Ventus 3 VCT plc

Annual Report & Financial Statements

for the year ended 28 February 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: Achairn Energy Limited, Caithness, Scotland – operational May 2009 (Photograph: Helen Tregurtha, 2009)

I am pleased to present the Annual Report and Financial Statements of Ventus 3 VCT plc (the "Company") for the year ended 28 February 2009.

Net Asset Value, Results and Dividends

At the year end, the net asset value of the Company stood at £10,552,995 or 94.5p per share. Revenue profit attributable to shareholders for the year was £375,516 or 3.36p per share. The capital gain attributable to shareholders for the year was £17,841 or 0.16p per share, resulting in a total return to shareholders for the year of £393,357 or 3.52p per share.

The value of investments held at 28 February 2009 was £8,099,811 compared to £1,312,822 at 29 February 2008. The Investment Manager's Report gives details of investments made during the year, together with information about the valuation of all investee company holdings within the portfolio.

The revenue income generated during the year was interest earned on mezzanine loan stock, cash deposits and UK treasury bills and dividend income. Total revenue income for the year to 28 February 2009 was £614,699 compared to £577,986 for the year to 29 February 2008. The increase in revenue income was attributable to an increase in dividend income and interest income from mezzanine loans. There was a decrease in interest earned from UK treasury bills, as cash was deployed to acquire share capital in and to make mezzanine loans to investee companies.

The Company paid an interim dividend of 1.50p per share on 14 January 2009 and proposes to declare a dividend for the second half-year of 1.50p per share, resulting in a total annual dividend of 3.00p per share. The dividend will be paid on 14 July 2009 to all shareholders on the register as at the close of business on 12 June 2009.

Investments

The Company's Investment Manager, Climate Change Capital Limited, continues to be actively engaged in managing the existing investee company portfolio and in identifying and negotiating potential investment opportunities to invest the remaining capital from the initial offer. The investments made and dividends paid constitute the important events of the year.

As at the date of this report, the Company holds investments in 22 companies totalling £8.2 million which will be held as long term investments. The Company has operated throughout the period in compliance with HM Revenue & Customs VCT regulations.

The Investment Manager's Report provides details of the investments held as at 28 February 2009 and as at the date of this report. All investments are structured so as to be treated as qualifying holdings for the purposes of VCT regulations unless otherwise stated.

VCT Qualifying Status

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

Future Communications

In accordance with the Company's commitment to environmental sustainability and to minimise costs wherever appropriate, the Directors have decided that this will be the last set of financial statements that will be posted to all shareholders. The financial statements will continue to be made available through regulated news service providers and on the Company website at www.ventusvct.com. However any shareholder who wishes to elect to continue receiving financial statements by post can do so by completing and returning the confirmation notice enclosed with this report.

Outlook

The Company has substantially invested the initial capital raised and dividend payments to shareholders are stepping up progressively towards the long term dividend objective, which is to pay an average annual dividend of 8p per ordinary share. The Directors consider that the Company holds a well diversified portfolio of investments that are expected to yield the long term stable income streams to support the dividend objective, once all of the portfolio companies' assets are fully operational.

The Company's share price has performed well against a backdrop of volatile market conditions and there is evidence of strong demand for the Company's shares in the secondary market. The strong share price performance was recognised by the Thomson Reuters fund data company Lipper who ranked the Company in its top ten performing investment funds for the 2008 calendar year in its Lipper Global UK Equity Small and Midcap index.

The UK renewable energy market continues to see strong growth and the Directors believe that the Company occupies a very attractive niche supporting small to medium sized companies in time of great financial uncertainty. Going forward the Company is well positioned to focus on optimising the performance of the existing investments.

David Pinckney

Chairman

27 May 2009

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

Summary of Investments

As at the date of this report, the Company holds investments in 22 companies with a total investment value of £8.2 million.

£7.5 million of the Company's investments have been structured so as to be classified as qualifying holdings for the purposes of the VCT regulations of HM Revenue & Customs. The Company is in compliance with the requirement to hold no less than 70% by value of its total investments in qualifying holdings by the end of its third financial year.

It is the accounting policy of the Company to hold investments at fair value. In this report, investee companies whose assets have been fully constructed and have passed an initial satisfactory operational period have been valued using a discounted cash flow methodology to establish their fair value. The fair values of the other investee companies are not considered to be materially different from the historical cost of investment.

The majority of the Company's investments are still at the construction stage and therefore the amount of operational performance data is limited. Where the assets are already operational, performance is in line with original expectations unless stated otherwise.

Based on the structure and status of the investments that have been made to date, the Investment Manager is confident that the long term dividend objective of the Company, to pay an average annual dividend of 8p per ordinary share, is achievable once all of the portfolio companies' assets are fully operational.

The Investment Manager's primary focus over the last year has been on maximising the value of the existing investments in the portfolio, completing investments held under exclusivity and ensuring those assets that are under construction are completed on budget and to schedule.

The following table shows total investments made as at 28 February 2009 and total investments made as at the date of this report:

Investment Summary

Company name	Details		Investment value as at 29 February 2008 £000	Additions in the year to 28 February 2009 £000	Unrealised gains in the year to 28 February 2009 £000	Investment value as at 28 February 2009 £000	Investment value as at 27 May 2009 £000	Investment value & commitments as at 27 May 2009 £000
Craig Wind Farm Limited	10 megawatt wind farm	Q	349	-	153	502	502	502
Firefly Energy Limited	Renewable energy	Q	200	-	-	200	200	200
Achairn Energy Limited	6 megawatt wind farm	Q	120	998	-	1,118	1,118	1,118
A7 Lochhead Limited	6 megawatt wind farm	Q	-	333	-	333	333	333
Broadview Energy Limited	Wind farm development	Q	-	1,000	-	1,000	1,000	1,000
Redimo LFG Limited	10 megawatt Landfill gas portfolio	Q	500	500	-	1,000	1,000	1,000
PBM Power Limited	Biomass generator	Q	-	287	-	287	287	287
Spurlens Rig Wind Limited	Wind farm development		30	45	-	75	75	75
Olgrinmore Limited	Wind farm development		24	6	-	30	30	30
Redeven Energy Limited	Wind farm development		30	60	-	90	156	156
Catfield Wind Power Limited	Wind farm development		27	-	-	27	27	27
Potash Wind Farm Limited	Wind farm development		33	-	-	33	33	33
Stalham Wind Power Limited	Wind farm development		-	6	-	6	6	6
Meridian Wind Power Limited	Wind farm development		-	18	-	18	18	18
Witton Wind Farm Limited	Wind farm development		-	-	-	-	6	6
Osspower Limited	Hydro-electric development		-	150	-	150	150	150
Small Hydro Company Limited	Hydro-electric development		-	58	-	58	108	250
RPS Dargan Road Limited	Land fill gas generator	Q	-	950	-	950	950	950
Sandsfield Heat & Power Limited	Biomass generator	Q	-	898	-	898	898	898
Twinwoods Heat & Power Limited	Biomass generator	Q	-	1,000	-	1,000	1,000	1,000
Kettering East Energy Limited	Wind farm development	Q	-	125	-	125	125	250
EcoGen Limited	Wind farm developer & consultancy	Q	-	200	-	200	200	200
Total			**1,313**	**6,634**	**153**	**8,100**	**8,222**	**8,489**

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

Total investment value and commitments in 22 companies

£8.5m

Total investment value of qualifying holdings

£7.5m

Craig Wind Farm Limited

The Company holds an investment valued at £501,977 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 the wind turbine generators. Craig Wind Farm Limited was able to claim against the availability warranty from the turbine manufacturer for a substantial part of the lost revenue. The main causes for the technical failures appear to have been addressed by the turbine manufacturer and in the early months of the second operational year there has been an improvement in the technical availability at the site. The Manager is keeping the situation under close review in conjunction with the other shareholders and Craig Wind Farm Limited's technical consultants.

The Company owns 6.25% of the ordinary shares in Craig Wind Farm Limited and has also provided a £169,000 mezzanine loan facility.

The first mezzanine loan interest payment was made in May 2009 in the sum of £13,732. The first dividend distributions are expected in the second half of 2010.

Firefly Energy Limited

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 £100,000 shareholder loan.

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 final six megawatts of capacity became operational in May 2009 and therefore all five wind farm sites are now generating revenues for the company.

Firefly Energy Limited has also entered into contracts with three other renewable energy operating companies to provide power purchase agreement administration services. It is expected 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.

Achairn Energy Limited

Achairn Energy Limited is a company operating a six megawatt wind farm in Caithness, Scotland.

Construction works at the site began in August 2008 and the wind farm became operational on schedule in May 2009.

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

As the wind farm assets have only just started operating, the valuation of this investment is not considered to be materially different from the historic cost.

A7 Lochhead Limited

A7 Lochhead Limited is a company developing a six megawatt wind farm in Lanarkshire, Scotland.

Construction on the site began in October 2008 and the wind farm is expected to be operational on schedule in June 2009.

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 assets have not yet started operating, the valuation of this investment is not considered to be materially different from the historic cost.

Broadview Energy Limited

The Company holds an investment of £1,000,000 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 share investment represents a holding of approximately 1.16% in the ordinary shares of Broadview Energy Limited.

Broadview Energy Limited holds planning consent for one wind farm, a three turbine scheme in Scotland, and is in the process of awarding contracts to construct the project. The shareholder loan facility has been provided to finance the construction costs of this scheme.

Planning applications for three further sites have been submitted with decisions expected later in 2009.

Broadview Energy Limited is also working on a range of other wind farm developments and planning applications for further sites are expected to be submitted during 2009.

Redimo LFG Limited

The Company has invested a total of £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 created by landfill operations is one of the most established sources of renewable energy in the UK.

As at the date of the last Half-yearly Report, the Company had invested £500,000 and committed to invest a further £250,000 before the end of 2008 under the terms of the investment structure. This committed investment was made in December 2008 and in February 2009 the Company agreed to invest a further £250,000 for shares to meet the costs of installing additional generating capacity at the largest site in the portfolio. The Company continues to own 25% of the issued ordinary share capital as other shareholders have made investments pro-rata.

The total operational capacity of the portfolio is now ten megawatts. Each of the sites in the portfolio is fully operational. Given the recent expansion in capacity and the need for the largest site in the portfolio to demonstrate a suitable period of generation at the new increased installed capacity, the Company has determined that the fair value of the investment is not materially different to historic cost.

The Company received a dividend of £175,000 from Redimo LFG Limited in February 2009.

PBM Power Limited

The Company has invested £287,000 for 12.5% of the ordinary shares in PBM Power Limited, a company developing a woodchip 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 initial investment of £250,000 was made in April 2008 and a further top up investment of £37,000 to finance technical upgrades to the plant was made in November 2008.

The plant became operational in April 2009, which was approximately five months later than planned as a result of delays in provision of the grid connection by the network operator.

This investment represented the first step by the Company into the emerging waste wood biomass sector. This renewable energy technology is rapidly becoming established as the UK Government seeks to encourage other non-wind forms of energy generation.

Spurlens Rig Wind Limited

The Company has invested £75,000 in Spurlens Rig Wind Limited for 30% of the ordinary share capital. Spurlens Rig Wind Limited has acquired the rights to a wind farm being developed in Scotland and is currently preparing a planning application for the site. Permission is being sought to install five wind turbines and an application is now expected to be submitted in summer 2009.

The planning application was anticipated to have been submitted by the end of 2008 but has been deferred to allow additional time for pre-consultation with statutory authorities and adjoining landowners.

Once the application has been submitted, a planning 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 £30,000 has been made for 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 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.

The Company originally invested £24,000 in Olgrinmore Limited in October 2007 and has invested a further £6,000 in February 2009 in order to contribute to increased planning application costs.

Redeven Energy Limited

An investment of £156,000 has been made in Redeven Energy Limited to fund the development of three wind farm sites in East Anglia. 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 lodged before the end of summer 2009. 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 should planning permissions be obtained.

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

The Company has invested a total of £90,000 in the ordinary share capital of the following investee 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). In each case, the Company holds 15% of the ordinary shares.

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

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 should planning permissions be obtained.

Osspower Limited

Osspower Limited is a company developing a series of 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 negotiated the rights to arrange the finance to build the hydro-electric schemes as planning permissions are obtained. The first planning application was submitted in August 2008 and the applications for the other elements of the overall scheme are expected to be submitted early summer 2009.

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. The Company has also provided a committed shareholder loan facility of up to £192,000 which will be drawn to meet the cost of making planning applications. The first drawing of this facility in the sum of £50,000 was made in March 2009.

RPS Dargan Road Limited

RPS Dargan Road Limited is a company developing a landfill gas generating scheme on land owned by Belfast City Council.

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

Construction on the site began in 2008 and the plant is expected to be operational in July 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.

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 plant design and investment structure is based on the Company's earlier investment alongside Bioflame Limited in PBM Power Limited.

The Company has invested £898,000 to acquire 22.5% of the ordinary share capital in Sandsfield 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.

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.

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 quarter of 2010.

Kettering East Energy Limited

The Company has made an initial 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. The wind farm holds full planning consent and the Company has entered in to an exclusivity agreement for a further investment in a combination of ordinary shares and mezzanine loan facilities.

The Company is currently working with the developer to finalise the procurement of the wind turbines for the project and the other contracts necessary to commence construction. Upon satisfactory conclusion of this process the Company anticipates that it will be in a position to complete the full planned investment which will be structured as a qualifying holding.

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.

The investment was completed in February 2009.

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

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

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

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

Risk Diversification

The geographical focus of the portfolio is centred on the UK market due to VCT requirements. This risk 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 the projects are not exposed to changes in market interest rates.

Maximum Exposures

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

i) **Investments in qualifying holdings**

70-95% of funds will be invested in qualifying holdings no later than three years after the date that provisional approval by HM Revenue & Customs of the Company's status as a VCT becomes effective. The relevant compliance date for the initial share offer was 1 March 2009. Should the holdings inadvertently fall below this level after the relevant date 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 from the initial share offer may be invested in pre-planning projects.

UK Market Outlook

The UK renewable energy market continues to see strong growth in spite of the turmoil in the wider economy and, in particular, the banking sector. According to the British Wind Energy Association over 700 megawatts of new onshore wind capacity became operational in 2008 taking the total installed capacity in the UK to over 2,700 megawatts. Over 3,000 megawatts of onshore wind capacity holds planning consent but is not yet built and a further 6,000 megawatts of further wind capacity is in the planning system. Since the beginning of 2009 over 500 megawatts of capacity has been submitted into the planning system.

The UK renewable industry is not immune to the effects of the credit crisis and there has been much coverage in recent months of larger energy companies and investment funds postponing or reassessing the viability of their renewable energy projects. Whilst such news portrays a less than positive image of the attractiveness of the industry, the main driver for these companies is the significant problems associated with raising capital on the scale required to deliver larger schemes and the expectation amongst most developers that funding conditions will improve as the capital markets stabilise.

There is evidence that the delays and postponements of larger projects is leading to downward pressure on wind turbine prices and a shortening of delivery timescales as manufacturers have excess supply. These are clearly positive factors in the context of the Company's investment strategy.

The disruption in credit markets has resulted in a significant tightening of terms and conditions for new lending and increased pricing for such facilities. Several banks have ceased new lending to the sector and those still active have set much tighter lending parameters, including a conservative approach to the maximum amount they will lend to specific schemes. This is resulting in significant equity investment opportunities for investors that have capital to deploy. Again this is a positive factor for the Company given its position as one of the key providers of investment capital to the small to medium sized UK market. Bank lending remains available to well structured schemes backed by sponsors with a proven track record and who are prepared to commit an appropriate amount of their own capital to projects.

April 2009 saw the coming in to effect of a number of amendments to the Renewables Obligation arising from the Energy Act 2008. The most notable change is the increased level of support being provided to certain renewable energy technologies such as offshore wind and biomass. The support tariff for onshore wind and operational land fill gas projects has been ‘grandfathered’ at existing support levels. The Government has also indicated that the Renewables Obligation mechanism is to be extended out to 2035 from the current 2027. The recent Budget 2009 also announced a further review of the Renewables Obligation intended to provide additional support in the short term to offshore wind projects.These factors are intended to create the framework for long term investment in the sector and the environment for newer technologies to establish themselves and become cost competitive with established technologies such as onshore wind and landfill gas generation.

Wholesale energy prices have fallen in recent months as a result of the reduction in global industrial activity. Medium to long term fixed contract prices have held value relatively well, primarily driven by the expectation that there is a structural shortage of generating capacity in the UK and supported in part by the Renewables Obligation which incentivises energy supply companies to buy electricity from accredited renewable energy generators.

Climate Change Capital Limited
Investment Manager

27 May 2009

The Directors present their Annual Report and the audited Financial Statements for the year ended 28 February 2009.

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 is reviewed in the Chairman's Statement and the Investment Manager's report.

Key performance indicators

Results and dividends

For the year ended 28 February 2009	£000	Pence per share
Revenue profit attributable to equity shareholders	**376**	**3.36**
Capital gain attributable to equity shareholders	**18**	**0.16**
Total profit attributable to equity shareholders	**394**	**3.52**
Dividends paid during the year	**(324)**	**(2.90)**
Total movement in equity shareholders' funds	**70**	**0.62**
Net asset value	**10,553**	**94.5**

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

Principal risks

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

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

  The Board mitigates this risk by regularly reviewing investment management activity 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.

Share capital

Issued share capital

As at the date of this report, the share capital is made up of 11,172,954 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 28 February 2009, the Company renewed its authority to repurchase up to 14.99% of its own issued ordinary share capital.

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. Copies of the Articles of Association can be obtained from Companies House in the UK or by writing to the Company Secretary.

CREST

The Company's 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 2008 of 1.50p per share was paid on 14 January 2009 to shareholders on the register on 12 December 2008. The Directors recommend a final dividend of 1.50p per share to be paid on 14 July 2009 to ordinary shareholders on the register on 12 June 2009. This gives a total dividend for the year of 3.00p per share. Note 7 of the Financial Statements gives details of the dividends declared and paid in the current and prior financial years.

Directors and their interests

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

	28 February 2009 Ordinary Shares	29 February 2008 Ordinary Shares
D Pinckney (Chairman)	**5,150**	5,150
A Moore	**5,150**	5,150
P Thomas	**5,150**	5,150
C Wood	**5,150**	5,150

There have been no changes to Directors' share interests between 28 February 2009 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 David Pinckney will retire at the Annual General Meeting and being eligible will offer themselves for re-election. As both Mr Thomas and Mr Pinckney 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 17. The terms of the Directors' appointment and replacement are detailed in the Corporate Governance Statement.

Substantial interests

As at 28 February 2009 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.

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 VCT plc and Ventus 2 VCT plc. The principal terms of the investment management agreement are set out in note 3 of the Financial Statements.

Company Secretary

During the year under review, company secretarial services were provided by Capita Company Secretarial Services Limited until 31 January 2009. With effect from 1 February 2009, The City Partnership (UK) Limited was 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

£5,000 plus VAT. The company secretarial services agreement is for an initial period of three years terminable thereafter by either party giving not less than six months notice in writing.

VCT monitoring status

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

Financial instruments

The Company's financial instruments comprise investments in unquoted companies, Government securities and cash. Further details are set out in note 17 of 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.

Supplier payment policy

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

Directors' statement as to disclosure of information to the 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. 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

The Directors propose to appoint PKF (UK) LLP as the Auditor of the Company at the forthcoming annual general meeting.

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

Annual General Meeting

Enclosed with this Annual Report and Financial Statements is the Notice of Annual General Meeting ("AGM") of the Company (or any adjournment thereof) to be convened for Wednesday, 1 July 2009 at 12.30pm. A copy of the Notice is set out on page 36 of this document (the "Notice"). A Form of Proxy for use in connection with the AGM has been issued with this document.

The business of the meeting is outlined below.

Resolution 1 – Annual Report and Financial Statements

The Directors are required to present to the AGM the Annual Report and Financial Statements for the financial year ended 28 February 2009.

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 1.50p per share payable on 14 July 2009 to the holders of ordinary shares registered at the close of business on 12 June 2009 which will bring the total dividend for the year to 3.00p per share.

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 is on pages 12 and 13 of the Annual Report and Financial Statements.

Resolution 4 – Re-election of Director

Mr Paul Thomas retires in accordance with Listing Rule 15.2.13(2) and, being eligible, offers himself for re-election.

Resolution 5 – Re-election of Director

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

Resolution 6 – Appointment of Auditor

This resolution proposes that PKF (UK) LLP be 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 – Directors' authority to allot shares

By virtue of section 80 of the Companies 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 3,724,318 shares (representing approximately one-third of the issued ordinary share capital of the Company as at the date of this report, being the latest practicable date prior to the publication of this document). The existing authority will expire at the forthcoming AGM and, by proposing this resolution, the Board seeks its renewal. The Directors have no present intention of exercising the authority given by this resolution. This authority will be effective until the earlier of the date of the AGM of the Company to be held in 2010 and the date which is 18 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting).

Resolution 9 – Disapplication of pre-emption rights

Resolution 9, which will be proposed as a special resolution, supplements the Directors' authority to allot shares in the Company given to them by Resolution 8. The Resolution authorises the Directors to allot equity shares for cash up to a total nominal value of £418,986 (representing approximately 15% of the share capital currently in issue). This authority will be effective until the earlier of the date of the AGM of the Company to be held in 2010 and the date which is 18 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting).

Resolution 10 – Purchase of ordinary shares by the Company

Resolution 10 which will be proposed as a special resolution, will, if passed, authorise the Company to purchase in the market up to 1,674,825 shares, representing 14.99% of the issued share capital of the Company at a minimum price of 25p per share and a maximum price, exclusive of any expenses, of not more than an amount equal to the higher of (a) 105% of the average of the middle market prices shown in the quotations for an ordinary share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. This authority will be effective until the earlier of the date of the AGM of the Company to be held in 2010 and the date which is 18 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting).

The Board believes that it is beneficial to the Company for it to continue to have the flexibility to purchase in the market its own shares. However, the Board considers it in the best interests of all shareholders if the Directors use their authority to make share buy-backs sparingly. 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 authorities granted to the Directors at the last AGM of the Company.

The minimum and maximum prices to be paid for the shares are stated in the Notice. Repurchases of shares will be made at the discretion of the Board and will only be made in the market at prices below the prevailing net asset value ("NAV") per share as and when market conditions are appropriate. Any shares which are repurchased in this way may be cancelled or held as treasury shares, which may then be cancelled or sold for cash, as determined by the Board. The Directors consider that this authority is in the interests of shareholders as a whole, as the repurchase of 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.

Action to be taken

Shareholders have been issued with a Form of Proxy for use in connection with the AGM. Shareholders are requested to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Company's Registrar, Capita Registrars, 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. Completion and return of a Form of Proxy will not preclude shareholders from attending and voting at the AGM in person should they subsequently decide to do so.

Recommendation

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

By order of the Board

The City Partnership (UK) Limited
Secretary

27 May 2009

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 AGM to be held on Wednesday, 1 July 2009.

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 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 AGM after their appointment and at least every three years thereafter. A Director's appointment will continue unless terminated by the Company by giving three months written notice; it may also be terminated in certain other circumstances.

Directors' fees (audited information)

The following fees were paid to individual Directors in respect of the year ended 28 February 2009 with comparative figures for the year ended 29 February 2008:

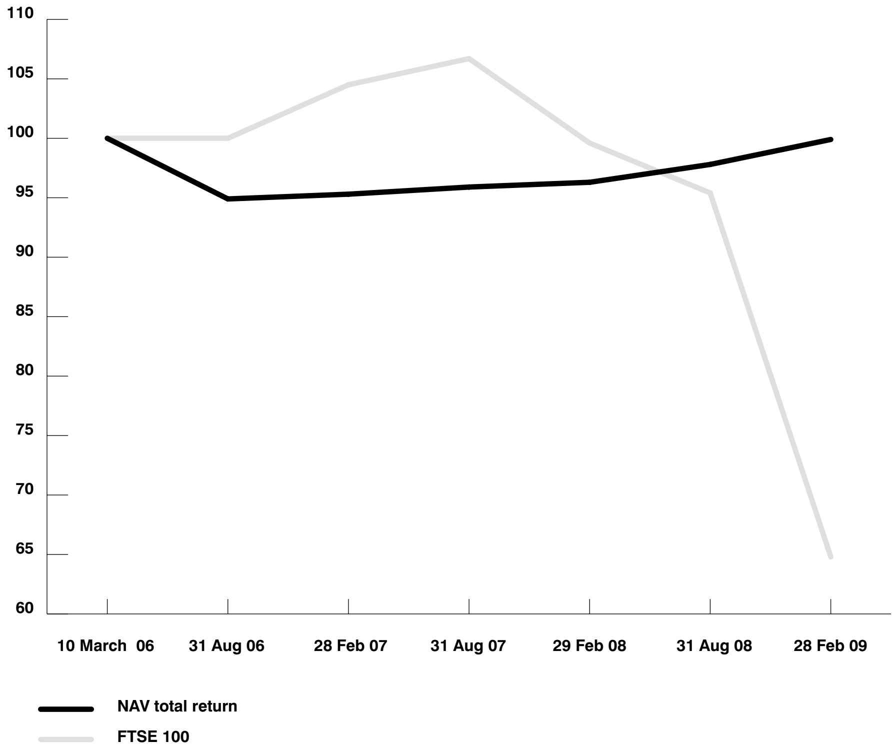
	28 February 2009 £	29 February 2008 £
D Pinckney (Chairman)	**10,000**	10,000
A Moore	**7,500**	7,500
P Thomas	**7,500**	7,500
C Wood	**7,500**	7,500
Aggregate emoluments	**32,500**	32,500

Directors' fees for the financial year ending 28 February 2010 (unaudited) are expected to be the same as those for the year ended 28 February 2009.

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 Directors' Remuneration Report Regulations 2002, the FTSE100 Index has been used as a comparative.

Total shareholder return



The graph demonstrates the change in value, in terms of total shareholder return (based on NAV plus cumulative dividends), of £100 invested in the Company on the date it was first listed on the London Stock Exchange (10 March 2006) over the period to 28 February 2009 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

The City Partnership (UK) Limited
Secretary

27 May 2009

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 28 February 2009. 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 year to 28 February 2009, as detailed below.

Board of Directors

Throughout the year ended 28 February 2009 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 17.

Independence

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

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

The Board meets at least quarterly and is in regular contact with the Investment Manager between these meetings. The Directors held four 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. The number of meetings of the Board and the Audit Committee held during the year and the attendance of the Directors is shown in the table below:

	Board Meeting Attendance	Audit Committee Attendance
D Pinckney (Chairman)	4 (4)	3 (3)
A Moore	4 (4)	N/A
P Thomas	4 (4)	3 (3)
C Wood	4 (4)	3 (3)

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.

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

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

At each AGM of the Company one third of the Directors shall retire from office. The Directors to retire will be those who have been longest in office or, in the case of those who were appointed or reappointed on the same day, will be (unless they otherwise agree) determined by lot. Furthermore, no Director shall be required to retire by rotation earlier than the third AGM after the meeting at which he was elected. In addition, as Mr Thomas is the Chairman of the Investment Committee of the Investment Manager, he is subject to re-election under Listing Rule 15.2.13(2), and will therefore offer himself for re-election at the AGM and annually thereafter.

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

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

Audit Committee

The Audit Committee comprises David Pinckney, Colin Wood and Paul Thomas. Due to his extensive international auditing experience (detailed in the Directors' Information on page 17), 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 external Auditor and ensures that the Auditor's independence and objectivity is safeguarded.

During the year under review, the Company's external Auditor also provided tax compliance services and advice. 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 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 system 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 period under review and up to the date of approval of the accounts. This process is regularly reviewed by the Board. Having considered the need for an internal audit function, the Board has decided that the structure of the Company does not justify it. The Board will continue to monitor and review the risk management process on a regular basis.

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

A separate resolution is proposed at the AGM on each substantially separate issue. The Registrar collates the proxy votes, and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the Combined Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the next AGM and proxy form 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 28 February 2009:

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.

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 AGM.

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 one third of the longest serving Directors are required to retire at each AGM. 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 not to be independent by the Code. The Board considers Mr Pinckney to be independent in nature and judgement and is satisfied that no one individual on the Board or the Audit Committee has unfettered power of decision-making.

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.

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 68)

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 Albion 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 January 2006.

Alan Moore
(aged 60)

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 RWE npower Renewables), one of the largest developers and owners of wind generation assets in the UK. He is a former Chairman 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 January 2006.

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 January 2006.

Colin Wood
(aged 62)

Colin Wood spent 27 years as a civil servant in the Scottish Office before retiring from a senior position in the Scottish Executive in 2001. He holds a degree in economics and 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 January 2006.

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

UK Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Financial Statements are required by law and IFRS as adopted by the European Union to present fairly the financial position and performance of the Company; the Companies Act 1985 provides, in relation to such financial statements, that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted in the European Union; 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.

Each of the Directors, whose names and functions are listed in the Directors' Information on page 17 confirms that, to the best of their knowledge:

a. the Financial Statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and

b. the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties that it faces.

The 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.

Directors

D Pinckney (Chairman)
A Moore
P Thomas
C Wood

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

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

Banker
HSBC Bank Plc
60 Queen Victoria Street
London
EC4N 4TR

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

Registrar and Registered Office
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Broker
Matrix Corporate Capital LLP
One Vine Street
London
W1J 0AH

Taxation Adviser
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

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

We have audited the Financial Statements on pages 21 to 35. 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 Director's 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 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, of the state of the Company's affairs as at 28 February 2009 and of its profit 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

27 May 2009

INCOME STATEMENT

for the year ended 28 February 2009

	Note	Revenue £000	Capital £000	2009 Total £000	Revenue £000	Capital £000	2008 Total £000
Income	2	**615**	**-**	**615**	578	-	578
Net gains on investment	9	**-**	**153**	**153**	-	-	-
		615	**153**	**768**	578	-	578
Expenditure							
Investment management fees	3	**57**	**171**	**228**	78	233	311
Other expenses	4	**129**	**-**	**129**	120	-	120
		186	**171**	**357**	198	233	431
Profit/(loss) before taxation		**429**	**(18)**	**411**	380	(233)	147
Tax	6	**(53)**	**36**	**(17)**	(76)	47	(29)
Profit/(loss) for the year attributable to equity shareholders		**376**	**18**	**394**	304	(186)	118
Earnings per share							
Basic and diluted return per ordinary share (p)	8	**3.36**	**0.16**	**3.52**	2.71	(1.66)	1.05

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 return and capital return columns are both prepared under guidance published by the Association of Investment Companies.

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

BALANCE SHEET
as at 28 February 2009

	Note	2009 £000	2008 £000
Non-current assets			
Investments	9	**8,100**	1,313
Trade and other receivables	10	**139**	36
		8,239	1,349
Current assets			
Trade and other receivables	10	**100**	13
Cash and cash equivalents	11	**2,258**	9,177
		2,358	9,190
Total assets		**10,597**	10,539
Current liabilities			
Trade and other payables	12	**(44)**	(56)
Net current assets		**2,314**	9,134
Net assets		**10,553**	10,483
Equity attributable to equity holders			
Ordinary share capital	13	**2,793**	2,793
Special reserve	14	**7,803**	7,803
Capital reserve – realised	14	**(494)**	(359)
Capital reserve – unrealised	14	**153**	-
Revenue reserve	14	**298**	246
Total equity		**10,553**	10,483
Basic and diluted net asset value per ordinary share (p)	15	**94.5**	93.8

Approved by the Board and authorised for issue on 27 May 2009.

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 28 February 2009

	2009 £000	2008 £000
Cash flows from operating activities		
Investment income received	**175**	-
Deposit interest received	**323**	544
Investment management fees paid	**(250)**	(311)
Other expenses paid	**(180)**	(119)
Net cash from operating activities before taxes	**68**	114
Taxes paid	**(29)**	(13)
Net cash from operating activities	**39**	101
Cash flows from investing activities		
Purchases of investments	**(6,634)**	(1,144)
Net cash used in investing activities	**(6,634)**	(1,144)
Cash flows from financing activities		
Dividends paid	**(324)**	(196)
Net cash used in financing activities	**(324)**	(196)
Net decrease in cash and cash equivalents	**(6,919)**	(1,239)
Cash and cash equivalents at the beginning of the year	**9,177**	10,416
Cash and cash equivalents at the end of the year	**2,258**	9,177

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2009

	Ordinary share capital £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
At 1 March 2008	**2,793**	**7,803**	**(359)**	**-**	**246**	**10,483**
(Loss)/profit for the year after tax	**-**	**-**	**(135)**	**153**	**376**	**394**
Total recognised income and expense	**-**	**-**	**(135)**	**153**	**376**	**394**
Dividends paid in the year	**-**	**-**	**-**	**-**	**(324)**	**(324)**
At 28 February 2009	**2,793**	**7,803**	**(494)**	**153**	**298**	**10,553**
At 1 March 2007	2,793	7,803	(173)	-	138	10,561
(Loss)/profit for the year after tax	-	-	(186)	-	304	118
Total recognised income and expense	-	-	(186)	-	304	118
Dividends paid in the year	-	-	-	-	(196)	(196)
At 29 February 2008	2,793	7,803	(359)	-	246	10,483

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

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 ("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 1985 applicable to companies under IFRS.

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 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, and 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.

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

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

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

Deferred tax is calculated at the tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the 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.

Financial Instruments

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

Trade and other receivables

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

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 proceeds 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 initially measured at cost, which is considered to be their fair value. Thereafter, the investments are measured at subsequent reporting dates on a fair value basis in accordance with IFRS. Gains or losses resulting from revaluation of investments are taken to the capital account of the Income Statement.

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 in to account their type and location. All of these key assumptions are reviewed regularly by the Investment Committee of the Investment Manager and the Board.

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

The majority of money held pending investment is invested in financial instruments with same day or two-day access and as such is treated as cash and cash equivalents. UK treasury bills are valued at bid prices as at the year end.

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.

International Accounting Standards (IAS/IFRS)

		Effective Date (annual periods beginning after)
IAS 39 & IFRS 7	Amendments - Reclassification of Financial Assets	1 July 2008
IAS 1R	Presentation of Financial Statements	1 January 2009
IAS 7	Statement of Cash Flows	1 January 2009
IAS 8	Amendment - Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2009
IAS 10	Amendment - Events after the Reporting Period	1 January 2009
IAS 18	Amendment - Revenue	1 January 2009
IAS 32	Amendment - Financial Instruments: Presentation	1 January 2009
IAS 36	Amendment - Impairment of Assets	1 January 2009
IAS 38	Amendment - Intangible Assets	1 January 2009
IAS 39	Amendment - Financial Instruments: Recognition and Measurement	1 January 2009
IFRS	2008 Annual Improvements to IFRS	1 January 2009
IFRS 1 & IAS 27	Amendments - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
IFRS 7	Amendment - Improving Disclosures about Financial Instruments	1 January 2009
IFRS 8	Operating Segments	1 January 2009
IAS 27	Amendment - Consolidated and Separate Financial Statements	1 July 2009
IAS 39	Amendment - Eligible Hedge Items	1 July 2009
IFRS 1R	Structural Amendment	1 July 2009
IFRS 3R	Business Combinations	1 July 2009
IFRS 5	Amendment - Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009

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.

2. Income

	2009 £000	2008 £000
Income from investments		
Mezzanine loan stock interest income	**114**	24
Dividend income	**175**	-
	289	24
Other income		
UK treasury bill income	**301**	534
Bank deposit interest	**25**	20
	615	578

3. Investment management fees

	2009 £000	2008 £000
Investment management fees	**228**	311

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.

During the year, HM Revenue & Customs amended the treatment of the supply of investment management services to Venture Capital Trusts from taxable to exempt; therefore, VAT is no longer chargeable on the investment management fee. As the change in treatment may be applied retrospectively, Climate Change Capital Limited made a claim with HM Revenue & Customs to recover VAT previously paid net of irrecoverable VAT attributable to the supply of investment management services. The amount recovered from the claim, £57,721, was refunded to the Company during the year and was credited to investment management fees through the Income Statement. Of the amount recovered, £15,175 was in respect of VAT paid in the current year.

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 21 January 2013. 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 enable the Company to achieve its objectives.

4. Other expenses

	2009 £000	2008 £000
Directors' remuneration	**33**	33
Fees payable to the Company's Auditor for:		
Statutory audit services		
- Audit of the Company's Annual Financial Statements	**12**	12
Other services		
- Review of interim information	**3**	2
- Risk review	**-**	1
Tax services		
- Compliance services	**2**	3
Legal and professional fees	**2**	-
Other expenses	**77**	69
	129	120

Other services provided by the Company's Auditor related to their review of the Half-yearly Report and the risk management process.
Tax services provided by the Company's Auditor included the provision of corporation tax advice.

5. Directors' remuneration

	2009 £000	2008 £000
D Pinckney	**10**	10
A Moore	**7**	8
P Thomas	**8**	8
C Wood	**8**	7
Aggregate emoluments	**33**	33

Further details regarding Directors' remuneration are disclosed in the Directors' Remuneration Report on page 12.

6. Tax

	2009 £000	2008 £000
(a) **Tax charge for the year**		
Current UK corporation tax:		
Charged to revenue reserve	**53**	76
Credited to capital reserve	**(36)**	(47)
	17	29
(b) **Factors affecting the tax charge for the year**		
Revenue return before taxation	**429**	380
Tax charge calculated on profit before taxation at the applicable rate of 21% (2008: 20%)	**90**	76
Effect of:		
UK dividends not subject to tax	**(37)**	-
Capital expenses	**(36)**	(47)
	17	29

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 Company intends to continue to meet the conditions required to maintain its status as a Venture Capital Trust for the foreseeable future.

7. Dividends

	2009 £000	2008 £000
Amounts recognised as distributions to equity holders in the year:		
Previous year's final dividend of 1.40p per ordinary share (2008: 0.75p)	**156**	84
Current year's interim dividend of 1.50p per ordinary share (2008: 1.00p)	**168**	112
	324	196

The Directors recommend a final dividend of 1.50p per share (2008: 1.40p) to be paid on 14 July 2009 to all shareholders on the register as at the close of business on 12 June 2009. The proposed final dividend is subject to approval by the shareholders at the AGM and has not been included as a liability in these Financial Statements.

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

	2009 £000	2008 £000
Interim dividend for the year ended 28 February 2009 of 1.50p per ordinary share (2008: 1.00p)	**168**	112
Proposed final dividend for the year ended 28 February 2009 of 1.50p per ordinary share (2008: 1.40p)	**168**	156
	336	268

8. Return per ordinary share

The total return per ordinary share is based on the net revenue after taxation of £393,357 (2008: £117,560) and the weighted average number of shares in issue during the year of 11,172,954 (2008: 11,172,954).

The basic revenue return per ordinary share is based on the net revenue from ordinary activities after taxation of £375,516 (2008: £303,819) and the weighted average number of shares in issue during the year of 11,172,954 (2008: 11,172,954).

The net capital gain per ordinary share is based on the net gain from ordinary activities after taxation of £17,841 (2008: net loss of £186,259) and the weighted average number of shares in issue during the year of 11,172,954 (2008: 11,172,954).

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.

9. Investments

	Shares 2009 £000	Mezzanine loan stock 2009 £000	Total 2009 £000	Shares 2008 £000	Mezzanine loan stock 2008 £000	Total 2008 £000
Opening position						
Opening cost	**1,014**	**299**	**1,313**	-	169	169
Opening gains	**-**	**-**	**-**	-	-	-
Opening fair value	**1,014**	**299**	**1,313**	-	169	169
During the year						
Purchases at cost	**4,309**	**2,325**	**6,634**	1,014	130	1,144
Gains	**153**	**-**	**153**	-	-	-
Closing fair value at year end	**5,476**	**2,624**	**8,100**	1,014	299	1,313
Closing position						
Closing cost	**5,323**	**2,624**	**7,947**	1,014	299	1,313
Closing gains	**153**	**-**	**153**	-	-	-
Closing fair value	**5,476**	**2,624**	**8,100**	1,014	299	1,313

The shares held by the Company are in unquoted companies. The Investment Manager's Report, on pages 2 to 7, provides details in respect of the Company's share holding in each investment, together with details of mezzanine loans issued.

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

There were no costs incurred by the Company on acquisition 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 profits for the year ended 28 February 2009. Where companies have only been trading for a short period, revenue and profits have not been presented.

Investment	Ownership interest	Assets £000	Liabilities £000	Revenue £000	Profit/(Loss) £000
Firefly Energy Limited	25.00%	2,483	2,481	45	(225)
Achairn Energy Ltd	20.20%	8,752	7,572	32	19
Redimo LFG Limited	25.00%	19,989	16,077	1,722	788
Spurlens Rig Wind Limited	30.00%	252	-	2	-
Redeven Energy Limited	30.00%	301	300	1	-
Osspower Limited	25.00%	575	-	-	(10)
RPS Dargan Road Ltd	25.00%	1,900	-	-	-
Sandsfield Heat & Power	22.45%	1,796	-	-	-
Twinwoods Heat & Power Ltd	25.00%	2,000	-	-	-

10. Trade and other receivables

	2009 £000	2008 £000
Non-current assets		
Accrued interest income	**139**	36
	139	36
Current assets		
Accrued interest income	**24**	10
Prepayments	**76**	3
	100	13

Included in accrued interest income is mezzanine loan stock interest totalling £138,680 (2008: £36,253) 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 to fair value.

11. Cash and cash equivalents

	Cash 2009 £000	Treasury Bills 2009 £000	Total 2009 £000	Cash 2008 £000	Treasury Bills 2008 £000	Total 2008 £000
Opening balance	**202**	**8,975**	**9,177**	267	10,149	10,416
Net increase/(decrease)	**436**	**(7,355)**	**(6,919)**	(65)	(1,174)	(1,239)
Closing balance	**638**	**1,620**	**2,258**	202	8,975	9,177

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

12. Trade and other payables

	2009 £000	2008 £000
Corporation tax	**17**	29
Accruals	**27**	27
	44	56

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

13. Share capital

	2009 £000	2008 £000
Authorised		
30,000,000 ordinary shares of 25p each	**7,500**	7,500
Allotted, called up and fully paid		
11,172,954 ordinary shares of 25p each	**2,793**	2,793

At the year end, the Company had one class of ordinary shares which carry no right to fixed income. There was no movement in share capital during the years ended 28 February 2009 and 29 February 2008.

14. Reserves

	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000
As at 1 March 2008	7,803	(359)	-	246
(Loss)/profit after tax	-	(135)	153	376
Dividends paid during the year	-	-	-	(324)
As at 28 February 2009	**7,803**	**(494)**	**153**	**298**

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 28 February 2009 is based on net assets of £10,552,995 (2008: £10,483,653) divided by the 11,172,954 (2008: 11,172,954) ordinary shares in issue at that date.

16. Post balance sheet events

After the period end, the Company has invested a further £50,000 in Small Hydro Company Limited, £66,000 in Redeven Energy Limited and £6,000 in Witton Wind Farm Limited. For further details refer to 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

	Held at 28 February 2009 £000	Interest rate	Weighted average interest rate	Weighted average period to maturity
At fair value through profit or loss:				
Ordinary shares	**5,476**	-	-	-
Mezzanine loan stock	**2,624**	11%-13.5%	12.20%	16 years
UK treasury bills	**1,620**	3.07%-5.42%	4.67%	86 days
Loans and receivables:				
Cash	**638**	2.76%	2.76%	-
Accrued interest income	**163**	-	-	-

- Ordinary share capital investments have no interest rate attached to them.
- The mezzanine loan stock bears interest at fixed rates of 11%, 12.5%, 13% or 13.5% per annum.
- The interest rate described for UK treasury bills is the predetermined yield.

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 £69,218 or 16.9% (2008: £102,116 or 69.4%) and increase or decreased net asset value by £54,682 or 0.52% (2008: £81,693 or 0.78%). 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 the 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 as the rates are fixed, therefore this income presents a low interest rate risk profile. However, interest earned from mezzanine loan stock remains exposed to fair value interest rate risk when bench-marked against market rates.

Financial liabilities

The Company has no guarantees or financial liabilities other 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 28 February 2009 (2008: £nil).

Investment risk

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

Investment price risk

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

The sensitivity of the ordinary shares held by the Company to a ten percentage point increase or decrease in equity valuation would be an increase or decrease in profit before tax of £547,632 or 133.4% (2008: £101,390 or 68.9%) and an increase or decrease in the net asset value of the Company of the same amount or 5.2% (2008: 0.97%). A 10% variable is considered to be a suitable factor by which to demonstrate a potential change in fair value over the course of a year. The analysis assumes no tax effect applied on the gain or loss.

Liquidity risk

Due to the nature of the Company's qualifying investments, it is not possible to liquidate investments in ordinary shares, preference 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 receivables, investments in mezzanine loan stock and through cash held on deposit with banks.

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

The maximum credit risk of the Company is £5.0 million (2008: £9.5 million).

At the year end, no debt was overdue for payment to the Company nor had been impaired. The expected timing of receipt of amounts receivable is presented below:

	Total £000	Within 1 year £000	Between 1 and 2 years £000	Over 2 years £000
Accrued interest income	163	24	123	16

18. Contingencies, guarantees and financial commitments

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

On 2 April 2008, the Company undertook a commitment to Alliance & Leicester Commercial Bank plc to subscribe for further equity in Redimo LFG Limited by signing and delivering an application for 2,500 shares, for a consideration of £250,000, on or before 31 December 2008. The Company satisfied this commitment on 19 December 2008. On 2nd April 2008, the Company registered a charge over its shares in Redimo LFG Limited to Alliance & Leicester Commercial Bank plc as security for a senior loan facility of £16.9 million raised by Redimo LFG Limited. The charge includes all existing and future shares that the Company owns in Redimo LFG Limited and therefore includes the 2,500 shares the company acquired on 19 December 2008 and the further 2,000 shares the Company acquired on 18 February 2009. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Redimo LFG Limited.

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

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

On 28 April 2008, the Company registered a charge over its shares in PBM Power Limited to Alliance & Leicester Commercial Bank plc as security for a senior loan facility of £3.8 million raised by PBM Power 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 PBM Power Limited.

As at the year end the Company had also committed to make a follow-on investment of £66,000 to Redeven Energy Limited and has provided committed shareholder loan facilities to the following companies that are partly drawn:

I. The Small Hydro Company Limited. £192,000 facility of which £50,000 is drawn

II. Kettering East Energy Limited. £250,000 facility of which £125,000 is drawn

The Company had no other contingencies, financial commitments or guarantees as at 28 February 2009.

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 of the Financial Statements. During the year, the Company paid £307,705 to the Investment Manager (2008: £310,757) and was refunded £57,721 in respect of VAT recovered (as explained in note 3 of the Financial Statements). The amount paid by the Company to the Investment Manager included a prepayment of £21,852 (2008: £nil).

Climate Change Capital Limited is also the Investment Manager of Ventus VCT plc and Ventus 2 VCT plc; Ventus 3 VCT plc holds certain of its investments in common with these companies.

The investee companies in which the Company has a shareholding of 20% or more, as identified in note 9, are related parties. The aggregate balances at the balance sheet date and transactions with these companies during the year are summarised below.

	2009 £000	2008 £000
Balances		
Investments - shares	**4,112**	630
Investments - mezzanine loan stock	**1,369**	130
Accrued interest income	**82**	-
Transactions		
Mezzanine loan stock interest income	**82**	-
Dividend income	**175**	-

20. Controlling party

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

21. Management of capital

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

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

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

The Company does not have any externally imposed capital requirements.

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

Notice is hereby given that the AGM of Ventus 3 VCT plc will be held at 12.30pm on Wednesday, 1 July 2009 at Climate Change Capital's office at 3 More London Riverside, London, SE1 2AQ for the purpose of considering and, if thought fit, passing the following Resolutions (of which, Resolutions 1 to 8 will be proposed as Ordinary Resolutions and Resolutions 9 and 10 will be proposed as Special Resolutions):

Ordinary Business

1. To receive the Company's audited Annual Report and Financial Statements for the year ended 28 February 2009.
2. To declare a final dividend of 1.50p per ordinary share in respect of the year ended 28 February 2009.
3. To approve the Directors' Remuneration Report for the year ended 28 February 2009.
4. To re-elect Mr Paul Thomas as a Director of the Company.
5. To re-elect Mr David Pinckney as a Director of the Company.
6. To appoint PKF (UK) LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
7. To authorise the Directors to determine the remuneration of the Auditor.
8. (i) That the Directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (as amended) (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £931,079 (3,724,318 shares of 25p each) during the period commencing on the passing of this resolution and expiring on the earlier of the date of the AGM of the Company to be held in 2010 and the date which is 18 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting) but so that this authority shall allow the Company to make, before the expiry of this authority, offers or agreements which would or might require relevant securities to be allotted after such expiry; and

   (ii) That all previous authorities given to the Directors in accordance with section 80 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

Special Resolutions

9. The Directors be and are hereby empowered pursuant to Section 95(1) of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in Section 94(2) of the Act) for cash pursuant to the authority given in accordance with Section 80 of the Act by the Resolution 8 set out in this notice of AGM as if section 89(1) of the Act did not apply to such allotment provided that this power shall expire on the date falling 18 months after the date of the passing of this resolution and provided further that this power shall be limited to the allotment and issue of equity securities in connection with:

   (i) the allotment of equity securities with an aggregate nominal value of up to but not exceeding £279,324, representing 1,117,295 shares or 10% of the issued ordinary share capital, where the proceeds of the allotment are to be used in whole or in part to purchase the Company's Ordinary shares, and

   (ii) the allotment of equity securities with an aggregate nominal value of up to but not exceeding £139,662, representing 558,648 or 5% of the issued ordinary share capital of the Company.

10. That the Company be and is hereby generally and unconditionally authorised for the purpose of section 166 of the Act to make market purchases (as defined in section 163(3) of the Act) of ordinary shares of 25p each in the capital of the Company ("Ordinary Shares") provided that:

    (i) The maximum aggregate number of Ordinary Shares hereby authorised to be purchased is an amount equal to 1,674,825 shares, representing 14.99% of the issued ordinary share capital of the Company;

    (ii) The minimum price which may be paid for an Ordinary Share is 25p per share;

    (iii) The maximum price, exclusive of any expenses, which may be paid for an Ordinary Share is an amount equal to the higher of; (a) 105% of the average of the middle market prices shown in the quotations for an ordinary share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;

    (iv) The authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the AGM of the Company to be held in 2010 and the date which is 18 months after the date on which this resolution is passed; and

    (v) The Company may make a contract or contracts to purchase its own Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of its own Ordinary Shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

By order of the Board

The City Partnership (UK) Limited
Secretary

27 May 2009

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

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

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