



# **Ventus 3 VCT plc**

## **Half-yearly Financial Report**

for the six month period ended 31 August 2009



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Ventus 3 VCT plc invests in companies that develop, construct and operate renewable energy projects.

Registered No: 5667211

Front cover: A7 Greendykeside Limited, Lanarkshire, Scotland.  
(Photograph: Helen Tregurtha, 2009)

Main image: Achairn Energy Limited, Caithness, Scotland.  
(Photograph: James Innes, 2009)

Above left: Achairn Energy Limited, Caithness, Scotland.  
(Photograph: Helen Tregurtha, 2009)

Above right: Renewable Power Systems (Dargan Road) Limited, Belfast, Northern Ireland – landfill gas generation scheme.  
(Photograph: Helen Tregurtha, 2009)

I am pleased to present the half-yearly financial report of Ventus 3 VCT plc (the "Company") for the six month period ended 31 August 2009.

Net asset value  
(per share)

92.7p

Interim dividend (per share)

1.50p

#### Net asset value, results and dividends

At the period end, the net asset value of the Company stood at £10,361,000 or 92.7 pence per share. Revenue profit attributable to shareholders for the period was £67,000 or 0.60 pence per share. The capital loss attributable to shareholders for the period was £91,000 or 0.81 pence per share, resulting in a total loss for the period of £24,000 or 0.21 pence per share.

The value of investments held at 31 August 2009 was £8,915,000 compared to £2,751,000 at 31 August 2008. The Investment Manager's report gives details of investments made during the period together with information about the revaluation of certain holdings within the portfolio.

The revenue income generated during the period comprised interest earned on mezzanine loan stock, cash deposits and UK treasury bills. Total revenue income for the six months to 31 August 2009 was £178,000 compared to £236,000 for the six months to 31 August 2008. The reduction in revenue income was attributable to a decrease in interest earned from cash on deposit and UK treasury bills, which declined as cash was deployed to acquire share capital in and to make mezzanine loans to investee companies.

The Company declared and paid an annual dividend of 3.00 pence per share for the year to 29 February 2009. This was paid as an interim dividend of 1.50 pence per share on 14 January 2009 and a final dividend of 1.50 pence per share on 14 July 2009.

The Company has declared an interim dividend of 1.50 pence per share which will be paid on 13 January 2010 to all shareholders on the register as at the close of business on 11 December 2009.

#### Investments

The Company's Investment Manager, Climate Change Capital Limited, continues to be actively engaged in managing the portfolio of existing investments and in identifying and negotiating potential investment opportunities. The investments made and dividends paid constitute the important events of the period.

As at the date of this report, the Company holds investments in 18 companies, with total investment value of £8.9 million. The Company has operated throughout the period in compliance with HM Revenue & Customs VCT regulations.

#### Principal Risks and Uncertainties

Under the Financial Services Authority's Disclosure and Transparency Rules, the Directors are required to identify those material risks to which the Company is exposed and take appropriate steps to mitigate those risks. Described below are those risks, other than the inherent risks associated with investment, which the Directors consider to be material. The Directors do not expect that the risks and uncertainties presented will change significantly over the current financial year.

- Failure to meet 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.*

## **VCT qualifying status**

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

## **Responsibility statement**

The Directors acknowledge responsibility for the interim results and approve this half-yearly report. The half-yearly report has not been audited or reviewed by the Company's auditor. The Directors confirm that to the best of their knowledge:

- (a) the condensed financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting* and give a true and fair view of the assets, liabilities, financial position and loss of the Company as required by the Disclosure and Transparency Rules ("DTR") 4.2.4R;
- (b) the interim management report, included within the Chairman's statement and Investment Manager's report, includes a fair review of the information required by DTR 4.2.7R, being the significant events of the first half of the year and the principal risks and uncertainties for the remaining six months of the year; and
- (c) the report includes a fair review of related party transactions and changes thereto, as is required by DTR 4.2.8R.

The responsibility statement has been approved by the Board.

**David Pinckney**  
Chairman

28 October 2009

Climate Change Capital Limited (the “Investment Manager”) is pleased to present a review of the investment activities of the Company since the last Annual Report.

Total investment value and commitments in 18 companies

**£9.0m**

**Summary of Investments**

As at the date of this report, the Company holds investments in 18 companies with a total investment value of £8.9 million.

£4.6 million of the investments held are in investee companies which are now trading and operating their assets. The Company also holds investments valued at £3.5 million in companies whose assets are in construction and expected to become operational over the course of the next year and a further £0.8 million of investments in earlier stage opportunities. These are typically investee companies that are seeking planning permissions on new sites.

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

The following table shows total investments made as at 31 August 2009, 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

Company name	Details		Investment	Additions/	Unrealised	Investment	Investment	Investment	Investment
			value as at	(disposals)	gains/(losses)	cost as at	value as at	value as at	value & commitments
			28 February	in the six	in the six	31 August	31 August	28 October	as at
			2009	months to	months to	2009	2009	2009	28 October
			£000	31 August	31 August	£000	£000	£000	2009
				2009	2009				£000
Craig Wind Farm Limited*	10 megawatt wind farm	Q	502	-	(13)	349	489	489	489
Firefly Energy Limited*	Renewable energy	Q	200	-	-	200	200	200	200
Achairn Energy Limited*	6 megawatt wind farm	Q	1,118	-	-	1,118	1,118	1,118	1,118
A7 Lochhead Limited*	6 megawatt wind farm	Q	333	-	-	333	333	333	333
Broadview Energy Limited*	Wind farm development	Q	1,000	-	-	1,000	1,000	1,000	1,000
Redimo LFG Limited*	10 megawatt landfill gas portfolio	Q	1,000	-	-	1,000	1,000	1,000	1,000
PBM Power Limited	Woodchip biomass plant	Q	287	-	-	287	287	287	287
Spurlens Rig Wind Limited	Wind farm development		75	12	-	87	87	87	87
Olgrinmore Limited*	Wind farm development		30	-	-	30	30	34	34
Redeven Energy Limited*	Wind farm development		90	102	-	192	192	192	192
Osspower Limited	Hydro-electric development		150	-	-	150	150	150	178
Small Hydro Company Limited	Hydro-electric development		58	150	-	208	208	208	250
RPS Dargan Road Limited	Landfill gas generator		950	-	-	950	950	950	950
Sandsfield Heat & Power Limited	Biomass generator		898	500	-	1,398	1,398	1,398	1,398
Twinwoods Heat & Power Limited	Biomass generator		1,000	-	-	1,000	1,000	1,000	1,000
Kettering East Energy Limited	Wind farm development		125	-	-	125	125	125	125
EcoGen Limited	Wind farm developer & consultancy		200	-	-	200	200	200	200
Wind Power Renewables Limited*	Wind farm development		-	148	-	148	148	148	150
Catfield Wind Power Limited*	Wind farm development		27	(27)	-	-	-	-	-
Potash Wind Farm Limited*	Wind farm development		33	(33)	-	-	-	-	-
Stalham Wind Power Limited*	Wind farm development		6	(6)	-	-	-	-	-
Meridian Wind Power Limited*	Wind farm development		18	(18)	-	-	-	-	-
Witton Wind Farm Limited*	Wind farm development		-	-	-	-	-	-	-
<b>Total</b>			<b>8,100</b>	<b>828</b>	<b>(13)</b>	<b>8,775</b>	<b>8,915</b>	<b>8,919</b>	<b>8,991</b>

Q – Investment complies with HM Revenue & Customs VCT regulations (qualifying investment).

Ventus 2 VCT plc has invested in each of the companies in which Ventus 3 VCT plc has invested.

\* – A company in which Ventus VCT plc has also invested.

Together with Ventus 3 VCT plc, Ventus 2 VCT plc and Ventus VCT plc are managed by Climate Change Capital Limited.

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### **Craig Wind Farm Limited**

The Company holds an investment valued at £489,000 in Craig Wind Farm Limited, a company that operates a ten megawatt wind farm in the Scottish Borders. The site became operational in October 2007.

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

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

Craig Wind Farm Limited has also become aware of the potential release of further grid capacity at its existing connection point. An application has been made to the network operator to secure this additional capacity, in conjunction with a planning application, which if successful would allow Craig Wind Farm Limited to increase the capacity at the site by the addition of a further two wind turbines. The Manager is working with the other shareholders to progress this potential extension to the generating capacity.

The Company owns 6.25% of the ordinary shares in Craig Wind Farm Limited and has also provided a £169,000 mezzanine loan facility. Mezzanine interest payments are being made in accordance with the loan agreement and the first dividend distribution is expected to take place in the second half of 2010.

There has been a small £13,000 downward revaluation of the holding in Craig Wind Farm Limited as a result of a reduction in the long term forward price assumption for the sale of the electricity and associated benefits.

### **Firefly Energy Limited**

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

Firefly Energy Limited has also entered into contracts with seven renewable energy companies to provide power purchase agreement administration services. There is a strong probability that further contracts of this nature will be secured, providing an ancillary income stream to the business alongside the income from the five main long term power purchase agreements.

The Company holds an investment of £200,000 in Firefly Energy Limited by way of a £100,000 subscription for 25% of the ordinary share capital and a shareholder loan which has capital outstanding of £100,000. The fair value of the investment is not considered to be materially different from the historic cost of investment.

### **Achairn Energy Limited**

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

Whilst the wind farm has only been operational for a short period of time, the early results are encouraging, with performance in line with

budget. The turbines in use at this site are the same as those being used at the A7 Greendykeside Limited site (in which Ventus VCT plc has invested) and therefore the Manager believes there is a reasonable expectation of similar high levels of operational availability.

The Company has invested £498,666 to acquire 20.2% of the ordinary share capital in Achairn Energy Limited and has provided £619,565 by way of a mezzanine loan facility.

As the wind farm has only recently started operating, the fair value of this investment is not considered to be materially different from the historic cost of investment.

### **A7 Lochhead Limited**

A7 Lochhead Limited is a company operating a six megawatt wind farm in Lanarkshire, Scotland. The site became operational on schedule in June 2009.

As with the Achairn Energy Limited site, although the wind farm has only been operational for a short period of time, the early results are encouraging with performance in line with budget. The turbines in use at this site are again the same as those being used at the A7 Greendykeside Limited site and therefore the Manager believes there is a reasonable expectation of similar high levels of operational availability.

The Company has invested £273,102 to acquire 10% of the ordinary share capital in A7 Lochhead Limited and has provided a further £60,000 by way of a mezzanine loan facility.

As the wind farm has only recently started operating, the fair value of this investment is not considered to be materially different from the historic cost of investment.

## **Broadview Energy Limited**

The Company holds an investment valued at £1.0 million in Broadview Energy Limited by way of a £100,000 subscription for ordinary share capital and a £900,000 shareholder loan. Broadview Energy Limited is an established wind farm development company and operator of small wind sites. The investment represents a holding of approximately 1.16% in the ordinary shares of Broadview Energy Limited.

Broadview Energy Limited is in the process of constructing a three turbine wind farm in Aberdeenshire which is expected to become operational by the end of 2009 and has recently secured planning consent for a further site in the north east of England which will also consist of three wind turbines.

Planning applications for three further sites are awaiting determination and several further developments are expected to be submitted during 2010.

Broadview Energy Limited has not declared or made any payment of dividends as the strategy of the business is currently to reinvest any trading revenues back into the development of further wind farm opportunities. Payments of interest on the shareholder loan are expected to commence in 2010 once the Aberdeenshire wind farm has become operational.

## **Redimo LFG Limited**

The Company has invested £1,000,000 for 25% of the ordinary share capital of Redimo LFG Limited. Redimo LFG Limited owns and operates a portfolio of generating stations which use landfill gas to produce electricity for export

onto the grid. Generating electricity from methane gas arising from landfill operations is one of the most established sources of renewable energy in the UK.

Over recent months Redimo LFG Limited has continued to invest substantially in the upgrading of the gas collection and generating equipment, in particular at the largest of the four sites within the portfolio. There have been a number of operational issues at this largest site, resulting in higher levels of downtime on some of the older engines than has been budgeted. The higher than expected operational downtime is primarily due to increased levels of pollutants within the methane gas which have a corrosive effect on engine parts leading to increased costs of servicing and unplanned maintenance work.

The Manager has been working closely with Redimo LFG Limited's technical consultants to address these issues and to identify suitable long term solutions which are in the course of being implemented. There was an increase in the installed generating capacity earlier in the year and a recent upgrade to the gas collection system. A consistent period of stable generation has yet to be achieved. For this reason, in line with the Company's investment valuation policy, the investment has not been revalued using a discounted cash flow methodology. However, there is no suggestion that the value of the investment has been impaired. The fair value of the investment is not considered to be materially different from historic cost.

Dividends are distributed by Redimo LFG Limited on an annual basis and the next dividend is expected to be paid in February 2010.

## **PBM Power Limited**

The Company has invested £287,000 for 12.5% of the ordinary shares in PBM Power Limited, a company operating a waste wood biomass electricity generating plant in Lincolnshire. The plant is fuelled by waste wood and therefore the scheme will benefit from enhanced support from the Renewable Obligation policy mechanism.

The plant became operational in April 2009, which was approximately five months later than scheduled as a result of delays in provision of the grid connection by the network operator. There have been some operational issues with the plant in the early months of full commercial production which are currently in the process of being rectified by the plant manufacturer under warranty. This has involved plant shutdown to allow the remedial works to take place. The technical issues that have arisen are expected to be resolved by these works.

Together with the delayed start, the remedial works shutdowns have led to significantly lower than expected generation volumes compared to the original year one operating budget.

As a result of the lower than expected revenue in the first contractual year, PBM Power Limited is currently in negotiation with its lending bank regarding the extension of its long term loan facilities. This is expected to result in the deferment of the payment of the first dividends to shareholders until the end of 2010.

In view of the need for the generating plant to demonstrate a consistent period of stable operation, the investment has not been revalued using a discounted cash flow methodology. However, based on technical advice that the remedial works referred to above have had the

desired effect, the Company also does not consider the investment to be impaired. The fair value of this investment is not considered to be materially different to the historic cost of investment.

#### **Spurlens Rig Wind Limited**

The Company has invested £87,000 in Spurlens Rig Wind Limited to acquire 30% of the ordinary share capital. Spurlens Rig Wind Limited holds the rights to a wind farm being developed in the Borders region of Scotland.

Permission is being sought to install six wind turbines and a planning application is expected to be submitted in November 2009. The original wind farm proposal envisaged a site comprised of five turbines, however the development consultants engaged by Spurlens Rig Wind Limited identified the potential to increase the scope of the scheme in consultation with the local planning authorities.

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

#### **Olgrinmore Limited**

An investment of £34,200 has been made for 8.8% of the ordinary share capital of Olgrinmore Limited, a company developing a two turbine wind farm in Caithness, Scotland. A planning application was submitted in January 2009 and is expected to be determined by the end of 2009.

The Company originally invested £24,000 for a 7.5% stake in Olgrinmore Limited and has since subscribed for shares in two subsequent capital raising rounds to fund the increased cost of the planning application. The increased costs have arisen as additional reports have been commissioned to address specific planning issues raised by statutory consultees. The reports have now been delivered to the local planning authority and a determination is awaited.

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 investment of £192,000 has been made in Redeven Energy Limited, by way of a loan, to fund the development of three wind farm sites in East Anglia. Through a nominal share capital investment, the Company has a 30% shareholding in this wind farm development company which has entered into a joint venture agreement with the landlord at the three sites.

Planning applications for the first two sites were submitted in May 2009 and the third application is expected to be submitted before the end of 2009. The combined capacity of these sites, if consented, would be in excess of 16 megawatts.

The Company has again secured the rights to provide the finance required to build the wind farms should planning permissions be obtained.

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

##### **Catfield Wind Power Limited, Potash Wind Farm Limited, Stalham Wind Power Limited, Meridian Wind Power Limited and Witton Wind Farm Limited**

As at the date of the last report, the Company had invested a total of £90,000 for 15% of the ordinary share capital of the following companies: Catfield Wind Power Limited (£27,000), Potash Wind Farm Limited (£33,000), Stalham Wind Power Limited (£6,000), Meridian Wind Power Limited (£18,000) and Witton Wind Farm Limited (£6,000).

These five wind farm developments are being undertaken under a framework agreement with Wind Power Renewables Limited, an East Anglian based wind farm developer specialising in small to medium sized sites.

The Company has renegotiated the terms of its investment and has been allotted a 15% stake in Wind Power Renewables Limited. The consideration for the ordinary shares in Wind Power Renewables Limited was the transfer to Wind Power Renewables Limited of the Company's 15% holding in each of the five wind farm development companies at the original subscription price. The Company has also provided Wind Power Renewables Limited with a shareholder loan facility of £60,000, of which £57,600 has been drawn.

#### **Osspower Limited**

Osspower Limited is a company developing a group of four small scale hydro-electric generating assets in Scotland. The Company has invested £150,000 for 25% of the ordinary shares of Osspower Limited. The Company has

also negotiated the rights to arrange the finance to build the hydro-electric schemes as planning permissions are obtained.

The planning applications for the four sites were submitted to the Scottish Government Consents Unit in July 2009 and determination is expected during the first half of 2010.

The Company has also committed to provide additional funding to Osspower Limited by way of a shareholder loan facility up to a maximum amount of £27,500. This facility can be drawn by Osspower Limited to meet additional costs in relation to the planning applications as required.

### **The Small Hydro Company Limited**

The Company has invested £57,500 for 12.5% of the ordinary share capital of The Small Hydro Company Limited, a company developing a number of small scale hydro-electric generating assets in England. The Company has also committed a shareholder loan facility of up to £192,000 which can be drawn to meet the cost of making planning applications. £150,000 of this facility has been drawn as at the date of this report.

The Small Hydro Company Limited submitted planning applications for its first five sites in July 2009 and is currently working with the relevant authorities to manage the applications through the planning process.

### **Renewable Power Systems (Dargan Road) Limited**

Renewable Power Systems (Dargan Road) Limited is a company operating a landfill gas generating scheme on Belfast City Council's North Foreshore waste management site.

The project manager and developer is Renewable Power Systems Limited, an experienced UK landfill gas generation specialist. Renewable Power Systems Limited own 50% of Renewable Power Systems (Dargan Road) Limited and provide long term operational support services.

Construction on the site began in 2008 and the plant became operational on schedule and to budget in August 2009.

The Company has invested £390,000 to acquire 25% of the ordinary share capital in RPS Dargan Road Limited and has provided a further £560,000 by way of a mezzanine loan facility.

The first mezzanine loan interest payment is expected to be paid by the end of 2009.

As the generating plant has only recently started operating, the valuation of this investment is not considered to be materially different from the historic cost of investment.

### **Sandsfield Heat & Power Limited**

Sandsfield Heat & Power Limited is a company developing a biomass generating scheme in North Yorkshire. The scheme will use waste wood as a fuel to generate electricity, via a conventional steam turbine, for export to the grid.

The project manager and developer is Bioflame Limited, a company specialising in energy from waste systems. Bioflame Limited own 30% of Sandsfield Heat & Power Limited Limited.

The Company has invested £898,000 to acquire 22.5% of the ordinary share capital in Sandsfield Heat & Power Limited. In June 2009 the Company provided a further £500,000 by way of a mezzanine loan facility.

Construction on the site commenced early in 2009 and the plant is expected to be operational in the first half of 2010.

### **Twinwoods Heat & Power Limited**

Twinwoods Heat & Power Limited is a company developing a waste wood biomass generating scheme in Bedfordshire. The plant design is identical to the Sandsfield Heat & Power Limited development and is again being developed in partnership with Bioflame Limited who own 30% of Twinwoods Heat & Power Limited.

The Company has invested £1,000,000 to acquire 25% of the ordinary share capital in Twinwoods Heat & Power Limited.

Construction on the site commenced early in 2009 and the plant is expected to be operational in the first half of 2010.

### **Kettering East Energy Limited**

The Company has made an investment of £125,000 by way of a loan facility to Kettering East Energy Limited, a company developing a seven turbine wind farm project in Northamptonshire with full planning consent.

The Investment Manager has been working closely with the wind farm owner to secure a grid connection offer and to assess the optimum choice of wind turbines for the site. This has been a longer process than originally expected due to unforeseen complications with the network operator which has delayed the issue of a formal grid connection offer. This is now close to being resolved and the Investment Manager together with the wind farm owner expect to agree the way forward in the near future.

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### **EcoGen Limited**

The Company has invested £200,000 to acquire 6% of the ordinary share capital of EcoGen Limited, an experienced wind farm owner and operator and development consultancy.

EcoGen is actively managing the development of a series of new wind farm sites in the UK and has recently submitted a planning application for a five turbine wind farm project in Cambridgeshire.

### **Investment Policy**

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

### **Asset Allocation**

The Investment Manager seeks to maximise, so far as is practicable, the Company's investment in equity securities and loan stock of companies owning renewable energy projects with full planning consent, ready for construction of the project to commence or whose assets are already operational. Up to 10% of net proceeds raised 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 for the purpose of meeting operating expenses

and purchasing its shares in the market. Circumstances may arise which will require the Company to hold less than 5% of net proceeds in cash for a limited period of time.

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

The Company typically owns 12.5% to 25% 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 historic practice of grandfathering financial support mechanisms for existing assets. This risk is further mitigated by the Company typically negotiating fixed and/or floor price mechanisms into the power purchase agreements entered into by project companies for the sale of their generated output.

### **Gearing**

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

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## Maximum Exposures

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

### i) Investments in qualifying holdings

70-95% of the funds will be invested in qualifying holdings no later than three years after the date that provisional approval by HM Revenue & Customs of the Company's status as a VCT becomes effective. The relevant compliance date for the Company was 1 March 2009.

Should the holdings inadvertently fall below this level after the relevant dates then this will be remedied within six months as permitted by the VCT regulations of HM Revenue & Customs.

### ii) Concentration limits

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

### iii) Investments in pre-planning projects

A maximum of 10% of the net funds raised may be invested in pre-planning projects.

## UK Market Outlook

The development of renewable energy generating capacity continues to occupy a prominent position on the UK Government's agenda, notwithstanding the fragile nature of the wider economy.

Debt markets have started to show early signs of easing over recent months and in an effort to stimulate increased lending to renewable

projects, several initiatives are being promoted by HM Treasury and the Department of Energy and Climate Change ("DECC"). Most notably, a £4 billion liquidity capital facility is being provided by the European Investment Bank through a panel of domestic banks, which is intended to improve the access to capital for UK renewable energy projects, including specifically smaller scale onshore projects. The exact details of the scheme have yet to emerge, however it is expected to improve access to finance in what remains a very tight market with limited competition on key terms and conditions.

Bank lending remains available for well structured schemes with sponsors who are prepared to inject an appropriate amount of equity and can demonstrate that they have access to a pipeline of further lending opportunities.

The effect of the credit crunch on large projects is having an adverse impact on equipment manufacturers which is feeding through to the market in the form of shortened delivery times and some downward pressure on prices as suppliers find themselves sitting on surplus stock. Unfortunately these positive developments for purchasers of generating plant is only acting as a mitigation for the continued deterioration of Sterling against the Euro given that the majority of the suppliers to the UK renewable energy market are based in the Eurozone.

Wholesale energy prices have fallen in recent months, both on spot and on medium to long term forecasts, as uncertainty prevails on the rate at which global industrial production will stabilise and then start to increase as major economies start to emerge from recession. Medium to long term fixed prices continue to hold value, primarily driven by the legal

obligations on supply companies to buy an escalating percentage of their overall supply from accredited renewable energy generating sources.

**Climate Change Capital Limited**  
Investment Manager

28 October 2009

# DIRECTORS & ADVISERS

## **Directors**

D Pinckney (Chairman)  
A Moore  
P Thomas  
C Wood

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## **Company Secretary**

The City Partnership (UK) Limited  
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## **Auditor**

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## **Banker**

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EC4N 4TR

## **Investment Manager**

Climate Change Capital Limited  
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## **Registrar & Registered Office**

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## **Broker**

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## **Taxation Adviser**

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## **Solicitor**

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# STATEMENT OF COMPREHENSIVE INCOME

for the six month period ended 31 August 2009 (unaudited)

	Note	Revenue £000	Ordinary Shares Capital £000	Ordinary Shares Total £000	Revenue £000	Capital £000	"C" Shares Total £000	Revenue £000	Capital £000	Total £000
Net (losses)/gains on investments		-	(13)	(13)	-	148	148	-	153	153
Income	2	178	-	178	236	-	236	615	-	615
Investment management fees	3	(33)	(99)	(132)	(39)	(116)	(155)	(57)	(171)	(228)
Other expenses		(60)	-	(60)	(63)	-	(63)	(129)	-	(129)
<b>Profit/(loss) before taxation</b>		85	(112)	(27)	134	32	166	429	(18)	411
Tax	4	(18)	21	3	(27)	23	(4)	(53)	36	(17)
<b>Profit/(loss) for the period attributable to equity shareholders</b>		67	(91)	(24)	107	55	162	376	18	394
<b>Return per share:</b>										
Basic and diluted return per share (p)	5	<b>0.60</b>	<b>(0.81)</b>	<b>(0.21)</b>	<b>0.96</b>	<b>0.49</b>	<b>1.45</b>	<b>3.36</b>	<b>0.16</b>	<b>3.52</b>

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 in the UK.

The total column of this statement represents the Company's statement of comprehensive income, prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union. The revenue and capital columns shown above constitute supplementary information prepared under guidance published by the Association of Investment Companies.

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

**BALANCE SHEET**  
as at 31 August 2009 (unaudited)

	Note	31 August 2009 (unaudited) £000	31 August 2008 (unaudited) £000	28 February 2009 (audited) £000
<b>Non-current assets</b>				
Investments	6	8,915	2,751	8,100
Trade and other receivables		159	36	139
		9,074	2,787	8,239
<b>Current assets</b>				
Trade and other receivables		179	45	100
Cash and cash equivalents	7	1,147	7,725	2,258
		1,326	7,770	2,358
<b>Total assets</b>		10,400	10,557	10,597
<b>Current liabilities</b>				
Trade and other payables		(39)	(68)	(44)
<b>Net current assets</b>		1,287	7,702	2,314
<b>Net assets</b>		10,361	10,489	10,553
<b>Equity attributable to equity holders</b>				
Ordinary share capital		2,793	2,793	2,793
Special reserve		7,803	7,803	7,803
Capital reserve – realised		(572)	(452)	(494)
Capital reserve – unrealised		140	148	153
Revenue reserve		197	197	298
<b>Total equity</b>		10,361	10,489	10,553
<b>Basic and diluted net asset value per share (p)</b>	8	<b>92.7</b>	<b>93.9</b>	<b>94.5</b>

# CASH FLOW STATEMENT

for the six month period ended 31 August 2009 (unaudited)

	Six months ended 31 August 2009 (unaudited) £000	Six months ended 31 August 2008 (unaudited) £000	Year ended 28 February 2009 (audited) £000
<b>Cash flows from operating activities</b>			
Investment income received	14	-	175
Deposit interest received	17	211	323
Investment management fees paid	(66)	(155)	(250)
Other cash payments	(80)	(62)	(180)
<b>Net cash (used in)/from operating activities before taxes</b>	(115)	(6)	68
Taxes paid	-	-	(29)
<b>Net cash (used in)/from operating activities</b>	(115)	(6)	39
<b>Cash flows from investing activities</b>			
Purchases of investments	(828)	(1,290)	(6,634)
<b>Net cash used in investing activities</b>	(828)	(1,290)	(6,634)
<b>Cash flows from financing activities</b>			
Dividends paid	(168)	(156)	(324)
<b>Net cash used in financing activities</b>	(168)	(156)	(324)
<b>Net decrease in cash and cash equivalents</b>	(1,111)	(1,452)	(6,919)
<b>Cash and cash equivalents at the beginning of the period</b>	2,258	9,177	9,177
<b>Cash and cash equivalents at the end of the period</b>	1,147	7,725	2,258

# STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>For the six month period ended 31 August 2009 (unaudited)</b>						
<b>At 1 March 2009</b>	2,793	7,803	(494)	153	298	10,553
(Loss)/profit for the period	-	-	(78)	(13)	67	(24)
Total recognised income and expense	-	-	(78)	(13)	67	(24)
Dividends paid in the period	-	-	-	-	(168)	(168)
<b>At 31 August 2009</b>	2,793	7,803	(572)	140	197	10,361

	Ordinary share capital £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>For the six month period ended 31 August 2008 (unaudited)</b>						
<b>At 1 March 2008</b>	2,793	7,803	(359)	-	246	10,483
(Loss)/profit for the period	-	-	(93)	148	107	162
Total recognised income and expense	-	-	(93)	148	107	162
Dividends paid in the period	-	-	-	-	(156)	(156)
<b>At 31 August 2008</b>	2,793	7,803	(452)	148	197	10,489

	Ordinary share capital £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>For the year ended 28 February 2009 (audited)</b>						
<b>At 1 March 2008</b>	2,793	7,803	(359)	-	246	10,483
(Loss)/profit for the year	-	-	(135)	153	376	394
Total recognised income and expense	-	-	(135)	153	376	394
Dividends paid in the year	-	-	-	-	(324)	(324)
<b>At 28 February 2009</b>	2,793	7,803	(494)	153	298	10,553

The statements of changes in equity for the six month periods ended 31 August 2009 and 31 August 2008 are unaudited. The statement of changes in equity for the year ended 28 February 2009 is audited. All amounts are attributable to equity holders. 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the six month period ended 31 August 2009 (unaudited)

## 1. Accounting convention and policies

### Accounting convention

The half-yearly 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 ("IAS") 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 and with those parts of the Companies Act 2006 applicable to companies under IFRS. The half-yearly financial statements have been prepared under IAS 34 *Interim Financial Reporting*.

The accounting policies used in the preparation of the half-yearly financial statements are consistent with those adopted in the financial statements for the year ended 28 February 2009 and those that will be adopted in the financial statements for the year ending 28 February 2010.

The half-yearly financial statements have been presented using the presentational guidance set out in the Statement of Recommended Practice ("SORP") "Financial Statements of Investment Companies and Venture Capital Trusts" (issued in January 2009), to the extent that the guidance is consistent with IFRS.

The financial information contained in this half-yearly report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial statements for the year ended 28 February 2009 have been filed with the Registrar of Companies. The auditor's report on these accounts was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

### Presentation of the statement of comprehensive income

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

Tax is applied on a current basis and allocated between revenue return and capital return on the "marginal basis" as recommended in the SORP.

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.

The specific nature of Venture Capital Trusts means that it is unlikely that deferred tax will arise, therefore the Directors do not consider it necessary that a provision should be made for deferred tax.

### Financial instruments

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

#### *Trade and other receivables*

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

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Company with maturities of less than three months.

#### *Financial liabilities and equity*

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

#### *Trade and other payables*

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

#### *Equity instruments*

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

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

The preparation of the financial statements requires the application of assumptions and estimates which may affect the results reported in the financial statements. Estimates, by their nature, are based on judgement and available information. The assumptions and estimates made in respect of investment values are outlined below.

### **Investments**

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

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

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

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

### **Dividends payable**

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

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 2. Income

	Six months ended 31 August 2009 (unaudited) £000	Six months ended 31 August 2008 (unaudited) £000	Year ended 28 February 2009 (audited) £000
<b>Income from investments</b>			
Mezzanine loan stock interest income	174	30	114
Dividend income	-	-	175
	174	30	289
<b>Other income</b>			
UK treasury bill income	3	197	301
Bank deposit interest	1	9	25
	178	236	615

## 3. Investment management fees

The Company pays the Investment Manager an annual management fee equal to 2.5% of the Company's net assets. The fee is exclusive of VAT and is payable quarterly in advance. The annual management fee is allocated 75% to capital and 25% to revenue.

The Company retains Climate Change Capital Limited as its Investment Manager, a subsidiary of Climate Change Holdings Limited, of which the ultimate holding company is Climate Change Capital Group Limited. The amount payable to the Investment Manager for the six months ended 31 August 2009, was £131,629 (six months ended 31 August 2008: £154,625; twelve months ended 28 February 2009: £228,132).

## 4. Tax

The half-yearly tax credit of £3,004 is based on an effective tax rate of 21% assuming that the loss for the period is carried back to offset against the profit for the previous 12 months (six months ended 31 August 2008: tax charge £3,500; year ended 28 February 2009: tax charge £17,243).

## 5. Return per share

The basic and diluted loss per share of 0.21 pence (six months ended 31 August 2008: profit of 1.45 pence; twelve months ended 28 February 2009: profit of 3.52 pence) is based on the loss for the period of £24,115 (six months ended 31 August 2008: profit of £162,308; twelve months ended 28 February 2009: profit of 393,357) and the number of shares in issue during the period of 11,172,954 (six months ended 31 August 2008: 11,172,954; twelve months ended 28 February 2009: 11,172,954). There were no differences between basic and diluted return per share because no dilutive instruments had been issued or granted.

## 6. Investments

Total investments held at fair value through profit or loss were valued at £8,914,597 at 31 August 2009 (31 August 2008: £2,750,954; 28 February 2009: £8,099,811). The movements in investment values are presented in the table below:

	Six months ended 31 August 2009 (unaudited)			Six months ended 31 August 2008 (unaudited)			Year ended 28 February 2009 (audited)		
	Shares £000	Mezzanine loan stock £000	Total £000	Shares £000	Mezzanine loan stock £000	Total £000	Shares £000	Mezzanine loan stock £000	Total £000
<b>Opening position</b>									
Opening cost	5,323	2,624	7,947	1,014	299	1,313	1,014	299	1,313
Opening unrealised gains	153	-	153	-	-	-	-	-	-
Opening fair value	5,476	2,624	8,100	1,014	299	1,313	1,014	299	1,313
<b>During the period/year</b>									
Purchases at cost	18	810	828	847	443	1,290	4,309	2,325	6,634
Unrealised (losses)/gains	(13)	-	(13)	148	-	148	153	-	153
Closing fair value	5,481	3,434	8,915	2,009	742	2,751	5,476	2,624	8,100
<b>Closing position</b>									
Closing cost	5,341	3,434	8,775	1,861	742	2,603	5,323	2,624	7,947
Closing unrealised gains	140	-	140	148	-	148	153	-	153
Closing fair value	5,481	3,434	8,915	2,009	742	2,751	5,476	2,624	8,100

## 7. Cash and cash equivalents

The total cash and cash equivalents held were £1,147,370 (31 August 2008: £7,725,268; 28 February 2009: £2,258,220). In the six month period to 31 August 2008 revenue earned from amounts on deposit and UK treasury bills was £3,934 (six months ended 31 August 2008: £206,940; year ended 28 February 2009: £325,878). The reduction in cash and cash equivalents held is due to the purchase of investments requiring cash funding. The interest income earned from deposits has reduced accordingly.

## 8. Net asset value per share

The net asset value per share of 92.7 pence at 31 August 2009 (31 August 2008: 93.9 pence; 28 February 2009: 94.5 pence) is based on net assets of £10,361,285 (31 August 2008: £10,489,539; 28 February 2009: £10,552,995) and the number of shares in issue as at 31 August 2009 of 11,172,954 (31 August 2008: 11,172,954; 28 February 2009: 11,172,954).

## 9. Dividends

An interim dividend of 1.50 pence per share has been declared for the half-year ended 31 August 2009 which will be paid on 13 January 2010 to all shareholders on the register as at close of business on 11 December 2009. A final dividend for the year ended 28 February 2009 of 1.50 pence per share was paid on 14 July 2009.

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 10. Related parties

The investee companies in which the Company has a shareholding of 20% or more are considered to be related parties. The significant changes to the balances and transactions with these companies are presented in the Investment Manager's report. The aggregate balances at the balance sheet date and transactions with these companies during the six months to 31 August 2009 are summarised below:

### Balances

	31 August 2009 £000 (unaudited)	31 August 2008 £000 (unaudited)	28 February 2009 £000 (audited)
Investments - shares	4,124	1,284	4,112
Investments - mezzanine loan stock	1,971	573	1,369
Accrued interest income	184	16	82

### Transactions

	Six months ended 31 August 2009 £000 (unaudited)	Six months ended 31 August 2008 £000 (unaudited)	Year ended 28 February 2009 £000 (audited)
Mezzanine loan stock interest income	102	16	82
Dividend income	-	-	175

## 11. Report distribution

This half-yearly financial report will be sent to those shareholders who have requested to continue to receive copies. The report will also be available on the Company's website [ventusvct.com](http://ventusvct.com) (under *The Ventus Funds* section) and at the Company's registered address c/o Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.



Achairn Energy Limited,  
Caithness, Scotland.  
(Photograph: James Innes, 2009)



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

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