



# Ventus VCT plc

**Annual Report & Financial Statements**  
for the year ended 28 February 2013



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

## I am pleased to present the Annual Report and Financial Statements of Ventus VCT plc (the "Company") for the year ended 28 February 2013.

This has been a year during which the Company, through the diligence of its Investment Manager, has consolidated its investments and procedures. This is reflected in the substantial increase in the net asset value and shareholder returns reported here.

The Company's investment manager, Temporis Capital LLP, has now been in place for 21 months, during which time the Ventus investment management team has focused on investments at the lower-risk end of the wind sector. The Directors are pleased that the recent successful sale of Craig Wind Farm Limited has contributed to the increased net asset value of the Company's ordinary share fund. During the year the ordinary share fund has made investments in four companies which are constructing wind farms in England. The Company's "C" share fund has also made investments in two of these companies.

In the Company's previous annual report, which was published on 31 May 2012, the Directors set out their intentions and objectives with respect to future dividends. The Directors stated their intention to pay a minimum annual dividend of 5p per ordinary share for the next three years and an annual dividend of 3p to 4p per "C" share for the next two years. The directors affirm these intentions. It should be stressed that these are intentions only, and no forecasts are intended or are to be inferred.

### **Net Asset Value, Results and Dividends – Ordinary Shares**

At the year end, the net asset value of the ordinary share fund of the Company stood at £19,766,000 or 121.2p per ordinary share (2012: £18,085,000 or 110.4p per ordinary share).

During the year ended 28 February 2013 the total shareholder return of the ordinary share fund increased by 15.1p per ordinary share, which represents an 11.6% increase. Total shareholder return is the net asset value plus the cumulative dividends paid to date.

The revenue profit attributable to ordinary shareholders for the year was £639,000 or 3.92p per ordinary share. The capital gain attributable to ordinary shareholders for the year was £1,749,000 or 10.72p per ordinary share, resulting in a net gain to ordinary shareholders for the year of £2,388,000 or 14.64p per ordinary share (2012: £1,435,000 or 8.77p per ordinary share).

The value of investments held by the ordinary share fund at 28 February 2013 was £17,156,000 compared to £17,173,000 at 29 February 2012. During the year the Company disposed of its interest in Craig Wind Farm Limited for a minimum consideration of £4,942,000 which generated an initial capital gain on investment cost of £2,849,000. The Company also received £84,000 of interest which had accrued on the mezzanine loan with Craig Wind Farm Limited prior to the sale. Further details on this disposal are presented in the Investment Manager's Report.

The income generated in the ordinary share fund during the year comprised dividend income and interest earned on loan stock and cash deposits. Total income for the year ended 28 February 2013 was £1,070,000, of which £718,000 was derived from loan stock, £350,000 from dividends and £2,000 was bank deposit interest. This compares to total income of £867,000 for the year ended 29 February 2012. The primary reason for the increase in income is due to higher dividend payments from investee companies.

The Company proposes to declare a final dividend of 2.50p per ordinary share to be paid on 7 August 2013 to all ordinary shareholders on the register as at the close of business on 12 July 2013. The Company paid an interim dividend of 2.50p per ordinary share on 16 January 2013. Therefore the total annual dividend will be 5.00p per ordinary share.

### **Net Asset Value, Results and Dividends – "C" Shares**

At the year end, the net asset value of the "C" share fund of the Company stood at £12,048,000 or 106.3p per "C" share (2012: £10,380,000 or 91.6p per "C" share).

During the year ended 28 February 2013 the total shareholder return of the "C" share fund increased by 16.9p per "C" share which represents an 18.3% increase. Total shareholder return is the net asset value plus the cumulative dividends paid to date.

The revenue profit attributable to "C" shareholders for the year was £197,000 or 1.72p per "C" share. The capital gain attributable to "C" shareholders for the year was £1,720,000 or 15.20p per "C" share, resulting in a net gain to "C" shareholders for the year of £1,917,000 or 16.92p per "C" share (2012: net loss of £9,000 or 0.09p per "C" share).

The value of investments held by the "C" share fund at 28 February 2013 was £10,743,000 compared to £8,183,000 at 29 February 2012.

The income generated in the "C" share fund during the year comprised interest earned on loan stock and cash deposits. Total income for the year ended 28 February 2013 was £439,000, of which £338,000 was loan stock interest, £90,000 was a loan facility fee and £11,000 was bank deposit interest. This compares with income generated by the "C" share fund of £442,000 in the year ended 29 February 2012. During the year a number of short term loans were repaid to the Company which resulted in the amount earned from loan stock reducing compared to the amount earned in the previous year.

The Company proposes to declare a final dividend of 1.80p per "C" share to be paid on 7 August 2013 to all "C" shareholders on the register as at the close of business on 12 July 2013. The Company paid an interim dividend of 1.20p per "C" share on 16 January 2013. Therefore the total annual dividend will be 3.00p per "C" share.

## Investments

The Company's Investment Manager, Temporis Capital LLP, continues to be actively engaged in managing the portfolio and in identifying and negotiating potential investment opportunities.

As at 28 February 2013, the ordinary share fund of the Company held investments in 15 companies (2012: 13 companies) with a total value of £17.2 million (2012: £17.2 million). The "C" share fund held investments in 9 companies (2012: 10 companies) with a value of £10.7 million (2012: £8.2 million).

The Investment Manager's Report provides details of the investments held as at 28 February 2013 and as at the date of this report. All investments are structured so as to be treated as qualifying holdings for the purposes of Venture Capital Trust ("VCT") regulations, unless otherwise stated.

## VCT Qualifying Status

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

## Share Offer and Tender Offer

In March 2012, the Company completed a tender offer under which ordinary shareholders were able to sell their ordinary shares to the Company at net asset value ("NAV") provided they committed to investing the entire proceeds of the sale in new ordinary shares under a share offer which closed on 3 April 2012. The tender offer was successful, with 6,346,089 ordinary shares being tendered at a price of 100p per share. This represented 42% of the ordinary shares originally subscribed for by shareholders in the Company's 2005 share offer.

Under the share offer which closed on 3 April 2012, the Company issued 6,268,843 new ordinary shares at an aggregate subscription price of £6,391,089. This included 6,225,647 ordinary shares subscribed for by existing ordinary shareholders with proceeds from the sale of their ordinary shares pursuant to the tender offer.

## Share Buy-backs

The Board believes that it is beneficial to the Company for it to continue to have the flexibility to purchase its own shares in the market. However, the Board considers it in the best interest of all shareholders if the Directors use their authority to make share buy-backs judiciously. The Board does not believe it is in the best interest of all shareholders to have a policy of automatic annual share buy-backs.

## Shareholder Communications

In accordance with the Company's commitment to environmental sustainability and to minimise costs wherever appropriate, the financial statements will continue to be made available through regulated news service providers and on the Company website at [www.ventusvct.com](http://www.ventusvct.com). Any shareholder who wishes to receive notification of reports by either email or post may request this by contacting the Registrar.

**David Pinckney**

Chairman

24 May 2013

In line with the strategic objectives set by the Board, the Investment Manager has continued to focus the Company's activities on wind investments generating stable long-term income with the objective of providing predictable dividends to shareholders. In order to improve stability of cash returns from investee companies and enhance the predictability of dividends to shareholders of the Company, recent investments have, on average, been structured with lighter leverage than earlier investments.

The investments in Wind Power Renewables Limited and Redeven Energy Limited have been restructured with the intention of unlocking embedded development value in these companies. During the year ended 28 February 2013, the value of the Company's investments in Greenfield Wind Farm Limited, White Mill Windfarm Limited and AD Wind Farmers Limited increased significantly as a result of the successful completion of the construction of their wind farms. The Investment Manager

continues to work actively with investee companies to manage risk through the construction phase.

**Ordinary share portfolio**

A summary of the ordinary share fund's investment valuations as at 28 February 2013 and gains and losses during the year ended 28 February 2013 is given below.

|   | Voting rights as at 28 February 2013 % | Investment value                   |                                   |                                   | Investment cost                    |                                   |                                   | Gain/(loss) in the year to 28 February 2013 £000 | Investment value Total as at 29 February 2012 £000 | Investment cost Total as at 29 February 2012 £000 |
|---|--|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------------------------|--|--|---|
|   |  | Shares as at 28 February 2013 £000 | Loans as at 28 February 2013 £000 | Total as at 28 February 2013 £000 | Shares as at 28 February 2013 £000 | Loans as at 28 February 2013 £000 | Total as at 28 February 2013 £000 |  |  |   |
| <b>Operational wind</b>                           |  |                                    |                                   |                                   |                                    |                                   |                                   |  |  |   |
| Fenpower Limited                                  | Q 33.33%                               | 2,796                              | 1,658                             | 4,454                             | 308                                | 1,707                             | 2,015                             | 431  | 4,077  | 2,069   |
| A7 Greendykeside Limited                          | Q 50.00%                               | 1,540                              | 650                               | 2,190                             | 916                                | 620                               | 1,536                             | 139  | 2,051  | 1,536   |
| Achair Energy Limited *                           | Q 8.50%                                | 504                                | 286                               | 790                               | 203                                | 260                               | 463                               | 17   | 773  | 463   |
| A7 Lochhead Limited *                             | Q 30.00%                               | 1,093                              | 189                               | 1,282                             | 820                                | 180                               | 1,000                             | 118  | 1,164  | 1,000   |
| Greenfield Wind Farm Limited *                    | PQ 8.35%                               | 703                                | 711                               | 1,414                             | 334                                | 668                               | 1,002                             | 412  | 1,002  | 1,002   |
| <b>Wind under construction</b>                    |  |                                    |                                   |                                   |                                    |                                   |                                   |  |  |   |
| Biggleswade Wind Farm Limited *                   | Q 3.50%                                | 86                                 | 264                               | 350                               | 86                                 | 264                               | 350                               | -  | -  | -   |
| Eye Wind Power Limited *                          | PQ 50.00%                              | 1,101                              | 1,050                             | 2,151                             | 1,101                              | 1,050                             | 2,151                             | -  | -  | -   |
| Bernard Matthews Green Energy Weston Limited *    | Q 50.00%                               | 538                                | -                                 | 538                               | 500                                | -                                 | 500                               | 38   | -  | -   |
| Bernard Matthews Green Energy Pickenham Limited * | Q 50.00%                               | 536                                | -                                 | 536                               | 500                                | -                                 | 500                               | 36   | -  | -   |
| <b>Operational companies in the wind sector</b>   |  |                                    |                                   |                                   |                                    |                                   |                                   |  |  |   |
| Broadview Energy Limited *                        | Q 11.04%                               | 2,365                              | -                                 | 2,365                             | 750                                | -                                 | 750                               | (232)  | 2,597  | 750   |
| Firefly Energy Limited *                          | Q 50.00%                               | -                                  | 918                               | 918                               | 200                                | 1,223                             | 1,423                             | (259)  | 1,394  | 1,640   |
| <b>Development and pre-planning</b>               |  |                                    |                                   |                                   |                                    |                                   |                                   |  |  |   |
| Redeven Energy Limited *                          | 50.00%                                 | 66                                 | 102                               | 168                               | -                                  | 214                               | 214                               | (46)   | 390  | 390   |
| <b>Realised investments</b>                       |  |                                    |                                   |                                   |                                    |                                   |                                   |  |  |   |
| Craig Wind Farm Limited*                          | 0.00%                                  | -                                  | -                                 | -                                 | -                                  | -                                 | -                                 | 1,370  | 3,611  | 2,093   |
| Wind Power Renewables Limited *                   | 32.00%                                 | -                                  | -                                 | -                                 | -                                  | -                                 | -                                 | (14)   | 93   | 248   |
| Redimo LFG Limited *                              | Q 50.00%                               | -                                  | -                                 | -                                 | 2,000                              | -                                 | 2,000                             | -  | -  | 2,000   |
| Spurlens Rig Wind Limited *                       | 40.00%                                 | -                                  | -                                 | -                                 | 139                                | -                                 | 139                               | 2  | 21   | 162   |
| Olgrinmore Limited *                              | 11.80%                                 | -                                  | -                                 | -                                 | 46                                 | -                                 | 46                                | -  | -  | 46  |
| <b>Total</b>                                      |  | <b>11,328</b>                      | <b>5,828</b>                      | <b>17,156</b>                     | <b>7,903</b>                       | <b>6,186</b>                      | <b>14,089</b>                     | <b>2,012</b>                                     | <b>17,173</b>                                      | <b>13,399</b>                                     |

**Q** Investment complies with VCT regulations on qualifying holdings.

**PQ** Part of the investment complies with VCT regulations on qualifying holdings.

\* A company in which Ventus 2 VCT plc has also invested (or in which Ventus 2 VCT plc had invested prior to the investment being realised). The Company and Ventus 2 VCT plc are managed by Temporis Capital LLP.

**New Investments**

During the year ended 28 February 2013, the Company made the following new investments from the ordinary share fund:

|   | Voting Rights Acquired | Equity Investment £ | Loan Investment £ |
|---|------------------------|---------------------|-------------------|
| Biggleswade Wind Farm Limited                   | 3.5%                   | 86,000              | 264,000           |
| Eye Wind Power Limited                          | 50.0%                  | 1,101,000           | 1,050,000         |
| Bernard Matthews Green Energy Pickenham Limited | 50.0%                  | 500,000             | -                 |
| Bernard Matthews Green Energy Weston Limited    | 50.0%                  | 500,000             | -                 |

The Company's investment in Eye Wind Power Limited consisted of £2,039,000 of new funds and the exchange of loans from the Company to Wind Power Renewables Limited valued at £112,000 (£92,000 principal plus £20,000 accrued interest). The realisation of Wind Power Renewables Limited is discussed below.

See a discussion of each of the above investments in the section titled "Summary of Ordinary Share Fund Investments".

**Disposals**

*Craig Wind Farm Limited*

In November 2012, the Company sold its 37.5% equity holding in Craig Wind Farm Limited ("CWFL"), as well as the Company's outstanding loan with CWFL of £1,014,000, to Partnerships for Renewables Limited, a renewable energy developer focusing primarily on public sector land. CWFL owns and operates a 10 megawatt wind farm in Dumfries and Galloway, Scotland. The Company also received £84,000 of interest which had accrued on the mezzanine loan with Craig Wind Farm Limited prior to the sale.

The minimum proceeds to the Company from the sale, net of costs, totalled £4,942,000, consisting of £2,920,000 in cash and £2,022,000 of deferred consideration at initial fair value. The

deferred consideration is fully secured on the assets of CWFL. There is also the possibility of further deferred consideration contingent on the development of further turbines on the CWFL site. The amortised cost value of the non-contingent deferred consideration is recorded in the accounts of the Company as at 28 February 2013 as a non-current amount receivable of £2,060,000. The contingent consideration is considered to have no significant value and is therefore held in the accounts of the Company as at 28 February 2013 at nil value.

The Company made its investment in CWFL in 2006. Without regard to any contingent deferred consideration, the return to the Company on the CWFL investment, including past dividends and interest payments received, totalled 3.12 times the original cost of the investment.

*Wind Power Renewables Limited*

In connection with acquiring an interest in Eye Wind Power Limited in July 2012, the Company disposed of its entire interest in Wind Power Renewables Limited. This interest consisted of 32% of the ordinary shares of Wind Power Renewables Limited as well as a loan of £92,000 plus accrued interest of £20,000. The loan amount and accrued interest receivable totalling £112,000 was rolled into the cost of the investment in Eye Wind Power Limited.

**Summary of Ordinary Share Fund Investments**

Details of the valuations of the investments held by the ordinary share fund are shown in the table above.

**OPERATIONAL WIND**

Each of the following investee companies owns and operates a single wind farm:

|                              | Wind farm capacity (megawatts) | Operational since | Location              |
|------------------------------|--------------------------------|-------------------|-----------------------|
| Fenpower Limited             | 10.0                           | May 2007          | Cambridgeshire        |
| A7 Greendykeside Limited     | 4.0                            | November 2007     | Lanarkshire, Scotland |
| Achairn Energy Limited       | 6.0                            | May 2009          | Caithness, Scotland   |
| A7 Lochhead Limited          | 6.0                            | June 2009         | Lanarkshire, Scotland |
| Greenfield Wind Farm Limited | 12.3                           | March 2011        | Lanarkshire, Scotland |

The Company's investments in the above companies are valued using discounted cash flow models. The values of Fenpower Limited and A7 Greendykeside Limited increased during the year ended 28 February 2013 primarily because the underlying project debt in each company decreased during the year and because of a decrease in projected future corporation tax rates as set out in this year's Budget. The value of Achairn Energy Limited also increased for the same reasons, however most of this increase was offset by a decrease due to a downward revision of 5.8% in the projected annual energy yield. The value of A7 Lochhead Limited increased during the year ended 28 February 2013 primarily because the underlying project debt in each company decreased during the year and because of a decrease in projected future corporation tax rates. The value of Greenfield Wind Farm Limited increased significantly during the year ended 28 February 2013 because the investment was still held at cost as at 29 February 2012 and has subsequently been revalued on a discounted cash flow basis in line with the Company's valuation policy for investments in companies with operating renewable energy assets.

Set out below is a brief summary of the performance of the investee companies operating wind farms. All the companies operating wind farms experienced good availability during the year ended 28 February 2013, however wind speeds were below average, resulting in output across the portfolio being 14% below budget.

#### *Fenpower Limited*

The electricity production of Fenpower Limited during the year ended 28 February 2013 was 85% of budget. The Company received dividends and mezzanine interest cash payments totalling £371,000 from Fenpower Limited in the year ended 28 February 2013, representing a 17.9% cash yield on the cost of the investment. Approximately 36% of the cash payments received from Fenpower Limited related to mezzanine debt interest which had been accrued as income in the Company's

accounts in a prior period. Fenpower Limited also repaid £54,000 of the mezzanine loan principal to the Company during the year ended 28 February 2013. In addition to dividend and mezzanine interest income, the Company recognised a valuation gain of £431,000 on its investment in Fenpower Limited during the year.

#### *A7 Greendykeside Limited*

The electricity production of A7 Greendykeside Limited during the year ended 28 February 2013 was 88% of budget. The Company received dividends and mezzanine interest cash payments totalling £173,000 from A7 Greendykeside Limited in the year ended 28 February 2013, representing an 11.3% cash yield on the cost of the investment. In addition to dividend and mezzanine interest income, the Company recognised a valuation gain of £139,000 on its investment in A7 Greendykeside Limited during the year.

#### *Achairn Energy Limited*

The electricity production of Achairn Energy Limited during the year ended 28 February 2013 was 89% of budget (i.e. the recently revised projected annual energy yield, which was revised downward by 5.8%). The Company received dividends and mezzanine interest cash payments totalling £54,000 from Achairn Energy Limited in the year ended 28 February 2013, representing an 11.7% cash yield on the cost of investment. In addition to dividend and mezzanine interest income, the Company recognised a valuation gain of £17,000 on its investment in Achairn Energy Limited during the year.

#### *A7 Lochhead Limited*

The electricity production of A7 Lochhead Limited during the year ended 28 February 2013 was 86% of budget. The Company received dividends and mezzanine interest cash payments totalling £133,000 from A7 Lochhead Limited in the year ended 28 February 2013, representing a 13.3% cash yield on the cost of

investment. In addition to dividend and mezzanine interest income, the Company recognised a valuation gain of £118,000 on its investment in A7 Lochhead Limited during the year.

#### *Greenfield Wind Farm Limited*

The electricity production of Greenfield Wind Farm Limited during the year ended 28 February 2013 was 86% of budget. The Company received mezzanine interest cash payments totalling £242,000 from Greenfield Wind Farm Limited in the year ended 28 February 2013, representing a 24.2% cash yield on the cost of the investment. Approximately 70% of the cash payments received from Greenfield Wind Farm Limited related to mezzanine debt interest which had been accrued as income in the Company's accounts in prior years. In addition to mezzanine interest income, the Company's ordinary share fund recognised a valuation gain of £412,000 on its investment in Greenfield Wind Farm Limited during the year.

The Company's "C" share fund also holds an investment in Greenfield Wind Farm Limited as discussed below.

## **WIND UNDER CONSTRUCTION**

#### *Biggleswade Wind Farm Limited*

Biggleswade Wind Farm Limited is constructing a 20 megawatt wind farm in Langford, central Bedfordshire. The wind farm will operate ten Vestas V-90 turbines. In January 2013, the ordinary share fund of the Company invested £86,000 to acquire 3.5% of the ordinary shares of Biggleswade Wind Farm Limited and made a mezzanine loan to Biggleswade Wind Farm Limited of £264,000. The construction of the Biggleswade wind farm is currently on time and on budget and is scheduled to be commissioned in January 2014.

The Company's "C" share fund also holds an investment in Biggleswade Wind Farm Limited as discussed below.

## *Eye Wind Power Limited*

Eye Wind Power Limited is constructing a 6.8 megawatt wind farm on Eye Airfield near Eye, Suffolk. The wind farm will operate two REpower 3.4M turbines. Over the course of the year ended 28 February 2013, the Company invested £1,101,000 to acquire 50% of the ordinary shares of Eye Wind Power Limited and made a mezzanine loan to Eye Wind Power Limited of £1,050,000. Subsequent to 28 February 2013, the capital of Eye Wind Power Limited has been restructured, with the Company converting £848,000 of its mezzanine loans to ordinary shares while maintaining its equity ownership at 50%. The company also acquired senior debt financing of £5 million. The construction of the Eye Airfield wind farm is currently on time and on budget and is scheduled to be commissioned in January 2014.

The Company's "C" share fund also holds as investment in Eye Wind Power Limited as discussed below.

## *Bernard Matthews Green Energy Weston Limited*

Bernard Matthews Green Energy Weston Limited, in partnership with Weston Airfield Investments Limited (in which the Company's "C" share fund holds an investment, as discussed below), is constructing a 4 megawatt wind farm at the Weston Airfield, 15 kilometres north-west of Norwich, Norfolk. The wind farm is expected to be commissioned in January 2014 and will operate two Vestas V-100 turbines.

In February 2013, the ordinary share fund of the Company invested £500,000 to acquire 50% of the ordinary shares of Bernard Matthews Green Energy Weston Limited. The investment in Bernard Matthews Green Energy Weston Limited is held at £538,000, which represents the total cost of the investment incurred both in the investee company and through Redeven Energy Limited, which was the development company

for the Weston Airfield wind farm. More detail on Redeven Energy Limited is provided below.

## *Bernard Matthews Green Energy Pickenham Limited*

Bernard Matthews Green Energy Pickenham Limited, in partnership with North Pickenham Energy Limited (in which the Company's "C" share fund holds an investment, as discussed below), is constructing a 4 megawatt wind farm at the North Pickenham Airfield, 35 kilometres west of Norwich, Norfolk. The wind farm is expected to be commissioned in January 2014 and will operate two Vestas V-100 turbines.

In February 2013, the ordinary share fund of the Company invested £500,000 to acquire 50% of the ordinary shares of Bernard Matthews Green Energy Pickenham Limited. The investment in Bernard Matthews Green Energy Pickenham Limited is held at £536,000, which represents the total cost of the investment incurred both in the investee company and through Redeven Energy Limited, which was the development company for the North Pickenham Airfield wind farm. More detail on Redeven Energy Limited is provided below.

## **OPERATIONAL COMPANIES IN THE WIND SECTOR**

### *Broadview Energy Limited*

Broadview Energy Limited is an independent renewable energy company that develops, constructs and operates wind farms throughout the UK. In May 2012, Broadview completed the sale of two operating wind farms and one wind farm in construction (comprising 25.35 megawatts in total). The consideration received by Broadview Energy Limited for these assets was reported in the annual financial statements of Infinis Wind Holdings Limited as £17.4 million including £5.3 million consideration deferred

until completion of the wind farm in construction. In addition to the net cash resulting from the sale of these assets and the deferred consideration, Broadview has a development portfolio comprised of one consented project of three turbines (6 to 9 megawatts), four projects in the planning process (totalling 16 turbines and 32 to 48 megawatts) and several other projects at earlier stages of the development process.

The Company's holding of ordinary shares in Broadview Energy Limited has been valued based on the reported value of the assets sold and the Investment Manager's estimate of the market value of the remaining consented wind energy projects and the development pipeline. The valuation as at 28 February 2013 has been reduced by 9% from the valuation at 29 February 2012. This reduction is largely due to the downward revaluation of Spring Farm Ridge, a development project of Broadview Energy Limited which had been consented on appeal by the Government Planning Inspectorate in July 2012 following a public enquiry. In January 2013, the appeal decision was quashed in the High Court after a challenge by local residents. The appeal has been returned to the Planning Inspectorate for re-determination.

See note 1 to the financial statements regarding the inherent material uncertainty of the valuation of Broadview Energy Limited.

As well as the equity investment made by the ordinary share fund, the Company's "C" share fund had two mezzanine loans outstanding at 29 February 2012 to subsidiaries of Broadview Energy Limited, which were repaid in full, including accrued interest, on 4 May 2012. See the discussion of BEGL 2 Limited and BEGL3 Limited below.

### *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. Each of the five power purchase agreements expires on 31 March 2016. Firefly Energy Limited earns a margin on the five long-term power purchase agreements. The Company received loan interest and prepayment penalty cash payments totalling £244,000 from Firefly Energy Limited in the year ended 28 February 2013, representing a 14.9% cash yield on the cost of the investment. Firefly Energy Limited also repaid £217,000 of mezzanine loan principal to the Company during the year ended 28 February 2013.

The Company has a loan investment in Firefly Energy Limited which had a principal amount outstanding at 28 February 2013 of £1,223,000 and which accrues interest at 9% per annum. The loan is valued in the Company's accounts based on the discounted projected future cash flows from the five power purchase agreement on which the company earns a spread, net of projected administration costs. During the year ended 28 February 2013, the Company recorded a write down in the value of the loan of £259,000 which constitutes a realised loss. As at 28 February 2013, the value of the loan was £918,000. The loan, as valued, is projected to be paid off, with interest, by the end of 2016. The Company also holds 50% of the ordinary shares of Firefly Energy Limited (cost of £200,000) which was written down to nil value in a previous period.

## **DEVELOPMENT AND PRE-PLANNING**

### *Redeven Energy Limited*

In the year ended 28 February 2013, the investment rights Redeven Energy Limited held in two companies (Bernard Matthews Green Energy Weston Limited and Bernard Matthews Green Energy Pickenham Limited) were

transferred to the Company and to Ventus 2 VCT plc. See above for a description of Bernard Matthews Green Energy Weston Limited and Bernard Matthews Green Energy Pickenham Limited.

## **INVESTMENTS HELD AS REALISED LOSSES**

### *Redimo LFG Limited*

Redimo LFG Limited operates four landfill gas electricity generation sites in the north of England. Redimo LFG Limited is not paying dividends to the Company and has been held in the accounts at a nil valuation since late 2010. Given the senior debt commitments of the Redimo LFG Limited's subsidiaries, there is no possibility that the Company will recover any part of its investment in Redimo LFG Limited. Therefore, the loss in value in respect of this investment is treated as a realised loss.

### *Spurlens Rig Wind Limited*

Spurlens Rig Wind Limited is the developer of a six-turbine site in the Scottish Borders which was refused for planning in December 2011. There are no plans to appeal the planning refusal, so the proposed six-turbine project is no longer viable. Spurlens Rig Wind Limited repaid £24,000 of an outstanding loan to the Company during the year. The remaining outstanding loan was converted to equity and written off. The directors of Spurlens Rig Wind Limited applied to have the company struck off the register on 4 February 2013.

### *Olgrinmore Limited*

Olgrinmore Limited was a potential two-turbine site in Caithness which was refused in planning and is being held at nil value. The lease option held by Olgrinmore Limited has expired and the directors applied to have the company struck off the register on 3 April 2013. The Company's investment in Olgrinmore Limited was written down to nil value in the previous financial period. The amount by which the company's value has been written down is considered to be a realised loss.

# INVESTMENT MANAGER'S REPORT

Continued

## “C” share portfolio

A summary of the “C” share fund's investment valuations as at 28 February 2013 and gains and losses during the year ended 28 February 2013 is given below.

|                                       | Voting rights as at 28 February 2013 % | Investment value                   |                                   |                                   | Investment cost                    |                                   |                                   | Gain/ (loss) in the year to 28 February 2013 £000 | Investment value Total as at 29 February 2012 £000 | Investment cost Total as at 29 February 2012 £000 |
|---------------------------------------|--|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------------------------|---|--|---|
|                                       |  | Shares as at 28 February 2013 £000 | Loans as at 28 February 2013 £000 | Total as at 28 February 2013 £000 | Shares as at 28 February 2013 £000 | Loans as at 28 February 2013 £000 | Total as at 28 February 2013 £000 |   |  |   |
| <b>Operational wind</b>               |  |                                    |                                   |                                   |                                    |                                   |                                   |   |  |   |
| Greenfield Wind Farm Limited *        | PQ 12.50%                              | 1,052                              | 1,064                             | 2,116                             | 500                                | 1,000                             | 1,500                             | 616   | 1,500  | 1,500   |
| White Mill Windfarm Limited *         | PQ 25.00%                              | 2,209                              | 403                               | 2,612                             | 1,000                              | 381                               | 1,381                             | 1,231   | 1,673  | 1,673   |
| AD Wind Farmers Limited *             | Q 50.00%                               | 1,227                              | -                                 | 1,227                             | 1,000                              | -                                 | 1,000                             | 227   | 1,000  | 1,000   |
| <b>Wind under construction</b>        |  |                                    |                                   |                                   |                                    |                                   |                                   |   |  |   |
| Biggleswade Wind Farm Limited *       | Q 21.50%                               | 527                                | 1,623                             | 2,150                             | 527                                | 1,623                             | 2,150                             | -   | -  | -   |
| Eye Wind Power Limited *              | PQ 0.00%                               | -                                  | 400                               | 400                               | -                                  | 400                               | 400                               | -   | -  | -   |
| Weston Airfield Investments Limited * | Q 50.00%                               | 1,000                              | -                                 | 1,000                             | 1,000                              | -                                 | 1,000                             | -   | 1,000  | 1,000   |
| North Pickenham Energy Limited *      | Q 50.00%                               | 1,000                              | -                                 | 1,000                             | 1,000                              | -                                 | 1,000                             | -   | 1,000  | 1,000   |
| <b>Development and pre-planning</b>   |  |                                    |                                   |                                   |                                    |                                   |                                   |   |  |   |
| Iceni Renewables Limited *            | 50.00%                                 | 200                                | 18                                | 218                               | 400                                | 18                                | 418                               | (200)   | 400  | 400   |
| Blawearie Wind Limited *              | 50.00%                                 | 20                                 | -                                 | 20                                | 20                                 | -                                 | 20                                | -   | -  | -   |
| <b>Realised investments</b>           |  |                                    |                                   |                                   |                                    |                                   |                                   |   |  |   |
| Renewable Power Systems Limited *     | 0.00%                                  | -                                  | -                                 | -                                 | -                                  | -                                 | -                                 | -   | 200  | 200   |
| BEGL 2 Limited *                      | 0.00%                                  | -                                  | -                                 | -                                 | -                                  | -                                 | -                                 | -   | 500  | 500   |
| BEGL 3 Limited *                      | 0.00%                                  | -                                  | -                                 | -                                 | -                                  | -                                 | -                                 | -   | 500  | 500   |
| EcoGen Limited *                      | 0.00%                                  | -                                  | -                                 | -                                 | -                                  | -                                 | -                                 | -   | 410  | 410   |
| <b>Total</b>                          |  | <b>7,235</b>                       | <b>3,508</b>                      | <b>10,743</b>                     | <b>5,447</b>                       | <b>3,422</b>                      | <b>8,869</b>                      | <b>1,874</b>                                      | <b>8,183</b>                                       | <b>8,183</b>                                      |

**Q** Investment complies with VCT regulations on qualifying holdings.

**PQ** Part of the investment complies with VCT regulations on qualifying holdings.

\* A company in which Ventus 2 VCT plc has also invested (or in which Ventus 2 VCT plc had invested prior to the investment being realised). The Company and Ventus 2 VCT plc are managed by Temporis Capital LLP.

## New Investments

During the year ended 28 February 2013, the Company made the following new investments from the "C" share fund:

|                               | Voting Rights Acquired | Equity Investment £ | Loan Investment £ |
|-------------------------------|------------------------|---------------------|-------------------|
| Biggleswade Wind Farm Limited | 21.5%                  | 527,000             | 1,623,000         |
| Eye Wind Power Limited        | -                      | -                   | 400,000           |
| Iceni Renewables Limited      | -                      | -                   | 18,000            |
| Blawearie Wind Limited        | 50.0%                  | 20,000              | -                 |

See a discussion of each of the above investments in the section titled "Summary of "C" Share Fund Investments".

## Repayment of Short-Term Secured Loans to Renewable Energy Companies

During the year ended 28 February 2013, the Company received payment of £1,610,000 plus accrued interest with respect to short-term secured loans to renewable energy companies. These secured loans had been made in order to generate investment yields for the Company during the "C" share investment period as the wind investment portfolio was developed. The interest on these secured loans has helped defray the "C" share fund's running costs and allowed the Company to pay dividends to holders of "C" shares. The loans, which were repaid in full with accrued interest, were as follows:

- > Renewable Power Systems Limited - £200,000, repaid on 3 August 2012
- > BEGL 2 Limited - £500,000, repaid on 4 May 2012
- > BEGL 3 Limited - £500,000, repaid on 4 May 2012
- > EcoGen Limited - £410,000, repaid on 28 February 2013

## Summary of "C" Share Fund Investments

Details of the valuations of the investments held by the "C" share fund are shown in the table above.

## OPERATIONAL WIND

Each of the following investee companies owns and operates a single wind farm (or, in the case of AD Wind Farmers Limited, owns an interest in a limited liability partnership that owns and operates a single wind farm):

|                              | Wind farm capacity (megawatts) | Operational since | Location                  |
|------------------------------|--------------------------------|-------------------|---------------------------|
| Greenfield Wind Farm Limited | 12.3                           | March 2011        | Lanarkshire, Scotland     |
| White Mill Windfarm Limited  | 14.35                          | August 2012       | Cambridgeshire            |
| AD Wind Farmers Limited      | 10.2                           | December 2012     | Argyll and Bute, Scotland |

The Company's investments in the above companies are valued using discounted cash flow models. The values of all three investments increased significantly during the year ended 28 February 2013 because they were still held at cost as at 29 February 2012 and have subsequently been revalued on a discounted cash flow basis in line with the Company's valuation policy for investments in companies with operating renewable energy assets.

Set out below is a brief summary of the performance of the investee companies' operating wind farms. All the companies operating wind farms experienced good availability during the year ended 28 February 2013, however wind speeds were below average, resulting in aggregate output for Greenfield Wind Farm Limited and White Mill Windfarm Limited being 15% below budget.

### Greenfield Wind Farm Limited

The electricity production of Greenfield Wind Farm Limited during the year ended 28 February 2013 was 86% of budget. The Company received mezzanine interest cash payments totalling £363,000 from Greenfield Wind Farm Limited in the year ended 28 February 2013, representing a 24.2% cash yield on the cost of the investment. Approximately 64% of the cash payments received from Greenfield Wind Farm Limited related to mezzanine debt interest which had been accrued as income in the Company's accounts in prior years. In addition to dividend and mezzanine interest income, the Company's "C" share fund recognised a valuation gain of £616,000 on its investment in Greenfield Wind Farm Limited during the year.

The Company's ordinary share fund also holds as investment in Greenfield Wind Farm Limited as discussed above.

### White Mill Windfarm Limited

White Mill Windfarm Limited began exporting electricity to the grid in May 2012 and became fully operational in August 2012. The electricity

production of White Mill Wind Farm Limited from September 2012 to February 2013 was 83% of budget. The Company received mezzanine interest cash payments totalling £128,000 from White Mill Windfarm Limited in the year ended 28 February 2013, representing a 7.6% cash yield on the cost of the investment. White Mill Windfarm Limited also repaid £292,000 of the mezzanine loan principal to the Company during the year ended 28 February 2013. Early repayment of the loan was possible due to the cost of construction being materially under budget. In addition to mezzanine interest income, the Company recognised a valuation gain of £1,231,000 on its investment in White Mill Windfarm Limited during the year.

#### *AD Wind Farmers Limited*

AD Wind Farmers Limited is an investor in Allt Dearg Wind Farmers LLP. Allt Dearg Wind Farmers LLP began exporting electricity to the grid ahead of schedule in October 2012 and was fully operational prior to the end of 2012. The electricity production of Allt Dearg Wind Farmers LLP in January and February 2013 was 110% of budget. The Company received no cash income from AD Wind Farmers Limited in the year ended 28 February 2013. The Company recognised a valuation gain of £227,000 on its investment in AD Wind Farmers Limited during the year.

#### **WIND UNDER CONSTRUCTION**

##### *Weston Airfield Investments Limited (formerly Ovalau Investments 1 Limited)*

The Company's "C" share fund made a £1,000,000 investment in Weston Airfield Investments Limited in February 2012. Weston Airfield Investments Limited is in partnership with Bernard Matthews Green Energy Weston Limited (in which the Company's ordinary share fund holds an investment, as discussed above).

##### *North Pickenham Energy Limited (formerly Ovalau Investments 2 Limited)*

The Company's "C" share fund made a £1,000,000 investment in North Pickenham Energy Limited in February 2012. North Pickenham Energy Limited is in partnership with Bernard Matthews Green Energy Pickenham Limited (in which the Company's ordinary share fund holds an investment, as discussed above).

##### *Biggleswade Wind Farm Limited*

In January 2013, the "C" share fund of the Company invested £527,000 to acquire 21.5% of the ordinary shares of Biggleswade Wind Farm Limited and made a mezzanine loan to Biggleswade Wind Farm Limited of £1,623,000. The construction of the Biggleswade wind farm is currently on time and on budget and is scheduled to be commissioned in January 2014.

The Company's ordinary share fund also holds as investment in Biggleswade Wind Farm Limited as discussed above.

##### *Eye Wind Power Limited*

In February 2013, the "C" share fund of the Company made a mezzanine loan to Eye Wind Power Limited of £400,000. In March 2013, the "C" share fund of the Company made a further mezzanine loan to Eye Wind Power Limited of £100,000. The construction of the Eye Airfield wind farm is currently on time and on budget and is scheduled to be commissioned in January 2014.

The Company's ordinary share fund also holds as investment in Eye Wind Power Limited as discussed above.

#### **DEVELOPMENT AND PRE-PLANNING**

##### *Iceni Renewables Limited*

Iceni Renewables Limited is a company developing two wind energy development projects in Scotland being managed by Lomond Energy Limited. The Company's "C" share fund holds 50% of the ordinary shares in Iceni Renewables Limited (at a cost of £400,000) and has made a loan of £18,000 to Iceni Renewables Limited. The investment in Iceni Renewables Limited is not a qualifying holding for the purposes of the VCT regulations.

The first project, Craigannet, is a six-turbine project which was submitted for planning in January 2012, appealed for non-determination in August 2012 and then turned down on appeal by the Scottish Government in November 2012. The other site, Merkins, was also submitted for planning in January 2012 but has still not been determined. A decision on Merkins is not expected before August 2013. The Company is in consultations with Lomond Energy Limited regarding a potential re-submission of the Craigannet planning application. The Company has recorded an unrealised loss of £200,000 on the investment in Iceni Renewables Limited, representing the cost allocated to the Craigannet planning application.

##### *Blawearie Wind Limited (formerly Blackhaugh Wind Limited)*

During the year ended 28 February 2013, the Company acquired a 50% interest in Blawearie Wind Limited for £20,000, a company which intends to apply for planning permission to construct a wind farm in the Scottish Borders. The investment in Blawearie Wind Limited is not a qualifying holding for the purposes of the VCT regulations.

## Top Ten Investments

The details of the top ten investments, by value, held by each of the ordinary share fund and the "C" share fund at 28 February 2013 are set out in the tables below:

### Ordinary Share Fund

| Company  | Value<br>£000 | Cost<br>£000 | Share-<br>holding<br>% | Voting<br>rights<br>% | Income<br>recognised<br>by the<br>Company<br>during<br>the year<br>£000 | Basis of<br>Value | Proportion<br>of share<br>fund<br>portfolio<br>by value<br>% | Date of<br>latest<br>accounts | Net<br>assets/<br>(liabilities)<br>£000 | Turnover<br>£000 | Profit/<br>(loss)<br>£000 |
|--|---------------|--------------|------------------------|-----------------------|---|-------------------|--|-------------------------------|---|------------------|---------------------------|
| Fenpower Limited                                   | 4,454         | 2,015        | 33.3%                  | 33.3%                 | 266   | DCF               | 26.0%  | 31/03/2012                    | 2,211                                   | 2,228            | 511                       |
| Broadview Energy Limited                           | 2,365         | 750          | 11.0%                  | 11.0%                 | -   | NAV               | 13.8%  | 31/12/2011                    | 3,627                                   | 2,801            | (1,233)                   |
| A7 Greendykeside Limited                           | 2,190         | 1,536        | 50.0%                  | 50.0%                 | 173   | DCF               | 12.8%  | 30/04/2012                    | 1,096                                   | 945              | 143                       |
| Eye Wind Power Limited                             | 2,151         | 2,151        | 50.0%                  | 50.0%                 | -   | PRI               | 12.5%  | 31/03/2012                    | (37)                                    | -                | (37)                      |
| Greenfield Wind Farm Limited                       | 1,414         | 1,002        | 8.4%                   | 8.4%                  | 87  | DCF               | 8.2%   | 31/12/2011                    | 1,985                                   | -                | (7)                       |
| A7 Lochhead Limited                                | 1,282         | 1,000        | 30.0%                  | 30.0%                 | 133   | DCF               | 7.5%   | 31/03/2012                    | 1,866                                   | 1,904            | 508                       |
| Firefly Energy Limited                             | 918           | 1,423        | 50.0%                  | 50.0%                 | 205   | DCF               | 5.4%   | 31/03/2012                    | (401)                                   | 432              | (222)                     |
| Achairn Energy Limited                             | 790           | 463          | 8.5%                   | 8.5%                  | 53  | DCF               | 4.6%   | 30/11/2011                    | 1,397                                   | 1,437            | 84                        |
| Bernard Matthews Green Energy<br>Weston Limited    | 538           | 500          | 50.0%                  | 50.0%                 | -   | PRI               | 3.1%   | Not yet due                   | N/a                                     | N/a              | N/a                       |
| Bernard Matthews Green Energy<br>Pickenham Limited | 536           | 500          | 50.0%                  | 50.0%                 | -   | PRI               | 3.1%   | Not yet due                   | N/a                                     | N/a              | N/a                       |

### "C" Share Fund

| Company                             | Value<br>£000 | Cost<br>£000 | Share-<br>holding<br>% | Voting<br>rights<br>% | Income<br>recognised<br>by the<br>Company<br>during<br>the year<br>£000 | Basis of<br>Value | Proportion<br>of share<br>fund<br>portfolio<br>by value<br>% | Date of<br>latest<br>accounts | Net<br>assets/<br>(liabilities)<br>£000 | Turnover<br>£000 | Profit/<br>(loss)<br>£000 |
|-------------------------------------|---------------|--------------|------------------------|-----------------------|---|-------------------|--|-------------------------------|---|------------------|---------------------------|
| White Mill Windfarm Limited         | 2,612         | 1,381        | 25.0%                  | 25.0%                 | 85  | DCF               | 24.3%  | 31/12/2011                    | 1,991                                   | -                | (9)                       |
| Biggleswade Wind Farm Limited       | 2,150         | 2,150        | 21.5%                  | 21.5%                 | 23  | PRI               | 20.0%  | Not yet due                   | N/a                                     | N/a              | N/a                       |
| Greenfield Wind Farm Limited        | 2,116         | 1,500        | 12.5%                  | 12.5%                 | 130   | DCF               | 19.7%  | 31/12/2011                    | 1,985                                   | -                | (7)                       |
| AD Wind Farmers Limited             | 1,227         | 1,000        | 50.0%                  | 50.0%                 | -   | DCF               | 11.4%  | Not yet due                   | N/a                                     | N/a              | N/a                       |
| Weston Airfield Investments Limited | 1,000         | 1,000        | 50.0%                  | 50.0%                 | -   | PRI               | 9.3%   | Not yet due                   | N/a                                     | N/a              | N/a                       |
| North Pickenham Energy Limited      | 1,000         | 1,000        | 50.0%                  | 50.0%                 | -   | PRI               | 9.3%   | Not yet due                   | N/a                                     | N/a              | N/a                       |
| Eye Wind Power Limited              | 400           | 400          | 0.0%                   | 0.0%                  | -   | PRI               | 3.7%   | 31/03/2012                    | (37)                                    | -                | (37)                      |
| Iceni Renewables Limited            | 218           | 418          | 50.0%                  | 50.0%                 | -   | PRI               | 2.0%   | 31/07/2012                    | 385                                     | -                | (417)                     |
| Blawearie Wind Limited              | 20            | 20           | 50.0%                  | 50.0%                 | -   | PRI               | 0.2%   | Not yet due                   | N/a                                     | N/a              | N/a                       |

### Basis of valuation

|            |   |
|------------|---|
| <b>DCF</b> | Discounted future cash flows from the underlying business excluding interest earned to date |
| <b>NAV</b> | The Investment Manager's estimate of the value of the net assets of the investee company    |
| <b>PRI</b> | Price of recent investment reviewed for impairment  |

The ordinary share fund and the "C" share fund have shareholdings in Greenfield Wind Farm Limited of 8.35% and 12.5% respectively, therefore the Company's aggregate shareholding is 20.85%.

## Valuation of Investments

It is the accounting policy of the Company to hold its investments at fair value. In this report, the Company's investments in investee companies which operate renewable energy assets are valued using a discounted cash flow methodology, unless material uncertainties exist as to the future receipt of cash flows, in which case an investment is valued at cost subject to an impairment review.

In prior periods, the Company had applied its valuation policy in a manner such that investments in companies operating renewable energy assets were valued at cost until a deemed satisfactory period of operations of between six and 18 months had passed. Based on the Company's experience over the past seven years with investee companies developing wind projects, and given that the projects of such investee companies use well-established technology and benefit from manufacturer and contractor warranties, manufacturer performance guarantees and insurance, the Investment Manager and the Board believe that the satisfactory operation of such projects should be determined based on the specific circumstances and that an arbitrary waiting period of six to 18 months is unnecessarily prudent. The impact of the change in application of this policy resulted in unrealised gains of £227,000 reported in the current year.

The key assumptions that have a significant impact on discounted cash flow valuations for these assets are the discount rate used, the price at which the power and associated benefits can be sold, the amount of electricity the investee companies' generating assets are expected to produce and operating costs.

The fair value of the Company's investments in project companies which have not passed an initial satisfactory operational period, or are engaged in seeking planning permission, are determined to be the price of investment subject to a periodic impairment review.

The Company's valuation of its holding in Broadview Energy Limited is discussed above.

The Company's valuation policy is discussed in more detail in note 1 of the financial statements.

## Investment Policy

The Company is focused on investing in companies developing renewable energy projects with installed capacities of 2 to 20 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 and smaller projects which are not attractive to large development companies and utilities.

## Asset Allocation

The Investment Manager seeks to allocate the Company's investments in equity securities and loan stock of companies owning renewable energy projects, primarily wind energy. Up to 10% of net proceeds raised from the initial share offer and the "C" share offer, respectively, may be allocated to development funding for early stage renewable energy projects prior to planning permissions being obtained.

The Company together with Ventus 2 VCT plc has an allocation agreement in place with its Investment Manager. The allocation agreement prescribes the allocation of investments between the two companies and their share funds in accordance with the ratio of available funds in each share fund, subject to adjustment in consideration of maintaining the Company's VCT status, its concentration risk, expected timing of realisations and the projected dividend profile.

The Company's policy is to maintain cash reserves of at least 5% of net proceeds raised from the initial share offer and the "C" share offer for the purpose of meeting operating expenses and purchasing its shares in the market. Circumstances may arise which would require the Company to hold less than 5% of net proceeds in cash for a limited period of time.

In order to comply with VCT requirements, at least 70% by value of the Company's investments are required to be comprised of qualifying investments.

The Company typically owns 25% to 50% of the equity share capital of each investee company and a portion of its investment in each investee

company may be in the form of loan stock.

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

## Risk Diversification

The geographical focus of the portfolio is the UK and the majority of investments made to date are in the wind sector. Funds are invested with a range of small-scale independent developers so project risk is not concentrated on only a few developers. The portfolio contains projects at different stages of the asset lifecycle, ranging from pre-planning to construction and then into operation. Investments are made via subscriptions for new share capital, acquiring existing share capital or via loan stock instruments in order to secure a negotiated level of return from the project. The majority of investments are made in special purpose companies set up specifically to develop each project and bank debt financing is non-recourse to the Company. The Company intends to continue to have a portfolio concentrated on wind energy assets.

The returns from projects depend on the UK Government's continued support for renewable energy, primarily under the Renewables Obligation. The effects of any negative change to this policy are mitigated by the UK Government's historic practice of grandfathering financial support mechanisms for existing assets. This risk is further mitigated by the Company typically negotiating fixed and/or floor price mechanisms into the power purchase agreements entered into by project companies for the sale of their generated output. See the discussion of Energy Market Reform and the proposed changes in the financial support mechanism for renewable energy generation in the "Market Outlook" section below.

## 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 assisting investee companies in negotiating the terms of this finance to ensure competitive terms are achieved. The interest rate is typically fixed via an interest rate swap for the duration of the bank loan so that investee companies are not exposed to changes in market interest rates.

To the extent that borrowing should be required by the Company for any purpose, the Directors shall restrict the borrowings of the Company. The aggregate principal amount at any time outstanding in respect of money borrowed by the Company shall not, without the previous sanction of an ordinary resolution of the Company, exceed a sum equal to 10% of the adjusted share capital and reserves of the Company in accordance with its Articles.

## 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 ("HMRC") of the Company's status as a VCT becomes effective. The relevant compliance date was 1 March 2008 for the initial ordinary share offer, 1 March 2012 for the first "C" share offer and the ordinary share "top-up" offer, and 1 March 2013 for the second "C" share offer.

For the purposes of the 70% qualifying holdings requirement, disposals of qualifying investments for cash may be disregarded for a period of six months. Where a VCT breaches one or more of the requirements due to factors outside of its control, it may apply to HMRC for a determination that the breach will be

disregarded for a period of 90 days while the breach is remedied.

- 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  
In accordance with the Company's investment policy, a maximum of 10% of the net funds raised from each of the initial share offer and "C" share offer respectively may be invested in pre-planning projects.

## VCT Regulations

The Finance Act 2012, which became law on 17 July 2012, included a number of important changes to the VCT rules, the most important of which for the Company was an increase to £5 million in the amount that can be invested by a VCT in an individual company in any twelve month period.

No further changes in the VCT regulations were proposed in the Chancellor's March 2013 Budget. The Budget document stated that the Government is committed to maintaining stability in the VCT regulations to ensure the effectiveness of the tax reliefs being offered. The only specific reference to VCTs in the Budget document was a statement that "the Government is concerned that VCTs offering enhanced buy-backs are not operating within the spirit of the legislation." No restrictions on enhanced buy-backs have been proposed, however the Budget document stated that "the Government will continue to monitor particular aspects of the venture capital schemes to ensure that they remain well-focused and supportive of businesses' needs".

## Market Outlook

The Department of Energy and Climate Change ("DECC") estimates that, over the next 30 years, improved energy efficiency will reduce demand per head of population by 30 to 50%, but that these savings will be outweighed by rising

demand from electrification of heating, transport and parts of industry and by the impact of economic and population growth. DECC estimates that, by 2050, electricity demand in the UK will increase by 30 to 60% from current levels and that electricity generation capacity may need to be doubled to deal with peak demand levels. This projected increase in generation capacity is set in the context of the Government's objective to almost completely decarbonise electricity supply by 2050, which will require a significant change in the mix of generation and in the electricity grid.

In the shorter term, DECC estimates that, due to plant closures and the need to replace and upgrade the UK's electricity infrastructure, the UK electricity sector will need around £110 billion of capital investment by 2020.

In order to attract the investment needed to replace ageing energy infrastructure and meet the projected future increases in electricity demand with low-carbon generation, the Government has initiated a comprehensive reform of the UK electricity market. This initiative, called Electricity Market Reform ("EMR"), is the centre-piece of the governing coalition's energy policy.

On 29 November 2012, the Secretary of State for Energy and Climate Change introduced the Energy Bill into Parliament. The Energy Bill, which implements the main aspects of EMR, is expected to achieve Royal Assent in 2013. The measures in the bill are meant to encourage the development of a balanced portfolio of renewable, gas and nuclear generation capacity and to ensure that these technologies can compete in the market-place.

EMR represents a fundamental transformation of the UK electricity market, and there is considerable uncertainty in the industry about how EMR will be implemented over the coming years. Nuclear generation is a key element of EMR, however the Government is still in negotiations with EDF over the necessary price support for the proposed 3.3 gigawatt Hinckley Point C nuclear power station, and there are regular reports in the press speculating that EDF may pull out of the project.

Under EMR, the Renewables Obligation ("RO") is planned to be phased out and replaced by Contracts for Difference ("CfD") for all renewable energy generation capacity brought on line after 31 March 2017. Up until 31 March 2017, renewable energy generators will have a choice between the RO regime and the CfD regime, but no new generation will be accredited for Renewable Obligation Certificates ("ROCs") after 31 March 2017. A renewable energy project is entitled to earn ROCs for 20 years, so the RO regime will not end completely until 31 March 2037. The majority of the Company's investments are in companies that earn a significant portion of their revenues from ROCs, so the Board and Investment Manager are following developments in this area closely. The Company's current investments and any investments in companies that own and operate wind farms commissioned by 31 March 2017 will continue to be qualifying investments under the current VCT rules. However, it is not clear at present how the transition from ROCs to CfDs might impact the VCT qualifying status of investments made by the Company subsequent to 31 March 2017 in companies that own and operate wind farms.

With the backdrop of EMR, the UK renewable energy industry is operating in a state of political uncertainty. There have been well-publicised disagreements within the governing coalition on how renewable energy policy should be implemented. A significant group of Conservative MPs, including certain ministers, have expressed consistent public opposition to onshore wind. On the positive side, the Government has consistently re-affirmed the concept that existing projects will always be "grandfathered" with respect to future changes in tariffs. Furthermore, the Scottish Government (where a significant portion of the Company's investments are based) continues to provide strong support for renewables.

The level of banding for new offshore wind projects is currently 0.9 ROCs per megawatt hour. On 20 September 2012, the Government published a call for evidence regarding onshore wind industry costs stating that, if the evidence identified a significant change in generation

costs for onshore wind, the Government would initiate a review of onshore wind ROC banding levels. Changes in ROC banding for onshore wind, if any, would not take effect prior to 1 April 2014. In the call for evidence, the Government reiterated its long-standing position that, in the event of any changes in ROC banding, grandfathering and grace periods would be honoured for projects already committed in the event of a change in support levels. To date, there has been no further statement from the Government about ROC banding other than a restatement of the position on grandfathering and grace periods. Although the level of ROCs for onshore wind is important for the industry, the level of ROCs for new wind farms does not impact on any existing wind farms operated by the Company's investee companies. The Investment Manager's analysis of any future investments by the Company always take into account the level of ROCs expected to be available for projects operated by investee companies at the time of commissioning. Because the Company's target returns remain unchanged, any future changes in ROC banding for onshore wind will be reflected in the price the Company will pay for investments.

Wholesale electricity prices have been reasonably stable during the past year. The Company has relatively little exposure to short-term wholesale electricity prices, as its investee companies generally sell their electricity output pursuant to power purchase agreements with wholesale electricity prices that are fixed over the medium term.

Wind turbine prices (primarily denominated in Euros) have been relatively stable during the past six months, however the weakening of Sterling against the Euro has caused turbine prices for UK projects to increase. The UK market for turbines is reasonably stable at the present time, with no significant shortages or oversupply situations.

The banking market for renewable energy projects remains challenging. There is limited availability of senior debt finance for renewable energy projects of 2 to 20 megawatts, which is the typical size range for investee companies of

the Company. Lending margins and arrangement fees remain very wide by historical standards and banks are unable to lend over the same term as they have been able to in the past. Although the debt market has made it more difficult to finance renewable energy projects, the shortage and cost of senior debt has created an opportunity for the Company to invest greater amounts of equity in companies with lower leverage. Investments in portfolio companies with lower leverage should reduce the volatility in dividends from those companies compared to the dividends from portfolio companies with higher leverage. The Investment Manager has also worked with investee companies to access non-bank sources of senior debt to finance investee company projects.

Existing investments of the Company are not impacted by the current lending environment for renewable energy projects.

**Temporis Capital LLP**  
Investment Manager

24 May 2013

## The Directors present their Annual Report and the audited Financial Statements for the year ended 28 February 2013.

### Business review

The business review has been prepared in accordance with the requirements of Section 417 of the Companies Act 2006 and best practice. The purpose of the review is to provide shareholders with a summary of the business objectives of the Company, the Board's strategy to achieve those objectives, the risks faced, the regulatory environment and the key performance indicators ("KPIs") used to measure performance.

The Company's business objectives are set out in the Investment Policy in the Investment Manager's Report above.

### Principal activities and status

The Company is an investment company, as defined by Section 833 of the Companies Act 2006. The Company has received approval as a VCT from HMRC for the year ended 29 February 2012. The Directors consider that the Company has conducted its affairs in a manner to enable it to comply with Section 274 of the Income Tax Act 2007. The Company is a public limited company, incorporated in England and listed on the London Stock Exchange. The registered address of the Company is The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

The Company has no employees other than the Directors.

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

### Companies Act 2006 disclosures: environmental matters

The Board recognises the requirement under Section 417(5) of the Companies Act 2006 to detail information about environmental matters (including the impact of the Company's business on the environment). It is the specific purpose of the Company to invest in companies that develop and operate assets which generate energy from renewable sources. Through its investment policy, the Company is committed to mitigating the impact of climate change by contributing to the transition to a low carbon economy and a cleaner environment.

### Key performance indicators

| For the year ended 28 February 2013                | Ordinary Shares |                              | "C" Shares |                              | Total |
|--|-----------------|------------------------------|------------|------------------------------|-------|
|  | £000            | Pence per share <sup>1</sup> | £000       | Pence per share <sup>1</sup> | £000  |
| Revenue profit attributable to equity shareholders | 639             | 3.92                         | 197        | 1.72                         | 836   |
| Capital gain attributable to equity shareholders   | 1,749           | 10.72                        | 1,720      | 15.20                        | 3,469 |
| Net profit attributable to equity shareholders     | 2,388           | 14.64                        | 1,917      | 16.92                        | 4,305 |
| Dividends paid during the year                     | (693)           | (4.25)                       | (249)      | (2.20)                       | (942) |
| Total movement in equity shareholders' funds       | 1,695           | 10.39                        | 1,668      | 14.72                        | 3,363 |
|  |                 | %                            |            | %                            | %     |
| Ongoing charges ratio <sup>2</sup>                 |                 | 3.12%                        |            | 3.11%                        | 3.12% |

| As at 28 February 2013                | Ordinary Shares |                              | "C" Shares |                              | Total  |
|---------------------------------------|-----------------|------------------------------|------------|------------------------------|--------|
|                                       | £000            | Pence per share <sup>3</sup> | £000       | Pence per share <sup>3</sup> | £000   |
| Net asset value                       | 19,766          | 121.2                        | 12,048     | 106.3                        | 31,814 |
| Total shareholder return <sup>4</sup> | 23,523          | 145.5                        | 12,410     | 109.5                        | 35,933 |

1 The "pence 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 ongoing charges ratio represents the total operating expenditure during the year (excluding irrecoverable VAT, tender costs and investment costs) as a percentage of the net asset value of the Company at year end.

3 The "pence per share" value is determined in respect of the number of shares in issue as at the year end, except in respect of the total shareholder return, which includes dividends paid which are determined on the basis of the number of shares eligible to receive dividends at the time the dividends were paid.

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 HMRC VCT regulations. The Company's prospects are considered in the Chairman's Statement.

## Principal risks

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

- > Failure to meet and maintain the investment requirements for compliance with HMRC VCT regulations.

*The Board mitigates this risk by regularly reviewing investment management activity with appropriately qualified advisers and by obtaining pre-approval from HMRC for each qualifying investment.*

- > Inadequate control environment at service providers.

*The Board mitigates this risk by only appointing service providers of a high standing under agreements that set out their responsibilities and by obtaining assurances from them that all exceptions have been reported to the Board. In addition, the Board has appointed an independent external party, Roffe Swayne, to report directly to the Board in respect of the Company's internal controls.*

- > Non-compliance with the Listing Rules of the Financial Conduct Authority, Companies Act Legislation, HMRC 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.*

- > Reliance on the UK Government's continued support for the renewable energy sector

*The future level of Government-mandated support for renewables has important implications for the industry and could impact the value of investments the Company has made in companies developing renewable projects. However, the Directors believe that any future reductions in renewable energy tariffs should not impact any existing investments in companies operating renewable energy assets, as the UK Government has a consistent history of grandfathering financial support mechanisms for existing projects.*

## Going concern

The Company's major cash flows are within the Company's control (namely investments and dividends) or are reasonably predictable (namely the operating expenses). The Company is able to forecast cash inflows comprising proceeds from investments to a reasonable degree. Having reviewed a cash flow forecast for the next 16 months, the Board has a reasonable expectation that the Company is able to continue in operational existence for a period of at least 12 months from the date of this report. The Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the accounts.

The liquidity risks and details of the Company's policy for managing its financial risks are shown in note 16. The Company's investment activities are described in the Investment Manager's Report and its performance is reviewed in the Directors' Report.

## Share capital

### Authorised share capital

At 28 February 2013, the Company had authorised share capital of £17,500,000 in total which was represented by 50 million ordinary shares of 25p each and 20 million "C" shares of 25p each being 71% and 29% of the Company's authorised share capital respectively.

### Allotted, called and fully paid up shares

As at 28 February 2013, the Company had allotted, called and fully paid up shares in two share funds, of which 16,307,547 shares were ordinary shares of 25p each and 11,329,107 were "C" shares of 25p each. These shares represented 59% and 41% of the Company's issued share capital respectively.

## Authority to allot

At the general meeting held on 8 March 2012 the Directors were authorised to allot relevant securities (in accordance with Section 551 of the Companies Act 2006) up to a maximum aggregate nominal amount of £4,000,000. This authority expires on 8 March 2017.

## Disapplication of pre-emption rights

At the general meeting held on 8 March 2012 the Directors were empowered to allot equity securities for cash (further to the authority referred to above) without first offering such securities to existing shareholders in proportion to their shareholdings – such power being limited to the allotment of securities only in certain, defined circumstances. This power expires on 8 March 2017.

## Authority to repurchase shares

At the Annual General Meeting ("AGM") held on 24 July 2012 the Company renewed its authority to repurchase up to 14.99% of its own issued ordinary share capital and up to 14.99% of its own issued "C" share capital. This authority will be renewed at the AGM to be held on 22 July 2013.

## Rights and restrictions attaching to shares and powers of the Board of Directors

As set out in the Company's Articles of Association, subject to the provisions of the Companies Act 2006 and to any special rights conferred on the holders of any other shares, any share may be issued with or have attached to it such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide. The business of the Company shall be managed by the Board of Directors which may exercise all the powers of the Company, subject to the provisions of the Companies Act 2006, the Memorandum of Association of the Company, the Company's Articles of Association and any special resolution of the Company. Copies of the Articles of Association can be obtained from Companies House in the UK or by writing to the Company Secretary.

### Share premium account cancellation

A special resolution was passed at the AGM on 24 July 2012 which allowed the Company to request a court order to cancel its share premium to create distributable special reserves which the Company may use to purchase its own shares and for other corporate purposes. By this action, on 31 October 2012, the Company increased the special reserve of the ordinary share fund by £5,832,000 to £9,856,000 and created a special reserve of the "C" share fund of £7,874,000.

### Tender offer and offer for issue of ordinary shares

On 3 February 2012, the Company published a Circular in respect of (i) a Tender Offer to purchase up to 12,000,000 ordinary shares from existing shareholders and (ii) an Offer for the issue of up to £15,000,000 of ordinary shares of 25p each of the Company.

On 30 March 2012 a total of 6,256,089 ordinary shares were purchased for cancellation at a price of 100.0p per ordinary share and a total of

6,137,354 ordinary shares of 25p each in the Company were allotted in respect of the shares tendered for cancellation at a price of 105.5p per ordinary share.

On 3 April 2012 a total of 90,000 ordinary shares were purchased for cancellation at a price of 100.0p per ordinary share and a total of 88,293 ordinary shares of 25p each in the Company were allotted in respect of the shares tendered for cancellation at a price of 105.5p per ordinary share. In addition, 43,196 ordinary shares were allotted at a price of 105.5p per ordinary share under the offer for issue of ordinary shares.

Following the cancellation and allotments described above, the issued share capital of the Company is 16,307,547 ordinary shares and 11,329,107 "C" shares.

### CREST

The Company's shares are available for trading in CREST, the settlement system for uncertified stocks and shares.

### Dividends

The dividends for the half-year to 31 August 2012 of 2.50p per ordinary share and 1.20p per "C" share were paid on 16 January 2013 to shareholders on the register on 14 December 2012. The Directors recommend a final dividend of 2.50p per ordinary share and 1.80p per "C" share to be paid on 7 August 2013 to shareholders on the register on 12 July 2013. This gives a total dividend for the year of 5.00p per ordinary share and 3.00p per "C" share. Note 7 of the Financial Statements gives details of the dividends declared and paid in the current and prior financial years.

The Company is able to pay dividends from special reserves as these are distributable reserves. Also, a recent change to the Companies Act 2006 allows investment companies to pay dividends from realised capital profits.

### Directors and their interests

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

|                           | As at<br>28 February<br>2013<br>Ordinary Shares | As at<br>28 February<br>2013<br>"C" Shares | As at<br>29 February<br>2012<br>Ordinary Shares | As at<br>29 February<br>2012<br>"C" Shares |
|---------------------------|---|--|---|--|
| David Pinckney (Chairman) | 10,104  | 2,600                                      | 10,300  | 2,600                                      |
| Richard Abbott            | nil   | nil  | n/a   | n/a  |
| David Williams            | 3,075   | 1,530                                      | 3,075   | 1,530                                      |

All the Directors are non-executives and all are independent.

In accordance with the Company's Articles of Association and the Financial Reporting Council's (FRC) UK Corporate Governance Code and the Listing Rules of the Financial Conduct Authority, David Williams will retire by rotation at the AGM and being eligible, will offer himself for re-election. As David Williams has acted in the interest of the Company throughout the period of his appointment and demonstrated commitment to his role, the Board recommends he be reappointed at the AGM.

Biographical information on the Directors is shown in the Directors' Information on page 26. The terms of the Directors' appointment and replacement are set out in the Corporate Governance Statement.

### Substantial interests

As at 28 February 2013 and the date of this report, the Company was aware that The Bank of New York (Nominees) Limited held beneficial interests and voting rights of 8.59% of the Company's ordinary share capital and Chase Nominees Limited held beneficial interests and voting rights of 3.52% of the Company's "C" share capital. The Company was not aware of any other beneficial interest exceeding 3% or more of the voting rights attached to the Company's ordinary or "C" share capital.

### Investment management, administration and performance fees

Temporis Capital LLP was appointed as Investment Manager of the Company on 12 September 2011 and provides management and other administrative services to the Company. Temporis Capital LLP also provided similar services to Ventus 2 VCT plc during the financial year. 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 has been appointed to provide company secretarial services to the Company as set out in the company secretarial services agreement. For these services the Company Secretary receives an annual fee of £15,750 plus VAT. The company secretarial services agreement was for an initial period of three years from 1 February 2009, terminable thereafter by either party giving not less than six months' notice in writing.

### VCT monitoring status

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

### Financial instruments

The Company's financial instruments comprise investments in unquoted companies and cash, trade and other receivables and trade and other payables. Further details are set out in note 16 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. The creditor days as at 28 February 2013 was 2 days (2012: nil days).

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

The Directors who were in office on the date of approval of these Financial Statements have confirmed that, as far as they are aware, there is no relevant audit information of which the Auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

### Auditor

As a result of PKF (UK) LLP entering into a business combination with BDO LLP on 28 March 2013, PKF (UK) LLP resigned as auditor on 23 May 2013 and BDO LLP was appointed to fill the casual vacancy. A resolution to appoint BDO LLP as the Auditor of the Company will be proposed at the forthcoming AGM.

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

### Annual General Meeting

Enclosed with this Annual Report and Financial Statements is the Notice of Annual General Meeting of the Company (or any adjournment thereof) to be convened for Monday, 22 July

2013 at 12 noon (the "Notice"). A copy of the Notice is set out at the end of this report. A Form of Proxy for use in connection with the AGM has been issued with this report.

The business of the meeting is outlined below:

#### **Resolution 1 – Annual Report and Financial Statements**

The Directors are required to present to the AGM the Annual Report and Financial Statements for the financial year ended 28 February 2013.

#### **Resolution 2 – To declare a final dividend**

The final dividend cannot exceed the amount recommended by the Directors and can only be paid after the members at a general meeting have approved it. The Directors recommend a final dividend of 2.50p per ordinary share to the holders of ordinary shares and 1.80p per "C" share to the holders of "C" shares, payable on 7 August 2013 to those shareholders registered at the close of business on 12 July 2013, which will bring the total dividend for the year to 5.00p per ordinary share and 3.00p per "C" share.

#### **Resolution 3 – Directors' Remuneration Report**

Under Regulation 11 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Company is required to produce a Directors' Remuneration Report for each relevant financial year and to seek shareholder approval for that report at the AGM. The Directors' Remuneration Report is presented below.

#### **Resolution 4 – Re-election of Director**

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

#### **Resolution 5 – Appointment of Auditor**

This resolution proposes that BDO LLP be appointed as Auditor of the Company.

#### **Resolution 6 – Remuneration of the Auditor**

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

#### **Resolution 7 – Purchase of shares by the Company**

This resolution, which will be proposed as a special resolution, will, if passed, authorise the Company to purchase in the market up to 2,444,501 ordinary shares and 1,698,233 "C" shares, representing 14.99% of the current issued share capital of each class, at a minimum price of 25p per share and a maximum price, exclusive of any expenses, for not more than an amount equal to the higher of (a) 105% of the average of the middle market prices shown in the quotations for a share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. This authority will be effective until the earlier of the date of the AGM of the Company to be held in 2014 and the date which is 18 months after the date on which this resolution is passed (unless the authority is previously revoked, varied or extended by the Company in general meeting). The Board believes that it is beneficial to the Company for it to continue to have the flexibility to purchase in the market its own shares. However, the Board considers it in the best interests of all shareholders if the Directors use their authority to make share buy-backs judiciously. This resolution seeks authority from the shareholders for the Company to be authorised to do so when considered appropriate by the Directors. This resolution would renew the authority granted to the Directors at the last AGM of the Company. The minimum and maximum prices to be paid for the shares are stated in the Notice. Repurchases of shares will be made at the discretion of the Board and will only be made in the market at prices below the prevailing net asset value ("NAV") per share as and when market conditions are appropriate. Any shares which are repurchased in this way may be cancelled or held as treasury shares, which may then be cancelled or sold for cash, as determined by the Board. The Directors consider

that this authority is in the interests of shareholders as a whole, as the repurchase of shares at a discount to the underlying NAV enhances the NAV of the remaining shares. The Directors are aware that the secondary market for the shares of VCT companies can be illiquid and that shares may trade at a discount to their NAV. The Company has established special reserves out of which it may fund share buy-backs.

#### **Action to be taken**

Shareholders have been issued with a Form of Proxy for use in connection with the AGM. Shareholders are requested to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Company's Registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time of the AGM (excluding any time which is not part of a working day). Completion and return of a Form of Proxy will not preclude shareholders from attending and voting at the AGM in person should they subsequently decide to do so.

#### **Recommendation**

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

By order of the Board

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

24 May 2013

# DIRECTORS' REMUNERATION REPORT

This report has been prepared by the Directors in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Company and Groups (Accounts and Reports) Regulations 2008. An ordinary resolution to approve the report will be proposed at the AGM to be held on Monday, 22 July 2013.

## Remuneration policy

The Board comprises three Directors, all of whom are non-executive. The Board does not have a separate Remuneration Committee as the Company has no employees, other than the non-executive Directors.

The Board considers that Directors' fees should reflect the time commitment required and the high level of responsibility borne by Directors and should be broadly comparable to those paid by similar companies. It is not considered appropriate that Directors' remuneration should be performance-related, and none of the Directors are eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits in respect of their services as non-executive Directors of the Company. The total remuneration of non-executive Directors has not exceeded the £100,000 per annum limit set out in the Articles of Association of the Company.

No Director has a contract of service with the Company. All of the Directors have been provided with letters of appointment. The Articles of Association provide that Directors shall retire and offer themselves for re-election at the first AGM after their appointment and at least every three years thereafter. A Director's appointment will continue unless terminated by the Company by giving three months written notice. A Director's appointment may also be terminated in certain other circumstances.

## Directors' fees (audited information)

The following fees were paid to individual Directors in respect of the year ended 28 February 2013 with comparative figures for the year ended 29 February 2012:

|                           | 28 February<br>2013<br>£ | 29 February<br>2012<br>£ |
|---------------------------|--------------------------|--------------------------|
| David Pinckney (Chairman) | 25,000                   | 25,000                   |
| David Williams            | 20,000                   | 20,000                   |
| Richard Abbott            | 20,000                   | 10,000                   |
| Charles Conner            | -                        | 10,000                   |

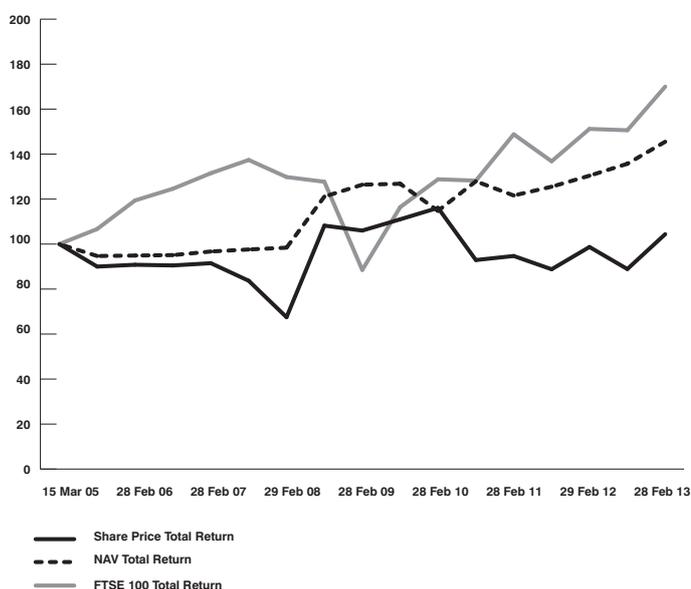
Charles Conner resigned on 1 September 2011 and Richard Abbott was appointed on 1 September 2011.

None of the Directors received any other remuneration during the year. In the prior year Richard Abbott and Charles Conner were directors for only part of the year.

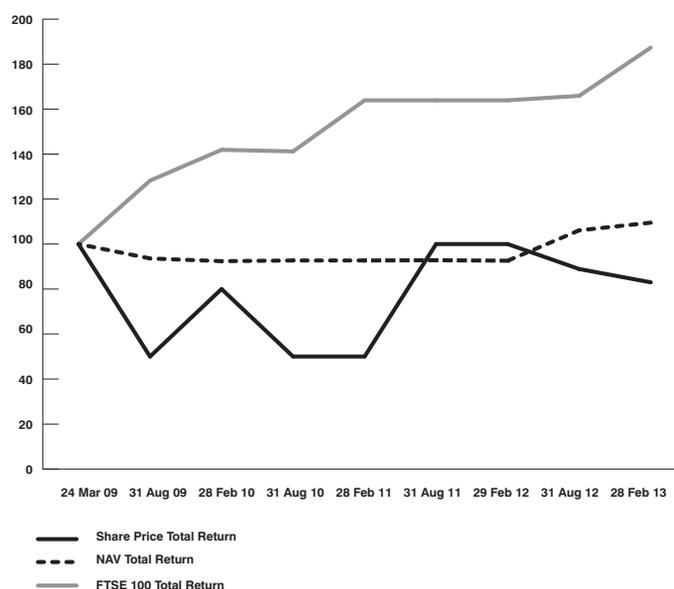
## Company performance

Due to the positioning of the Company in the market as a specialist VCT investing in companies that will develop, construct and operate small on-shore UK renewable energy projects, the Directors consider that, currently, there is no suitable company or index that can be identified for comparison. However in order to comply with the Directors' Remuneration Report Regulations 2002, the FTSE 100 Index has been used as a comparative.

### Total shareholder return on ordinary shares



### Total shareholder return on "C" shares



The graph demonstrates the change in value, in terms of Share Price Total Return<sup>1</sup> and NAV Total Return<sup>2</sup>, based on £100 invested in ordinary shares on the date they were first listed on the London Stock Exchange (15 March 2005) over the period to 28 February 2013 compared with the total return attributable to £100 invested in companies comprising the FTSE 100 Index over the same period. The graph shows that there has been a net increase in shareholder return based on NAV during the year, which is representative of the net upward revaluation of investments as detailed in the Investment Managers Report and dividends paid. The graph also demonstrates the discount to NAV of the share price of the ordinary shares as the total shareholder return based on share price is lower than that based on NAV.

The graph demonstrates the change in value, in terms of Share Price Total Return<sup>1</sup> and NAV Total Return<sup>2</sup>, based on £100 invested in "C" shares on the date they were first listed on the London Stock Exchange (24 March 2009) over the period to 28 February 2013 compared with the total return attributable to £100 invested in companies comprising the FTSE 100 Index over the same period.

The graph shows that there has been a net increase in shareholder return based on NAV during the year, which is representative of the net upward revaluation of investments as detailed in the Investment Managers Report and dividends paid. The graph also demonstrates the discount to NAV of the share price of the ordinary shares as the total shareholder return based on share price is lower than that based on NAV.

- 1 Share Price Total Return is the return attributable to the share price of the shares held assuming that dividends paid in respect of those shares were immediately reinvested in shares at the market price as at the date the dividends were paid.
- 2 NAV Total Return is the net asset value of the shares held plus the cumulative dividends paid to those shares over the period in which they were held.

By order of the Board

**The City Partnership (UK) Limited**

Secretary

24 May 2013

The Board of Ventus VCT plc has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to member companies of the AIC.

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- > the role of the chief executive
- > executive directors' remuneration.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

In addition to the provisions above, the Directors acknowledge that the Company does not comply with the AIC Code in its recommendation that the chairman of a company may not chair the Audit Committee. However, the Board considers that, in view of his extensive international auditing experience, it is appropriate and in the interests of shareholders that David Pinckney, as Chairman of the Company, should also chair the Audit Committee. Also, the Company does not comply with the AIC Code in its recommendation that the Board appoints a senior independent director. However, the Board considers that as the directors are few in number the Company does not require a senior independent director.

The Board is currently considering the changes to the Corporate Governance Code (effective for periods commencing 1 October 2012) and is taking steps to implement these changes as appropriate.

### Board of Directors

For the year ended 28 February 2013 the Board consisted of three Directors, all of whom are non-executive. The Board ensures that it has the appropriate balance of skills, experience, length of service and knowledge of the Company amongst its Directors. Biographical information on the Directors is shown in the Directors' Information on page 26.

### Independence

In accordance with the Listing Rules of the Financial Conduct Authority, the Board has reviewed the independence of each Director and of the Board as a whole. Directors withdrew from discussions concerning their individual status. No Directors of the Company are directors of another company managed by the Investment Manager. The Board believes that each Director has demonstrated that he is independent in character and judgement and independent of the Investment Manager and therefore, that Mr Pinckney, Mr Williams and Mr Abbott are each considered independent.

### Directors' responsibilities

The Board meets at least quarterly and is in regular contact with the Investment Manager between these meetings. In addition, there were a number of ad-hoc meetings, including meetings related to the approval of the Half-Yearly Report and the Interim Management Statements. The number of meetings of the Board and the Audit Committee held during the year and the attendance of the Directors is shown in the table below:

|                           | Board Meetings |          | Audit Committee Meetings |          |
|---------------------------|----------------|----------|--------------------------|----------|
|                           | Held           | Attended | Held                     | Attended |
| David Pinckney (Chairman) | 5              | 5        | 3                        | 3        |
| Richard Abbott            | 5              | 4        | 3                        | 2        |
| David Williams            | 5              | 5        | 3                        | 3        |

All the Directors are equally responsible under the law for the proper conduct of the Company's affairs. In addition, the Directors are responsible for ensuring that the policies and operations are in the best interests of all the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

The AIC Code states that the Board should have a formal schedule of matters specifically reserved to it for decision, to ensure that it has firm direction and control of the Company. The schedule of matters reserved to it includes the general investment strategy of the Company and the performance of the Company. The terms and conditions of appointment of non-executive Directors are available upon written application to the Company Secretary.

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

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

Directors appointed by the Board to fill a vacancy are required to submit to election at the next annual general meeting. At each AGM of the Company one third of the Directors shall retire from office and, being eligible, be proposed for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot. The Company may by ordinary resolution remove any Director before his period of office has expired.

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In accordance with the AIC Code, the Company has in place directors' and officers' liability insurance.

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

The performance of the Board, Audit Committee and individual Directors has been evaluated through an assessment process led by the Chairman who also considered the independence of the Directors and concluded that he considered all Directors to be independent. The assessment process included consideration of performance monitoring and evaluation, strategy and corporate issues, shareholder value and communications and governance.

The Directors seek to ensure that the Board has an appropriate balance of skills, experience and length of service. The biographies of the Directors shown in the Directors' Information on page 26 demonstrate the range of investment, commercial and professional experience that they contribute. The size and composition of the Board and Audit Committee is considered adequate for the effective governance of the Company. The Directors have considered the recommendations of the UK Corporate Governance Code concerning gender diversity and welcomes initiatives aimed at increasing diversity generally. The Directors believe, however, that all appointments should be made on merit rather than positive discrimination. The Board is clear that maintaining an appropriate balance round the board table through a diverse mix of skills, experience, knowledge and background is of paramount importance and gender diversity is a significant element of this.

#### **Audit Committee**

The Audit Committee comprises David Pinckney, David Williams and Richard Abbott. Due to his

extensive international auditing experience (detailed in the Directors' Information above), it is deemed appropriate that David Pinckney is Chairman of both the Audit Committee and the Board of the Company. The Committee meets at least twice a year to review the audit plan, the Annual and Half-yearly Financial Statements before submission to the Board. The roles and responsibilities of the Audit Committee, including reviewing the Company's internal controls, risk management systems and monitoring auditor independence, are set out in written terms of reference and are available on the Company's website [www.ventusvct.com](http://www.ventusvct.com). These are available upon written application to the Company Secretary. The Audit Committee has primary responsibility for making recommendations on the appointment, reappointment and removal of the external Auditor.

The re-appointment of PKF (UK) LLP as the Company's Auditor was approved by shareholders at the AGM held on 24 July 2012. PKF (UK) LLP entered into a business combination with BDO LLP, therefore, subsequently, on 23 May 2013 PKF (UK) LLP resigned and BDO LLP was appointed to fill the casual vacancy. The Board recommends the services of BDO LLP to the shareholders in view of the firm's extensive experience in auditing VCTs. A resolution to appoint BDO LLP as auditor to the Company will be proposed at the forthcoming AGM.

The Audit Committee reviews the nature and extent of non-audit services provided by the Company's external Auditor and ensures that the Auditor's independence and objectivity is safeguarded. During the year under review, the Company's external Auditor provided tax compliance services, iXBRL tagging services and a review of the half-yearly report. The Board believes that the appointment of the Auditor to supply these services was in the interest of the Company due to their knowledge of the Company and the VCT sector. The Auditor was, therefore, in a position to provide a greater efficiency of service compared to other potential providers of these services. The Board is satisfied that the fees charged and work

undertaken did not affect the Auditor's objectivity as the proportion of the fees earned from the Company for other services was relatively small in relation to the audit fees. Also, the tax services were provided by a separate team and did not involve undertaking any internal review or management role nor did these services create any self review conflict over the preparation of the information reported in the accounts.

#### **Nomination and Remuneration Committees**

To date, no Nomination or Remuneration Committees have been established. The establishment of a Nomination Committee is not considered necessary as the appointment of new Directors and recommendations for the re-election of Directors are matters considered by the Board. Where a VCT has no executive directors, the UK Corporate Governance Code principles relating to directors' remuneration do not apply and as such no Remuneration Committee has been appointed. Matters relating to remuneration of Directors, all of whom are non-executive, are considered by the Board and any Director is excluded from meetings whose purpose is the setting of his own remuneration.

#### **Internal control**

In accordance with the AIC Code, the Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which accords with the Turnbull guidance. The Board acknowledges that it is responsible for the Company's systems of internal control and financial reporting. Internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Board has delegated, contractually to third parties, the investment management, the custodial services (which include safeguarding the Company's assets), the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper

consideration by the Board of the quality and cost of services offered.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which has been in place for the year under review and up to the date of approval of the accounts. This process is regularly reviewed by the Board.

In April 2012, the Company appointed Roffe Swayne, an independent external party, to undertake an internal audit programme to review the processes and procedures in place at the Investment Manager. Roffe Swayne have agreed a three year rolling internal audit plan in consultation with the Investment Manager and the Directors based on risks and control objectives identified jointly. Roffe Swayne tests the satisfactory operation of internal controls for the Company and reports to the Audit Committee twice yearly. The controls on which Roffe Swayne is focusing are portfolio management, asset management, execution of investment and divestment decisions and back office operations. Roffe Swayne has reported to the Audit Committee that key controls tested in the current year are predominantly effectively and efficiently designed and operate to mitigate the risk associated with them. The Board will continue to monitor and review the risk management process on a regular basis.

The Company has a clearly defined investment policy and process. Investment decisions are made by the Investment Manager after approval has been received from the Investment Committee of the Investment Manager. In certain circumstances investment decisions are referred to the Board for approval after due consideration of the recommendations of the Investment Committee of the Investment Manager. The Board performs regular reviews of the Company's performance in respect of the investments and other assets, liabilities, revenue and expenditure.

The Audit Committee reviews each of the Company's half-yearly and annual reports, interim management statements and associated announcements. The Audit Committee regularly

reviews management accounts information to make comparisons to budget. The Audit Committee also regularly reviews the internal controls adopted and implements appropriate policies to deal with operational risks. The findings of the external Auditor in respect of internal controls and financial reporting are discussed at Audit Committee meetings and appropriate recommendations are made to the Board.

The principal features of the internal control systems which the Investment Manager has in place in respect of the Company's financial reporting include:

- > authorisation limits over expenditure incurred by the Company;
- > segregation of duties between the analysis of investment valuations, review of the assumptions made in valuing investments and the recording of these valuations in the accounting records;
- > bank reconciliations, carried out on a regular basis; and
- > review by the Audit Committee of financial information prior to its publication.

#### **Performance of the Investment Manager**

The primary focus of regular Board meetings is to review the investment performance against the Company's stated investment policy and objectives. In doing so, the Board assesses the performance of the Investment Manager and considers whether the arrangements made between the Company and the Investment Manager are appropriate and in the interests of shareholders. The Board completed a formal assessment of the performance of the current Investment Manager and in the opinion of the Directors, the continuing appointment of Temporis Capital LLP as the Investment Manager, on the terms agreed, is in the interests of the shareholders. The Directors are satisfied that the Investment Manager will continue to manage the Company's investment programme in a way which will enable the Company to achieve its objectives.

#### **Going concern**

The Directors are required to consider the going concern status of the Company and prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The going concern status of the Company is discussed in the Directors' Report on page 16.

#### **Listing Rules disclosures: DTR 7.2.6**

The Company has two classes of shares, ordinary and "C" shares, which carry no right to fixed income. Details of the Company's share capital, including the number of shares authorised and allotted, are set out in the Directors' Report on pages 16 and 17.

At a general meeting of the Company, on a show of hands, every member who is present in person and entitled to vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share held.

Any profits of each share fund which the Company may determine to distribute in respect of any financial year shall be distributed among the shareholders pro rata according to the amounts paid up or credited as paid up on the shares held.

The capital and assets of the Company on a winding-up or other return of capital shall be applied in repaying to the shareholders the amounts paid up or credited as paid up on such shares and subject thereto shall belong to and be distributed according to the number of such shares held.

The identity of each of the shareholders with a significant holding as at the year end and the date of this report, including details of the size and nature of their holding, is disclosed in the Substantial Interests section of the Directors' Report.

As at the year end and date of this report the Company had no immediate or ultimate controlling parties and there were no shares in

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issue carrying special rights with regard to control of the Company.

In accordance with the Company's Articles of Association, subject to the provisions of the Companies Act 2006 and to any special rights conferred on the holders of any other shares, any shares may be issued with or have attached to them such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide.

The Company may by ordinary resolution appoint any person who is willing to act as a Director, either to fill a vacancy or as an additional Director. Each Director is to be appointed by separate resolution.

The Company may by special resolution make amendment to the Company's Articles of Association.

The powers of the Company's Directors in relation to the Company issuing or buying back its own shares are set out in the Director's Report.

### **Relations with shareholders**

The Company communicates with shareholders and solicits their views where it is appropriate to do so. All shareholders are welcome at the AGM, which provides a forum for shareholders to ask questions of the Directors and to discuss with them issues affecting the Company. The Board is also happy to respond to any written queries made by shareholders during the course of the year. Shareholders may write to the Board of Ventus VCT plc at the following address: c/o The City Partnership (UK) Limited, Thistle House, 21 Thistle Street, Edinburgh, EH2 1DF.

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

A separate resolution is proposed at the AGM on each substantially separate issue. The Registrar collates the proxy votes, and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the UK Corporate Governance Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the next AGM can be found at the end of these Financial Statements. A proxy form in respect of this meeting has been issued to shareholders separately.

For and on behalf of the Board

**David Pinckney**

Chairman

24 May 2013

## DIRECTORS' INFORMATION

The Company's Board comprises three Directors, all of whom are independent of the Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Company. The Directors have wide experience of investment in both smaller growing companies and larger quoted companies. Information about the current Directors is set out below.

### **David Pinckney - Chairman of the Company and Audit Committee**

David Pinckney was, from 1998 until December 2003, first chief operating officer for the Far East and then Vice Chairman of AXA Investment Managers SA, the investment management arm of the AXA Group with over US\$500 billion under management. He was a member of the Executive and Audit Committees. From 1987 to 1997, he was Group Finance Director and Joint Managing Director of The Thornton Group (a subsidiary of Dresdner Bank), which specialised in equity investment management, in particular in the Asia/Pacific region. From 1984 to 1986, he was Managing Director of Wrightson Wood Financial Services Limited, a company specialising in international corporate finance and venture capital. From 1963 to 1983, he was with Peat, Marwick Mitchell (now KPMG), where, in his last six years, he was Senior Audit Partner for France and French speaking Africa. He was non-executive Chairman of Park Row Group PLC from 2002 to 2003, when the Group was successfully sold. He is a Director of Albion Development VCT PLC. He was Chairman of DP Property Europe Limited (formerly Rutley European Property Limited) until July 2010 and was Chairman of Syndicate Asset Management PLC until 31 March 2010. He is a Chartered Accountant and an "Expert Comptable" (a French Accountant). He has been a member of the Board since October 2004.

### **David Williams - Director**

David Williams is a graduate Chartered Electrical Engineer who also holds qualifications in Management, Accountancy and Finance. He has been involved in renewable energy for 20 years. Following 19 years with utility company SWALEC, he started Energy Power Resources Limited (EPRL) in 1996 and shortly afterwards undertook a £25 million private placement, the UK's largest private placement in renewable energy, which enabled the company to generate over 100MW of base load capacity. David Williams was Chief Executive of EPRL until February 2002. He co-founded Eco2 in November 2002 and led negotiations on a £100 million funding deal with Good Energies Investments Limited and Bank of Tokyo Mitsubishi UFJ to build a wind farm in Scotland, Wales' first commercial scale biomass project and a number of other wind farm projects. He now leads an ambitious business plan to develop over £1 billion of biomass projects throughout Europe. David Williams was a member of the British government's Renewables Advisory Board and was previously an Independent Grant Assessor for the DTI. He has also been a member of the DEFRA Biomass Implementation Advisory Group and is a member of the Welsh Government's Energy and Environment Panel. He has been a member of the Board since July 2010.

### **Richard Abbott - Director**

Richard Abbott has had a successful career in investment banking having held senior positions at Morgan Grenfell, Deutsche Bank, and ABN-AMRO. He left investment banking 10 years ago since when he has concentrated on building businesses in private equity real estate and in the financial sector, also holding various non-executive directorships. During 2012 he was appointed to the advisory board of Momentum, a large South African insurer and wealth manager. He has been a member of the Board since September 2011.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## Directors' responsibilities

The directors are responsible for preparing the directors' report, the directors' remuneration 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 (IFRSs) as adopted by the European Union. 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 for 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 accounting estimates that are reasonable and prudent; and
- > state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

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.

## Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- > The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and
- > the annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

The names and functions of all the Directors are stated on page 26.

For and on behalf of the Board

**David Pinckney**  
Chairman

24 May 2013

## DIRECTORS AND ADVISERS

### **Directors**

David Pinckney  
Richard Abbott  
David Williams

### **Investment Manager**

Temporis Capital LLP  
Berger House  
36 - 38 Berkeley Square  
London  
W1J 5AE

### **Company Secretary**

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

### **Principal Banker**

HSBC Bank plc  
60 Queen Victoria Street  
London  
EC4N 4TR

### **Auditor**

BDO LLP  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 3AP

### **VCT Taxation Adviser**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

### **Solicitors**

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

Howard Kennedy LLP  
19 Cavendish Square  
London  
W1A 2AW

### **Broker**

Panmure Gordon (UK) Limited  
One New Change  
London  
EC4M 9AF

### **Registrars and Registered Office**

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

# INDEPENDENT AUDITOR'S REPORT

to the members of Ventus VCT plc

We have audited the financial statements of Ventus VCT plc for the year ended 28 February 2013 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and 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 and express an opinion on 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 of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## 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 2013 and of its profit 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.

## Emphasis of matter – valuation of investments

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the uncertainty in the valuation of the investment in Broadview Energy Limited.

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

In our opinion:

- > the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- > the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- > the information given in the Corporate Governance Statement set out on pages 22 to 25 in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) 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 and the part of the Directors' Remuneration Report to be audited 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; or
- > a corporate governance statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- > the directors' statement, set out on page 16, in relation to going concern;
- > the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- > certain elements of the report to shareholders by the Board on directors' remuneration.

## Rosemary Clarke

(senior statutory auditor)  
For and on behalf of BDO LLP,  
statutory auditor  
London  
United Kingdom

24 May 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2013

|  | Note | Ordinary Shares |                 |               | "C" Shares      |                 |               | Total           |                 |               |
|--|------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
|  |      | 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 |
| Realised gains on investments  | 9    | -               | 486             | 486           | -               | -               | -             | -               | 486             | 486           |
| Net unrealised gains on investments  | 9    | -               | 1,526           | 1,526         | -               | 1,874           | 1,874         | -               | 3,400           | 3,400         |
| Income   | 2    | 1,070           | -               | 1,070         | 439             | -               | 439           | 1,509           | -               | 1,509         |
| Investment management fees   | 3    | (113)           | (340)           | (453)         | (67)            | (202)           | (269)         | (180)           | (542)           | (722)         |
| Other expenses   | 4    | (215)           | (4)             | (219)         | (114)           | -               | (114)         | (329)           | (4)             | (333)         |
| <b>Profit before taxation</b>  |      | 742             | 1,668           | 2,410         | 258             | 1,672           | 1,930         | 1,000           | 3,340           | 4,340         |
| Taxation   | 6    | (103)           | 81              | (22)          | (61)            | 48              | (13)          | (164)           | 129             | (35)          |
| <b>Profit and total comprehensive income for the year attributable to shareholders</b> |      | 639             | 1,749           | 2,388         | 197             | 1,720           | 1,917         | 836             | 3,469           | 4,305         |
| <b>Return per share:</b>   |      |                 |                 |               |                 |                 |               |                 |                 |               |
| Basic and diluted return per share (p)   | 8    | <b>3.92</b>     | <b>10.72</b>    | <b>14.64</b>  | <b>1.72</b>     | <b>15.20</b>    | <b>16.92</b>  |                 |                 |               |

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 36 to 51 form an integral part of these Financial Statements.

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2012

|  | Note | Ordinary Shares |                 |               | "C" Shares      |                 |               | Total           |                 |               |
|--|------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
|  |      | 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 |
| Realised losses on investments   | 9    | -               | (399)           | (399)         | -               | -               | -             | -               | (399)           | (399)         |
| Net unrealised gains on investments  | 9    | -               | 1,612           | 1,612         | -               | -               | -             | -               | 1,612           | 1,612         |
| Income   | 2    | 867             | -               | 867           | 442             | -               | 442           | 1,309           | -               | 1,309         |
| Investment management fees   | 3    | (109)           | (326)           | (435)         | (65)            | (194)           | (259)         | (174)           | (520)           | (694)         |
| Other expenses   | 4    | (175)           | -               | (175)         | (107)           | (65)            | (172)         | (282)           | (65)            | (347)         |
| <b>Profit/(loss) before taxation</b>   |      | 583             | 887             | 1,470         | 270             | (259)           | 11            | 853             | 628             | 1,481         |
| Taxation   | 6    | (120)           | 85              | (35)          | (71)            | 51              | (20)          | (191)           | 136             | (55)          |
| <b>Profit/ (loss) and total comprehensive income for the year attributable to shareholders</b> |      | 463             | 972             | 1,435         | 199             | (208)           | (9)           | 662             | 764             | 1,426         |
| <b>Return per share:</b>   |      |                 |                 |               |                 |                 |               |                 |                 |               |
| Basic and diluted return per share (p)   | 8    | <b>2.83</b>     | <b>5.94</b>     | <b>8.77</b>   | <b>1.76</b>     | <b>(1.85)</b>   | <b>(0.09)</b> |                 |                 |               |

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 36 to 51 form an integral part of these Financial Statements.

# STATEMENT OF FINANCIAL POSITION

as at 28 February 2013

|  | Note | As at 28 February 2013  |                       |               | As at 29 February 2012  |                       |               |
|--|------|-------------------------|-----------------------|---------------|-------------------------|-----------------------|---------------|
|  |      | Ordinary Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 | Ordinary Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
| <b>Non-current assets</b>                              |      |                         |                       |               |                         |                       |               |
| Investments  | 9    | 17,156                  | 10,743                | 27,899        | 17,173                  | 8,183                 | 25,356        |
| Trade and other receivables                            | 10   | 2,065                   | 113                   | 2,178         | 18                      | 47                    | 65            |
|  |      | 19,221                  | 10,856                | 30,077        | 17,191                  | 8,230                 | 25,421        |
| <b>Current assets</b>                                  |      |                         |                       |               |                         |                       |               |
| Trade and other receivables                            | 10   | 328                     | 40                    | 368           | 657                     | 509                   | 1,166         |
| Cash and cash equivalents                              | 11   | 877                     | 1,197                 | 2,074         | 397                     | 1,700                 | 2,097         |
|  |      | 1,205                   | 1,237                 | 2,442         | 1,054                   | 2,209                 | 3,263         |
| <b>Total assets</b>                                    |      | 20,426                  | 12,093                | 32,519        | 18,245                  | 10,439                | 28,684        |
| <b>Current liabilities</b>                             |      |                         |                       |               |                         |                       |               |
| Trade and other payables                               | 12   | (660)                   | (45)                  | (705)         | (160)                   | (59)                  | (219)         |
| <b>Net current assets</b>                              |      | 545                     | 1,192                 | 1,737         | 894                     | 2,150                 | 3,044         |
| <b>Net assets</b>                                      |      | 19,766                  | 12,048                | 31,814        | 18,085                  | 10,380                | 28,465        |
| <b>Equity attributable to equity holders</b>           |      |                         |                       |               |                         |                       |               |
| Share capital  | 13   | 4,076                   | 2,832                 | 6,908         | 4,096                   | 2,832                 | 6,928         |
| Capital redemption reserve                             |      | 1,587                   | -                     | 1,587         | -                       | -                     | -             |
| Share premium  |      | -                       | -                     | -             | 1,067                   | 7,874                 | 8,941         |
| Special reserve  |      | 9,856                   | 7,874                 | 17,730        | 10,437                  | -                     | 10,437        |
| Capital reserve – realised                             |      | (3,959)                 | (594)                 | (4,553)       | (4,052)                 | (440)                 | (4,492)       |
| Capital reserve – unrealised                           |      | 7,974                   | 1,874                 | 9,848         | 6,318                   | -                     | 6,318         |
| Revenue reserve  |      | 232                     | 62                    | 294           | 219                     | 114                   | 333           |
| <b>Total equity</b>                                    |      | 19,766                  | 12,048                | 31,814        | 18,085                  | 10,380                | 28,465        |
| <b>Basic and diluted net asset value per share (p)</b> | 14   | <b>121.2</b>            | <b>106.3</b>          |               | <b>110.4</b>            | <b>91.6</b>           |               |

Approved by the Board and authorised for issue on 24 May 2013.

**David Pinckney**  
Chairman

The accompanying notes on pages 36 to 51 form an integral part of these Financial Statements.

Ventus VCT plc. Registered No: 05205442

# STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2013

| Ordinary Shares  | Share capital<br>£000 | Capital redemption reserve<br>£000 | Share premium<br>£000 | Special reserve<br>£000 | Capital reserve realised<br>£000 | Capital reserve unrealised<br>£000 | Revenue reserve<br>£000 | Total<br>£000 |
|--|-----------------------|------------------------------------|-----------------------|-------------------------|----------------------------------|------------------------------------|-------------------------|---------------|
| <b>At 1 March 2012</b>   | 4,096                 | -                                  | 1,067                 | 10,437                  | (4,052)                          | 6,318                              | 219                     | 18,085        |
| Share issued in the year   | 1,567                 | -                                  | 4,824                 | -                       | -                                | -                                  | -                       | 6,391         |
| Issue Costs  | -                     | -                                  | (59)                  | -                       | -                                | -                                  | -                       | (59)          |
| Shares repurchased in the year   | (1,587)               | 1,587                              | -                     | (6,346)                 | -                                | -                                  | -                       | (6,346)       |
| Transfer from special reserve to revenue reserve                                     | -                     | -                                  | -                     | (67)                    | -                                | -                                  | 67                      | -             |
| Cancellation of share premium  | -                     | -                                  | (5,832)               | 5,832                   | -                                | -                                  | -                       | -             |
| Transfer of net unrealised losses on investment to net realised losses on investment | -                     | -                                  | -                     | -                       | (130)                            | 130                                | -                       | -             |
| Profit and total comprehensive income for the year                                   | -                     | -                                  | -                     | -                       | 223                              | 1,526                              | 639                     | 2,388         |
| Dividends paid in the year   | -                     | -                                  | -                     | -                       | -                                | -                                  | (693)                   | (693)         |
| <b>At 28 February 2013</b>   | 4,076                 | 1,587                              | -                     | 9,856                   | (3,959)                          | 7,974                              | 232                     | 19,766        |

| "C" Shares   | £000  | £000 | £000    | £000  | £000  | £000  | £000  | £000   |
|--|-------|------|---------|-------|-------|-------|-------|--------|
| <b>At 1 March 2012</b>                             | 2,832 | -    | 7,874   | -     | (440) | -     | 114   | 10,380 |
| Cancellation of share premium                      | -     | -    | (7,874) | 7,874 | -     | -     | -     | -      |
| Profit and total comprehensive income for the year | -     | -    | -       | -     | (154) | 1,874 | 197   | 1,917  |
| Dividends paid in the year                         | -     | -    | -       | -     | -     | -     | (249) | (249)  |
| <b>At 28 February 2013</b>                         | 2,832 | -    | -       | 7,874 | (594) | 1,874 | 62    | 12,048 |

| Total  | £000    | £000  | £000     | £000    | £000    | £000  | £000  | £000    |
|--|---------|-------|----------|---------|---------|-------|-------|---------|
| <b>At 1 March 2012</b>   | 6,928   | -     | 8,941    | 10,437  | (4,492) | 6,318 | 333   | 28,465  |
| Shares issued in the year  | 1,567   | -     | 4,824    | -       | -       | -     | -     | 6,391   |
| Issue costs  | -       | -     | (59)     | -       | -       | -     | -     | (59)    |
| Shares repurchased in the year   | (1,587) | 1,587 | -        | (6,346) | -       | -     | -     | (6,346) |
| Transfer from special reserve to revenue reserve                                     | -       | -     | -        | (67)    | -       | -     | 67    | -       |
| Cancellation of share premium  | -       | -     | (13,706) | 13,706  | -       | -     | -     | -       |
| Transfer of net unrealised losses on investment to net realised losses on investment | -       | -     | -        | -       | (130)   | 130   | -     | -       |
| Profit and total comprehensive income for the year                                   | -       | -     | -        | -       | 69      | 3,400 | 836   | 4,305   |
| Dividends paid in the year   | -       | -     | -        | -       | -       | -     | (942) | (942)   |
| <b>At 28 February 2013</b>   | 6,908   | 1,587 | -        | 17,730  | (4,553) | 9,848 | 294   | 31,814  |

All amounts presented in the Statement of Changes in Equity are attributable to equity holders. The reserves available for distribution comprise the revenue reserve, special reserve and realised capital 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, and to pay dividends. During the year the Company cancelled its share premium accounts and transferred the balances to the special reserves

The accompanying notes on pages 36 to 51 form an integral part of these Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2012

| Ordinary Shares  | Share capital<br>£000 | Share premium<br>£000 | Special reserve<br>£000 | Capital reserve realised<br>£000 | Capital reserve unrealised<br>£000 | Revenue reserve<br>£000 | Total<br>£000 |
|--|-----------------------|-----------------------|-------------------------|----------------------------------|------------------------------------|-------------------------|---------------|
| <b>At 1 March 2011</b>   | 4,096                 | 1,067                 | 10,437                  | (1,267)                          | 2,561                              | 264                     | 17,158        |
| Transfer of unrealised losses on investment to realised losses on investment | -                     | -                     | -                       | (2,145)                          | 2,145                              | -                       | -             |
| Profit and total comprehensive income for the year                           | -                     | -                     | -                       | (640)                            | 1,612                              | 463                     | 1,435         |
| Dividends paid in the year   | -                     | -                     | -                       | -                                | -                                  | (508)                   | (508)         |
| <b>At 29 February 2012</b>   | 4,096                 | 1,067                 | 10,437                  | (4,052)                          | 6,318                              | 219                     | 18,085        |

| "C" Shares                                       | £000  | £000  | £000 | £000  | £000 | £000  | £000   |
|--|-------|-------|------|-------|------|-------|--------|
| <b>At 1 March 2011</b>                           | 2,832 | 7,874 | -    | (232) | -    | 28    | 10,502 |
| Loss and total comprehensive income for the year | -     | -     | -    | (208) | -    | 199   | (9)    |
| Dividends paid in the year                       | -     | -     | -    | -     | -    | (113) | (113)  |
| <b>At 29 February 2012</b>                       | 2,832 | 7,874 | -    | (440) | -    | 114   | 10,380 |

|  | £000  | £000  | £000   | £000    | £000  | £000  | £000   |
|--|-------|-------|--------|---------|-------|-------|--------|
| <b>At 1 March 2011</b>   | 6,928 | 8,941 | 10,437 | (1,499) | 2,561 | 292   | 27,660 |
| Transfer of unrealised losses on investment to realised losses on investment | -     | -     | -      | (2,145) | 2,145 | -     | -      |
| Profit and total comprehensive income for the year                           | -     | -     | -      | (848)   | 1,612 | 662   | 1,426  |
| Dividends paid in the year   | -     | -     | -      | -       | -     | (621) | (621)  |
| <b>At 29 February 2012</b>   | 6,928 | 8,941 | 10,437 | (4,492) | 6,318 | 333   | 28,465 |

The accompanying notes on pages 36 to 51 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS  
for the year ended 28 February 2013

|   | Year ended 28 February 2013 |                       |               | Year ended 29 February 2012 |                       |               |
|---|-----------------------------|-----------------------|---------------|-----------------------------|-----------------------|---------------|
|   | Ordinary<br>Shares<br>£000  | "C"<br>Shares<br>£000 | Total<br>£000 | Ordinary<br>Shares<br>£000  | "C"<br>Shares<br>£000 | Total<br>£000 |
| <b>Cash flows from operating activities</b>                   |                             |                       |               |                             |                       |               |
| Investment income received                                    | 1,510                       | 822                   | 2,332         | 1,095                       | 113                   | 1,208         |
| Deposit interest received                                     | 2                           | 10                    | 12            | 1                           | 24                    | 25            |
| Investment management fees paid                               | (453)                       | (269)                 | (722)         | (435)                       | (259)                 | (694)         |
| Other cash payments   | (254)                       | (101)                 | (355)         | (158)                       | (138)                 | (296)         |
| <b>Cash generated from/ (used in) operations</b>              | 805                         | 462                   | 1,267         | 503                         | (260)                 | 243           |
| Taxes paid  | (36)                        | (30)                  | (66)          | (67)                        | 54                    | (13)          |
| <b>Net cash inflow/ (outflow) from operating activities</b>   | 769                         | 432                   | 1,201         | 436                         | (206)                 | 230           |
| <b>Cash flows from investing activities</b>                   |                             |                       |               |                             |                       |               |
| Purchases of investments                                      | (3,058)                     | (2,588)               | (5,646)       | (64)                        | (5,298)               | (5,362)       |
| Proceeds from investments                                     | 3,486                       | 1,902                 | 5,388         | 360                         | 1,075                 | 1,435         |
| <b>Net cash inflow/(outflow) from investing activities</b>    | 428                         | (686)                 | (258)         | 296                         | (4,223)               | (3,927)       |
| <b>Cash flows from financing activities</b>                   |                             |                       |               |                             |                       |               |
| Ordinary shares issued  | 32                          | -                     | 32            | 13                          | -                     | 13            |
| Ordinary shares issue costs                                   | (56)                        | -                     | (56)          | -                           | -                     | -             |
| Dividends paid  | (693)                       | (249)                 | (942)         | (508)                       | (113)                 | (621)         |
| <b>Net cash outflow from financing activities</b>             | (717)                       | (249)                 | (966)         | (495)                       | (113)                 | (608)         |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   | 480                         | (503)                 | (23)          | 237                         | (4,542)               | (4,305)       |
| <b>Cash and cash equivalents at the beginning of the year</b> | 397                         | 1,700                 | 2,097         | 160                         | 6,242                 | 6,402         |
| <b>Cash and cash equivalents at the end of the year</b>       | 877                         | 1,197                 | 2,074         | 397                         | 1,700                 | 2,097         |

The accompanying notes on pages 36 to 51 form an integral part of these Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28 February 2013

## 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.

### Accounting policy and disclosure

The accounting policies adopted are consistent with those of the previous financial year.

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 7, IFRS 1, IAS 1, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IAS 27, IAS 28, IAS 19, IFRIC 20, IFRS 7, IAS 32 and IFRS 9. These changes are not expected to have a material impact on the transactions and balances reported in the financial statements.

### Income

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, which is 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.

Expenses have been allocated between the ordinary and "C" share funds on the basis of the number of shares in issue during the year, except when expenses are directly attributable to a particular share fund.

### 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 periods 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 VCT, 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 Statement of Financial Position 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.

#### *Deferred consideration*

Deferred consideration is initially recognised at fair value and then designated as a loan and receivable under IAS 39 measured at amortised cost. Any subsequent movement in the value relating to changes in expected cash flows and the recognition of income using the effective interest rate is shown 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 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 reserves were created by approval of the High Court to cancel the Company's

share premium accounts. The special reserve may be used to fund buy-backs of shares and pay dividends 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 value, 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 and equity based derivatives are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines, using the most appropriate valuation methodology as determined by the Board. Where there has been a recent arm's length transaction between knowledgeable, willing parties, the "price of recent investment" methodology is used to determine the value of the investment. In the absence of a recent market transaction, unquoted investee companies with renewable energy generating plant constituting a substantial portion of their assets and which have proved stable operational performance are valued using the "discounted future cash flows from the underlying business" methodology, excluding interest accrued in the accounts to date, unless uncertainties exist which would make the "price of recent investment" methodology, reviewed for impairment, more appropriate. Generally, renewable energy generating plant will be considered to be operating when it has been taken-over by the investee company, although specific circumstances could cause a plant to

be considered operating satisfactorily earlier than formal take-over by the investee company. Notwithstanding the above, the Board may determine that an alternative methodology should be used where this more appropriately reflects the fair value of an investment.

When an investee company has gone into receivership or liquidation or where any loss in value below cost is considered to be permanent, 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.

#### **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. The estimates and assumptions are consistent with those adopted in the financial statements for the year ended 29 February 2012 except for a change in the application of the valuation policy so that an investment may be considered for revaluation prior to having demonstrated 6 to 18 months of stable operational performance. 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 assets which are designated as "fair value through profit or loss".

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 amount of electricity the investee companies' 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. 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 a factor of both wholesale electricity prices and government subsidies. The selling price is often fixed in the medium term under power purchase agreements. For periods outside the term of these agreements the assumed future prices are estimated using external third party forecasts which take the form

of specialist consultancy reports. Specifically commissioned external consultant reports are also used to estimate the expected electrical output from the investee company's generating assets taking into account their type and location. All of these key assumptions are reviewed regularly by the Investment Committee of the Investment Manager and the Board.

The valuation of the Company's holding of ordinary shares in Broadview Energy Limited (£2,365,000 in the ordinary share fund) is based on key assumptions which are subject to material uncertainty. Broadview Energy Limited announced on 8 May 2012 that it had sold three of its wind farms to Infinis Wind Holdings Limited. The consideration received by Broadview Energy Limited for these assets has now been made public (whereas it had not been at the time the Company's annual financial statements for the year ended 29 February 2012 were published). The assets sold represented a major part of Broadview Energy Limited's value. However, in valuing the Company's holding in the ordinary shares of Broadview Energy Limited, the Investment Committee and the Board have made assumptions about the market value of the remaining assets held by Broadview Energy Limited. This analysis by the Investment Committee and the Board has been based on applying reasonable assumptions regarding the assets, but without access to independent evidence to support the assumptions made. The valuation of Broadview Energy Limited on a net asset basis is based to a material extent on this analysis. Although the price at which the assets sold to Infinis Wind Holdings Limited is now known, there remains an inherent uncertainty in the valuation of the remaining assets of Broadview Energy Limited and a risk that the valuation of Broadview Energy Limited could vary to a material extent, in the context of the Company's portfolio, from a valuation that might be carried out using more complete information.

#### **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.

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 2. Income

|                                    | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
|------------------------------------|----------------------------|-----------------------|---------------|
| <b>Year ended 28 February 2013</b> |                            |                       |               |
| <b>Income from investments</b>     |                            |                       |               |
| Loan stock interest                | 718                        | 338                   | 1,056         |
| Dividends                          | 350                        | -                     | 350           |
| Other investment income            | -                          | 90                    | 90            |
|                                    | 1,068                      | 428                   | 1,496         |
| <b>Other income</b>                |                            |                       |               |
| Bank deposit interest              | 2                          | 11                    | 13            |
|                                    | 1,070                      | 439                   | 1,509         |
| <b>Year ended 29 February 2012</b> |                            |                       |               |
| <b>Income from investments</b>     |                            |                       |               |
| Loan stock interest                | 725                        | 418                   | 1,143         |
| Dividends                          | 141                        | -                     | 141           |
|                                    | 866                        | 418                   | 1,284         |
| <b>Other income</b>                |                            |                       |               |
| UK treasury bill income            | -                          | 6                     | 6             |
| Bank deposit interest              | 1                          | 18                    | 19            |
|                                    | 867                        | 442                   | 1,309         |

## 3. Investment management fees

|                                    | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
|------------------------------------|----------------------------|-----------------------|---------------|
| <b>Year ended 28 February 2013</b> |                            |                       |               |
| Investment management fees         | 453                        | 269                   | 722           |
| <b>Year ended 29 February 2012</b> |                            |                       |               |
| Investment management fees         | 435                        | 259                   | 694           |

The Investment Manager is entitled to an annual fee equal to 2.5% of the Company's net asset value ("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 investment costs), with any excess being borne by the Investment Manager.

The Investment Manager will receive a performance-related incentive fee subject to the Company achieving certain defined targets. No incentive fee will be payable until the Company has provided a cumulative return to investors in the forms of growth in NAV plus payment of dividends ("the Return") of 60p per share. Thereafter, the incentive fee, which is payable in cash, is calculated as 20% of the amount by which the Return in any accounting period exceeds 7p per share. The incentive fee is exclusive of VAT.

#### 4. Other expenses

|   | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
|---|----------------------------|-----------------------|---------------|
| <b>Year ended 28 February 2013</b>              |                            |                       |               |
| <i>Revenue expenses:</i>                        |                            |                       |               |
| Directors' remuneration                         | 38                         | 27                    | 65            |
| Fees payable to the Company's Auditor for:      |                            |                       |               |
| - <i>Audit of the Company's annual accounts</i> | 14                         | 10                    | 24            |
| - <i>Other services relating to taxation</i>    | 4                          | 3                     | 7             |
| - <i>Other services pursuant to legislation</i> | 4                          | 3                     | 7             |
| Other expenses                                  | 155                        | 71                    | 226           |
|   | 215                        | 114                   | 329           |
| <i>Capital expenses:</i>                        |                            |                       |               |
| Investment costs                                | 4                          | -                     | 4             |
|   | 219                        | 114                   | 333           |

|   | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
|---|----------------------------|-----------------------|---------------|
| <b>Year ended 29 February 2012</b>              |                            |                       |               |
| <i>Revenue expenses:</i>                        |                            |                       |               |
| Directors' remuneration                         | 38                         | 27                    | 65            |
| Fees payable to the Company's Auditor for:      |                            |                       |               |
| - <i>Audit of the Company's annual accounts</i> | 17                         | 12                    | 29            |
| - <i>Other services relating to taxation</i>    | 2                          | 2                     | 4             |
| - <i>Other services pursuant to legislation</i> | 5                          | 4                     | 9             |
| Other expenses                                  | 113                        | 62                    | 175           |
|   | 175                        | 107                   | 282           |
| <i>Capital expenses:</i>                        |                            |                       |               |
| Investment costs                                | -                          | 65                    | 65            |
|   | 175                        | 172                   | 347           |

Other services relating to taxation provided by the Company's Auditor related to corporation tax compliance and iXBRL tagging services. Other services pursuant to legislation provided by the Company's Auditor related to the review of the Half-yearly Report.

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 5. Directors' remuneration

|                                    | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
|------------------------------------|----------------------------|-----------------------|---------------|
| <b>Year ended 28 February 2013</b> |                            |                       |               |
| D Pinckney                         | 15                         | 10                    | 25            |
| D Williams                         | 11                         | 9                     | 20            |
| R Abbott                           | 12                         | 8                     | 20            |
| Aggregate emoluments               | 38                         | 27                    | 65            |

|                                    | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
|------------------------------------|----------------------------|-----------------------|---------------|
| <b>Year ended 29 February 2012</b> |                            |                       |               |
| D Pinckney                         | 15                         | 10                    | 25            |
| D Williams                         | 11                         | 9                     | 20            |
| R Abbott                           | 6                          | 4                     | 10            |
| C Conner                           | 6                          | 4                     | 10            |
| Aggregate emoluments               | 38                         | 27                    | 65            |

Further details regarding Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 20 to 21. The Company has no employees other than the directors.

## 6. Taxation

|   | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
|---|----------------------------|-----------------------|---------------|
| <b>Year ended 28 February 2013</b>  |                            |                       |               |
| <b>(a) Tax charge/(credit) for the year</b>   |                            |                       |               |
| Current UK corporation tax:   |                            |                       |               |
| Charged to revenue reserve  | 103                        | 61                    | 164           |
| Credited to capital reserve   | (81)                       | (48)                  | (129)         |
|   | 22                         | 13                    | 35            |
| <b>(b) Factors affecting the tax charge/(credit) for the year</b>                         |                            |                       |               |
| Profit before taxation  | 2,410                      | 1,930                 | 4,340         |
| Tax charge calculated on profit before taxation at the applicable rate of 24% (2011: 26%) | 578                        | 463                   | 1,041         |
| Effect of:  |                            |                       |               |
| UK dividends not subject to tax   | (84)                       | -                     | (84)          |
| Capital gains not subject to tax  | (482)                      | (450)                 | (932)         |
| Non-deductible expenses   | 10                         | -                     | 10            |
|   | 22                         | 13                    | 35            |

| Year ended 29 February 2012  | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
|--|----------------------------|-----------------------|---------------|
| <b>(a) Tax charge/( credit) for the year</b>   |                            |                       |               |
| Current UK corporation tax:  |                            |                       |               |
| Credited to revenue reserve  | 120                        | 71                    | 191           |
| Credited to capital reserve  | (85)                       | (51)                  | (136)         |
|  | 35                         | 20                    | 55            |
| <b>(b) Factors affecting the tax charge/(credit) for the year</b>  |                            |                       |               |
| Profit/(loss) before taxation  | 1,470                      | 11                    | 1,481         |
| Tax charge/(credit) calculated on (loss)/ profit before taxation at the applicable rate of 21% (2010: 21%) | 382                        | 3                     | 385           |
| Effect of:   |                            |                       |               |
| UK dividends not subject to tax  | (37)                       | -                     | (37)          |
| Capital gains not subject to tax   | (315)                      | -                     | (315)         |
| Tax losses brought forward   | 5                          | 17                    | 22            |
|  | 35                         | 20                    | 55            |

No provision for deferred taxation has been made on potential capital gains due to the Company's current status as a VCT under section 274 of the ITA and the Directors' intention to maintain that status. The Company intends to continue to meet the conditions required to maintain its status as a VCT for the foreseeable future.

## 7. Dividends

| Ordinary shares  | Year ended<br>28 February<br>2013<br>£000 | Year ended<br>29 February<br>2012<br>£000 |
|--|---|---|
| <b>Amounts recognised as distributions to ordinary shareholders in the year:</b> |   |   |
| Previous year's final dividend of 1.75p per ordinary share (2012: 1.60p)         | 285                                       | 262                                       |
| Current year's interim dividend of 2.50p per ordinary share (2012: 1.50p)        | 408                                       | 246                                       |
|  | 693                                       | 508                                       |

| Ordinary shares   | Year ended<br>28 February<br>2013<br>£000 | Year ended<br>29 February<br>2012<br>£000 |
|---|---|---|
| <b>Subject to approval of the final dividend, the total dividend to be paid to ordinary shareholders in respect of the financial year is set out below:</b> |   |   |
| Interim dividend for the year ended 28 February 2013 of 2.50p per ordinary share (2012: 1.50p)  | 408                                       | 246                                       |
| Proposed final dividend for the year ended 28 February 2013 of 2.50p per ordinary share (2012: 1.75p)   | 408                                       | 285                                       |
|   | 816                                       | 531                                       |

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 7. Dividends (continued)

| "C" shares  | Year ended<br>28 February<br>2013<br>£000 | Year ended<br>29 February<br>2012<br>£000 |
|---|---|---|
| <b>Amounts recognised as distributions to "C" shareholders in the year:</b> |   |   |
| Previous year's final dividend of 1.00p per "C" share (2011: nil)           | 113                                       | -   |
| Current year's interim dividend of 1.20p per "C" share (2011: 1.00p)        | 136                                       | 113                                       |
|   | 249                                       | 113                                       |

| "C" shares   | Year ended<br>28 February<br>2013<br>£000 | Year ended<br>29 February<br>2012<br>£000 |
|--|---|---|
| <b>Subject to approval of the final dividend, the total dividend to be paid to "C" shareholders in respect of the financial year is set out below:</b> |   |   |
| Interim dividend for the year ended 28 February 2013 of 1.20p per "C" share (2012: 1.00p)  | 136                                       | 113                                       |
| Proposed final dividend for the year ended 28 February 2013 of 1.80p per "C" share (2011: 1.00p)   | 204                                       | 113                                       |
|  | 340                                       | 226                                       |

## 8. Basic and diluted return per share

| For the year ended 28 February 2013        |                         | Ordinary<br>Shares | "C"<br>Shares |
|--|-------------------------|--------------------|---------------|
| Revenue return for the year                | <i>p per share</i>      | 3.92               | 1.72          |
| <i>Based on:</i>                           |                         |                    |               |
| Revenue return for the year                | £000                    | 639                | 197           |
| Weighted average number of shares in issue | <i>number of shares</i> | 16,313,441         | 11,329,107    |
| Capital gain for the year                  | <i>p per share</i>      | 10.72              | 15.20         |
| <i>Based on:</i>                           |                         |                    |               |
| Capital gain for the year                  | £000                    | 1,749              | 1,720         |
| Weighted average number of shares in issue | <i>number of shares</i> | 16,313,441         | 11,329,107    |
| Net profit for the year                    | <i>p per share</i>      | 14.64              | 16.92         |
| <i>Based on:</i>                           |                         |                    |               |
| Net profit for the year                    | £000                    | 2,388              | 1,917         |
| Weighted average number of shares in issue | <i>number of shares</i> | 16,313,441         | 11,329,107    |

| For the year ended 29 February 2012        |                         | Ordinary<br>Shares | "C"<br>Shares |
|--|-------------------------|--------------------|---------------|
| Revenue return for the year                | <i>p per share</i>      | 2.83               | 1.76          |
| <i>Based on:</i>                           |                         |                    |               |
| Revenue return for the year                | £000                    | 463                | 199           |
| Weighted average number of shares in issue | <i>number of shares</i> | 16,384,793         | 11,329,107    |
| Capital gain/(loss) for the year           | <i>p per share</i>      | 5.94               | (1.85)        |
| <i>Based on:</i>                           |                         |                    |               |
| Capital gain/(loss) for the year           | £000                    | 972                | (208)         |
| Weighted average number of shares in issue | <i>number of shares</i> | 16,384,793         | 11,329,107    |
| Net profit/(loss) for the year             | <i>p per share</i>      | 8.77               | (0.09)        |
| <i>Based on:</i>                           |                         |                    |               |
| Net profit/(loss) for the year             | £000                    | 1,435              | (9)           |
| Weighted average number of shares in issue | <i>number of shares</i> | 16,384,793         | 11,329,107    |

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

## 9. Investments

| Year ended 28 February 2013        | Shares<br>£000 | Loan stock<br>£000 | Ordinary Shares<br>Total<br>£000 | Shares<br>£000 | Loan stock<br>£000 | "C" Shares<br>Total<br>£000 | Shares<br>£000 | Loan stock<br>£000 | Total<br>Total<br>£000 |
|------------------------------------|----------------|--------------------|----------------------------------|----------------|--------------------|-----------------------------|----------------|--------------------|------------------------|
| <b>Opening position</b>            |                |                    |                                  |                |                    |                             |                |                    |                        |
| Opening cost                       | 6,940          | 6,459              | 13,399                           | 4,900          | 3,283              | 8,183                       | 11,840         | 9,742              | 21,582                 |
| Opening realised losses            | (217)          | (182)              | (399)                            | -              | -                  | -                           | (217)          | (182)              | (399)                  |
| Opening unrealised gains/ (losses) | 4,189          | (16)               | 4,173                            | -              | -                  | -                           | 4,189          | (16)               | 4,173                  |
| Opening fair value                 | 10,912         | 6,261              | 17,173                           | 4,900          | 3,283              | 8,183                       | 15,812         | 9,544              | 25,356                 |
| <b>During the year</b>             |                |                    |                                  |                |                    |                             |                |                    |                        |
| Purchases at cost                  | 2,187          | 1,330              | 3,517                            | 547            | 2,041              | 2,588                       | 2,734          | 3,371              | 6,105                  |
| Disposal proceeds                  | (3,874)        | (1,696)            | (5,570)                          | -              | (1,902)            | (1,902)                     | (3,874)        | (3,598)            | (7,472)                |
| Realised gains/(losses)            | 675            | (189)              | 486                              | -              | -                  | -                           | 675            | (189)              | 486                    |
| Unrealised gains                   | 1,428          | 98                 | 1,526                            | 1,788          | 86                 | 1,874                       | 3,216          | 184                | 3,400                  |
| Closing fair value                 | 11,328         | 5,828              | 17,156                           | 7,235          | 3,508              | 10,743                      | 18,563         | 9,336              | 27,899                 |
| <b>Closing position</b>            |                |                    |                                  |                |                    |                             |                |                    |                        |
| Closing cost                       | 7,903          | 6,186              | 14,089                           | 5,447          | 3,422              | 8,869                       | 13,350         | 9,608              | 22,958                 |
| Closing realised losses            | (2,430)        | (417)              | (2,847)                          | -              | -                  | -                           | (2,430)        | (417)              | (2,847)                |
| Closing unrealised gains           | 5,855          | 59                 | 5,914                            | 1,788          | 86                 | 1,874                       | 7,643          | 145                | 7,788                  |
| Closing fair value                 | 11,328         | 5,828              | 17,156                           | 7,235          | 3,508              | 10,743                      | 18,563         | 9,336              | 27,899                 |

During the year ended 28 February 2013, net unrealised losses of £130,000 were transferred to realised losses in respect of investments which had been realised during the year. The ordinary share fund recognised an unrealised gain of £2,060,000 during the year ended 28 February 2013 in respect of the deferred consideration from the sale of Craig Wind Farm Limited, which is held as a receivable as at 28 February 2013.

| Year ended 29 February 2012        | Shares<br>£000 | Loan stock<br>£000 | Ordinary Shares<br>Total<br>£000 | Shares<br>£000 | Loan stock<br>£000 | "C" Shares<br>Total<br>£000 | Shares<br>£000 | Loan stock<br>£000 | Total<br>Total<br>£000 |
|------------------------------------|----------------|--------------------|----------------------------------|----------------|--------------------|-----------------------------|----------------|--------------------|------------------------|
| <b>Opening position</b>            |                |                    |                                  |                |                    |                             |                |                    |                        |
| Opening cost                       | 6,940          | 6,755              | 13,695                           | 900            | 3,060              | 3,960                       | 7,840          | 9,815              | 17,655                 |
| Opening unrealised gains/ (losses) | 2,599          | (38)               | 2,561                            | -              | -                  | -                           | 2,599          | (38)               | 2,561                  |
| Opening fair value                 | 9,539          | 6,717              | 16,256                           | 900            | 3,060              | 3,960                       | 10,439         | 9,777              | 20,216                 |
| <b>During the year</b>             |                |                    |                                  |                |                    |                             |                |                    |                        |
| Purchases at cost                  | -              | 64                 | 64                               | 4,000          | 1,298              | 5,298                       | 4,000          | 1,362              | 5,362                  |
| Disposal proceeds                  | -              | (360)              | (360)                            | -              | (1,075)            | (1,075)                     | -              | (1,435)            | (1,435)                |
| Realised losses                    | (217)          | (182)              | (399)                            | -              | -                  | -                           | (217)          | (182)              | (399)                  |
| Unrealised gains                   | 1,590          | 22                 | 1,612                            | -              | -                  | -                           | 1,590          | 22                 | 1,612                  |
| Closing fair value                 | 10,912         | 6,261              | 17,173                           | 4,900          | 3,283              | 8,183                       | 15,812         | 9,544              | 25,356                 |
| <b>Closing position</b>            |                |                    |                                  |                |                    |                             |                |                    |                        |
| Closing cost                       | 6,940          | 6,459              | 13,399                           | 4,900          | 3,283              | 8,183                       | 11,840         | 9,742              | 21,582                 |
| Closing realised losses            | (2,362)        | (182)              | (2,544)                          | -              | -                  | -                           | (2,362)        | (182)              | (2,544)                |
| Closing unrealised gains/ (losses) | 6,334          | (16)               | 6,318                            | -              | -                  | -                           | 6,334          | (16)               | 6,318                  |
| Closing fair value                 | 10,912         | 6,261              | 17,173                           | 4,900          | 3,283              | 8,183                       | 15,812         | 9,544              | 25,356                 |

**9. Investments (continued)**

The shares held by the Company represent equity holdings in unquoted UK companies. The Investment Manager's Report on pages 3 to 14 provides details in respect of the Company's shareholding in each investment, loans issued, investments purchased and disposed of during the year.

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 2013, 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 Board has considered the key assumptions which may affect the results reported in the financial statements and 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 key assumptions that have a significant impact on the fair value in the discounted future cash flow valuations are the discount factor used, the price at which power and associated benefits may be sold and the level of electricity the investee' companies generating assets are likely to produce.

The Board has determined that a reasonable alternative assumption may be made in respect of the discount factors applied; the sensitivity of the value of the portfolio to the application of an increase or decrease in discount factors is set out below.

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 factors applied to the valuation models of investments which have been valued using the discounted future cash flows from the underlying business.

The application of the upside alternative discount factor to the investments in the ordinary share fund's portfolio would have resulted in the total value of its investments having been £735,000 or 4.3% higher. The application of the downside alternative discount factor would have resulted in the total value of its investments having been £665,000 or 3.9% lower.

The application of the upside alternative discount factor to the "C" share fund's portfolio would have resulted in the total value of its investments having been £469,000 or 4.4% higher. The application of the downside alternative discount factor would have resulted in the total value of its investments having been £416,000 or 3.9% lower.

The future price at which power and associated benefits may be sold is estimated using forecasts produced by third party industry experts and, in the case of the wind energy assets, the energy yield is determined by wind yield analyses also prepared by third party industry experts (except in the case of Fenpower Limited which is based on the Investment Manager's analysis of Met Office data), therefore the Directors do not believe there are reasonable alternative assumptions for these inputs available.

As discussed in note 1, the assumptions used in determining the value of Broadview Energy Limited are considered to be subject to a high degree of uncertainty. The impact of applying other reasonable alternative assumptions in respect of the price for which the investee company's assets were recently sold and the value of the residual assets including cash would have resulted in the total value of the ordinary share fund's investments having been either £715,000 or 4.2% higher or £335,000 or 2.0% lower. However, in view of the uncertainty over the price of the assets sold, the range of the potential upside and downside valuations could be even greater.

**10. Trade and other receivables**

| As at 28 February 2013    | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
|---------------------------|----------------------------|-----------------------|---------------|
| <b>Non-current assets</b> |                            |                       |               |
| Deferred consideration    | 2,060                      | -                     | 2,060         |
| Other investment income   | -                          | 90                    | 90            |
| Accrued interest income   | 5                          | 23                    | 28            |
|                           | 2,065                      | 113                   | 2,178         |
| <b>Current assets</b>     |                            |                       |               |
| Accrued interest income   | 165                        | 25                    | 190           |
| Other receivables         | 154                        | 9                     | 163           |
| Prepayments               | 9                          | 6                     | 15            |
|                           | 328                        | 40                    | 368           |

| As at 29 February 2012    | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
|---------------------------|----------------------------|-----------------------|---------------|
| <b>Non-current assets</b> |                            |                       |               |
| Accrued interest income   | 18                         | 47                    | 65            |
|                           | 18                         | 47                    | 65            |
| <b>Current assets</b>     |                            |                       |               |
| Accrued interest income   | 594                        | 483                   | 1,077         |
| Other receivables         | -                          | 19                    | 19            |
| Prepayments               | 63                         | 7                     | 70            |
|                           | 657                        | 509                   | 1,166         |

The deferred consideration of £2,060,000 represents the outstanding balance of the consideration arising from the Company's sale of Craig Wind Farm Limited during the year ended 28 February 2013.

Included in accrued interest income is loan stock interest totalling £28,000 (2012: £65,000) which is due after more than one year, which represents non-current assets. The Directors consider that the carrying amounts of trade and other receivables approximate to their fair value.

#### 11. Cash and cash equivalents

|                          | Ordinary<br>Shares<br>Cash<br>£000 | "C"<br>Shares<br>Total<br>£000 | Total<br>Total<br>£000 |
|--------------------------|------------------------------------|--------------------------------|------------------------|
| As at 1 March 2012       | 397                                | 1,700                          | 2,097                  |
| Net increase/ (decrease) | 480                                | (503)                          | (23)                   |
| As at 28 February 2013   | 877                                | 1,197                          | 2,074                  |

|                          | Ordinary<br>Shares |              | "C"<br>Shares |               | Treasury<br>Bills |                           | Total         |
|--------------------------|--------------------|--------------|---------------|---------------|-------------------|---------------------------|---------------|
|                          | Cash<br>£000       | Cash<br>£000 | Total<br>£000 | Total<br>£000 | Cash<br>£000      | Treasury<br>Bills<br>£000 | Total<br>£000 |
| As at 1 March 2011       | 160                | 1,046        | 5,196         | 6,242         | 1,206             | 5,196                     | 6,402         |
| Net increase/ (decrease) | 237                | 654          | (5,196)       | (4,542)       | 891               | (5,196)                   | (4,305)       |
| As at 29 February 2012   | 397                | 1,700        | -             | 1,700         | 2,097             | -                         | 2,097         |

The increase in cash held by the ordinary share fund during the year was primarily due to investment income generated and proceeds from investment disposals offset by payment of expenses and dividends. However, the ordinary share fund was holding £461,000 on behalf of Bernard Matthews Green Energy Pickenham Limited, one of its investee companies, as at 28 February 2013, the corresponding balance being included within other payables.

The decrease in cash and cash equivalents held by the "C" share fund during the year was primarily attributable to the purchase of investments and payment of expenses, offset by investment income and proceeds from investments.

During the year, cash and cash equivalents comprised bank balances and cash held by the Company. The carrying amount of these assets approximates to their fair value.

12. Trade and other payables

|                               | Ordinary Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
|-------------------------------|-------------------------|-----------------------|---------------|
| <b>As at 28 February 2013</b> |                         |                       |               |
| Corporation tax               | 20                      | 4                     | 24            |
| Trade payables                | 3                       | 3                     | 6             |
| Other payables                | 605                     | 20                    | 625           |
| Accruals                      | 32                      | 18                    | 50            |
|                               | 660                     | 45                    | 705           |
| <b>As at 29 February 2012</b> |                         |                       |               |
| Corporation tax               | 35                      | 20                    | 55            |
| Other payables                | 27                      | 6                     | 33            |
| Accruals                      | 98                      | 33                    | 131           |
|                               | 160                     | 59                    | 219           |

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

13. Share capital

|  | Ordinary Shares              |         | "C" Shares                   |       | Total<br>£000 |
|--|------------------------------|---------|------------------------------|-------|---------------|
|  | Number of shares of 25p each | £000    | Number of shares of 25p each | £000  |               |
| <b>Authorised</b>                                  |                              |         |                              |       |               |
| <b>As at 1 March 2012</b>                          | 40,000,000                   | 10,000  | 20,000,000                   | 5,000 | 60,000,000    |
| Shares authorised during the year                  | 10,000,000                   | 2,500   | -                            | -     | 10,000,000    |
| <b>As at 28 February 2013</b>                      | 50,000,000                   | 12,500  | 20,000,000                   | 5,000 | 70,000,000    |
| <b>Allotted, called up and fully paid</b>          |                              |         |                              |       |               |
| <b>As at 1 March 2012</b>                          | 16,384,793                   | 4,096   | 11,329,107                   | 2,832 | 27,713,900    |
| Allotted, called up and fully paid during the year | 6,268,843                    | 1,567   | -                            | -     | 6,268,843     |
| Purchased and cancelled during the year            | (6,346,089)                  | (1,587) | -                            | -     | (6,346,089)   |
| <b>As at 28 February 2013</b>                      | 16,307,547                   | 4,076   | 11,329,107                   | 2,832 | 27,636,654    |
| <b>Authorised</b>                                  |                              |         |                              |       |               |
| <b>As at 1 March 2011</b>                          | 40,000,000                   | 10,000  | 20,000,000                   | 5,000 | 60,000,000    |
| <b>As at 29 February 2012</b>                      | 40,000,000                   | 10,000  | 20,000,000                   | 5,000 | 60,000,000    |
| <b>Allotted, called up and fully paid</b>          |                              |         |                              |       |               |
| <b>As at 1 March 2011</b>                          | 16,384,793                   | 4,096   | 11,329,107                   | 2,832 | 27,713,900    |
| <b>As at 29 February 2012</b>                      | 16,384,793                   | 4,096   | 11,329,107                   | 2,832 | 27,713,900    |

At 28 February 2013 the Company had two classes of shares which carry no right to fixed income. The rights and obligations attaching to the Company's shares are set out in the Directors' Report on pages 16 to 17.

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

The calculation of net asset value per ordinary share as at 28 February 2013 of 121.2p (2012: 110.4p) is based on net assets of £19,766,000 (2012: £18,085,000) divided by 16,307,547 (2012: 16,384,793) ordinary shares in issue at that date. The net asset value per "C" share as at 28 February 2013 of 106.3p (2012: 91.6p) is based on net assets of £12,048,000 (2012: £10,380,000) divided by 11,329,107 (2012: 11,329,107) "C" shares in issue at that date.

#### 15. Events after the year end

Since the year end the "C" share fund has advanced a further £100,000 loan to Eye Wind Power Limited. The ordinary share fund has converted £847,500 of its outstanding loan to Eye Wind Power Limited into equity. Eye Wind Power Limited acquired senior debt financing of £5 million, subsequent to which Eye Wind Power Limited has repurchased a portion of its own shares in order to return £352,000 to the Company's ordinary share fund.

On 15 April 2013, the Company registered a charge over its shares in Eye Wind Power Limited to GCP Onshore Wind 1 Limited as security for the senior loan facility of £5 million raised by Eye Wind Power Limited to finance the construction costs of a wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in the shares of Eye Wind Power Limited.

#### 16. 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 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 investment risk, interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks, and they are summarised below. These policies have remained unchanged since the beginning of the financial year.

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

##### Financial assets

##### As at 28 February 2013

| Ordinary Shares                              | £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                              | 11,328 | n/a                  | n/a                                   | n/a                                 |
| Loan stock                                   | 5,828  | 0%-13.5%             | 8.94%                                 | 8.6 years                           |
| <i>Loans and receivables:</i>                |        |                      |                                       |                                     |
| Cash   | 877    | 0.00%                | 0.00%                                 | n/a                                 |
| Deferred consideration                       | 2,061  | 7.84%                | 7.84%                                 | 1.2 years                           |
| Accrued interest income                      | 169    | n/a                  | n/a                                   | n/a                                 |
| <b>"C" Shares</b>                            |        |                      |                                       |                                     |
|  | £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                              | 7,235  | n/a                  | n/a                                   | n/a                                 |
| Loan stock                                   | 3,508  | 11%-13%              | 11.40%                                | 10.8 years                          |
| <i>Loans and receivables:</i>                |        |                      |                                       |                                     |
| Cash   | 1,197  | 0%-0.25%             | 0.02%                                 | n/a                                 |
| Accrued interest income                      | 48     | n/a                  | n/a                                   | n/a                                 |

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

**As at 29 February 2012**

| Ordinary Shares                              | £000   | Interest<br>rate p.a.<br>% | Weighted<br>average<br>interest rate<br>p.a.<br>% | Weighted<br>average<br>period to<br>maturity |
|--|--------|----------------------------|---|--|
| <i>At fair value through profit or loss:</i> |        |                            |   |  |
| Ordinary shares                              | 10,912 | n/a                        | n/a   | n/a  |
| Loan stock                                   | 6,261  | 0% - 13.5%                 | 10.50%  | 9.6 years                                    |
| <i>Loans and receivables:</i>                |        |                            |   |  |
| Cash   | 397    | 0% - 0.56%                 | 0.00%   | n/a  |
| Accrued interest income                      | 612    | n/a                        | n/a   | n/a  |
| <b>"C" Shares</b>                            |        |                            |   |  |
|  | £000   | Interest<br>rate p.a.<br>% | Weighted<br>average<br>interest rate<br>p.a.<br>% | Weighted<br>average<br>period to<br>maturity |
| <i>At fair value through profit or loss:</i> |        |                            |   |  |
| Ordinary shares                              | 4,900  | n/a                        | n/a   | n/a  |
| Loan stock                                   | 3,283  | 11% - 13%                  | 12.20%  | 6.7 years                                    |
| <i>Loans and receivables:</i>                |        |                            |   |  |
| Cash   | 1,700  | 0% - 0.56%                 | 0.50%   | n/a  |
| Accrued interest income                      | 530    | n/a                        | n/a   | n/a  |

The interest rates determining the weighted average interest rates in the tables above are the contractual rates.

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

Other than certain accrued interest income receivable amounts, the Company's trade and other receivables did not hold a right to interest income. Interest income is accrued on interest income receivable amounts which have been deferred for payment by investee companies.

Interest income earned from loan stock held by both the ordinary share fund and "C" share fund 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 loan stock remains exposed to fair value interest rate risk when bench-marked against market rates.

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.

**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 2013 (2012: £nil).

**Investment risk**

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

### Investment price risk

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

The sensitivity of the ordinary 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 £1,716,000 (2012: £1,717,000) or 71.20% (2012: 116.82%) and an increase or decrease in net asset value of the same amount or 8.68% (2012: 9.50%).

The sensitivity of the "C" 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 £1,074,000 (2012: £818,000) or 55.65% (2012: 7,439.09%) and an increase or decrease in net asset value of the same amount or 8.91% (2012: 7.88%).

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 investments, it is not easy to liquidate investments in ordinary shares and loan stock. The main cash outflows are made for investments and dividends, which are within the control of the Company, and operating expenses which are reasonably predictable. In this respect, the Company may manage its liquidity risk by making prudent forecasts in respect of realising future cash proceeds from its investments and holding sufficient cash to enable it to fund its obligations. The cash equivalents are held on deposit or in UK treasury bills and are therefore readily convertible into cash.

### 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 also exposed to credit risk through its receivables, investments in loan stock and through cash held on deposit with banks. The Company's receivables include £2,060,000 of deferred consideration from the sale of Craig Wind Farm Limited. The Company holds security over the assets of Craig Wind Farm Limited in respect of the deferred consideration.

The Investment Manager evaluates credit risk on loan stock prior to making investments as well as monitoring ongoing exposures. 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 is £13.9 million (2012: £12.87 million) of which the ordinary share fund is exposed to £9.0 million and the "C" share fund is exposed to £4.9 million.

As at 28 February 2013 there were no amounts receivable which were past due.

The tables below set out the amounts receivable which were past due but not individually impaired as at 29 February 2012 and the extent to which they were past due:

| <b>Ordinary Shares</b> | <b>Total<br/>£000</b> | <b>0 - 6<br/>months<br/>£000</b> | <b>6 - 12<br/>months<br/>£000</b> | <b>Over 12<br/>months<br/>£000</b> |
|------------------------|-----------------------|----------------------------------|-----------------------------------|------------------------------------|
| Loan                   | 4,177                 | 4,097                            | -                                 | 80                                 |
| Accrued interest       | 214                   | 202                              | 7                                 | 5                                  |
| Past due               | 4,391                 | 4,299                            | 7                                 | 85                                 |

| <b>"C" Shares</b> | <b>Total<br/>£000</b> | <b>0 - 6<br/>months<br/>£000</b> | <b>6 - 12<br/>months<br/>£000</b> | <b>Over 12<br/>months<br/>£000</b> |
|-------------------|-----------------------|----------------------------------|-----------------------------------|------------------------------------|
| Loan              | 1,610                 | -                                | 200                               | 1,410                              |
| Accrued interest  | 198                   | 86                               | 82                                | 30                                 |
| Past due          | 1,808                 | 86                               | 282                               | 1,440                              |

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

The expected timing of receipt of trade and other receivables is presented below:

| Ordinary Shares         | Total<br>£000 | Within<br>1 year<br>£000 | Between<br>1 and 2<br>years<br>£000 | Over<br>2 years<br>£000 |
|-------------------------|---------------|--------------------------|-------------------------------------|-------------------------|
| Deferred consideration  | 2,060         | -                        | 2,060                               | -                       |
| Accrued interest income | 170           | 165                      | 5                                   | -                       |
| Other receivables       | 154           | 154                      | -                                   | -                       |
|                         | 2,384         | 319                      | 2,065                               | -                       |
| <b>"C" Shares</b>       |               |                          |                                     |                         |
|                         | Total<br>£000 | Within<br>1 year<br>£000 | Between<br>1 and 2<br>years<br>£000 | Over<br>2 years<br>£000 |
| Accrued interest income | 48            | 25                       | 23                                  | -                       |
| Other investment income | 90            | -                        | 90                                  | -                       |
| Other receivables       | 9             | 9                        | -                                   | -                       |
|                         | 147           | 34                       | 113                                 | -                       |

**17. Contingencies, guarantees and financial commitments**

The Company has entered into the following agreements:-

On 4 April 2006, the Company registered a charge over its shares in Fenpower Limited to Alliance & Leicester plc (now Santander UK plc) as security for a senior loan facility of £4.8 million raised by Fenpower Limited to finance the construction costs of the wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Fenpower Limited.

On 20 December 2006, the Company registered a charge over its shares in A7 Greendykeside Limited to Alliance & Leicester Commercial Bank plc (now Santander UK plc) as security for a senior loan facility of £3.5 million raised by A7 Greendykeside Limited to finance the construction costs of the wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of A7 Greendykeside Limited.

On 2 April 2008, the Company registered a charge over its shares in Redimo LFG Limited to Alliance & Leicester Commercial Finance 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 5,000 shares the Company acquired on 19 December 2008 and the further 4,000 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 is valued at nil at 28 February 2013 and recognised as a realised loss 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 Finance plc (now Santander Asset Finance 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 Finance plc (now Santander Asset Finance 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 15 January 2010, the Company registered a charge over its shares in Greenfield Wind Farm Limited to The Co-operative 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.

On 26 July 2011, the Company registered a charge over its shares in White Mill Wind Farm Limited to The Co-operative Bank plc as security for a senior loan facility of up to £15.5 million raised by White Mill 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 White Mill Wind Farm Limited.

On 31 January 2013, the Company registered a charge over its shares in Biggleswade Wind Farm Limited to The Co-operative Bank plc as security for a senior loan facility of up to £22.5 million raised by Biggleswade 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 Biggleswade Wind Farm Limited.

The Company had no other contingencies, financial commitments or guarantees as at 28 February 2013.

## 18. Related party transactions

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

|                               | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | Total<br>£000 |
|-------------------------------|----------------------------|-----------------------|---------------|
| <b>As at 28 February 2013</b> |                            |                       |               |
| <b>Balances</b>               |                            |                       |               |
| Investments - shares          | 8,459                      | 7,235                 | 15,694        |
| Investments - loan stock      | 5,542                      | 3,508                 | 9,050         |
| Accrued interest income       | 155                        | 47                    | 202           |
| <b>Transactions</b>           |                            |                       |               |
| Loan stock interest income    | 602                        | 237                   | 839           |
| Dividend income               | 331                        | -                     | 331           |
| <b>As at 29 February 2012</b> |                            |                       |               |
| <b>Balances</b>               |                            |                       |               |
| Investments - shares          | 7,827                      | 4,900                 | 12,727        |
| Investments - loan stock      | 5,976                      | 1,673                 | 7,649         |
| Accrued interest income       | 597                        | 301                   | 898           |
| <b>Transactions</b>           |                            |                       |               |
| Loan stock interest income    | 689                        | 177                   | 866           |
| Dividend income               | 135                        | -                     | 135           |

## 19. Controlling party

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

## 20. Management of capital

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

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

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

The Company does not have any externally imposed capital requirements.

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

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the AGM of Ventus VCT plc will be held at 12 noon on Monday, 22 July 2013 at the offices of Howard Kennedy LLP, 19 Cavendish Square, London, W1A 2AW, for the purpose of considering and, if thought fit, passing the following Resolutions (of which, Resolutions 1 to 6 will be proposed as Ordinary Resolutions and Resolution 7 will be proposed as a Special Resolution):

## Ordinary Business

1. To receive the Company's audited Annual Report and Financial Statements for the year ended 28 February 2013.
2. To declare a final dividend of 2.50p per ordinary share and 1.80p per "C" share in respect of the year ended 28 February 2013.
3. To approve the Directors' Remuneration Report for the year ended 28 February 2013.
4. To re-elect Mr David Williams as a Director of the Company.
5. To appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
6. To authorise the Directors to determine the remuneration of the Auditor.

## Special Resolution

7. That the Company be and is hereby generally and unconditionally authorised to make market purchases within the meaning of Section 693(4) of the Act of ordinary shares of 25p each and "C" shares of 25p each in the capital of the Company provided that:
  - (i) The maximum aggregate number of shares hereby authorised to be purchased is 2,444,501 ordinary shares and 1,698,233 "C" shares, representing 14.99% of the current issued share capital of each class;
  - (ii) The minimum price which may be paid for a share is 25p per share;
  - (iii) The maximum price, exclusive of any expenses, which may be paid for a share is an amount equal to the higher of: (a) 105% of the average of the middle market prices shown in the quotations for a share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
  - (iv) The authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the AGM of the Company to be held in 2014 and the date which is 18 months after the date on which this resolution is passed; and
  - (v) The Company may make a contract or contracts to purchase its own shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of its own shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

By order of the Board

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

24 May 2013

Allt Dearg Wind Farm near  
Lochgilphead in Argyll  
(Photographer: James Lithgow)



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