



# Ventus 3 VCT plc

**Half-yearly Financial Report**

for the six month period ended 31 August 2008



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

I am pleased to present the Half-yearly Financial Report of Ventus 3 VCT plc (the "Company") for the six month period ended 31 August 2008.

Total return to shareholders (per share)

1.45p

Interim dividend (per share)

1.50p

#### Net Asset Value, Results and Dividends

At the period end, the net asset value per share of the Company stood at 93.9 pence. Revenue profit attributable to shareholders for the period was £107,161 or 0.96 pence per share. The capital gain attributable to shareholders for the period was £55,147 or 0.49 pence per share, resulting in a total return to shareholders for the period of £162,308 or 1.45 pence per share.

The value of investments held at 31 August 2008 was £2,750,954 compared to £408,822 at 31 August 2007. The Investment Manager's Report gives details of investments made during the period together with information about the revaluation of certain holdings within the portfolio.

The revenue income generated during the period was interest earned on mezzanine loan stock, cash deposits and UK treasury bills. Total revenue income for the six months to 31 August 2008 was £235,864 compared to £289,623 for the six months to 31 August 2007. The reduction in revenue income was attributable to a decrease in interest earned from cash on deposit, as cash was deployed to acquire share capital in and to make mezzanine loans to investee companies.

The Company declared and paid an annual dividend of 2.40 pence per share for the year to 29 February 2008. This was paid as an interim dividend of 1.00 pence per share on 16 January 2008 and a final dividend of 1.40 pence per share on 14 July 2008.

The Company has declared an interim dividend of 1.50 pence per share which will be paid on 14 January 2009 to all shareholders on the register as at the close of business on 12 December 2008.

#### Investments

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

As at the date of this report, the Company has made investments in 14 companies totalling £3.0 million which will be held as long term investments. The Company has also contractually committed to invest a further £0.8 million. The Company has entered into exclusivity agreements with six further potential investee companies with projected investment requirements of up to £4.1 million in aggregate and the Investment Manager is in the process of completing these investments.

On the basis of an assessment of the potential investments in the pipeline, the Investment Manager has advised the Board that it is satisfied that sufficient projects are available to fully invest the funds in accordance with the Company's investment strategy and the time period required to satisfy HM Revenue & Customs requirements in respect of maintaining the Company's VCT status.

The Investment Manager's Report provides details of the investments made as at 31 August 2008 and the amounts committed or under exclusivity agreements 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.

## Principal Risks

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

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

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

- Inadequate performance of key service providers

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

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

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

## VCT Qualifying Status

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

## Broker & Market Maker

Since 1 January 2008 the Company has contracted the services of Teathers Limited (formerly Landsbanki Securities (UK) Limited) to act as its broker and as a market maker in its shares. On 13 October 2008 the London Stock Exchange announced that Teathers Limited would no longer be authorised to act as a market maker and therefore since that date Teathers Limited has been unable to quote prices or make a market in the Company's shares. The Directors understand that the reason for this action by the London Stock Exchange is the Administration of Teathers Limited's parent company, Landsbanki Islands hf, and resultant regulatory actions arising therefrom.

Teathers Limited had continued to provide broking services to the Company, however on 23 October 2008 was also placed into Administration. In view of this very recent turn of events, the Directors are investigating options open to the Company both in respect of the engagement of a replacement broker and additional market makers to facilitate trading in the Company's shares. A further announcement will be made in due course once the Directors have identified the appropriate course of action and have found a solution to this issue.

## Responsibility Statement

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

- (a) the Half-yearly Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reports* of International Financial Reporting Standards, and give a true and fair view of the assets, liabilities, financial position and profit of the Company as required by the Disclosure and Transparency Rules ("DTR") 4.2.4R;
- (b) the report includes a fair review of the information required by DTR 4.2.7R, the significant events of the first half of the year and the principal risks and uncertainties for the remaining six months of the year; and
- (c) the report includes a fair review of related party transactions and changes thereto, as is required by DTR 4.2.8R.

The Responsibility Statement has been approved by the Board.

**David Pinckney**  
Chairman

29 October 2008

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

Total investment value and commitments in 15 companies

£3.8m

Investments in qualifying holdings

43%

#### Summary of Investments

As at the date of this report, the Company has made investments and/or contractually committed to invest in 15 companies representing total funds invested and committed of £3.8 million.

Included in this amount is £3.1m of qualifying investments and commitments which represents over 43% of the amount required to be invested in qualifying investments by 1 March 2009 in order for the Company to comply with HM Revenue & Customs VCT regulations.

The Company has entered into exclusivity agreements with six further potential investee companies with projected investment requirements of up to £4.1 million in aggregate and the Investment Manager is in the process of completing these investments. The Investment Manager is also continuing to work on a number of other investment opportunities in the core onshore wind sector and also with companies utilising non-wind technologies such as landfill gas, biomass and small scale hydro-electric schemes as well as with companies owning operational assets.

Opportunities with companies preparing planning applications for renewable energy projects are also being pursued as a means to secure the rights to make follow on investments once planning permission has been granted.

On the basis of an assessment of the potential investments in the pipeline, the Investment Manager is satisfied that sufficient projects are available to invest the funds in accordance with the investment strategy and the time period required to satisfy HM Revenue & Customs requirements in respect of maintaining the Company's VCT status.

The following table shows total investments made as at 31 August 2008, total investments at the date of this report and the total value of amounts invested and contractually committed as at the date of this report.

# INVESTMENT MANAGER'S REPORT

Continued

## Investment Summary

| Company name                | Details                           |   | Investment value as at 29 February 2008<br>£000 | Additions/ (disposals) in the six months to 31 August 2008<br>£000 | Unrealised gains in the six months to 31 August 2008<br>£000 | Investment value as at 31 August 2008<br>£000 | Investment value as at 29 October 2008<br>£000 | Investment value & commitments as at 29 October 2008<br>£000 |
|-----------------------------|-----------------------------------|---|---|--|--|---|--|--|
| Craig Wind Farm Limited     | 10 megawatt wind farm             | Q | 349   | -  | 148  | 497   | 497  | 497  |
| Firefly Energy Limited      | Renewable energy                  | Q | 200   | -  | -  | 200   | 200  | 200  |
| Redimo LFG Limited          | 9 megawatt landfill gas portfolio | Q | 500   | -  | -  | 500   | 500  | 750  |
| PBM Power Limited           | Woodchip biomass plant            | Q | -   | 250  | -  | 250   | 250  | 250  |
| A7 Lochhead Limited         | 6 megawatt wind farm              | Q | -   | -  | -  | -   | -  | 332  |
| Achairn Energy Limited      | 6 megawatt wind farm              | Q | 120   | 792  | -  | 912   | 1,118  | 1,118  |
| Spurlens Rig Wind Limited   | Wind farm development             |   | 30  | 30   | -  | 60  | 60   | 75   |
| Olgrinmore Limited          | Wind farm development             |   | 24  | -  | -  | 24  | 24   | 24   |
| Redeven Energy Limited      | Wind farm development             |   | 30  | 30   | -  | 60  | 60   | 60   |
| 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   |
| Osspower Limited            | Hydro-electric development        |   | -   | 125  | -  | 125   | 125  | 150  |
| Small Hydro Company Limited | Hydro-electric development        |   | -   | 57   | -  | 57  | 57   | 250  |
| <b>Total</b>                |                                   |   | <b>1,313</b>                                    | <b>1,290</b>   | <b>148</b>   | <b>2,751</b>                                  | <b>2,975</b>                                   | <b>3,790</b>   |

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

### Craig Wind Farm Limited

The Company holds an investment valued at £496,744 in Craig Wind Farm Limited, a company that has developed a ten megawatt wind farm in the Scottish Borders. The site became operational in October 2007.

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

Mezzanine loan interest repayments are expected to commence in March 2009 with the first dividend distributions in the second half of 2009.

### Firefly Energy Limited

The Company has invested £200,000 in Firefly Energy Limited by way of a £100,000 subscription for 25% of the ordinary shares 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. As at the date of this report 35.7 megawatts of this generating capacity is operational and 6 megawatts is under construction and is expected to be operational in the first quarter of 2009.

Firefly Energy Limited has also entered into contracts with two other 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 developing a six megawatt wind farm in Caithness, Scotland. Construction on the site began in August 2008 and the wind farm is expected to be operational in spring 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.

### A7 Lochhead Limited

The Company has committed to make an investment of £332,000 in A7 Lochhead Limited, a company developing a six megawatt wind farm in Lanarkshire, Scotland. Construction of this three wind turbine site commenced in October 2008 and is expected to be operational in summer 2009.

### Redimo LFG Limited

The Company has invested £500,000 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 on to the grid. Generating electricity from methane gas created by landfill operations is one of the most established sources of renewable energy.

A further equity investment of £250,000 will be made before the end of 2008 under the terms of the investment structure. The total operational capacity of the portfolio is nine megawatts and there is potential for expansion in the future as gas output increases. Each of the sites in the portfolio is fully operational and is performing in line with expectations. Dividends are anticipated to be distributed from Redimo LFG Limited in January 2009.

### PBM Power Limited

The Company has invested £250,000 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 plant is currently in construction and is scheduled to become operational before the end of 2008.

### Spurlens Rig Wind Limited

The Company has invested £60,000 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 expected to be submitted in December 2008. A further £15,000 has been committed to fund the costs to finalise the application.

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.

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#### **Olgrinmore Limited**

An investment of £24,000 has been made for 7.5% of the ordinary share capital of Olgrinmore Limited, a company developing a two turbine wind farm in Caithness, Scotland. A planning application has been submitted in October 2008 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.

#### **Redeven Energy Limited**

An investment of £60,000 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.

Planning applications for the three sites are being prepared for submission. The first two applications are expected to be made before the end of 2008 with the other expected to follow in the first half of 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 once planning permissions have been obtained.

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

The Company has invested a total of £66,000 in the ordinary share capital of the following investee companies, Catfield Wind Power Limited (£27,000), Potash Wind Farm Limited (£33,000) and Stalham Wind Power Limited (£6,000). In each case the Company holds 15% of the ordinary shares. After the period end a further investment of £18,000 was made in Meridian Wind Power Limited also for 15% of the share capital.

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. The first planning application for the Potash scheme, was submitted in September 2008. The other applications will be made early in 2009.

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

#### **Osspower Limited**

Osspower Limited is a company developing a number of small scale hydro-electric generating assets in Scotland. The Company has invested £125,000 for 25% of the ordinary shares of Osspower Limited. The Company has also committed to invest a further £25,000 in ordinary shares by the end of the year which will be matched by the other shareholders.

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 September 2008 and the applications for the two other elements of the overall scheme are expected to be submitted before the end of 2008.

#### **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 across England. The Company has committed to invest further funding of up to a total of £250,000 (including the existing investment) over the course of the next year as planning permissions are progressed.

## Investment Policy

The investment policy of the Company is focused on investing in companies developing renewable energy projects with installed capacities of 2 to 12 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 will seek 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 will be to maintain cash reserves of at least 5% of net proceeds raised from the initial share offer for the purpose of purchasing its ordinary shares in the market and meeting operating expenses.

In order to comply with VCT requirements, at least 70% by value of the Company's investments are required to be comprised of qualifying investments by the accounting period commencing no later than three years after the date that provisional approval by HM Revenue & Customs of the Company's status as a VCT becomes effective (i.e. by 1 March 2009) and at all times thereafter. The Company will typically invest up to £1.5 million in equity and loan stock in each investee company with no more than £1 million being invested in any single tax year. It is expected that the Company will typically own up to 12.5% to 25% of the equity share capital of each investee company and that 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 (UK treasury bills) until suitable investment opportunities are found.

## Risk Diversification

The geographical focus of the portfolio will be centred on the UK market due to VCT requirements. This will be mitigated by making investments in a wide geographical spread of projects that are situated throughout the UK. Funds will also be invested with a range of small-scale independent developers so project risk is not concentrated with only a few developers. The portfolio will contain projects at different stages of the asset lifecycle, ranging from pre-planning to under construction and then into operation. Investments will be made

via subscriptions for new share capital or via loan stock instruments in order to secure a negotiated level of return from a project. The majority of investments will be made in special purpose companies set up specifically to develop each project and bank debt financing will normally be non-recourse to the Company.

The returns from projects are largely dependent on the UK Government's continued support for renewable energy, primarily under the Renewables Obligation. The effects of any negative change to this policy are mitigated by the UK Government's history of grandfathering financial support mechanisms for existing assets. This risk is further mitigated by the Company typically negotiating fixed and/or floor price mechanisms into the power purchase agreements entered into by project companies for the sale of their generated output.

## Gearing

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

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## Maximum Exposures

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

i) **Investments in qualifying holdings**

70-95% of the funds will be invested in qualifying holdings no later than three years after the date that provisional approval by HM Revenue & Customs of the Company's status as a VCT becomes effective (i.e. 1 March 2009). Should the holdings inadvertently fall below this level then this will be remedied within 6 months as permitted by HM Revenue & Customs VCT regulations.

ii) **Concentration limits**

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

## UK Market Outlook

Notwithstanding the unprecedented turmoil in financial markets, renewable energy and addressing climate change continues to sit high on the UK Government's agenda, with the recent announcement of the creation of the new Department for Energy and Climate Change and a stated policy objective of the UK reducing its greenhouse gas emissions by 80% by 2050.

The Government's Energy Bill is currently making its final passage through Parliament and is expected to be ratified by the end of 2008. The Energy Bill is the culmination of the Government's Energy Review 2006 and the Energy White Paper 2007. The Government has also recently closed the first stage of its latest Renewable Energy Strategy consultation to determine the measures required to deliver the nearer term target of 15% of all energy to come from renewables by 2020.

In practical terms the main provisions of the Energy Bill are expected to become effective in April 2009 and will maintain the existing level of support for onshore wind within the Renewable Obligation mechanism. Various amendments to the Renewable Obligation mechanism will also provide increased support for emerging technologies such as biomass, anaerobic digestion, tidal and offshore wind. These technologies are expected to play an increasing role in meeting the Government's targets over the coming years.

The rate of development in the UK onshore renewable energy market continues to be constrained by the planning system, equipment supply and grid capacity and therefore those sites which are able to get to a position where they are ready to build and operate are continuing to be very valuable assets.

There are signs that the delays in the planning system are starting to reduce, particularly for smaller wind projects which are determined at the local planning level. There are also the early indications of easing in the equipment supply chain. The turmoil in markets is making it more difficult to finance larger projects and thus spare capacity in manufacturers' order books and some downward pressure on pricing is starting to become apparent. Smaller players that are able to move quickly to secure this spare capacity are starting to take advantage of such opportunities.

The ability to source finance in the capital markets is clearly an issue at the current time and will impact certain developments particularly at the larger end of the market. It is our opinion, however, that for well structured investments with an appropriate level of equity capital there will continue to be sufficient bank lending appetite and that funders will still be interested in supporting the renewable energy sector given the underlying government policy support available in the UK market.

**Climate Change Capital Limited**

Investment Manager

29 October 2008

# DIRECTORS & ADVISERS

## **Directors**

D Pinckney (Chairman)  
A Moore  
P Thomas  
C Wood

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## **Company Secretary & Registered Office**

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

## **Registrar**

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

## **Auditor**

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

## **Taxation Adviser**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

## **Banker**

HSBC Bank plc  
60 Queen Victoria Street  
London  
EC4N 4TR

## **Solicitor**

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

## **Investment Manager**

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

# INCOME STATEMENT

for the six month period ended 31 August 2008 (unaudited)

| Notes   | Six months ended<br>31 August 2008<br>(unaudited) |                 |               | Six months ended<br>31 August 2007<br>(unaudited) |                 |               | Year ended<br>29 February 2008<br>(audited) |                 |               |
|---|---|-----------------|---------------|---|-----------------|---------------|---|-----------------|---------------|
|   | Revenue<br>£000                                   | Capital<br>£000 | Total<br>£000 | Revenue<br>£000                                   | Capital<br>£000 | Total<br>£000 | Revenue<br>£000                             | Capital<br>£000 | Total<br>£000 |
| <b>Income</b>   | <b>236</b>  | <b>-</b>        | <b>236</b>    | 290   | -               | 290           | 578   | -               | 578           |
| Net gains on investments  | -   | 148             | 148           | -   | -               | -             | -   | -               | -             |
|   | <b>236</b>  | <b>148</b>      | <b>384</b>    | 290   | -               | 290           | 578   | -               | 578           |
| <b>Expenditure</b>  |   |                 |               |   |                 |               |   |                 |               |
| Investment  |   |                 |               |   |                 |               |   |                 |               |
| Management fees   | 39  | 116             | 155           | 39  | 117             | 156           | 78  | 233             | 311           |
| Other expenses  | 63  | -               | 63            | 54  | -               | 54            | 120   | -               | 120           |
|   | <b>102</b>  | <b>116</b>      | <b>218</b>    | 93  | 117             | 210           | 198   | 233             | 431           |
| <b>Profit/(loss) before taxation</b>  | <b>134</b>  | <b>32</b>       | <b>166</b>    | 197   | (117)           | 80            | 380   | (233)           | 147           |
| Tax   | (27)  | 23              | (4)           | (40)  | 24              | (16)          | (76)  | 47              | (29)          |
| <b>Profit/(loss) for the period<br/>attributable to equity<br/>shareholders</b> | <b>107</b>  | <b>55</b>       | <b>162</b>    | 157   | (93)            | 64            | 304   | (186)           | 118           |
| <b>Return per share</b>   |   |                 |               |   |                 |               |   |                 |               |
| Basic and diluted return<br>per ordinary share (p)                              | <b>0.96</b>                                       | <b>0.49</b>     | <b>1.45</b>   | 1.41  | (0.84)          | 0.57          | 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 in the UK.

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

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

**BALANCE SHEET**  
as at 31 August 2008 (unaudited)

| Notes   | 31 August 2008<br>(unaudited)<br>£000 | 31 August 2007<br>(unaudited)<br>£000 | 29 February 2008<br>(audited)<br>£000 |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| <b>Non-current assets</b>                                       |                                       |                                       |                                       |
| Investments   | 2,751                                 | 409                                   | 1,313                                 |
| Trade and other receivables                                     | 36                                    | 13                                    | 36                                    |
|   | <b>2,787</b>                          | 422                                   | 1,349                                 |
| <b>Current assets</b>   |                                       |                                       |                                       |
| Trade and other receivables                                     | 45                                    | 19                                    | 13                                    |
| Cash and cash equivalents                                       | 7,725                                 | 10,156                                | 9,177                                 |
|   | <b>7,770</b>                          | 10,175                                | 9,190                                 |
| <b>Total assets</b>   | <b>10,557</b>                         | 10,597                                | 10,539                                |
| <b>Current liabilities</b>                                      |                                       |                                       |                                       |
| Trade and other payables  | (68)                                  | (56)                                  | (56)                                  |
| <b>Net current assets</b>                                       | <b>7,702</b>                          | 10,119                                | 9,134                                 |
| <b>Net assets</b>   | <b>10,489</b>                         | 10,541                                | 10,483                                |
| <b>Equity attributable to equity holders</b>                    |                                       |                                       |                                       |
| Ordinary share capital  | 2,793                                 | 2,793                                 | 2,793                                 |
| Special reserve   | 7,803                                 | 7,803                                 | 7,803                                 |
| Capital reserve – realised                                      | (452)                                 | (266)                                 | (359)                                 |
| Capital reserve – unrealised                                    | 148                                   | -                                     | -                                     |
| Revenue reserve   | 197                                   | 211                                   | 246                                   |
| <b>Total equity</b>   | <b>10,489</b>                         | 10,541                                | 10,483                                |
| <b>Basic and diluted net asset value per ordinary share (p)</b> | <b>93.9</b>                           | 94.4                                  | 93.8                                  |

# CASH FLOW STATEMENT

for the six month period ended 31 August 2008 (unaudited)

|   | Six months ended<br>31 August 2008<br>(unaudited)<br>£000 | Six months ended<br>31 August 2007<br>(unaudited)<br>£000 | Year ended<br>29 February 2008<br>(audited)<br>£000 |
|---|---|---|---|
| <b>Cash flows from operating activities</b>                               |   |   |   |
| Deposit interest received   | 211   | 285   | 544   |
| Investment management fees paid   | (155)   | (156)   | (311)   |
| Other cash payments   | (62)  | (65)  | (119)   |
| <b>Net cash (used in)/received from operating activities before taxes</b> | <b>(6)</b>  | 64  | 114   |
| Taxes paid  | -   | -   | (13)  |
| <b>Net cash (used in)/received from operating activities</b>              | <b>(6)</b>  | 64  | 101   |
| <b>Cash flows from investing activities</b>                               |   |   |   |
| Purchases of investments  | (1,290)   | (240)   | (1,144)   |
| <b>Net cash used in investing activities</b>                              | <b>(1,290)</b>  | (240)   | (1,144)   |
| <b>Cash flows from financing activities</b>                               |   |   |   |
| Dividends paid  | (156)   | (84)  | (196)   |
| <b>Net cash used in financing activities</b>                              | <b>(156)</b>  | (84)  | (196)   |
| <b>Net decrease in cash and cash equivalents</b>                          | <b>(1,452)</b>  | (260)   | (1,239)   |
| <b>Cash and cash equivalents at the beginning of the period</b>           | <b>9,177</b>  | 10,416  | 10,416  |
| <b>Cash and cash equivalents at the end of the period</b>                 | <b>7,725</b>  | 10,156  | 9,177   |

STATEMENT OF CHANGES IN EQUITY  
for the six month period ended 31 August 2008 (unaudited)

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

|                                     |              |              |              |          |            |               |
|-------------------------------------|--------------|--------------|--------------|----------|------------|---------------|
| <b>At 1 March 2007</b>              | 2,793        | 7,803        | (173)        | -        | 138        | 10,561        |
| (Loss)/profit for the period        | -            | -            | (93)         | -        | 157        | 64            |
| Total recognised income and expense | -            | -            | (93)         | -        | 157        | 64            |
| Dividends paid in the period        | -            | -            | -            | -        | (84)       | (84)          |
| <b>At 31 August 2007</b>            | <b>2,793</b> | <b>7,803</b> | <b>(266)</b> | <b>-</b> | <b>211</b> | <b>10,541</b> |

|                                     |              |              |              |          |            |               |
|-------------------------------------|--------------|--------------|--------------|----------|------------|---------------|
| <b>At 1 March 2007</b>              | 2,793        | 7,803        | (173)        | -        | 138        | 10,561        |
| (Loss)/profit for the year          | -            | -            | (186)        | -        | 304        | 118           |
| Total recognised income and expense | -            | -            | (186)        | -        | 304        | 118           |
| Dividends paid in the year          | -            | -            | -            | -        | (196)      | (196)         |
| <b>At 29 February 2008</b>          | <b>2,793</b> | <b>7,803</b> | <b>(359)</b> | <b>-</b> | <b>246</b> | <b>10,483</b> |

The Statements of Changes in Equity for the six month periods ended 31 August 2008 and 31 August 2007 are unaudited. The Statement of Changes in Equity for the year ended 29 February 2008 is audited. All amounts are attributable to equity holders.

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

# NOTES TO THE FINANCIAL STATEMENTS

for the six month period ended 31 August 2008 (unaudited)

## 1. Accounting policies

The unaudited Half-yearly Financial Statements for the six months ended 31 August 2008 are condensed and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act and such statements have not been delivered to the Registrar of Companies.

The Half-yearly Financial Statements, which have not been audited, have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the recognition and measurement principles of International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") pronouncements to the extent that they have been adopted by the European Union. As this is the first time that the Company has prepared half-yearly financial statements under IFRS, the disclosures required by IFRS 1 *First-time Adoption of IFRS* ("IFRS 1") concerning the transition from United Kingdom Generally Accepted Accounting Practice ("UK GAAP") to IFRS are given in Note 12.

The accounting policies used in the preparation of the Half-yearly Financial Statements are consistent with those adopted in the 2008 Annual Report and those that will be adopted in the 2009 Annual Report.

The Half-yearly Financial Statements have been presented using the presentational guidance set out in the Statement of Recommended Practice (SORP) "Financial Statements of Investment Trust Companies" (revised in December 2005), to the extent that the guidance is consistent with IFRS. The Half-yearly Financial Statements have been prepared in a way which complies with the Financial Services Authority's Disclosure and Transparency Rules.

The Financial Statements for the year ended 29 February 2008 have been filed with the Registrar of Companies. The auditor's report on these accounts was unqualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The Half-yearly Financial Statements have been prepared on an historical cost basis except where financial assets have been valued at fair value through profit or loss.

## 2. Income

|                                      | Six months ended<br>31 August 2008<br>(unaudited)<br>£000 | Six months ended<br>31 August 2007<br>(unaudited)<br>£000 | Year ended<br>29 February 2008<br>(audited)<br>£000 |
|--------------------------------------|---|---|---|
| <b>Income from investments</b>       |   |   |   |
| Mezzanine loan stock interest income | 30  | 12  | 24  |
|                                      | <b>30</b>   | 12  | 24  |
| <b>Other income</b>                  |   |   |   |
| UK treasury bill income              | 197   | 270   | 534   |
| Bank deposit interest                | 9   | 8   | 20  |
|                                      | <b>236</b>  | 290   | 578   |

## 3. Investment Management Fees

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

## 4. Tax

The half-yearly tax charge of £3,500 is based on the likely effective tax rate for the year ending 28 February 2009. This has been estimated at 21%.

## 5. Return Per Ordinary Share

The basic and diluted return per share of 1.45 pence (six months ended 31 August 2007: 0.57 pence; twelve months ended 29 February 2008: 1.05 pence) is based on the profit for the period of £162,308 (six months ended 31 August 2007: £64,371; twelve months ended 29 February 2008: £117,560) and the number of shares in issue during the period of 11,172,954 (six months ended 31 August 2007: 11,172,954; twelve months ended 29 February 2008: 11,172,954). There were no differences between basic and diluted return per share because no dilutive instruments had been issued or granted.

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 6. Investments

Total investments held at fair value through profit or loss were valued at £2,750,954 (31 August 2007: £408,822; 29 February 2008: £1,312,822). The movements in investment value are presented in the table below:

|   | Six months ended 31 August 2008<br>(unaudited) |                                 |               | Six months ended 31 August 2007<br>(unaudited) |                                 |               | Year ended 29 February 2008<br>(audited) |                                 |               |
|---|--|---------------------------------|---------------|--|---------------------------------|---------------|--|---------------------------------|---------------|
|   | Shares<br>£000                                 | Mezzanine<br>loan stock<br>£000 | Total<br>£000 | Shares<br>£000                                 | Mezzanine<br>loan stock<br>£000 | Total<br>£000 | Shares<br>£000                           | Mezzanine<br>loan stock<br>£000 | Total<br>£000 |
| <b>Opening position at beginning of period/year</b> |  |                                 |               |  |                                 |               |  |                                 |               |
| Opening cost  | 1,014  | 299                             | 1,313         | -  | 169                             | 169           | -  | 169                             | 169           |
| Opening fair value                                  | 1,014  | 299                             | 1,313         | -  | 169                             | 169           | -  | 169                             | 169           |
| <b>During period/year</b>                           |  |                                 |               |  |                                 |               |  |                                 |               |
| Purchases at cost                                   | 847  | 443                             | 1,290         | 240  | -                               | 240           | 1,014                                    | 130                             | 1,144         |
| Unrealised gains                                    | 148  | -                               | 148           | -  | -                               | -             | -  | -                               | -             |
| Closing fair value                                  | 2,009  | 742                             | 2,751         | 240  | 169                             | 409           | 1,014                                    | 299                             | 1,313         |
| <b>Closing position at period/year end</b>          |  |                                 |               |  |                                 |               |  |                                 |               |
| Closing cost  | 1,861  | 742                             | 2,603         | 240  | 169                             | 409           | 1,014                                    | 299                             | 1,313         |
| Closing unrealised gains                            | 148  | -                               | 148           | -  | -                               | -             | -  | -                               | -             |
| Closing fair value                                  | 2,009  | 742                             | 2,751         | 240  | 169                             | 409           | 1,014                                    | 299                             | 1,313         |

## 7. Cash and Cash Equivalents

The total cash and cash equivalents held were £7,725,268 (31 August 2007: £10,156,444; 29 February 2008: £9,177,204). In the six month period to 31 August 2008, revenue earned from amounts on deposit and UK treasury bills was £206,940 (six months ended 31 August 2007: £278,169; year ended 29 February 2008: £554,490). The reduction is explained by the reduction in the cash and cash equivalents held due to the purchase of investments requiring cash funding.

## 8. Net Asset Value Per Share

The net asset value per share of 93.9 pence (31 August 2007: 94.4 pence; 29 February 2008: 93.8 pence) is based on net assets of £10,489,539 (31 August 2007: £10,542,194; 29 February 2008: £10,483,653) and the number of shares in issue as at 31 August 2008 of 11,172,954 (31 August 2007: 11,172,954; 29 February 2008: 11,172,954).

## 9. Dividends

An interim dividend of 1.50 pence per share has been declared for the period ended 31 August 2008 which will be paid on 14 January 2009 to all shareholders on the register as at close of business on 12 December 2008. A final dividend for the year ended 29 February 2008 of 1.40 pence per share was paid in the period ended 31 August 2008.

## 10. Related Parties

The Company retains Climate Change Capital Limited as its Investment Manager, a subsidiary of Climate Change Holdings Limited, of which the ultimate holding company is Climate Change Capital Group Limited. The amount payable to the Investment Manager, inclusive of irrecoverable VAT, for the six months ended 31 August 2008, was £154,625 (six months ended 31 August 2007: £155,558; twelve months ended 29 February 2008: £310,757).

## 10. Related Parties (continued)

The investee companies in which the Company has a shareholding of 20% or more are considered to be related parties. The significant changes to the balances and transactions with these companies are presented in the Investment Manager's Report. The aggregate balances at the balance sheet date and transactions with these companies during the six months to 31 August 2008 are summarised below:

|                                      | 31 August 2008<br>£000<br>(unaudited)                     | 31 August 2007<br>£000<br>(unaudited)                     | 29 February 2008<br>£000<br>(audited)               |
|--------------------------------------|---|---|---|
| <b>Balances</b>                      |   |   |   |
| Investments - shares                 | 1,284   | -   | 630   |
| Investments - mezzanine loan stock   | 573   | -   | 130   |
| Accrued interest income              | 16  | -   | -   |
|                                      |   |   |   |
|                                      | Six months ended<br>31 August 2008<br>£000<br>(unaudited) | Six months ended<br>31 August 2007<br>£000<br>(unaudited) | Year ended<br>29 February 2008<br>£000<br>(audited) |
| <b>Transactions</b>                  |   |   |   |
| Mezzanine loan stock interest income | 16  | -   | -   |

## 11. Post Balance Sheet Events

Since the balance sheet date, the Company has made a further investment of £206,521 in Achairn Energy Limited and paid £18,000 to acquire shares in Meridian Wind Power Limited.

There have been no changes to the contingencies, financial commitments or guarantees disclosed in the Financial Statements for the year ended 29 February 2008, other than those disclosed in the Investment Manager's Report.

## 12. Transition Statements

These Half-yearly Financial Statements are the first to be prepared under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 28 February 2007 and the date of transition to IFRS was therefore 5 January 2006 (the date of the Company's incorporation).

### Reconciliation of Equity at 31 August 2006 (unaudited)

|   | UK GAAP<br>£000 | Effect of transition to IFRS<br>£000 | IFRS<br>£000 |
|---|-----------------|--------------------------------------|--------------|
| <b>Non-current assets</b>                                       |                 |                                      |              |
| Investments   | 169             | -                                    | 169          |
| Trade and other receivables                                     | -               | 2                                    | 2            |
|   | 169             | 2                                    | 171          |
| <b>Current assets</b>   |                 |                                      |              |
| Trade and other receivables                                     | 10              | (2)                                  | 8            |
| Short term investments in UK treasury bills                     | 10,321          | (10,321)                             | -            |
| Cash and cash equivalents                                       | 127             | 10,321                               | 10,448       |
|   | 10,458          | (2)                                  | 10,456       |
| <b>Total assets</b>   | 10,627          | -                                    | 10,627       |
| <b>Current liabilities</b>                                      |                 |                                      |              |
| Trade and other payables  | (28)            | -                                    | (28)         |
| Net current assets  | 10,430          | (2)                                  | 10,428       |
| Net assets  | 10,599          | -                                    | 10,599       |
| <b>Equity attributable to equity holders</b>                    |                 |                                      |              |
| Ordinary share capital  | 2,793           | -                                    | 2,793        |
| Special reserve   | 7,803           | -                                    | 7,803        |
| Capital reserve – realised                                      | (96)            | -                                    | (96)         |
| Revenue reserve   | 99              | -                                    | 99           |
| <b>Total equity</b>   | 10,599          | -                                    | 10,599       |
| <b>Basic and diluted net asset value per ordinary share (p)</b> | 94.9            | -                                    | 94.9         |

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

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 12. Transition Statements (continued)

### Reconciliation of Equity at 31 August 2007 (unaudited)

|   | UK GAAP<br>£000 | Effect of transition to IFRS<br>£000 | IFRS<br>£000 |
|---|-----------------|--------------------------------------|--------------|
| <b>Non-current assets</b>                                       |                 |                                      |              |
| Investments   | 409             | -                                    | 409          |
| Trade and other receivables                                     | -               | 13                                   | 13           |
|   | 409             | 13                                   | 422          |
| <b>Current assets</b>   |                 |                                      |              |
| Trade and other receivables                                     | 32              | (13)                                 | 19           |
| Short term investments in UK treasury bills                     | 10,042          | (10,042)                             | -            |
| Cash and cash equivalents                                       | 114             | 10,042                               | 10,156       |
|   | 10,188          | (13)                                 | 10,175       |
| <b>Total assets</b>   | 10,597          | -                                    | 10,597       |
| <b>Current liabilities</b>                                      |                 |                                      |              |
| Trade and other payables  | (56)            | -                                    | (56)         |
| Net current assets  | 10,132          | (13)                                 | 10,119       |
| Net assets  | 10,541          | -                                    | 10,541       |
| <b>Equity attributable to equity holders</b>                    |                 |                                      |              |
| Ordinary share capital  | 2,793           | -                                    | 2,793        |
| Special reserve   | 7,803           | -                                    | 7,803        |
| Capital reserve – realised                                      | (266)           | -                                    | (266)        |
| Revenue reserve   | 211             | -                                    | 211          |
| <b>Total equity</b>   | 10,541          | -                                    | 10,541       |
| <b>Basic and diluted net asset value per ordinary share (p)</b> | 94.4            | -                                    | 94.4         |

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

There were no differences between profit under UK GAAP and IFRS, therefore transition statements have not been presented.

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

## 13. Report Approval

The Half-yearly Financial Report was approved for issue by the Directors on 29 October 2008.

## 14. Report Distribution

Copies of this Half-yearly Financial Report will be sent to shareholders and are available from the Company Secretary, c/o Capita Company Secretarial Services Ltd, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. The report will also be available on the Company's website [ventusvct.com](http://ventusvct.com).





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