, as outlined in this report, are anticipated to yield future investment opportunities as sites are awarded planning consent. These investments in wind farm development companies have been made with a view to the longer term and may create a requirement for the Company to raise further capital in the future. Alternatively, these sites may be sold once planning permission has been obtained creating the opportunity to earn a development profit on the investment made.

The portfolio currently has a broad mix of operational assets and others under construction which will become operational in 2009. As the first wave of investments have commenced trading the investee companies will make payments of mezzanine interest to the Company and will start to make dividend distributions in the forthcoming year. Whilst it is relatively early in the operational life of the portfolio, the Investment Manager is satisfied that the dividend objective of the Company to pay an average annual dividend of 8 pence per ordinary share, once all of its portfolio companies are fully operational, is achievable based on the structure and status of the investments that have been made to date.

The following table shows total investments made as at 29 February 2008, total investments made as at the date of this report and the total amount invested and contractually committed as at the date of this report.

Investment Manager's report *(continued)*

Investment Summary

<i>Company name</i>	<i>Details</i>	<i>Invested as at 29 February 2008 £000</i>	<i>Invested as at 2 June 2008 £000</i>	<i>Invested and committed as at 2 June 2008 £000</i>
Fenpower Limited*	10 megawatt wind farm	2,069	2,069	2,069
Craig Wind Farm Limited*	10 megawatt wind farm	2,093	2,093	2,093
A7 Greendykeside Limited*	4 megawatt wind farm	1,536	1,536	1,536
Firefly Energy Limited*	Renewable energy	2,000	2,000	2,000
Achairn Energy Limited*	6 megawatt wind farm	160	160	460
A7 Lochhead Limited*	6 megawatt wind farm	1,000	1,000	1,000
Broadview Energy Limited*	Wind farm development	750	750	750
Iceni Renewables Limited*	Wind farm development	1,000	1,000	1,000
Burnside Renewable Power Limited	Wind farm development	1,000	–	–
Redimo LFG Limited*	Landfill gas portfolio	1,000	1,000	1,500
Spurlens Rig Wind Limited	Wind farm development	40	80	100
Olgrinmore Limited	Wind farm development	32	32	32
Redeven Energy Limited	Wind farm development	40	40	40
Catfield Wind Power Limited	Wind farm development	36	36	36
Potash Wind Farm Limited	Wind farm development	44	44	44
Stalham Wind Power Limited	Wind farm development	–	8	8
Total		12,800	11,848	12,668

*Investment complies with HM Revenue & Customs VCT regulations (qualifying investment)

Investment Manager's report *(continued)*

Fenpower Limited

The Company has invested £2,069,167 in Fenpower Limited, a company that has developed a ten megawatt wind farm in Cambridgeshire. The wind farm has been developed in two phases. The first phase, consisting of three wind turbines, has been operational since May 2007 and has been performing in line with expectations. The second phase, consisting of two additional turbines became operational on schedule in April 2008.

The Company has provided mezzanine loan facilities of £1,761,480 and made an investment in ordinary shares of £307,687, for a one-third ownership of Fenpower Limited.

The first payment of mezzanine loan interest by Fenpower Limited will take place in June 2008 and the first dividend distribution is expected to take place in 2009.

Craig Wind Farm Limited

The Company has invested £2,092,934 in Craig Wind Farm Limited, a company that has developed a ten megawatt wind farm in the Scottish Borders. The site became operational in October 2007 and has been performing in line with expectations in the early months of generation.

The Company has provided Craig Wind Farm Limited with a £1,014,000 mezzanine loan facility and has invested £1,078,934 to purchase 37.5% of the ordinary shares.

Mezzanine loan interest repayments are expected to commence in September 2008 with the first dividend distributions in 2009.

A7 Greendykeside Limited

The Company has invested £1,535,841 in A7 Greendykeside Limited, a company that has developed a four megawatt, two turbine wind farm in Lanarkshire, Scotland. Construction was completed on schedule in November 2007 and the site has been operating in line with expectations since operations commenced.

The investment has been made by way of a £915,841 subscription for 50% of the ordinary share capital of A7 Greendykeside Limited and £620,000 has been invested in mezzanine loan stock.

The first payment of mezzanine loan interest is expected to be made in September 2008 and the first dividend distribution is expected in March 2009.

Firefly Energy Limited

The Company has invested £2,000,000 in Firefly Energy Limited by way of a £200,000 subscription for 50% of the ordinary share capital and a £1,800,000 shareholder loan.

Firefly Energy Limited acquired the entire issued share capital of Geotrupes Energy plc and its subsidiaries from the Company in the year. Geotrupes Energy plc was renamed Firefly Power Holdings plc following the initial acquisition of the group by the Company in April 2007. Further details about this investment can be found in the 28 February 2007 Annual Report and the 31 August 2007 Half-yearly Report.

The group's trading subsidiaries have entered into long term power purchase agreements with customers for 41.7 megawatts of generating capacity across five wind farm developments. As at the date of this report 24 megawatts of this generating capacity is operational and 17.7 megawatts is under construction.

The structure of the group was reorganised, which resulted in a balance sheet realisation during the year which is referred to in note 9 to the Financial Statements. HM Revenue & Customs have confirmed that this investment satisfies the VCT qualifying holdings requirements.

Achairn Energy Limited

The Company has made an initial investment of £160,000 for 10% of the ordinary share capital of Achairn Energy Limited, a company developing a three turbine wind farm in Caithness, Scotland. The

Investment Manager's report *(continued)*

investment has been used to fund preliminary construction costs and to meet the grid connection deposit.

The contracts to finance and construct the six megawatt wind farm have now been agreed and a further investment of £300,000 has been committed by the Company. The site is scheduled to become operational in summer 2009.

A7 Lochhead Limited

The Company has made an investment of £999,700 in A7 Lochhead Limited, a company developing a six megawatt wind farm in Lanarkshire, Scotland. These funds have been used to meet the deposit under the turbine supply contract in order to secure the delivery timetable for the three wind turbines to be erected at the site.

The Company has provided mezzanine loan facilities of £700,000 and made an investment of £299,700 for 25% of the ordinary share capital of A7 Lochhead Limited.

The contracts to commence construction of the wind farm have been agreed and the site is scheduled to become operational in summer 2009.

Broadview Energy Limited

The Company has made an investment of £750,000 in Broadview Energy Limited, an established wind farm development company and operator of small wind sites. Broadview Energy Limited has recently obtained planning consent for a three turbine site in Scotland. One other site is already in the planning system and planning applications for four more sites are expected to be submitted during 2008.

The investment is in ordinary shares and equates to a shareholding of approximately 15% in Broadview Energy Limited. Further investment opportunities for the Company could arise from the sites in the Broadview Energy Limited portfolio as they are awarded planning consent.

Iceni Renewables Limited

An investment of £1,000,000 has been made in Iceni Renewables Limited, a company seeking to acquire existing operational renewable energy assets. The investment was made by way of a £100,000 subscription for a 50% shareholding in Iceni Renewables Limited and a £900,000 shareholder loan.

Iceni Renewables Limited is jointly owned by the Company and an established renewable energy development group. Iceni Renewables Limited has not yet completed any acquisitions, although a number of specific investment opportunities are under detailed consideration.

Burnside Renewable Power Limited

Burnside Renewable Power Limited is a company seeking renewable energy opportunities in Scotland. The Company invested £100,000 for 50% of the ordinary shares of Burnside Renewable Power Limited alongside a development partner and also provided a £900,000 shareholder loan. The investment was made in preparation for the completion of an acquisition of a portfolio of sites.

However, after the year end the opportunity available to Burnside Renewable Power Limited did not progress and it was decided that the investment was to be returned to the Company as insufficient alternative investment opportunities existed at the time. The Company has therefore received back the full £1,000,000 that was invested plus accrued interest on the shareholder loan.

Redimo LFG Limited

An investment for 50% of the ordinary share capital of Redimo LFG Limited was made for a consideration of £1,000,000 in February 2008. Redimo LFG Limited has acquired a portfolio of generating assets located at landfill gas sites with a total operational capacity of nine megawatts and with the potential for future expansion. Each of the sites in the portfolio is fully operational. A further equity investment of £500,000 will be made before the end of 2008 under the terms of the acquisition financing structure. First dividends are anticipated to be distributed from Redimo LFG Limited in January 2009.

Investment Manager's report *(continued)*

This investment in Redimo LFG Limited has enabled the Company to diversify the investment portfolio into the landfill gas to energy market which is another well established renewable energy sector. The technology uses methane gas created from landfill operations to generate electricity which is exported to the grid.

Spurlens Rig Wind Limited

The Company has made an equity investment of £40,000 in Spurlens Rig Wind Limited for 40% of the ordinary share capital. This company has acquired the rights to a wind farm being developed in Scotland. A planning application is currently being prepared, seeking permission to install five wind turbines at the site. The planning application will be submitted in summer 2008 and is expected to be determined within six to twelve months.

After the year end the Company subscribed for a further £40,000 of ordinary shares in Spurlens Rig Wind Limited and the final total investment is expected to be £100,000. This investment will be used to fund the costs of making the planning application and other pre-consent development work.

Currently this investment does not meet HM Revenue & Customs requirements to be classed as a qualifying holding under VCT regulations. 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 £32,000 has been made for 10% of the ordinary share capital of Olgrinmore Limited, a company developing a two turbine wind farm in Caithness, Scotland. The developer is preparing a planning application for submission in summer 2008.

Currently this investment does not meet HM Revenue & Customs requirements to be classed as a qualifying holding under VCT regulations. The Company has secured the rights to provide the finance required to build the wind farm should planning permission be granted.

Redeven Energy Limited

An initial investment of £40,000 has been made in Redeven Energy Limited to fund the development of three wind farm sites in East Anglia. The Company has a 40% shareholding in this wind farm development company.

Planning applications for the three sites are being prepared for submission in early summer 2008. The combined capacity of these sites, if consented, would be in excess of 16 megawatts.

The Company has again negotiated the rights to provide the finance required to build the wind farms once planning permissions have been obtained.

Catfield Wind Power Limited, Potash Wind Farm Limited and Stalham Wind Power Limited

The Company has invested a total of £88,000 in the ordinary share capital of the following project companies, Catfield Wind Power Limited (£36,000), Potash Wind Farm Limited (£44,000) and Stalham Wind Power Limited (£8,000). In each case the Company holds 20% of the ordinary shares.

These developments are being undertaken in partnership with Wind Power Renewables Limited, an East Anglian based wind farm development company specialising in small to medium sized sites. Planning applications are being prepared for each of the sites and are expected to be submitted to the authorities from autumn 2008.

These investments have been made under a framework agreement with Wind Power Renewables Limited with the right for the Company to invest in further sites as suitable opportunities arise. The Company has also negotiated the rights to provide the finance to build the wind farms as planning permissions are obtained.

Investment policy

The investment policy of the Company is focussed on investing in companies developing renewable energy projects with installed capacities of 2 to 12 megawatts, although larger projects may also be

Investment Manager's report *(continued)*

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 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 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 for the purpose of purchasing its ordinary shares in the market and meeting operating expenses. There may arise circumstances 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 by the accounting period commencing 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 (i.e. by 1 March 2008) and at all times thereafter.

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 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 due to VCT requirements. 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. The effects of any negative change to this policy are mitigated by the UK Government's history 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 the projects are not exposed to market changes in interest rates.

Investment Manager's report *(continued)*

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 (i.e. 1 March 2008). Should the holdings inadvertently fall below this level then this will be remedied within 6 months as permitted by HM Revenue & Customs VCT regulations.

(ii) Concentration limits

Under VCT regulations no more than 15% of the Company's total assets will 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 20% of the net funds raised may be invested in pre-planning projects although a 10% limit will be seen as the normal level of investment in such projects.

UK market outlook

As at the date of this report, the British Wind Energy Association ("BWEA") database showed the following information about all UK onshore wind projects which are under construction, have planning consent or have been submitted for planning consent:

	<i>Under construction</i>	<i>Consented but not yet under construction</i>	<i>Awaiting planning consent</i>	<i>Total</i>
Number of projects	30	119	217	366
Total megawatts	891	2,461	6,848	10,200

The UK onshore wind market continues to be constrained by three primary factors; planning consent, turbine supply and grid capacity.

Therefore, sites which are already operational or are able to obtain planning consent and have secured a grid connection are highly attractive assets. Coupled with increasing demand for renewable energy generation from utilities and retail customers, operational sites are commanding a premium in the market both for the ownership rights to the sites themselves and for the renewable electricity and associated green credits they produce.

There are signs that the congestion in the planning system is starting to ease in certain areas, particularly for smaller projects which are determined at the local planning level. This is contributing to the emergence of a number of new development groups operating in this sector.

Whilst the supply of wind turbines and other critical plant and equipment continues to be an issue, the past year has seen the emergence of a number of new market entrants to the UK turbine supply market which is expected to contribute to a reduction in construction lead times.

The early months of 2008 have seen wholesale market power prices increasing and the Investment Manager has sought to take advantage of this for new investments. The Investment Manager believes that this dynamic will continue for the foreseeable future.

Climate Change Capital Limited

Investment Manager

2 June 2008

Directors' report

The Directors present their Annual Report and the audited Financial Statements for the Company's financial year ended 29 February 2008.

Business review

Principal activities and status

The Company is an investment company as defined in Section 833 of the Companies Act 2006 and has received provisional approval as a Venture Capital Trust from HM Revenue & Customs. The Directors consider that the Company has conducted its affairs in a manner to enable it to comply with Section 842AA of the Income and Corporation Taxes Act 1988. 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.

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

Key performance indicators

Results and dividends

For the year ended 29 February 2008

	£000	Pence per share
Revenue profit attributable to equity shareholders	465	3.10
Capital loss attributable to equity shareholders	<u>(212)</u>	<u>(1.42)</u>
Total profit attributable to equity shareholders	253	1.68
Dividends paid during the year	<u>(435)</u>	<u>(2.90)</u>
Total movement in equity shareholders' funds	<u>(182)</u>	<u>(1.22)</u>
Net asset value	<u>13,943</u>	<u>93.0</u>

The performance of the Company against HM Revenue & Customs VCT regulations is reviewed in the Investment Manager's Report.

Principal risks

Other than the inherent risk associated with investment activities, 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 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.

Directors' report *(continued)*

Directors and their interests

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

	<i>29 February 2008</i>	<i>28 February 2007</i>
	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>
D Pinckney (Chairman)	10,300	10,300
A Moore	10,300	10,300
P Thomas	10,300	10,300
C Wood	10,300	10,300

There have been no changes to Directors' share interests between 29 February 2008 and the date of this report.

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

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, Paul Thomas and Colin Wood will retire at the Annual General Meeting and being eligible, will offer themselves for re-election. As both Mr Thomas and Mr Wood have acted in the interests of the Company throughout the period of their appointment and demonstrated commitment to their roles, the Board recommends they be re-elected at the Annual General Meeting. Biographical information on the Directors is shown on page 22. The terms of the Directors' appointment and replacement are set out in the Corporate Governance Statement.

Investment management, administration and performance fees

Climate Change Capital Limited, a subsidiary of Climate Change Holdings Limited, which is a subsidiary of Climate Change Capital Group Limited, is the Investment Manager of the Company and provides management and other administrative services. Climate Change Capital Limited also provides similar services to Ventus 2 VCT plc and Ventus 3 VCT plc. The principal terms of the investment management agreement are set out in note 3 to the Financial Statements.

Company Secretary

Capita Company Secretarial Services 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 £16,400 plus VAT. The company secretarial services agreement is terminable by either party giving not less than three 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. Further details are set out in note 17 to the Financial Statements.

Directors' and officers' liability insurance

Pursuant to Section 236 of the Companies Act 2006, the Company, as permitted by Sections 233 & 234 of the Companies Act 2006, maintained insurance cover on behalf of the Directors indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Directors' report *(continued)*

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.

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 Friday, 4 July 2008 at 12 noon. A copy of the Notice is set out on pages 45 to 52 of this document (the "Notice"). A Form of Proxy for use in connection with the AGM has been issued with this document.

The Notice contains four items of special business to be considered at the Annual General Meeting which are set out in Special Resolutions 9 to 12 and are explained in more detail below.

Special Resolutions 11 and 12 deal with proposed changes to the Company's Articles of Association to update the Company's existing Articles and to enable the Company to benefit from those changes that have been brought into force by the Companies Act 2006. To assist shareholders, the Notice contains explanatory notes on these proposed changes.

Disapplication of pre-emption rights *(Resolution 9)*

If shares are to be allotted for cash, Section 89 of the Companies Act 1985 requires that, except to the extent disappplied by shareholders, those shares be offered first to existing shareholders in proportion to their shareholdings. However, it may sometimes be in the interests of the Company for its Directors to have greater flexibility.

Resolution 9 would, if passed, give authority to the Directors to allot shares for cash only up to a nominal value of £187,502, which is approximately 5% of the Company's issued share capital as at 2 June 2008 (being the latest practicable date prior to the publication of the Notice), or in connection with a rights issue (as defined in the resolution). This means that the proportionate interests of existing shareholders could not, without their agreement, be reduced by more than 5% by the issue of new shares for cash to new shareholders.

Resolution 9 will renew an authority granted to the Directors at the last Annual General Meeting of the Company which was in similar terms and will expire at the conclusion of the Company's next Annual General Meeting following the date of the passing of the resolution, or, if earlier, on the expiry of 15 months from the date of the passing of the resolution, but will permit the Company to make an offer or agreement before expiry of this period which would or might require relevant securities to be allotted after the expiry of this period and the Directors may allot such securities pursuant to such offer or agreement as if this authority had not expired.

Share purchase authority *(Resolution 10)*

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. Resolution 10 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 Annual General Meeting of the Company which was in similar terms, and would be limited to 2,248,527 ordinary shares, representing an amount equal to 14.99% of the ordinary shares in issue at 2 June 2008, being the latest practicable date prior to publication of the Notice. The authority will expire at the conclusion of the Company's next Annual General Meeting following the date of the passing of the resolution, or, if earlier, on the expiry of 15 months from the date of the passing of the resolution, (except in relation to the purchase of ordinary shares, the contract for which was concluded before the expiry of the authority and which will or may be executed wholly or partly after that expiry).

Directors' report *(continued)*

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 ordinary 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 will fund share buy-backs.

Changes to the Company's Articles of Association *(Resolutions 11 and 12)*

A special resolution will be proposed at the Annual General Meeting to adopt new Articles in order to update the Company's existing Articles and to benefit from those changes that have been brought into force by the Companies Act 2006. A further special resolution will be proposed to enable the Company to benefit from the conflict of interest provisions that will come into force on 1 October 2008 or such later date as Section 175 of the Companies Act 2006 comes into force.

A summary of the principal changes that are proposed to be made to the existing Articles by Resolution 11 is contained in the explanatory notes to the Notice, along with details of those changes that would come into force on 1 October 2008 (or such later date as Section 175 of the Companies Act 2006 comes into force) as a result of Resolution 12 being passed.

Action to be taken

Shareholders have been issued with a Form of Proxy for use in connection with the Annual General Meeting. 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, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time of the Annual General Meeting. Completion and return of a Form of Proxy will not preclude shareholders from attending and voting at the Annual General Meeting 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.

Substantial interests

As at 29 February 2008 and the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent or more of the voting rights attached to the Company's ordinary share capital.

Share capital

The share capital is made up of 15,000,183 ordinary shares of 25p each which have been issued and are fully paid up and are quoted on the London Stock Exchange.

During the year ended 29 February 2008, the Company renewed its authority to repurchase up to 14.99% of its own issued share capital at the Annual General Meeting in July 2007.

Directors' report *(continued)*

Rights and restrictions attaching to shares

The rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Company's Directors, are set out in the Company's Articles of Association, in respect of which amendments will be proposed in Resolution 11 and Resolution 12 at the AGM. Copies of the Articles of Association can be obtained from Companies House in the UK or by writing to the Company Secretary. Copies of the proposed amended Articles of Association will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of the Notice of the AGM until the conclusion of the AGM. Copies will also be available at Climate Change Capital's office at 3 More London Riverside, London, SE1 2AQ on the morning of the AGM from 9.00am until its conclusion.

Both the existing and proposed amended Articles of Association of the Company allow Directors, in their absolute discretion to refuse to register the transfer of a share in certificated form which is not fully paid. They may also refuse to register a transfer of a share in certificated form unless the instrumented form of transfer is lodged, duly stamped, at the registered office of the Company or at such other place as the Directors may appoint and (except in the case of a transfer by a recognised person where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The Directors may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse (or is excepted from the requirement) under the Uncertificated Securities Regulations to register the transfer; and they may refuse to register any such transfer in favour of more than four transferees.

No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights. The Company's Articles of Association may be amended by a special resolution of the Company's shareholders. The Company had, at the time of this report, the authority to purchase 14.99% and issue approximately 5% of the issued share capital. The Board is seeking to renew the authorities at the AGM.

Change of Control

There are no significant contracts in place that would take effect, alter or terminate on the change of control of the Company.

CREST

The Company's ordinary 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 2007 of 1.50 pence per share was paid on 16 January 2008 to shareholders on the register on 14 December 2007. The Directors recommend a final dividend of 2.00 pence per share to be paid on 14 July 2008 to ordinary shareholders on the Register on 13 June 2008. This gives a total dividend for the year of 3.50 pence per share.

Directors' statement as to disclosure of information to the Auditor

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 Auditor is unaware.

Directors' report *(continued)*

Each of the Directors have 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 Auditor.

Auditor

Baker Tilly UK Audit LLP has indicated its willingness to continue in office. Resolutions proposing its re-appointment and authorising the Directors to determine its remuneration for the ensuing year will be submitted at the forthcoming AGM.

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

By order of the Board

Capita Company Secretarial Services Limited

Secretary

2 June 2008

Directors' remuneration report

This report has been prepared by the Directors in accordance with the requirements of Schedule 7A to the Companies Act 1985. A resolution to approve the report will be proposed at the Annual General Meeting to be held on Friday, 4 July 2008.

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 or 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.

The Articles of Association provide that Directors shall retire and offer themselves for re-election at the first Annual General Meeting 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 29 February 2008 with comparative figures for the year ended 28 February 2007:

	29 February 2008 £	28 February 2007 £
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	<u>65,000</u>	<u>65,000</u>

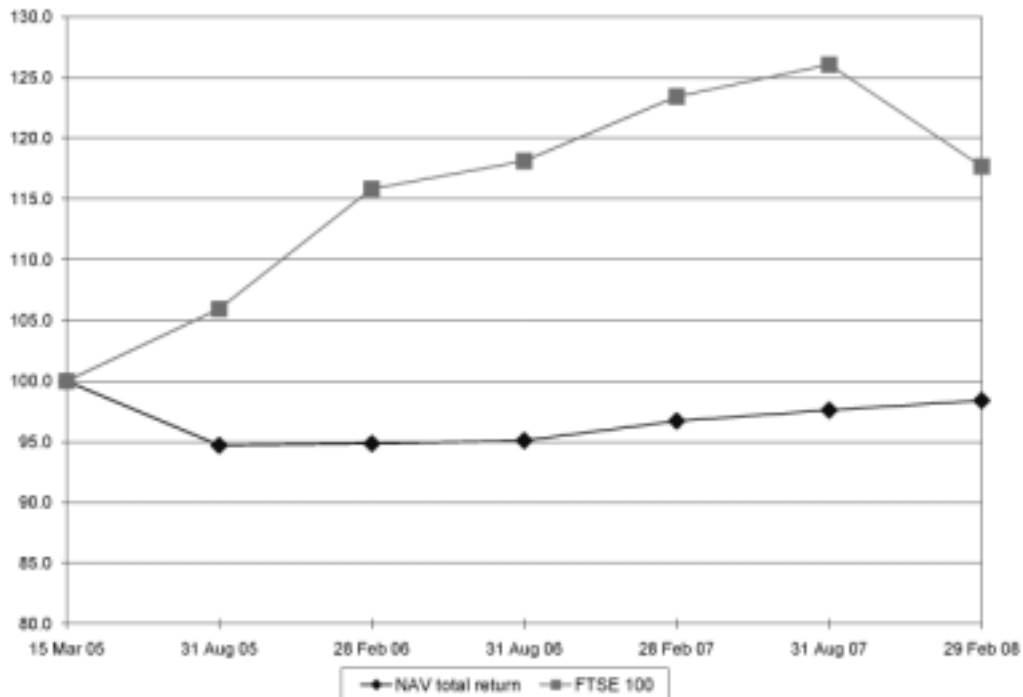
Directors' fees for the year ending 28 February 2009 (*unaudited*) are expected to be the same as those for the year ended 29 February 2008.

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.

Directors' remuneration report *(continued)*

Total shareholder return



The graph demonstrates the change in value, in terms of total shareholder return (based on NAV), of £100 invested in the Company on the date it was first listed on the London Stock Exchange (15 March 2005) over the period of time to 29 February 2008 compared with the value of £100 invested in the FTSE 100 Index over the same period. The total shareholder return based on share price has not been presented due to the illiquid nature of the shares during the initial three year holding period pursuant to HM Revenue & Customs VCT regulations. The graph shows that there have been no significant changes in shareholder value.

By order of the Board

Capita Company Secretarial Services Limited

Secretary

2 June 2008

Corporate governance statement

The Board is accountable to shareholders for the governance of the Company's affairs and is committed to maintaining the highest standards of corporate governance. The Board has adopted the 2006 FRC Combined Code ("the Code") in respect of the year ended 29 February 2008. It has considered the principles detailed in the Code and believes that, insofar as they are relevant to the size and structure of the Company's business, the Company has complied or explained non-compliance with the provisions of the Code throughout the financial year ended 29 February 2008, as detailed below.

Board of Directors

Throughout the year ended 29 February 2008 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, is shown on page 22.

Independence

In accordance with the Listing Rules of the Financial Services Authority, the Board has reviewed the independent status 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 Paul Thomas, has demonstrated that he is independent in character and judgement and independent of the Investment Manager and therefore, that David Pinckney, Alan Moore and Colin Wood are each considered independent.

The Board does however, recognise that the Code states that the chairman should, on appointment, meet the independence criteria set out in provision A.3.1 but thereafter the test of independence is not appropriate in relation to the chairman. Mr Pinckney met the independence criteria on appointment, and the Board believes he remains independent in nature and judgement.

The Board meets at least quarterly and is in regular contact with the Investment Manager between these meetings. The Directors held six 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 and the Interim Management Statements, at which not all Directors were required to be present. 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:

	<i>Board Meeting Attendance</i>	<i>Audit Committee Attendance</i>
D Pinckney (Chairman)	6 (6)	2 (2)
A Moore	6 (6)	–
P Thomas	5 (6)	2 (2)
C Wood	6 (6)	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 Board has agreed a schedule of matters reserved to it, which 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.

Corporate governance statement *(continued)*

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 Annual General Meeting 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 annual general meeting after the meeting at which he was elected. In addition, as Mr Thomas is the Chairman of the Investment Committee of the Investment Manager he is subject to re-election under Listing Rule 15.2.13A, and will therefore offer himself for re-election at the AGM and annually thereafter.

Upon joining the Board, new Directors 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 Annual General Meeting.

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 auditing experience (detailed in the Directors' Information on page 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 Half-yearly Report and Annual 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 Auditor.

The Audit Committee reviews the nature and extent of non-audit services provided by the Company's Auditor and ensures that the Auditor's independence and objectivity is safeguarded.

During the year under review, the Company's Auditor provided risk management advice and corporation tax services. The Board is satisfied that the fees charged and work undertaken did not affect the Auditor's objectivity.

Nomination and Remuneration Committees

To date no Nomination or Remuneration Committees have been established. The establishment of a Nomination Committee is not anticipated as there are no current proposals to appoint any new Directors and recommendations for the re-election of Directors are considered by the Board. Matters relating to remuneration of Directors 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

Corporate governance statement *(continued)*

Company and any Director at any time. No Director has been granted any options to acquire shares in the Company.

Internal control

The Board acknowledges that it is responsible for the Company's systems of internal control. 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 Company engaged Baker Tilly Tax and Advisory Services LLP to independently review its risk management process in the year. The review identified a number of improvements that would benefit the process as well as highlighting certain minor risks that were not already under consideration by the Board. The Board will continue to monitor and review the risk management process on a regular basis.

Going concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts, as the Company has adequate financial resources to continue in operational existence for the foreseeable future.

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 Annual General Meeting 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 Registrars collate 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.

Compliance statement

The Directors acknowledge that the Company did not comply with the following provisions of the Combined Code in the year ended 29 February 2008:

Provision

- A.1.3 Due to the size and structure of the Company, the Directors do not feel it necessary to meet on an annual basis, without the Chairman present, in order to appraise his performance.
- A.2.1 Due to the structure of the Company, the Directors do not feel it necessary to appoint a Chief Executive Director.

Corporate governance statement *(continued)*

- A.3.3 Due to the size and structure of the Company and the Board, the Directors do not feel it necessary to appoint a senior independent Director.
- A.4.1 No nomination committee has been established as no new appointments are anticipated.
- A.5.1 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 Annual General Meeting.
- A.6.1 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.
- A.7.2 The non-executive Directors have not been appointed for specified terms because the Articles of Association of the Company require that they retire and stand for re-election at least every three years. Subject to re-election, a Director's appointment will continue unless terminated by the Company by giving three months written notice; it may also be terminated in certain other circumstances.
- B.2.1 No Remuneration Committee has been established as all Directors are Non-Executive Directors and the matters relating to the remuneration of Directors are considered by the Board, with no Director taking part in any decision relating to his own remuneration.
- C.3.1 Paul Thomas is Chairman of the Investment Committee of the Investment Manager and, under the Code, the independence test does not apply to Mr Pinckney, the Chairman of the Company, therefore both are deemed non-independent by the Code. The Board considers Mr Pinckney to be independent in nature and judgement and is comfortable that no one individual on the Board or the Audit Committee has unfettered power of decision.
- C.3.4 As there are no employees, no arrangements have been made for staff to raise concerns about possible improprieties in matters of financial reporting or otherwise.

Directors' information

The Board of the Company comprises four Directors, three of whom are independent of the Investment Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Company. The Board has wide experience of investment in both smaller growing companies and larger quoted companies. In addition, Alan Moore has specific investment experience in the UK renewable energy industry.

David Pinckney, FCA, MA – Chairman (aged 67)

David Pinckney was, until December 2003, the 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 Close Brothers Development VCT PLC, Chairman of Syndicate Asset Management PLC and Chairman of Rutley European Property Limited. 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 (aged 59)

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 on the Board of the British Wind Energy Association, 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 has been a member of the Board since October 2004.

Paul Thomas, ACA (aged 51)

Paul Thomas is Managing Director of Pi 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 24 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 Investment Committee of the Investment Manager and has been a member of the Board since October 2004.

Colin Wood (aged 61)

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. From 1993 to 1998, he was Senior Economic Advisor 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.

Statement of Directors' responsibilities in respect of the financial statements

The Directors, for the purposes of rule 4.1.12R of the Disclosure and Transparency Rules, are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations to give a true and fair view of the assets, liabilities and profit or loss of the Company and the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer, together with a description of the principal risks and uncertainties they face.

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 as adopted by the European Union. The Financial Statements are required by law to 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 those Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report are prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

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 Financial Statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Ventus VCT plc

We have audited the Financial Statements on pages 26 to 44. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Investment Manager's Report that is cross referenced from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Manager's Report, the Directors' Information and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that

Independent auditor's report *(continued)* **to the members of Ventus VCT plc**

the Financial Statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with IFRS as adopted by the European Union and applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 29 February 2008 and of its result for the year then ended;
- the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

BAKER TILLY UK AUDIT LLP

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

2 June 2008

Income statement

for the year ended 29 February 2008

	Notes	Revenue £000	2008 Capital £000	Total £000	Revenue £000	2007 Capital £000	Total £000
Income	2	926	–	926	782	–	782
Net gains on investments	9	–	–	–	–	104	104
		<u>926</u>	<u>–</u>	<u>926</u>	<u>782</u>	<u>104</u>	<u>886</u>
Expenditure							
Investment management fees	3	102	303	405	104	311	415
Other expenses	4	170	–	170	156	–	156
		<u>272</u>	<u>303</u>	<u>575</u>	<u>260</u>	<u>311</u>	<u>571</u>
Profit/(loss) before taxation		654	(303)	351	522	(207)	315
Tax	6	(189)	91	(98)	(95)	59	(36)
		<u>465</u>	<u>(212)</u>	<u>253</u>	<u>427</u>	<u>(148)</u>	<u>279</u>
Profit/(loss) for the year attributable to equity shareholders							
		<u>465</u>	<u>(212)</u>	<u>253</u>	<u>427</u>	<u>(148)</u>	<u>279</u>
Earnings per share							
Basic and diluted return per ordinary share (p)	8	3.10	(1.42)	1.68	2.85	(0.99)	1.86

All revenue and capital items in the above statement derive from continuing operations.

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

The total column of this statement represents the Company's Income Statement, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The supplementary revenue and capital reserve columns are prepared under guidance published by the Association of Investment Companies.

There were no recognised gains and losses for the year other than those shown above.

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Balance sheet

as at 29 February 2008

	Notes	2008 £000	2007 £000
Non-current assets			
Investments	9	12,800	4,273
Trade and other receivables	10	375	129
		<u>13,175</u>	<u>4,402</u>
Current assets			
Trade and other receivables	10	469	153
Cash and cash equivalents	11	435	9,643
		<u>904</u>	<u>9,796</u>
Total assets		<u>14,079</u>	<u>14,198</u>
Current liabilities			
Trade and other payables	12	(136)	(73)
Net current assets		<u>768</u>	<u>9,723</u>
Net assets		<u>13,943</u>	<u>14,125</u>
Equity attributable to equity holders			
Ordinary share capital	13	3,750	3,750
Special reserve	14	10,437	10,437
Capital reserve – realised	14	(579)	(471)
Capital reserve – unrealised	14	–	104
Revenue reserve	14	335	305
Total equity		<u>13,943</u>	<u>14,125</u>
Basic and diluted net asset value per ordinary share (p)	15	93.0	94.2

Approved by the Board and authorised for issue on 2 June 2008

D Pinckney
Director

P Thomas
Director

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Cash flow statement

for the year ended 29 February 2008

	2008 £000	2007 £000
<i>Cash flows from operating activities</i>		
Investment income received	69	–
Deposit interest received	307	521
Investment management fees paid	(414)	(400)
Other cash payments	(174)	(172)
	<u> </u>	<u> </u>
<i>Net cash used in operating activities before taxes</i>	(212)	(51)
Taxes paid	(34)	(10)
	<u> </u>	<u> </u>
<i>Net cash used in operating activities</i>	(246)	(61)
	<u> </u>	<u> </u>
<i>Cash flows from investing activities</i>		
Purchases of investments	(10,199)	(3,310)
Proceeds from sale of investments	1,672	–
	<u> </u>	<u> </u>
<i>Net cash used in investing activities</i>	(8,527)	(3,310)
	<u> </u>	<u> </u>
<i>Cash flows from financing activities</i>		
Dividends paid	(435)	(262)
	<u> </u>	<u> </u>
<i>Net cash used in financing activities</i>	(435)	(262)
	<u> </u>	<u> </u>
<i>Net decrease in cash and cash equivalents</i>	(9,208)	(3,633)
<i>Cash and cash equivalents at the beginning of the year</i>	9,643	13,276
	<u> </u>	<u> </u>
<i>Cash and cash equivalents at the end of the year</i>	435	9,643
	<u> </u>	<u> </u>

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Statement of changes in equity

for the year ended 29 February 2008

	Ordinary share capital £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
At 1 March 2007	3,750	10,437	(471)	104	305	14,125
(Loss)/profit for the year after tax	–	–	(212)	–	465	253
Transfer of realised gains	–	–	104	(104)	–	–
Total recognised income and expense	–	–	(108)	(104)	465	253
Dividends paid in the year	–	–	–	–	(435)	(435)
At 29 February 2008	3,750	10,437	(579)	–	335	13,943
At 1 March 2006	3,750	10,437	(219)	–	140	14,108
(Loss)/profit for the year after tax	–	–	(252)	104	427	279
Total recognised income and expense	–	–	(252)	104	427	279
Dividends paid in the year	–	–	–	–	(262)	(262)
At 28 February 2007	3,750	10,437	(471)	104	305	14,125

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Notes to the financial statements

for the year ended 29 February 2008

1. Accounting policies

Accounting convention

The Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union. The disclosure required by IFRS 1 First-time Adoption of the International Financial Reporting Standards ("IFRS 1") concerning the transition from United Kingdom Generally Accepted Accounting Practice ("UK GAAP") to IFRS are given in note 21.

The Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets 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 ("SORP") for investment companies issued in January 2003 and revised in December 2005 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.

Presentation of income statement

In order to better reflect the activities of the Company and in accordance with guidance issued by the Association of Investment Companies ("AIC"), supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement.

Income

Income on current asset 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 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 Income Statement, all expenses have been presented as revenue items except when expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. Accordingly 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.

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 Income Statement 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.

The tax charge for the year is allocated between revenue return and capital return on the "marginal basis" as recommended in the SORP. Under this basis, the benefit of tax relief on allowable expenses is allocated to revenue return unless allowable expenses exceed taxable income in which case the benefit of the relief on the excess is credited to capital return.

Notes to the financial statements *(continued)*

for the year ended 29 February 2008

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 that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 or 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.

Investments in unquoted companies are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines. Under these guidelines, the investments are valued at fair value at the reporting date. A discounted cash flow methodology has been used to value the assets held at the year end. There was no material difference between these valuations and cost. Gains or losses resulting from revaluation of investments are taken to the capital column of the Income Statement.

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 common 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. UK treasury bills are valued at middle market prices as at the year end. There is no material difference between the valuation at bid prices and the valuation at middle market prices.

Dividends payable

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

Accounting standards issued but not yet effective

At the date of authorisation of these Financial Statements, the following Standards and Interpretations, which are deemed to be relevant to the Company, were in issue but not yet effective. These Standards and Interpretations have not been applied in these Financial Statements.

Notes to the financial statements *(continued)**for the year ended 29 February 2008*

IAS 1*	Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3 and resulting from May 2008 Annual Improvements to IFRS
IAS 31	Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3 and resulting from May 2008 Annual Improvements to IFRS
IAS 39	Financial Instruments: Recognition and Measurement – Amendments resulting from May 2008 Annual Improvements to IFRS

* This Standard has been endorsed by the European Financial Reporting Advisory Group as at 22 May 2008

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the Financial Statements of the Company when the relevant standards and interpretations come into effect.

2. Income

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Income from investments		
Mezzanine loan stock interest income	593	226
Dividend income	<u>23</u>	<u>35</u>
	616	261
Other income		
UK treasury bill income	273	454
Bank deposit interest	<u>37</u>	<u>67</u>
	<u>926</u>	<u>782</u>

3. Investment management fees

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Investment management fees	<u>405</u>	<u>415</u>

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 form of growth in Net Asset Value plus payment of dividends ("the return") of 60p per ordinary 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 four years from 26 October 2004.

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.

Notes to the financial statements *(continued)*

for the year ended 29 February 2008

4. Other expenses

	2008 £000	2007 £000
Directors' remuneration	65	65
<i>Fees payable to the Company's Auditor for:</i>		
Statutory audit services		
– Audit of the Company's Annual Financial Statements	16	14
Other services		
– Review of interim information	2	2
– Risk review	4	–
Tax services		
– Compliance services	2	2
Legal and professional fees	–	1
Other expenses	81	72
	<u>170</u>	<u>156</u>

Other services provided by the Company's Auditor related to the review of the Half-yearly Report and the risk management process.

Tax services provided by the Company's Auditor related to the provision of corporation tax advice.

5. Directors' remuneration

	2008 £000	2007 £000
D Pinckney	20	20
A Moore	15	15
P Thomas	15	15
C Wood	15	15
Aggregate emoluments	<u>65</u>	<u>65</u>

Further details regarding Directors' remuneration are disclosed in the Directors' Remuneration Report on page 16. The Company has no employees.

Notes to the financial statements *(continued)**for the year ended 29 February 2008***6. Tax**

	2008 £000	2007 £000
(a) Tax charge for year		
Current UK corporation tax		
Charged to revenue reserve	189	93
Credited to capital reserve	(91)	(59)
Adjustments to tax charge in respect of prior periods	–	2
	<u>98</u>	<u>36</u>
(b) Factors affecting the tax charge for the year		
Revenue return before taxation	<u>654</u>	<u>522</u>
Tax charge calculated on profit before taxation at the applicable rate of 30% (19%)	196	99
Effect of:		
UK dividends not subject to tax	(7)	(6)
Adjustments to tax charge in respect of prior periods	–	2
Capital expenses	(91)	(59)
	<u>98</u>	<u>36</u>

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.

7. Dividends

	2008 £000	2007 £000
Amounts recognised as distributions to equity holders in the year:		
Previous year's final dividend of 1.40p per ordinary share <i>(2007: 0.75p)</i>	210	112
Current year's interim dividend of 1.50p per ordinary share <i>(2007: 1.00p)</i>	<u>225</u>	<u>150</u>
	<u>435</u>	<u>262</u>

The Directors recommend a final dividend of 2.00 pence per share (2007: 1.40 pence) to be paid on 14 July 2008 to all shareholders on the register as at the close of business on 13 June 2008. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these Financial Statements.

Subject to approval of the final dividend, the total dividend in respect of the financial year is set out below.

	2008 £000	2007 £000
Interim dividend for the year ended 29 February 2008 of 1.50p per ordinary share <i>(2007: 1.00p)</i>	225	150
Proposed final dividend for the year ended 29 February 2008 of 2.00p per ordinary share <i>(2007: 1.40p)</i>	<u>300</u>	<u>210</u>
	<u>525</u>	<u>360</u>

Notes to the financial statements *(continued)*

for the year ended 29 February 2008

8. Return per ordinary share

The total return per ordinary share is based on the net revenue after taxation of £252,534 (2007: £279,467) and the weighted average number of shares in issue during the year of 15,000,183 (2007: 15,000,183).

The basic revenue return per ordinary share is based on the net revenue from ordinary activities after taxation of £464,934 (2007: £427,346) and the weighted average number of shares in issue during the year of 15,000,183 (2007: 15,000,183).

The net capital loss per ordinary share is based on the net loss from ordinary activities after taxation of £212,400 (2007: £147,879) and the weighted average number of shares in issue during the year of 15,000,183 (2007: 15,000,183).

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

9. Investments

	<i>Mezzanine</i>			<i>Mezzanine</i>		
	<i>Shares</i>	<i>loan stock</i>	<i>Total</i>	<i>Shares</i>	<i>loan stock</i>	<i>Total</i>
	2008	2008	2008	2007	2007	2007
	£000	£000	£000	£000	£000	£000
<i>Opening position at the beginning of the year</i>						
Opening cost	1,125	3,044	4,169	351	508	859
Opening gains	104	–	104	–	–	–
Opening fair value	1,229	3,044	4,273	351	508	859
<i>During the year</i>						
Purchases at cost	5,329	4,870	10,199	774	2,536	3,310
Sales proceeds	(1,492)	(180)	(1,672)	–	–	–
Gains	–	–	–	104	–	104
Closing fair value	5,066	7,734	12,800	1,229	3,044	4,273
<i>Closing position at year end</i>						
Closing cost	5,066	7,734	12,800	1,125	3,044	4,169
Gains	–	–	–	104	–	104
Closing fair value	5,066	7,734	12,800	1,229	3,044	4,273

The shares held by the Company are in unquoted UK companies. The Investment Manager's Report on pages 3 to 9 provides details in respect of the Company's shareholding in each investment together with details of mezzanine loans issued.

At the beginning of the year the Company held an investment with a carrying value of £350,881 in the preference and ordinary share capital of Geotrupes Energy plc, owning 15% of the ordinary shares. On 5 April 2007, the Company acquired the remaining issued preference and ordinary share capital of Geotrupes Energy plc for £1,060,088. Geotrupes Energy plc was renamed Firefly Power Holdings plc immediately after the acquisition. It was always the intention of the Investment Manager for Firefly Power Holdings plc and its subsidiaries to be sold to Firefly Energy Limited and restructured so the Company's £2,000,000 investment in Firefly Energy Limited would be a qualifying holding under HM Revenue & Customs VCT regulations. This sale of preference and ordinary share capital occurred on 18 October 2007 for a total consideration £1,491,509. Firefly Power Holdings plc group was lent and subsequently repaid a loan of £180,000 during the year.

Notes to the financial statements *(continued)**for the year ended 29 February 2008***9. Investments** *(continued)*

The gain on investment in the prior year was in respect of the Company's 15% ordinary shareholding in Firefly Power Holdings plc (formerly Geotrupes Energy plc), which was sold to Firefly Energy Limited during the current year. The realisation of the gain is reflected in the Statement of Changes in Equity.

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

There were no costs incurred by the Company on acquisition and disposal of investments. No impairment provisions have been made in respect of investments.

The Company had a shareholding of 20% or more in each of the investee companies set out below, which are presented with their respective total assets and liabilities as at the balance sheet date, and total revenues and results for the year ended 29 February 2008. Where companies have only been trading for a short period, revenue and results have not been presented.

<i>Investment</i>	<i>Ownership interest</i>	<i>Assets £000</i>	<i>Liabilities £000</i>	<i>Revenue £000</i>	<i>Profit/ (Loss) £000</i>
Fenpower Limited	33.3%	13,748	13,031	866	447
Craig Wind Farm Limited	37.5%	11,182	9,606	787	201
Firefly Energy Limited	50.0%	2,463	2,292	838	(229)
A7 Greendykeside Limited	50.0%	5,271	4,349	292	44
A7 Lochhead Limited	25.0%	1,000	700	–	–
Burnside Renewable Power Limited	50.0%	1,000	900	–	–
Iceni Renewables Limited	50.0%	1,000	900	–	–
Redimo LFG Limited	50.0%	2,000	–	–	–
Spurlens Rig Wind Limited	40.0%	100	–	–	–
Redeven Energy Limited	40.0%	100	–	–	–
Catfield Wind Power Limited	20.0%	90	–	–	–
Potash Wind Farm Limited	20.0%	110	–	–	–

10. Trade and other receivables

	<i>2008 £000</i>	<i>2007 £000</i>
<i>Non-current assets</i>		
Accrued interest income	375	129
	<u>375</u>	<u>129</u>
	<i>2008 £000</i>	<i>2007 £000</i>
<i>Current assets</i>		
Accrued interest income	453	114
Dividends receivable	–	35
Amounts due from Climate Change Capital Limited	10	–
Prepayments	6	4
	<u>469</u>	<u>153</u>

Included in accrued interest income is mezzanine loan stock interest totalling £374,621 (2007: £128,557) which is due after more than one year, which represents non-current assets. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Notes to the financial statements *(continued)*

for the year ended 29 February 2008

11. Cash and cash equivalents

	<i>Treasury</i>			<i>Treasury</i>		
	<i>Cash</i>	<i>Bills</i>	<i>Total</i>	<i>Cash</i>	<i>Bills</i>	<i>Total</i>
	2008	2008	2008	2007	2007	2007
	£000	£000	£000	£000	£000	£000
As at 1 March	237	9,406	9,643	2,365	10,911	13,276
Net increase/(decrease)	198	(9,406)	(9,208)	(2,128)	(1,505)	(3,633)
As at year end	<u>435</u>	<u>–</u>	<u>435</u>	<u>237</u>	<u>9,406</u>	<u>9,643</u>

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

12. Trade and other payables

	2008	2007
	£000	£000
Corporation tax	98	34
Other payables	–	11
Accruals	38	28
	<u>136</u>	<u>73</u>

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

13. Share capital

	2008	2007
	£000	£000
Authorised		
40,000,000 ordinary shares of 25p each	<u>10,000</u>	<u>10,000</u>
	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
15,000,183 ordinary shares of 25p each	<u>3,750</u>	<u>3,750</u>
	<u>3,750</u>	<u>3,750</u>

The Company has one class of ordinary shares which carry no right to fixed income. The number of allotted, called up and fully paid shares at 1 March 2006 was 15,000,183. There was no movement in share capital in the years ended 28 February 2007 and 29 February 2008.

Notes to the financial statements *(continued)**for the year ended 29 February 2008***14. Reserves**

	<i>Special Reserve</i>	<i>Capital Reserve realised</i>	<i>Capital Reserve unrealised</i>	<i>Revenue Reserve</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
As at 1 March 2007	10,437	(471)	104	305
(Loss)/profit after tax	–	(212)	–	465
Dividends paid in the year	–	–	–	(435)
Transfer of realised gains	–	104	(104)	–
As at 29 February 2008	<u>10,437</u>	<u>(579)</u>	<u>–</u>	<u>335</u>

The realised capital reserve and the revenue reserve are distributable reserves. The special reserve is also distributable and can be used to fund buy-backs of ordinary shares as and when it is considered by the Board to be in the interests of the shareholders.

15. Net asset value per share

The calculation of net asset value per share as at 29 February 2008 is based on net assets of £13,942,867 (2007: £14,125,095) divided by 15,000,183 (2007: 15,000,183) ordinary shares in issue at that date.

16. Post balance sheet events

After the year end the Company has invested a further £40,000 to acquire shares in Spurlens Rig Wind Limited, £8,000 was invested in the ordinary share capital of Stalham Wind Power Limited and £1,000,000 was returned to the Company from Burnside Renewable Power Limited. Further details in respect of these transactions are provided in the Investment Manager's Report.

17. Financial instruments and risk management

The Company's financial instruments comprise investments in unquoted companies, Government securities and cash. All are designated as "fair value through profit or loss". The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations.

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**

Fixed asset investments are carried in the accounts at fair value through profit or loss.

	<i>Held at 29 February 2008 £000</i>	<i>Interest rate %</i>	<i>Weighted average interest rate %</i>	<i>Weighted average period to maturity</i>
Ordinary shares	5,066	–	–	–
Mezzanine loan stock	7,734	5, 9 or 12.5	10.30	11 years
Cash	435	5.02	5.02	–
Accrued interest income	828	–	–	–

- Ordinary share capital investments have no interest rate attached to them.
- The mezzanine loan stock bears interest at fixed rates of 5%, 9% or 12.5% per annum.

Notes to the financial statements *(continued)*

for the year ended 29 February 2008

17. Financial instruments and risk management *(continued)*

It is estimated that a one percentage point increase or decrease in interest rates would have increased or decreased profit before tax for the year by £57,362 or 16.4% (2007: £87,272 or 27.6%) and increased or decreased net asset value by £40,153 or 0.29% (2007: £70,690 or 0.50%). The analysis assumes a change in weighted average interest rate applied to UK treasury bills and cash held on deposit over the year and a tax effect based on the tax rate that applied in the year. 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 changes in interest rates. Interest income earned from mezzanine loan stock is not subject to movements resulting from market interest rate fluctuations, 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.

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 29 February 2008 (2007: £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.

To demonstrate the sensitivity of assets held at fair value through profit or loss, the following analysis is presented. The sensitivity of the ordinary shares held by the Company to a ten percentage point increase or decrease in the equity valuation would be an increase or decrease in the profit before tax of the Company of £506,446 or 144.35% (2007: £122,857 or 38.91%) and an increase or decrease in net asset value of £354,512 or 2.54% (2007: £99,514 or 0.70%). 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 a tax effect on the gain or loss based on the tax rate that applied in the year.

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 Company's holdings in UK treasury bills can be liquidated at two days' notice. 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.

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 other receivables, investments in mezzanine loan stock and through cash held on deposit with banks.

Notes to the financial statements *(continued)**for the year ended 29 February 2008***17. Financial instruments and risk management** *(continued)*

The Investment Manager evaluates credit risk on mezzanine loan stock prior to making investments as well as monitoring ongoing exposures. Mezzanine loan stock and its accrued interest income has a first 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 reviews management accounts from investee companies and generally appoints directors to sit on the boards of the investee companies in order to closely identify and manage the credit risk.

Cash is held on deposit with banks which are AA rated 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 its fair value.

The maximum credit risk of the Company is £9.0 million (2007: £13.0 million).

At the year end, no debt was overdue for payment to the Company. The expected timing of receipt of trade and other receivables is presented below.

	<i>Total</i> £000	<i>Within 1 year</i> £000	<i>Between 1 and</i> <i>2 years</i> £000
Accrued interest income	828	453	375
Amounts due from Climate Change Capital Ltd	<u>10</u>	<u>10</u>	<u>–</u>
	<u>838</u>	<u>463</u>	<u>375</u>

18. 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 and 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 and 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 and 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 2007, the Company undertook a commitment to Alliance and 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 registered a charge over its shares in Redimo LFG Limited to Alliance and Leicester Commercial Bank plc as security for a senior loan facility of £16.9 million raised by Redimo LFG Limited. 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.

The Company has also undertaken commitments to make follow-on investments of £300,000 in Achairn Energy Limited and £20,000 in Spurlens Rig Wind Limited.

The Company had no other contingencies, financial commitments or guarantees as at 29 February 2008.

Notes to the financial statements *(continued)*

for the year ended 29 February 2008

19. Related party transactions

The Company retains as its Investment Manager Climate Change Capital Limited, 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 to the Financial Statements. During the year, £414,326 (2007: £414,616) was paid to the Investment Manager, inclusive of irrecoverable VAT. At the year end, a balance of £9,575 (2007: £nil) was due from the Investment Manager as a rebate.

The investee companies in which the Company has a shareholding of 20% or more are related parties. The aggregate balances at the balance sheet date and transactions with these companies during the year are summarised below.

	2008 £000	2007 £000
Balances		
Investments – shares	4,122	1,229
Investments – mezzanine loan stock	7,734	3,044
Accrued interest income	825	243
Dividend income receivable	–	35
Transactions		
Mezzanine loan stock interest income	593	226
Dividend income	23	35

20. Controlling party

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

Notes to the financial statements *(continued)*

for the year ended 29 February 2008

21. Transition statements

These Financial Statements are the first to be prepared under IFRS. The following disclosures are required in the year of transition. The last Financial Statements under UK GAAP were for the year ended 28 February 2007 and the date of transition to IFRS was therefore 1 March 2006.

Reconciliation of equity at 1 March 2006

	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Non-current assets			
Investments	859	–	859
Trade and other receivables	–	18	18
	<u>859</u>	<u>18</u>	<u>877</u>
Current assets			
Trade and other receivables	35	(18)	17
Short term investments in UK treasury bills	10,911	(10,911)	–
Cash and cash equivalents	2,365	10,911	13,276
	<u>13,311</u>	<u>(18)</u>	<u>13,293</u>
Total assets	<u>14,170</u>	<u>–</u>	<u>14,170</u>
Current liabilities			
Trade and other payables	(62)	–	(62)
Net current assets	<u>13,249</u>	<u>(18)</u>	<u>13,231</u>
Net assets	<u>14,108</u>	<u>–</u>	<u>14,108</u>
Equity attributable to equity holders			
Ordinary share capital	3,750	–	3,750
Special reserve	10,437	–	10,437
Capital reserve – realised	(219)	–	(219)
Capital reserve – unrealised	–	–	–
Revenue reserve	140	–	140
Total equity	<u>14,108</u>	<u>–</u>	<u>14,108</u>
Basic and diluted net asset value per ordinary share (p)	94.1	–	94.1

Under IFRS, trade and other receivables due after more than one year have been classified as non-current assets. Under IFRS, cash and cash equivalents comprise bank balances and cash held by the Company including UK treasury bills.

Notes to the financial statements *(continued)*

for the year ended 29 February 2008

21. Transition statements *(continued)*

Reconciliation of equity at 1 March 2007

	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Non-current assets			
Investments	4,273	–	4,273
Trade and other receivables	–	129	129
	<u>4,273</u>	<u>129</u>	<u>4,402</u>
Current assets			
Trade and other receivables	282	(129)	153
Short term investments in UK treasury bills	9,406	(9,406)	–
Cash and cash equivalents	237	9,406	9,643
	<u>9,925</u>	<u>(129)</u>	<u>9,796</u>
Total assets	<u>14,198</u>	<u>–</u>	<u>14,198</u>
Current liabilities			
Trade and other payables	(73)	–	(73)
Net current assets	<u>9,852</u>	<u>(129)</u>	<u>9,723</u>
Net assets	<u>14,125</u>	<u>–</u>	<u>14,125</u>
Equity attributable to equity holders			
Ordinary share capital	3,750	–	3,750
Special reserve	10,437	–	10,437
Capital reserve – realised	(471)	–	(471)
Capital reserve – unrealised	104	–	104
Revenue reserve	305	–	305
Total equity	<u>14,125</u>	<u>–</u>	<u>14,125</u>
Basic and diluted net asset value per ordinary share (p)	94.2	–	94.2

Under IFRS, trade and other receivables due after more than one year have been classified as non-current assets. Under IFRS, cash and cash equivalents comprise bank balances and cash held by the Company including UK treasury bills.

Notes to the financial statements (continued)

for the year ended 29 February 2008

21. Transition statements (continued)**Reconciliation of profit for the year ended 28 February 2007**

	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Income	782	–	782
Net gains on investments	<u>104</u>	<u>–</u>	<u>104</u>
	<u>886</u>	<u>–</u>	<u>886</u>
Expenditure			
Management fees	415	–	415
other expenses	<u>156</u>	<u>–</u>	<u>156</u>
	<u>571</u>	<u>–</u>	<u>571</u>
Profit before taxation	315	–	315
Tax	<u>(36)</u>	<u>–</u>	<u>(36)</u>
Profit for the year attributable to equity shareholders	<u>279</u>	<u>–</u>	<u>279</u>
Equity per share			
Basic and diluted return per ordinary share (p)	1.86	–	1.86

There were no differences between profit under UK GAAP and IFRS.

There were no material changes to the Cash Flow Statement between UK GAAP and IFRS, consequently a reconciliation is not presented. The direct method of cash flow reporting has been presented in these Financial Statements rather than the indirect method, which was used in previous reports.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Ventus VCT plc will be held at 12.00pm on Friday, 4 July 2008 at Climate Change Capital's office at 3 More London Riverside, London, SE1 2AQ for the purpose of transacting the following business:

Ordinary Business

To consider and if thought fit, to pass the following resolutions of which Resolutions 1 to 8 shall be proposed as ordinary resolutions.

1. To receive and adopt the audited Annual Report and Financial Statements for the year ended 29 February 2008, together with the Reports of the Directors and Auditor.
2. To declare a final dividend of 2.00 pence per share in respect of the year ended 29 February 2008.
3. To approve the Directors' Remuneration Report for the year ended 29 February 2008.
4. To re-elect Paul Thomas as a Director of the Company.
5. To re-elect Colin Wood as a Director of the Company.
6. To re-appoint Baker Tilly UK Audit LLP as Auditor of the Company until the conclusion of the next general meeting at which accounts are laid before the Company.
7. To authorise the Directors to determine the Auditor's remuneration.
8. To generally and unconditionally authorise the Directors in accordance with Section 80(1) of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum aggregate nominal amount of £1,250,015 (5,000,061 shares of 25p each), provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the Directors to allot relevant securities be and are hereby revoked.

Special Business

To consider and, if thought fit, pass the following resolutions of which Resolutions 9 to 12 shall be proposed as special resolutions:

9. That, subject to and conditional on the passing of Resolution 8, the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined by Section 94(2) of the Act) for cash, pursuant to the authority conferred by Resolution 8 above and to sell equity securities (within the meaning of Section 94 of the Act) which are held by the Company in treasury as if Section 89(1) of that Act did not apply to any such allotments and sales, provided that this power shall be limited to the allotment and sales of equity securities:
 - (i) in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date(s) as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date(s), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
 - (ii) (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal amount of £187,502.

Notice of Annual General Meeting *(continued)*

The authority contained in this resolution shall expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of fifteen months from the passing of this resolution, save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers and authority hereby conferred had not expired.

10. That the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163(3) of the Act) of its issued ordinary shares of 25p each in the capital of the Company ("Ordinary Shares") on such terms as the Directors think fit, provided always that:
 - (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 2,248,527;
 - (ii) the minimum price which may be paid for an Ordinary Share shall be 25p;
 - (iii) the maximum price, exclusive of any expenses, which may be paid for each Ordinary Share is an amount equal to the higher of: (a) 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Ordinary Share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
 - (iv) any purchase of Ordinary Shares will be made in the market for cash at prices below the prevailing net asset value per Ordinary Share (as determined by the Directors);
 - (v) the authority hereby conferred shall, unless previously revoked or varied, expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of fifteen months from the passing of this resolution; and
 - (vi) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of Ordinary Shares pursuant to any such contract notwithstanding such expiry.
11. That, with immediate effect, the new Articles of the Company contained in the document produced to the Annual General Meeting (and signed by the Chairman for the purposes of identification) be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles.
12. That, subject to Resolution 11 being passed and with effect from 00.01 am on 1 October 2008, or such later date as Section 175 of the Companies Act 2006 shall be brought into force, (i) article 91 of the new Articles adopted pursuant to Resolution 11 be deleted in its entirety and articles 91 and 92 as set out in the document produced to the Annual General Meeting (and signed by the Chairman for the purposes of identification) be substituted therefor and the remaining articles be re-numbered and (ii) article 99 of the new Articles adopted pursuant to Resolution 11 be deleted in its entirety and article 100 as set out in the document produced to the Annual General Meeting (and signed by the Chairman for the purposes of identification) be substituted therefor.

By Order of the Board
Capita Company Secretarial Services Limited
Company Secretary

2 June 2008

Registered Office:
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Notice of Annual General Meeting *(continued)*

Notes in respect of the Annual General Meeting

- (1) This Notice is being sent to all members. Members will find an admission card and a proxy form enclosed with this notice. If you are attending the meeting, you should bring the admission card with you.
- (2) A member entitled to attend and vote at the Annual General Meeting ("AGM") may appoint one or more proxies (who need not be a member of the Company) to attend and to vote on his or her behalf. In order to be valid an appointment of proxy must be returned by one of the following methods:
 - in hard copy form by post, together with the power of attorney or other authority (if any) under which it is signed, by courier or by hand to the Company's Registrar, Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below and in each case must be received by the Company not less than 48 hours before the time of the meeting

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members and where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedure in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

- (3) A Form of Proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's Registrar, Capita Registrars, Proxy Department, PO Box 25, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time of the AGM. Appointment of a proxy does not preclude a shareholder from attending the AGM and voting in person.
- (4) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, in order to be able to attend and vote at the AGM or any adjourned meeting, (and also for the purpose of calculating how many votes a person may cast) a person must have his/her name entered on the register of members of the Company by 6.00 pm on 2 July 2008 (or 6.00pm on the date 2 days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (5) In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

Notice of Annual General Meeting *(continued)*

- (6) The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with Section 146 of the Companies Act 2006 ('nominated persons'). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- (7) Biographical details of the Directors are shown on page 22 of the Annual Report and Financial Statements.
- (8) The issued share capital of the Company at the date of this notice is 15,000,183 ordinary shares. The total number of voting rights in the Company is 15,000,183.
- (9) The following documents are available for inspection at the registered office of the Company during normal business hours on weekdays (Saturdays, Sundays and public holidays excluded) from the date of the Notice until the conclusion of the AGM and will be available at Climate Change Capital's office at 3 More London Riverside, London, SE1 2AQ on the morning of the AGM from 9.00 am until its conclusion:
- The Directors' letters of appointment.
 - Register of Directors' interests in the share capital of the Company.
 - Copies of the existing, new and subsequently revised Articles of Association of the Company.

Notice of Annual General Meeting *(continued)*

Explanatory notes to the resolutions

Resolution 1 – Annual Report and Financial Statements

The Directors are required to present to the Annual General Meeting the Annual Report and Financial Statements for the financial year ended 29 February 2008.

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 2.00 pence per share payable on 14 July 2008 to the holders of ordinary shares registered at the close of business on 13 June 2008 which will bring the total dividend for the year to 3.50 pence per share. Last year the total dividend per share was 2.40 pence.

Resolution 3 – Directors' remuneration report

Under the Directors' Remuneration Report Regulations 2002, 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 can be found on page 16 of the Annual Report and Financial Statements.

Resolution 4 – Re-election of Director

Paul Thomas retires at this year's AGM in accordance with the Listing Rules of the Financial Services Authority and submits himself for re-election. He was subject to appraisal by the other Board members prior to being put forward for appointment by shareholders.

Resolution 5 – Re-election of Director

Colin Wood retires by rotation at this year's AGM in accordance with the Company's Articles of Association and submits himself for re-election. He was subject to appraisal by the other Board members prior to being put forward for appointment by shareholders.

Resolution 6 – Re-appointment of the Auditor

The Company is required to re-appoint the Auditor at each Annual General Meeting of the Company to hold office until the next general meeting at which accounts are presented. This resolution proposes that the Company's current Auditor, Baker Tilly UK Audit LLP, be re-appointed as Auditor of the Company.

Resolution 7 – Remuneration of the Auditor

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

Resolution 8 – Renewal of Directors' authority to allot shares

By virtue of Section 80 of the 1985 Act, the Directors require the authority of the shareholders of the Company to allot shares or other relevant securities in the Company. This resolution authorises the Directors to make allotments of up to an additional 5,000,061 shares (representing approximately one-third of the issued share capital of the Company (excluding treasury shares) as at 2 June 2008 (being the latest practicable date prior to the publication of the Notice)). The existing authority will expire at the forthcoming AGM and, by proposing this resolution the Board seeks its renewal. The renewed authority will expire at the Company's next AGM. The Directors have no present intention of exercising the authority given by Resolution 8.

Resolution 9 – Disapplication of statutory pre-emption rights

It is proposed to renew the authority of the Directors to allot equity securities for cash without first being required to offer such securities to existing members. This will include the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. Resolution 9 authorises the Directors to allot shares when the Directors consider that it is expedient to do so and allows them to issue for cash up to 750,009 shares (representing approximately, but not exceeding 5% of the issued share capital of the Company as at 2 June 2008 (being the latest practicable date prior to the publication of the Notice)). The existing authority will expire at the forthcoming AGM and, by proposing this resolution the Board seeks its renewal. The renewed authority will expire at the Company's next AGM, or, if earlier, 15 months from the passing of the resolution. The Directors have no present intention of exercising the authority given by Resolution 9.

Resolution 10 – Authority to make market purchases of ordinary shares

By virtue of Section 166 of the 1985 Act and the Articles of Association, the Company may make market purchases of its own ordinary shares if authorised to do so by shareholders. Resolution 10 seeks to renew this authority for a further year. The maximum number of ordinary shares which could be purchased pursuant to this authority is 2,248,527 shares which constitutes 14.99% of the issued share capital of the Company as at 2 June 2008 (being the latest practicable date prior to the publication of the Notice) excluding treasury shares and the resolution sets

Notice of Annual General Meeting *(continued)*

maximum and minimum prices. The authority to repurchase ordinary shares will, if approved by shareholders, only be exercised after careful consideration by the Directors, and if such exercise would result in an increase in earnings per share and would be in the best interests of shareholders generally. Any purchases of ordinary shares would be made by means of market purchases through the London Stock Exchange. The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 S1 2003/1116 (the "Regulations") allow a listed company purchasing its own shares in accordance with the 1985 Act to hold those shares in treasury as an alternative to cancelling them. Shares held in treasury in this manner would be available for resale by the Company at a later date providing additional flexibility in the management of the Company's capital base. If this resolution is passed at the AGM, it is the Company's current intention to hold in treasury the majority of the shares it may purchase pursuant to the authority granted to it. However, in order to respond properly to the Company's capital requirements and prevailing market conditions, the Directors will need to reassess at the time of any and each actual purchase whether to hold the shares in treasury or cancel them. The authority sought at the Annual General Meeting will expire at the conclusion of the Company's next AGM following the date of the passing of the resolution, or, if earlier, on the expiry of 15 months from the date of the passing of the resolution.

Resolution 11 – Adoption of new Articles of Association

It is proposed to adopt new Articles with immediate effect to update the Company's existing Articles, primarily to take account of changes in English company law brought about by certain provisions of the Companies Act 2006 which are already in force.

The principal changes introduced in the new Articles are summarised in the explanatory notes below. Other changes, which are of a minor, technical or clarifying nature and some other minor changes which merely reflect changes made by the Companies Act 2006 have not been noted. A copy of the existing Articles, the new Articles and the new Articles amended pursuant to Resolution 12 are available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of the Notice until the conclusion of the AGM and will be available at Climate Change Capital's office at 3 More London Riverside, London, SE1 2AQ on the morning of the AGM from 9.00 am until its conclusion.

Resolution 12 – Amendment of the new Articles

It is proposed to make further revisions to the new Articles with effect on and from 1 October 2008 (or a later date as referred to in the resolution) to cater for changes being introduced by the Companies Act 2006 relating to directors' conflicts of interest. These changes are summarised in the explanatory notes below.

Principal proposed changes to the Company's Articles of Association

The principal changes that have been proposed to the Company's Articles of Association, with the exception of minor, technical or clarifying changes, are summarised below:

Articles which duplicate statutory provisions

Provisions in the existing Articles which duplicate statutory provisions already contained in the Companies Act 2006 have, in the main, either been removed in line with the approach advocated by the Government that a company's constitution ought not to duplicate the statutory provisions contained in the Companies Act 2006 or amended to bring them into line with the Companies Act 2006. This includes, for example, provisions as to the form of resolutions, variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings.

The opportunity has also been taken to bring clearer language to the new Articles and to update the existing Articles to reflect current practice. Provisions in the existing Articles which are no longer relevant to the Company have not been included in the new Articles.

The main changes made to reflect this approach are detailed below.

Form of resolution

The existing Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006. Further, the remainder of the provision is reflected in full in the Companies Act 2006.

The existing Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have, therefore, been removed in the new Articles.

Notice of Annual General Meeting *(continued)*

Variation of class rights

The existing Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have, therefore, been amended in the new Articles.

Convening extraordinary and annual general meetings

The provisions in the existing Articles dealing with the convening of general meetings and the length of notice required to convene general meetings have been amended so as to conform with the revised notice periods set out in the new provisions of the Companies Act 2006. The Companies Act 2006 reduces the minimum notice period for all general meetings (other than annual general meetings) from 21 clear days to 14 clear days and the amendments to the existing Articles allow the Company to take advantage of such provision. The new Articles reflect the fact that the concept of extraordinary general meetings has been abolished in the Companies Act 2006 and all meetings (other than an annual general meeting) are referred to as general meetings.

Orderly conduct of General Meetings

The new Articles provide a wider discretion for the Board to ensure the orderly conduct of general meetings.

Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands and a poll whereas under the existing Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that a company's articles of association cannot provide that they should be received more than 48 hours before the meeting or, in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll (with weekends and bank holidays being permitted to be excluded for this purpose).

The new Articles reflect all of these new provisions, as appropriate.

Multiple corporate representatives may be appointed (but if they purport to exercise their rights in different ways, then the power is treated as not being exercised). There is currently uncertainty and differing views on the legal interpretation of Section 323 of the Companies Act 2006. For this reason the provisions in the existing Articles dealing with the rights of corporate representatives are not included in the new Articles.

Maximum number of directors

In order to give the Company more flexibility, the new Articles do not contain a maximum cap on the number of directors who may be appointed to the Board of the Company. There is currently no intention to increase the number of directors on the Board to more than 10 (the current cap contained in the existing Articles).

Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. Once amended pursuant to Resolution 12, the new Articles will give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to that under the existing Articles.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the new Articles, once amended pursuant to Resolution 12, should contain provisions relating to confidential information and the availability of board papers to protect a Director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

Notice of Annual General Meeting *(continued)*

Disclosure of interests

The provisions relating to the disclosure of interests in shares contained in the Companies Act 1985, including Section 212 on company investigation powers, were repealed in January 2007. Section 793 of the Companies Act 2006 and related sections in Part 22 of the Companies Act 2006, which contain the corresponding company investigation powers previously contained in section 212 of the Companies Act 1985 were brought into force simultaneously. Article 82 has been amended to reflect the replacement of section 212 of the Companies Act 1985 with section 793 of the Companies Act 2006.

Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The new Articles continue to allow communications to members in electronic form and, in accordance with the resolution passed at last year's AGM, they also permit the Company to take advantage of the new provisions relating to website communications.

Directors' indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company can now indemnify a director of a company that is a trustee of an occupational pension scheme against liability incurred in connection with the company's activities as a trustee of that scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. This is reflected in the new Articles.

A copy of the current Articles of Association and the amended Articles of Association will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered offices of the Company from the date of the Notice until the close of the AGM. Copies will also be available at Climate Change Capital's office at 3 More London Riverside, London, SE1 2AQ on the morning of the AGM from 9.00 am until its conclusion.

Recommendation

The Board considers the resolutions are likely to promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the resolutions as they intend to do in respect of their own beneficial holdings which amount in aggregate to 41,200 shares representing approximately 0.27% of the existing issued ordinary share capital of the Company.



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