



# **Ventus 3 VCT plc**

## **Annual Report & Financial Statements**

for the year ended 28 February 2010



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Registered No: 5667211

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

# I am pleased to present the Annual Report and Financial Statements of Ventus 3 VCT plc (the "Company") for the year ended 28 February 2010.

### Merger with Ventus 2 VCT plc

On 6 May 2010, the Company completed a scheme of reconstruction with Ventus 2 VCT plc (the "Scheme" or "Merger"). The terms of the Scheme were set out in a circular issued by the Company on 8 February 2010. The Scheme was effected by the Company being placed into members' voluntary liquidation, and its assets and liabilities were transferred to Ventus 2 VCT plc, in consideration for which Ventus 2 VCT plc issued 12,250,311 new ordinary shares to the shareholders of Ventus 3 VCT plc. The new ordinary shares rank *pari passu* in all respects and form a single class with the existing ordinary shares of Ventus 2 VCT plc. The number of ordinary shares issued by Ventus 2 VCT plc was determined on the basis of the relevant net assets of each company on the date prior to the date of the Merger, adjusted in accordance with the terms of the Scheme.

The creation of a single, larger company is expected to bring significant advantages to its shareholders, primarily through a reduction in the annual running costs of the enlarged company when compared to the combined running costs of each separate company. This should allow the single, larger company to increase dividends in the future.

The Company will be wound up in due course in accordance with the Scheme and therefore it is expected that this will be the last Annual Report and Financial Statements to be issued by the Company.

### Net Asset Value, Results and Dividends

At the year end, the net asset value of the Company stood at £10,335,000 or 84.1p per share. The revenue profit attributable to shareholders for the year was £42,000 or 0.37p per share. The capital loss attributable to shareholders for the year was £861,000 or 7.63p per share, resulting in a net loss to shareholders for the year of £819,000 or 7.26p per share.

The value of investments held by the Company at 28 February 2010 was £8,434,000 compared to £8,100,000 at 28 February 2009. The Investment Manager's Report gives details of investments made during the year, together with information about the valuation of all investee company holdings within the portfolio.

The income generated by the Company during the year comprised interest earned on mezzanine loan stock, UK treasury bills and cash deposits. Total income for the year to 28 February 2010 was £376,000 compared to £615,000 for the year ended 28 February 2009. The reduced income was primarily attributable to decreases in UK treasury bill yields and interest income from cash on deposit which resulted from cash being substantially deployed to acquire share capital in and make mezzanine loans to investee companies. In addition, there was a decrease in dividend income resulting from poor performance of Redimo LFG Limited.

During the year, the Company incurred costs amounting to £103,000 in respect of the Merger.

The Company declared a dividend of 1.50p per share for the first half-year, however, due to the impact on the revenue reserves of the Merger costs, the Board does not propose to declare a dividend for the second half-year. Therefore, the total annual dividend paid by the Company is 1.50p per share.

### Share Offer

On 17 November 2009 the Company launched a joint "top-up" offer with Ventus 2 VCT plc, inviting subscriptions for up to an aggregate £2.0 million of ordinary shares. The offer closed on 18 January 2010 and was fully subscribed. On 25 January 2010, 1,113,912 ordinary shares of 25p were allotted at a price of 89p per ordinary share. After issue costs, the Company raised £936,000 from the offer.

### Investments

As at 28 February 2010, the Company held investments in 18 companies with a total value of £8.4 million. The Investment Manager's Report provides details of the investments held as at 28 February 2010.

Following the transfer of all holdings to Ventus 2 VCT plc the Company no longer holds any investments.

All investments were structured so as to be treated as qualifying holdings for the purposes of VCT regulations unless otherwise stated.

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

**David Pinckney**  
Chairman

7 June 2010

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

### Summary of Investments

As described in the Chairman's Statement, on 6 May 2010, the assets and liabilities of the Company were acquired by Ventus 2 VCT plc pursuant to a scheme of reconstruction to merge the two companies. Therefore there are no investment holdings as at the date of this report as all investments have been acquired by Ventus 2 VCT plc.

### Investment portfolio summary

The following table shows total investments held as at 28 February 2010 and as at 5 May 2010 (the Record Date for the Company's entitlements under the Scheme), in terms of cost and value. On 6 May 2010 the assets and liabilities of the Company transferred to Ventus 2 VCT plc under the terms of the Scheme. The additions, disposals and unrealised gains and losses made in the year are also presented in the table below.

#### Ordinary Shares

Company name	Details		Investment	Additions/	Unrealised	Investment	Investment	Investment	Investment
			value	(disposals)	gains/	cost	value	cost	value
			as at 28	in the year	(losses)	as at 28	as at 28	as at	as at
			February	to 28	in the year	February	February	5 May	5 May
			2009	February	February	2010	2010	2010	2010
			£000	2010	2010	£000	£000	£000	£000
Craig Wind Farm Limited*	10 megawatt wind farm	Q	502	-	(13)	349	489	349	489
Firefly Energy Limited*	Renewable energy	Q	200	-	-	200	200	200	200
Achairn Energy Limited*	6 megawatt wind farm	Q	1,118	-	278	1,118	1,396	1,118	1,396
A7 Lochhead Limited*	6 megawatt wind farm	Q	333	-	24	333	357	333	357
Broadview Energy Limited*	Wind farm development	Q	1,000	-	-	1,000	1,000	1,000	1,000
Redimo LFG Limited*	10 megawatt landfill gas portfolio	Q	1,000	-	(1,000)	1,000	-	1,000	-
PBM Power Limited	Woodchip biomass plant	Q	287	-	-	287	287	287	287
Spurlens Rig Wind Limited*	Wind farm development		75	24	-	99	99	99	99
Olgrinmore Limited*	Wind farm development		30	4	-	34	34	34	34
Redeven Energy Limited*	Wind farm development		90	147	-	237	237	237	237
Osspower Limited	Hydro-electric development	Q	150	14	-	164	164	178	178
Small Hydro Company Limited	Hydro-electric development	Q	58	190	-	248	248	248	248
Renewable Power Systems (Dargan Road) Limited	Landfill gas generator	Q	950	-	-	950	950	950	950
Sandsfield Heat & Power Limited	Biomass generator	Q	898	500	-	1,398	1,398	1,398	1,398
Twinwoods Heat & Power Limited	Biomass generator	Q	1,000	-	-	1,000	1,000	1,000	1,000
Kettering East Energy Limited	Wind farm development		125	-	-	125	125	125	125
EcoGen Limited	Wind farm developer & consultancy	Q	200	100	-	300	300	300	300
Catfield Wind Power Limited*	Wind farm development		27	(27)	-	-	-	-	-
Potash Wind Farm Limited*	Wind farm development		33	(33)	-	-	-	-	-
Stalham Wind Power Limited*	Wind farm development		6	(6)	-	-	-	-	-
Meridian Wind Power Limited*	Wind farm development		18	(18)	-	-	-	-	-
Wind Power Renewables Limited*	Wind farm development	Q	-	150	-	150	150	150	150
Greenfield Wind Farm Limited*	Wind farm development	PQ	-	-	-	-	-	996	996
<b>Total</b>			<b>8,100</b>	<b>1,045</b>	<b>(711)</b>	<b>8,992</b>	<b>8,434</b>	<b>10,002</b>	<b>9,444</b>

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

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

Together with Ventus 3 VCT plc, Ventus 2 VCT plc and Ventus VCT plc were managed by Climate Change Capital Limited during the financial year. Ventus 2 VCT plc had invested in each of the companies above in which Ventus 3 VCT plc had invested as at the year end.

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

### Investment portfolio review

The investments held by the Company as at 28 February 2010 and as at 5 May 2010 (the Record Date for the Company's entitlements under the Scheme) are reviewed in detail below. The cost and value of each investment as at 28 February 2010 and 5 May 2010 are presented in the table above.

#### Craig Wind Farm Limited

Craig Wind Farm Limited is a company which operates a ten megawatt wind farm in the Scottish Borders. The site became operational in October 2007.

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

The Company held 6.25% of the ordinary shares in Craig Wind Farm Limited and also provided a mezzanine loan facility.

Mezzanine interest payments have been made in accordance with the loan agreement and £40,000 of mezzanine interest was paid in the financial year ended 28 February 2010 against income accrued in the current and prior periods. The Company received a further £30,000 payment of mezzanine loan interest in April 2010.

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

#### Firefly Energy Limited

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

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

The Company held 25% of the ordinary share capital in Firefly Energy Limited for which it paid £100,000 and had provided a shareholder loan which had principal outstanding of £100,000.

#### Achair Energy Limited

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

Whilst the wind farm has only been operational for a relatively short period of time, performance has been satisfactory and in line with expectations.

The Company owned 20.2% of the ordinary share capital in Achair Energy Limited and also provided a mezzanine loan facility. Since the year end the Company has received £114,000 in mezzanine interest against income accrued in the current and prior periods.

#### A7 Lochhead Limited

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

The wind farm has only been operational for a relatively short period of time, however performance to date has been satisfactory and in line with expectations

The Company owned 10% of the ordinary share capital in A7 Lochhead Limited and also provided a mezzanine loan facility.

Since the year end the Company has received interest payments of £11,000 against income accrued in the current and prior periods and dividends of £10,000.

#### Broadview Energy Limited

Broadview Energy Limited is an established wind farm development company and operator of small wind sites.

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

The Company owned 1.16% of the ordinary share capital of Broadview Energy Limited and also provided a shareholder loan of £900,000.

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

#### Redimo LFG Limited

The Company owned 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.

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

The operational issues with the generating equipment at Redimo LFG's largest site led to more engine downtime than had been projected in the budget at the time the investment was made. Redimo LFG has also experienced a decline in gas volumes at the smallest of the sites within its portfolio at a quicker rate than originally forecast. This has resulted in lower than expected energy generation at this site. In addition, Redimo LFG is the only operating asset in the Company's investment portfolio to have a significant element of electricity market risk in its energy offtake contracts. Winter 2009/10 and Summer 2010 wholesale energy prices have been set much lower than anticipated and this has further contributed to a shortfall against Redimo LFG's anticipated revenues.

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

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

#### **PBM Power Limited**

PBM Power Limited is a company operating a biomass electricity generating plant in Lincolnshire. The plant is fuelled by waste wood and therefore the scheme benefits from enhanced support from the Renewable Obligation mechanism.

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

There have been some operational issues with the plant in the early months of full commercial production which are currently in the process of being rectified by the plant manufacturer under warranty. This has involved plant shutdown to allow remedial works to take place and has meant that the plant has yet to produce a stable period of consistent generation. The technical issues that have arisen are expected to be resolved by these works.

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

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

The Company had invested £287,000 to acquire 12.5% of the ordinary shares in PBM Power Limited.

In view of the need for the generating plant to demonstrate a consistent period of stable operation, the investment has not been revalued using a discounted cash flow methodology. However, based on technical advice that the remedial works referred to above have had the desired effect, the Company does not consider the investment to have been impaired. The fair value of this investment at the year end and at the date prior to the Merger was not considered to be materially different to the historic cost of investment.

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

The Company had invested £99,000 in Spurlens Rig Wind Limited to acquire 30% of the ordinary share capital. Spurlens Rig Wind Limited holds the rights to a wind farm being developed in the Borders region of Scotland.

Permission is being sought to install six wind turbines and a planning application is expected to be submitted shortly. The original wind farm proposal envisaged a site comprised of five turbines, however the development consultants

engaged by Spurlens Rig Wind Limited have identified the potential to increase the scope of the scheme in consultation with the local planning authorities.

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

#### **Olgrinmore Limited**

An investment of £34,200 had been made for 8.8% of the ordinary share capital of Olgrinmore Limited, a company developing a two turbine wind farm in Caithness, Scotland.

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

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

#### **Redeven Energy Limited**

An investment of £237,000 had been made in Redeven Energy Limited, by way of a loan, to fund the development of three wind farm sites in East Anglia. The Company held 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 consent was awarded on the first site in December 2009 to install five wind turbines. Consent for the second site which will include two wind turbines was granted in June 2010. The planning application for the third site which will include two wind turbines is expected to be submitted later this year once the required planning reports have been completed.

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

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### **Osspower Limited**

Osspower Limited is a company developing a group of four small scale hydro-electric generating assets in Scotland. The Company invested £150,000 for 25% of the ordinary shares of Osspower Limited. The Company had also negotiated the rights to arrange the finance to build the hydro-electric schemes as planning permissions are obtained.

The Company had also provided additional funding to Osspower Limited by way of a shareholder loan facility of £27,500 of which £13,750 was drawn down at the year end and the balance has been drawn down since the year end.

The planning applications for the four hydro-electric schemes were submitted to the Scottish Government Consents Unit in July 2009 and full planning permission was granted in April 2010. The Investment Manager is currently working with the other shareholders of Osspower Limited to determine the strategy to take the consented sites forward.

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

The Company invested £57,500 for 12.5% of the ordinary share capital of The Small Hydro Company Limited, a company developing a number of small scale hydro-electric generating assets in England. The Company's equity stake was reduced to 11.25% following dilution as a result of the introduction of an additional shareholder in January 2010. The Company also committed a shareholder loan facility of up to £192,000 to be drawn down to meet the cost of making planning applications. £190,000 of this facility was drawn down at the year end.

The Small Hydro Company Limited submitted planning applications for its first five sites in July 2009 and is currently working with the relevant authorities to manage the applications through the planning process. One of the planning applications was initially refused and a resubmission has been made. Three sites have been consented and the other application is yet to be determined.

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

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

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

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

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

The first payment of mezzanine loan interest of £63,000 was made in early January 2010 and a further payment of £36,000 was made in April 2010 against income accrued in the current and prior periods.

### **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 owns 30% of Sandsfield Heat & Power Limited.

The Company invested £898,000 to acquire 22.45% of the ordinary share capital in Sandsfield Heat & Power Limited. In June 2009 the Company provided a further £500,000 by way of a mezzanine loan facility.

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

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

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

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

Construction on the site commenced in 2009 and the plant is now expected to be operational in the first quarter of 2011.

### **Kettering East Energy Limited**

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

As a result of unforeseen difficulties in the site development process and other technical issues the Company elected not proceed with this scheme and has negotiated the repayment of the loan facility with the project owners which is expected to be discharged in the course of 2010.

### **EcoGen Limited**

The Company invested £200,000 to acquire 6% of the ordinary share capital of EcoGen Limited, an experienced wind farm owner, operator and development consultant. A further investment of £100,000 was made by way of a subscription for convertible loan notes.

EcoGen is actively managing the development of a series of new wind farm sites in the UK. Its most advanced planning application for a five turbine wind farm project in Cambridgeshire was recently refused. EcoGen is considering an appeal of the planning decision. Detailed work has begun on the pre-planning process for a number of additional sites.

**Wind Power Renewables Limited**

In August 2009 the Company's positions in Catfield Wind Power Limited, Potash Wind Farm Limited, Stalham Wind Power Limited, Meridian Wind Power Limited and Witton Wind Farm Limited were consolidated by way of a share for share transfer into Wind Power Renewables Limited, which is the holding company for these development companies. The Company invested £90,000 to acquire 15% of the ordinary shares of Wind Power Renewables Limited. The Company had also provided £60,000 by way of a mezzanine loan.

Two of the six wind farm developments that comprise the company's assets have been submitted for planning approval and are awaiting determination. One of the developments has been refused planning permission and an appeal is being considered.

One further site is ready for submission to the planning authorities and scoping activity on the remaining two sites has been undertaken with a view to submitting applications in due course.

**Greenfield Wind Farm Limited**

Subsequent to the year end, on 19 March 2010 the Company acquired 8.3% of the ordinary shares in Greenfield Wind Farm Limited for a consideration of £332,000 and also provided a mezzanine loan in the sum of £664,000.

Greenfield Wind Farm Limited is a company owning a fully consented six turbine wind farm site in West Lothian, Scotland.

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

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

**Top ten investments**

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

	Investment information					Portfolio company information			
	Cost £000	Value £000	Shareholding and voting rights %	Income recognised by the Company during the year £000	Basis of valuation	Date of latest audited accounts	Net Assets £000	Turnover £000	Profit/(loss) before tax £000
Achairn Energy Limited	1,118	1,396	20.20%	93	DCFU	30/11/2008	1,219	-	20
Sandsfield Heat & Power Limited	1,398	1,398	22.45%	51	PORI	31/12/2009	1,741	-	(57)
Broadview Energy Limited	1,000	1,000	1.16%	102	PORI	31/12/2008 <sup>A</sup>	1,526	n/a	n/a
Twinwoods Heat & Power Limited	1,000	1,000	25.00%	-	PORI	n/a <sup>*</sup>	n/a	n/a	n/a
Renewable Power Systems (Dargan Road) Limited	950	950	25.00%	74	PORI	31/07/2009	652	-	(128)
Craig Wind Farm Limited	349	489	6.25%	27	DCFU	31/08/2009	2,071	1,959	438
A7 Lochhead Limited	333	357	10.00%	8	DCFU	31/03/2009	1,957	-	52
EcoGen Limited	300	300	6.00%	1	PORI	30/09/2008 <sup>A</sup>	2,092	n/a	n/a
PBM Power Limited	287	287	12.50%	-	PORI	31/12/2009	1,234	375	(35)
Small Hydro Company Limited	248	248	11.25%	3	PORI	31/03/2009	148	-	-

A - Abbreviated accounts (unaudited)

\* - Accounts not yet available as the company is in its first accounting period

Basis of valuation:

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

PORI = Price of recent investment, reviewed for impairment

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### **Valuation policy**

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

**Climate Change Capital Limited**

Investment Manager

7 June 2010

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

**Principal activities and status**

On 6 May 2010, the Company completed a scheme of reconstruction (the "Scheme" or "Merger") with Ventus 2 VCT plc. The Merger was effected by the Company being placed into members' voluntary liquidation, and its assets and liabilities being transferred to Ventus 2 VCT plc.

The Company is to be wound up voluntarily under the provisions of the Insolvency Act 1986 and Brian Hamblin and David Merrygold of PKF (UK) LLP of Farringdon Place, 20 Farringdon Road, London, EC1M 3AP (the "Liquidators") have been appointed liquidators for the purposes of such winding-up.

The Liquidators will be remunerated on a time costs basis plus VAT, disbursements and expenses, as agreed with the Board of Directors from time to time.

The Liquidators are authorised under Section 165 of the Insolvency Act 1986 to exercise the powers specified in Part I of Schedule 4 of the Insolvency Act 1986.

The Company is a public limited company, incorporated in England and was listed on the London Stock Exchange until 6 May 2010. The cancellation of the listing of the shares on the Official List followed the implementation of the Scheme.

The Scheme, appointment of Liquidators and cancellation of the Company's shares on the Official List were approved by special resolution at a general meeting of the Company held on 6 May 2010.

The Company is an investment company, as defined in Section 833 of the Companies Act 2006, and received approval as a Venture Capital Trust from HM Revenue & Customs for the year ended 28 February 2009. The Directors consider that, until 6 May 2010, the Company conducted its affairs in a manner to enable it to comply with Section 274 of the Income Tax Act 2007.

The Company has no employees other than the Directors.

The registered address of the Company is The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

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 2010	£000	Pence per share <sup>1</sup>
Revenue profit attributable to equity shareholders	42	0.37
Capital loss attributable to equity shareholders	(861)	(7.63)
Net loss attributable to equity shareholders	(819)	(7.26)
Dividends paid during the year	(335)	(1.50)
Total movement in equity shareholders' funds excluding capital raising	(1,154)	(8.76)
		%
Total expense ratio <sup>2</sup>		3.60%

For the year ended 28 February 2010	£000	Pence per share <sup>3</sup>
Net asset value	10,335	84.1
Total shareholder return <sup>4</sup>	11,274	92.5

- 1 The "per share" value is determined in respect of the weighted average number of shares in issue during the year, except in respect of the dividends paid in the year, which is determined on the basis of the number of shares eligible to receive dividends at the time the dividends were paid.
- 2 The total expense ratio represents the total operating expenditure during the year (excluding irrecoverable VAT and Merger costs) as a percentage of the net asset value of the Company at year end.
- 3 The "per share" value is determined in respect of the number of shares in issue as at the year end.
- 4 The total shareholder return represents the net asset value of the Company at year end plus the cumulative dividends paid by the Company since incorporation.

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

**Going concern**

The Directors do not consider the Company to be a going concern as the Company is in members' voluntary liquidation and it is intended that in accordance with the scheme of reconstruction with Ventus 2 VCT plc the Company will be wound up in due course.

**Share capital**

During the year ended 28 February 2010, the Company issued 1,113,912 ordinary share of 25p each. Therefore, as at the year end and 5 May 2010, the Company had 12,286,866 ordinary shares in issue. The ordinary shares of the Company were cancelled following the implementation of the Merger of the Company with Ventus 2 VCT plc on 6 May 2010.

**Rights and restrictions attaching to shares**

The rights and obligations which attached 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.

### Dividends

The dividend for the half year to 31 August 2009 of 1.50p per share was paid on 13 January 2010 to shareholders on the register on 11 December 2009. Note 8 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 2010 Ordinary Shares	28 February 2009 Ordinary Shares
D Pinckney (Chairman)	5,150	5,150
A Moore	8,043	5,150
P Thomas	5,150	5,150
C Wood	5,150	5,150

Further to the Merger with Ventus 2 VCT plc which took place on 6 May 2010, the Directors of the Company received shares in Ventus 2 VCT plc in consideration for their shareholding in the Company.

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

On 6 May 2010, Alan Moore and Paul Thomas resigned as Directors of the Company.

### Substantial interests

As at 28 February 2010 and as at 5 May 2010, the date prior to the cancellation of the Company's shares under the terms of the Scheme, the Company was aware that Pershing Nominees Limited and Heartwood Nominees Limited held 4.50% and 3.35%, respectively, of the beneficial interests and voting rights of the Company's shares. The Company was not aware of any other beneficial interest exceeding 3% of the voting rights attached to the Company's share capital.

### Investment management, administration and performance fees

Climate Change Capital Limited, whose ultimate parent undertaking is Climate Change Capital Group Limited, was the Investment Manager of the Company during the financial year and provided management and other administrative services. Climate Change Capital Limited also provided 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

The City Partnership (UK) Limited provides 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.

### VCT monitoring status

During the year, the Company engaged PricewaterhouseCoopers LLP to advise on its compliance with the taxation requirements relating to VCTs.

### Financial instruments

The Company's financial instruments, at the year end, comprised investments in unquoted companies, Government securities, cash, trade and other receivables and trade and other payables. Further details are set out in note 17 of the Financial Statements.

### Supplier payment policy

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

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

The Directors who were in office on the date of approval of these Financial Statements have confirmed that, as far as they are aware, there is no relevant audit information of which the Auditors are unaware. Each of the Directors 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 Auditors.

### Auditors

Details of the non-audit services provided to the Company by the Auditors are set out in note 5 of the Financial Statements.

### Directors' authority

Under Section 91(2) of the Insolvency Act 1986, the Liquidators have issued formal sanction for the Directors to fulfil their duties in relation to the approval and signing of the Company's accounts for the year ended 28 February 2010. It is therefore, the Directors' responsibility to ensure that they fulfil their responsibilities and duties in relation to the accounts in accordance with applicable law and regulations.

By order of the Board

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

7 June 2010

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs"). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Statements have been prepared in accordance with IFRSs as adopted by the European Union
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

# DIRECTORS AND ADVISERS

## Directors

David Pinckney FCA  
Alan Moore OBE, CEng FIMechE (resigned 6 May 2010)  
Paul Thomas ACA (resigned 6 May 2010)  
Colin Wood

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## Investment Manager

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

## Company Secretary

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

## Auditors

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

## Registrars and Registered Office

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

## Principal Banker

HSBC Bank plc  
60 Queen Victoria Street  
London  
EC4N 4TR

## VCT Taxation Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

## Broker

Matrix Corporate Capital LLP  
One Vine Street  
London  
W1J 0AH

## Solicitor

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

# INDEPENDENT AUDITORS' REPORT

to the members of Ventus 3 VCT plc

We have audited the Financial Statements of Ventus 3 VCT plc for the year ended 28 February 2010 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for auditors.

## Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements.

## Opinion on Financial Statements

In our opinion the Financial Statements:

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

Without qualifying our opinion we draw attention to note 1 to the Financial Statements which explains the basis of preparation of the Financial Statements.

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

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

7 June 2010

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2010

				2010		2009	
	Note	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Net unrealised (losses)/gains on investment	10	-	(711)	(711)	-	153	153
Income	2	376	-	376	615	-	615
Investment management fees	3	(63)	(190)	(253)	(57)	(171)	(228)
Merger costs	4	(103)	-	(103)	-	-	-
Other expenses	5	(128)	-	(128)	(129)	-	(129)
<b>Profit/(loss) before taxation</b>		<b>82</b>	<b>(901)</b>	<b>(819)</b>	429	(18)	411
Taxation	7	(40)	40	-	(53)	36	(17)
<b>Profit/(loss) and total comprehensive income for the year attributable to equity shareholders</b>		<b>42</b>	<b>(861)</b>	<b>(819)</b>	376	18	394
<b>Earnings per share</b>							
Basic and diluted return per ordinary share (p)	9	0.37	(7.63)	(7.26)	3.36	0.16	3.52

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

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

The accompanying notes on pages 17 to 27 form an integral part of these Financial Statements.

# BALANCE SHEET

as at 28 February 2010

	Note	2010 £000	2009 £000
<b>Non-current assets</b>			
Investments	10	8,434	8,100
Trade and other receivables	11	126	139
		<b>8,560</b>	8,239
<b>Current assets</b>			
Trade and other receivables	11	329	100
Cash and cash equivalents	12	1,527	2,258
		<b>1,856</b>	2,358
<b>Total assets</b>		<b>10,416</b>	10,597
<b>Current liabilities</b>			
Trade and other payables	13	(81)	(44)
<b>Net current assets</b>		<b>1,775</b>	2,314
<b>Net assets</b>		<b>10,335</b>	10,553
<b>Equity attributable to equity holders</b>			
Share capital	14	3,071	2,793
Share premium		658	-
Special reserve		7,803	7,803
Capital reserve – realised		(644)	(494)
Capital reserve – unrealised		(558)	153
Revenue reserve		5	298
<b>Total equity</b>		<b>10,335</b>	10,553
<b>Basic and diluted net asset value per ordinary share (p)</b>	15	<b>84.1</b>	94.5

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

**David Pinckney**

Director

The accompanying notes on pages 17 to 27 form an integral part of these Financial Statements.

Ventus 3 VCT plc. Registered No: 05667211

# STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2010

	Share capital £000	Share premium £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>At 1 March 2009</b>	2,793	-	7,803	(494)	153	298	10,553
Shares issued in the year	278	713	-	-	-	-	991
Issue costs	-	(55)	-	-	-	-	(55)
Profit/(loss) and total comprehensive income for the year	-	-	-	(150)	(711)	42	(819)
Dividends paid in the year	-	-	-	-	-	(335)	(335)
<b>At 28 February 2010</b>	3,071	658	7,803	(644)	(558)	5	10,335

	Share capital £000	Share premium £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>At 1 March 2008</b>	2,793	-	7,803	(359)	-	246	10,483
Profit/(loss) and total comprehensive income for the year	-	-	-	(135)	153	376	394
Dividends paid in the year	-	-	-	-	-	(324)	(324)
<b>At 28 February 2009</b>	2,793	-	7,803	(494)	153	298	10,553

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

The accompanying notes on pages 17 to 27 form an integral part of these Financial Statements.

# STATEMENT OF CASH FLOWS

for the year ended 28 February 2010

	Year ended 28 February 2010 £000	Year ended 28 February 2009 £000
<b>Cash flows from operating activities</b>		
Investment income received	103	175
Deposit interest received	19	323
Investment management fees paid	(188)	(250)
Other cash payments	(204)	(180)
<b>Net cash (used in)/ generated from operations</b>	<b>(270)</b>	<b>68</b>
Taxes paid	(17)	(29)
<b>Net cash (outflow)/ inflow from operating activities</b>	<b>(287)</b>	<b>39</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(1,045)	(6,634)
<b>Net cash outflow from investing activities</b>	<b>(1,045)</b>	<b>(6,634)</b>
<b>Cash flows from financing activities</b>		
Shares issued	991	-
Issue costs	(55)	-
Dividends paid	(335)	(324)
<b>Net cash inflow/ (outflow) from financing activities</b>	<b>601</b>	<b>(324)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(731)</b>	<b>(6,919)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,258</b>	<b>9,177</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,527</b>	<b>2,258</b>

The accompanying notes on pages 17 to 27 form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2010

## 1. Accounting policies

### Accounting convention

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

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

Subsequent to the year end the Company's assets and liabilities were acquired by Ventus 2 VCT plc under a scheme of reconstruction and the Company was placed into members' voluntary liquidation on 6 May 2010. Further details are given in note 16. As a result, the accounts have not been prepared on a going concern basis. However, the accounting policies set out below are still considered relevant as the assets and liabilities were transferred to Ventus 2 VCT plc based on their carrying values at the date prior to the date of the Merger, under the Company's normal accounting policies.

### Changes in accounting policy and disclosure

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

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

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

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

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

*IFRS 8 "Operating Segments":*

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

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

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

### Income

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

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

### Expenses

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

### Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying

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

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

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

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

### Financial Instruments

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

#### *Trade and other receivables*

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

#### *Cash and cash equivalents*

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

# NOTES TO THE FINANCIAL STATEMENTS

Continued

classified under cash equivalents as they meet the definition in IAS 7 “Cash Flow Statements” of a short-term highly liquid investment that is readily convertible into known amounts of cash and subject to insignificant risk of change in value.

## *Financial liabilities and equity*

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

## *Trade and other payables*

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

## *Equity instruments*

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

## *Special reserve*

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

## *Capital reserve - realised*

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

## *Capital reserve – unrealised*

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

## *Investments*

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends and increases in fair values, all investments are designated as fair value through profit or loss

on initial recognition. A financial asset is designated within this category if it is acquired, managed and evaluated on a fair value basis in accordance with the Company's documented investment policy. In the year of acquisition, investments are initially measured at cost, which is considered to be their fair value. Thereafter, the investments are measured at subsequent reporting dates on a fair value basis in accordance with IFRS. Gains or losses resulting from revaluation of investments are taken to the capital account of the Statement of Comprehensive Income.

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

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

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

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

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

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

## **Dividends payable**

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

## **Segmental Reporting**

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

## **Exceptional items**

Exceptional items are those significant items of income or expense which by virtue of their size or incidence are separately disclosed to enable a better understanding of the Company's financial performance.

## 2. Income

	2010 £000	2009 £000
<b>Income from investments</b>		
Mezzanine loan stock interest	371	114
Dividends	-	175
	<b>371</b>	289
<b>Other income</b>		
UK treasury bill income	3	301
Bank deposit interest	2	25
	<b>376</b>	615

## 3. Investment management fees

	2010 £000	2009 £000
Investment management fees	253	228

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, any irrecoverable VAT and the Merger costs), with any excess being borne by the Investment Manager.

The Investment Management Agreement terminated in accordance with its provisions on the appointment of the Liquidators on 6 May 2010.

## 4. Merger costs

The non-contingent costs incurred by the Company in respect of the Merger with Ventus 2 VCT plc, amounting to £102,846, were accrued and charged to the Comprehensive Statement of Income during the year ended 28 February 2010. The Directors consider the Merger costs to be an exceptional item, therefore this item has been presented separately on the Statement of Comprehensive Income.

## 5. Other expenses

	2010 £000	2009 £000
Directors' remuneration	33	33
Fees payable to the Company's Auditors for:		
- Audit of the Company's Annual Financial Statements	15	12
- Other services relating to taxation	2	3
- Other services	2	2
Legal and professional fees	-	2
Other expenses	76	77
	<b>128</b>	129

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

## 6. Directors' remuneration

	2010 £000	2009 £000
D Pinckney	10	10
A Moore	8	7
P Thomas	7	8
C Wood	8	8
Aggregate emoluments	<b>33</b>	33

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 7. Tax

	2010 £000	2009 £000
(a) <b>Tax charge/ (credit) for the year</b>		
Current UK corporation tax:		
Charged to revenue reserve	40	53
Credited to capital reserve	(40)	(36)
	-	17
(b) <b>Factors affecting the tax charge for the year</b>		
Profit/(loss) before taxation	(819)	411
Tax charge calculated on profit/(loss) before taxation at the applicable rate of 21% (2009: 21%)	(172)	86
Effect of:		
UK dividends not subject to tax	-	(37)
Capital (losses)/gains not subject to tax	149	(32)
Non-deductible merger costs	22	-
Unrecognised tax asset	1	-
	-	17

No provision for deferred taxation has been made on potential capital gains due to the Company's status as a VCT under section 274 of the ITA as at the year end.

## 8. Dividends

	2010 £000	2009 £000
Amounts recognised as distributions to equity holders in the year:		
Previous year's final dividend of 1.50p per share (2009: 1.40p)	168	156
Current year's interim dividend of 1.50p per share (2009: 1.50p)	167	168
	335	324

The Directors do not propose to pay a final dividend.

	2010 £000	2009 £000
Amounts paid or to be paid to equity holders in respect of the financial year:		
Interim dividend for the year ended 28 February 2010 of 1.50p per share (2009: 1.50p)	167	168
Nil final dividend for the year ended 28 February 2010 (2009: 1.50p per share)	-	168
	167	336

## 9. Basic and diluted return per share

The net loss per share for the year ended 28 February 2010 is based on £819,000 (2009: profit of £394,000) and the weighted average number of shares in issue during the year of 11,279,767 (2009: 11,172,954).

The basic revenue return per share is based on the net revenue from ordinary activities after taxation of £42,000 (2009: £376,000) and the weighted average number of shares in issue during the year of 11,279,767 (2009: 11,172,954).

The net capital loss per share is based on the net capital loss from ordinary activities after taxation of £861,000 (2009: net gain of £18,000) and the weighted average number of shares in issue during the year of 11,279,767 (2009: 11,172,954).

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

## 10. Investments

Year ended 28 February 2010	Shares £000	Mezzanine loan stock £000	Total £000
<b>Opening position</b>			
Opening cost	5,323	2,624	7,947
Opening unrealised gains	153	-	153
Opening fair value	5,476	2,624	8,100
<b>During the year</b>			
Purchases at cost	22	1,023	1,045
Unrealised (losses)/ gains	(764)	53	(711)
Closing fair value	4,734	3,700	8,434
<b>Closing position</b>			
Closing cost	5,345	3,647	8,992
Closing unrealised gains	(611)	53	(558)
Closing fair value	4,734	3,700	8,434

Year ended 28 February 2009	Shares £000	Mezzanine loan stock £000	Total £000
<b>Opening position</b>			
Opening cost	1,014	299	1,313
Opening fair value	1,014	299	1,313
<b>During the year</b>			
Purchases at cost	4,309	2,325	6,634
Unrealised gains	153	-	153
Closing fair value	5,476	2,624	8,100
<b>Closing position</b>			
Closing cost	5,323	2,624	7,947
Closing unrealised gains	153	-	153
Closing fair value	5,476	2,624	8,100

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

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

There was a material write down in the value of Redimo LFG Limited during the year, which amounted to £1,000,000 in total. The value of the investment in Redimo LFG Limited is held at nil as at the balance sheet date. An explanation of the reasons for the impairment in the value of this investment is provided in the Investment Manager's Report.

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

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

As at 28 February 2010, each of the Company's investments held was valued using inputs which are considered to be Level 3 inputs and a reconciliation of the movements is in the table above. The Company is further required to disclose the effect of changing one or more inputs with reasonable alternative assumptions where a significant change to the fair value measurement would result. The investment portfolio has been reviewed for the effect of alternative valuation inputs, namely the sensitivity of the total value of all investments to a 1% increase or decrease in the discount factor applied to the valuation models of investments which have been valued using discounted future cash flows from the underlying business. The application of the upside alternative discount factor would have resulted in the total value of all investments having been £185,038 or 2.19% higher. The application of the downside alternative discount factor would have resulted in the total value of all investments having been £177,402 or 2.10% lower.

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 11. Trade and other receivables

	2010 £000	2009 £000
<b>Non-current assets</b>		
Accrued interest income	126	139
	<b>126</b>	139
<b>Current assets</b>		
Accrued interest income	292	24
Prepayments	7	76
Other receivables	30	-
	<b>329</b>	100

Included in accrued interest income is mezzanine loan stock interest totalling £126,000 (2009: £138,680) 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 their fair value.

## 12. Cash and cash equivalents

	Cash £000	Treasury Bills £000	Total £000
As at 1 March 2009	638	1,620	2,258
Net increase/ (decrease)	889	(1,620)	(731)
<b>As at 28 February 2010</b>	1,527	-	1,527
	Cash £000	Treasury Bills £000	Total £000
As at 1 March 2008	202	8,975	9,177
Net increase/ (decrease)	436	(7,355)	(6,919)
<b>As at 28 February 2009</b>	638	1,620	2,258

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

## 13. Trade and other payables

	2010 £000	2009 £000
Corporation tax	-	17
Accruals	80	27
Other creditors	1	-
	<b>81</b>	44

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

#### 14. Share capital

	Number of shares of 25p each	£000
<b>Authorised</b>		
<b>At 1 March 2009</b>	30,000,000	7,500
<b>At 28 February 2010</b>	30,000,000	7,500
<b>Allotted, called up and fully paid</b>		
<b>At 1 March 2009</b>	11,172,954	2,793
Allotted, called up and fully paid during the year	1,113,912	278
<b>At 28 February 2010</b>	12,286,866	3,071

At 28 February 2010, the Company had one class of shares which carried no right to fixed income. The shares of the Company were cancelled following the implementation of the Merger of the Company with Ventus VCT 2 plc on 6 May 2010. The rights and obligations which attached to the Company's shares 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.

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

Under the authority granted to them at the Extraordinary General Meeting held on 2 March 2009, on 17 November 2009 the Directors announced a joint offer with Ventus 2 VCT plc to invite subscriptions for up to £2.0 million of ordinary shares. The offer closed on 18 January 2010 and was fully subscribed. On 25 January 2010, 1,113,912 ordinary shares of 25 pence were allotted at a price of 89 pence per share.

Following this allotment there were 12,286,866 ordinary shares of 25 pence each in issue at 28 February 2010.

After issue costs, the Company raised £936,000 from this share offer. Under an agreement between the Company and the Investment Manager, the Company agreed to pay the Investment Manager an offer fee of 5.5% of the gross proceeds. During the year, Climate Change Capital Limited earned a fee of £54,526 from the Company in respect of this offer.

#### 15. Basic and diluted net asset value per share

The calculation of net asset value per share as at 28 February 2010 is based on net assets of £10,335,000 (2009: £10,552,863) divided by 12,286,866 (2009: 11,173,337) shares in issue at that date.

#### 16. Post balance sheet events

On 19 March 2010, the Company subscribed for 167 shares in Greenfield Wind Farm Limited for a consideration of £332,000. The Company also advanced a mezzanine loan of £664,000.

On 6 May 2010, the Company completed a scheme of reconstruction with Ventus 2 VCT plc (the "Scheme" or "Merger"). The terms of the Scheme were set out in a circular issued by the Company on 8 February 2010. The Scheme was effected by the Company being placed into members' voluntary liquidation, and its assets and liabilities were transferred to Ventus 2 VCT plc, in consideration for which Ventus 2 VCT plc issued 12,250,311 new ordinary shares to the shareholders of Ventus 3 VCT plc. The new ordinary shares rank *pari passu* in all respects and form a single class with the existing ordinary shares of Ventus 2 VCT plc. The number of ordinary shares issued by Ventus 2 VCT plc was determined on the basis of the relevant net assets of each company on the date prior to the date of the Merger, adjusted in accordance with the terms of the Scheme.

**17. Financial instruments and risk management**

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

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

The main risks arising from the Company's financial instruments are interest rate and investment risk. The Board reviews and agrees policies for managing each of these risks, and they are summarised below. These policies have remained unchanged since the beginning of the financial year. The Company was placed into members' voluntary liquidation on 6 May 2010 and its assets and liabilities were transferred to Ventus 2 VCT plc. The risks associated with its financial instruments have therefore transferred to Ventus 2 VCT plc.

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

**Financial assets**

**As at 28 February 2010**

	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
<i>At fair value through profit or loss:</i>				
Ordinary shares	4,734	n/a	n/a	n/a
Mezzanine loan stock	3,700	0%-15%	11.60%	12 years
<i>Loans and receivables:</i>				
Cash	1,527	0.25%	0.52%	n/a
Accrued interest income	418	n/a	n/a	n/a

**As at 28 February 2009**

	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
<i>At fair value through profit or loss:</i>				
Ordinary shares	5,476	n/a	n/a	n/a
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
<i>Loans and receivables:</i>				
Cash	638	2.76%	2.76%	n/a
Accrued interest income	163	n/a	n/a	n/a

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

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

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

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

**Financial liabilities**

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

**Currency exposure**

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

**Borrowing facilities**

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

### Investment risk

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

### Investment price risk

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

The sensitivity of the investments held by the ordinary share fund to a 10% increase or decrease in valuation would be an increase or decrease in the profit before tax of the share fund of £843,342 or 102.90% (2009: £809,981 or 197.27%) and an increase or decrease in net asset value of the same amount or 8.16% (2009: 7.68%).

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

### Liquidity risk

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

### Credit risk

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

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

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

The maximum credit risk of the Company, as at 28 February 2010, was £5.7 million (2009: £5.0 million).

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

The mezzanine loan agreement with Firefly Energy Limited was renegotiated during the year ended 28 February 2010. With effect from 1 March 2009, the rate of interest applied to the loan of £100,000 was reduced and it was agreed that interest would not be applied to accrued interest amounts. Had the agreement not been amended, the accrued interest would otherwise have been disclosed as past due.

At the year end, no debt due for payment to the Company was considered to have been impaired. The expected timing of receipt of trade and other receivables is presented below:

	Total	Within	Between	Over
	£000	1 year	1 and 2 years	2 years
		£000	£000	£000
Accrued interest income	418	292	8	118
Other receivables	30	38	-	-
	448	322	8	118

**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, which was valued at nil at 28 February 2010 for the reasons described in the Investment Manager's Report.

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

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

On 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 biomass generator. 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.

On 15 January 2010, the Company registered a charge over its shares in Sandsfield Heat & Power Limited to Cooperative Bank plc as security for a senior loan facility of £5 million raised by Sandsfield Heat & Power Limited to finance the construction costs of the biomass generator. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Sandsfield Heat & Power Limited.

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

As at the year end the Company had provided committed loan facilities to the following companies that were partly drawn down:

- i. The Small Hydro Company Limited. £192,000 facility of which £190,000 was drawn down.
- ii. Osspower Limited. £27,500 facility of which £13,750 was drawn down as at year end. The balance was drawn down in April 2010.

As at 28 February 2010, the Company was committed to take advice on the Merger, the costs of which were contingent on the Merger taking place. It is estimated that the costs will amount to £40,000.

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

The guarantees and loan commitments set out above were matched by Ventus 2 VCT plc. Following Ventus 2 VCT plc's acquisition of the assets and liabilities of the Company on 6 May 2010, Ventus 2 VCT plc has assumed the guarantees and commitments made by the Company.

## 19. Related party transactions

During the year ended 28 February 2010, the Company engaged Climate Change Capital Limited as its Investment Manager, a subsidiary of Climate Change Holdings Limited, which is a subsidiary of Climate Change Capital Group Limited. Details of the agreement with the Investment Manager are set out in note 3 of the Financial Statements. During the year the Company was charged investment management fees of £253,000 by the Investment Manager (2009: £286,000 net of £58,000 recovered VAT). The Investment Manager owed the Company a rebate on investment management fees of £10,893 as at 28 February 2010.

During the year ended 28 February 2010, the Investment Manger earned offer fees of £54,526 from the "top-up" share offer.

Climate Change Capital Limited was also the Investment Manager of Ventus VCT plc and Ventus 2 VCT plc during the financial year; Ventus 3 VCT plc held certain of its investments in common with these companies as detailed in the Investment Manager's Report. At 28 February 2010, the Company owed £1,113 to Ventus 2 VCT plc.

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

	28 February 2010 £000	28 February 2009 £000
<b>Balances</b>		
Investments - shares	3,352	4,112
Investments - mezzanine loan stock	2,092	1,369
Accrued interest income	247	82
	Year ended 28 February 2010 £000	Year ended 28 February 2009 £000
<b>Transactions</b>		
Mezzanine loan stock interest income	229	82
Dividend income	-	175

## 20. Controlling party

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







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