Annual Report and Accounts

FOR THE YEAR ENDED 30TH JUNE 2012

LUDGATE
ENVIRONMENTAL FUND

Table of Contents

LUDGATE
ENVIRONMENTAL FUND

Statement of Investment Policy

The Ludgate Environmental Fund is looking to make active investments in a diverse portfolio of cleantech companies that require capital growth

The Fund focuses on the following core areas within the cleantech sector:

- **Waste and recycling**
- **Renewable energy**
- **Energy efficiency**
- **Water**

Our target cleantech companies demonstrate the following attributes:

- **Clear environmental improvement**
- **Proven technology with a scalable business model**
- **Revenue generation or clear, near-term visibility to substantial sales**
- **Experienced management with technical expertise and track record of delivery**
- **Defensible, differentiable intellectual property or know-how**
- **Significant potential market with high existing, or expected, growth rates**
- **Clear exit strategy within the anticipated life of the fund**

No single investment at subscription has a value greater than 15% of the net assets of the Company. No individual holding is reduced or increased due to either relative growth or reductions of the Company's other investments; the Board remains conscious of the risk profile and expected returns from the portfolio.

The Company may borrow up to an amount equivalent to 25% of its net assets to finance investments or for any other purpose. The Board does not contemplate making any significant borrowing until and unless the portfolio is substantially invested in financial assets in the cleantech sector.

Seeking to provide significant total return to shareholders over the expected life of the Company to August 2015, the Directors may recommend that there should be a distribution of income received or capital realised from investment securities by way of dividend or other means as they have for the years ended 30th June 2009 to 2012.

Chairman's Statement

I am pleased to report to our shareholders on the performance of Ludgate Environmental Fund Limited in the year to 30th June 2012.

Financial Review

As foreseen at the launch of the Company as a limited life investment company in 2007 and confirmed with our major shareholders during the year, 2012 was the end of our investment cycle and the beginning of our expected return of capital. An interim dividend of 1.75p was paid in August 2011, a special dividend of 12p in October 2011 and an interim dividend proposed for the current year of 1.9p. As at 30th June 2012, the net asset value of the Company, after the return of capital, was £45,570,496 (2011: £58,843,944) equivalent to 81p (2011: £1.05) per ordinary share outstanding.

Recognising the return of capital, fair value accounting and continued investment, the Company made a loss of £5,537,728 (2011: £4,459,594 income).

At year end the Company held cash of £15.2 million. The Company has agreed to invest £14.1 million into further investments, of which £5.94 million has been invested as to date. Consistent with ensuring that the Company has sufficient capital to maintain operations through its life we shall return capital by dividends and the purchase of our own shares.

Portfolio Review

During the year to 30th June 2012, we made new investments across the portfolio in accordance with our established strategy of diversification in the cleantech and environmental sector, expected financial performance and anticipated cash distribution horizon within the life of the company. We invested in Lumicity (£1.0 million) which, despite the government's unheralded and punitive amendment of the feed in tariffs supporting the solar industry, has managed to develop certain legacy assets. We committed £7 million to Tamar, a well supported and capitalised developer of anaerobic digestion plants in the UK; we believe that this business has the combined strengths of diversified good locations, contracted feedstock and offtake arrangements, sound and proven management and engaged, committed and significant shareholders. Similarly, we were pleased to sponsor Ignis Biomass and commit £3.1 million to its first biomass district heat and power project at Wick, Scotland; other opportunities have been identified for this management team and company elsewhere in the UK. We also committed £4.1 million to Micropelt, a German high technology company developing small scale thermoelectric generators which harvest waste heat to obviate batteries; the technology is proven, installed and capable of industrial commercial exploitation.

Rapid Action Packaging ("RAP"), of which we own 45% (fully diluted and converted), improved its revenue significantly, increased its product and customer range and expanded its production capabilities with a new machine expected to come on stream in the third quarter. We are confident that RAP's improving commercial performance will give the Company an attractive economic return. While ECO Plastics has successfully expanded capacity with our investment of last year and now has attractions to identified strategic acquirors, the appropriate fair value accounting have caused us to reduce the NAV to £4.2 million. Terra Nova has established and proven production for new process technology in a critical sector; however, the difficulty of financing projects and working capital in France, largely contingent on the enduring capital constraints on domestic banks, have affected the company and development has been slower than expected. Necessarily this will delay divestment; NAV has been adjusted to reflect fair value (£1.6 million). We increased our shareholding in STX, the environmental financial products broker, to 29.3%; the company diversified its product range within the sector, increased its repeat client transactions and enjoyed profits significantly ahead of budgets. Our interests in New Earth (£5.9 million) were reorganised to allow progressive sales at an agreed return 1.2x greater than original cost for the 50% redeemed to date. We continued to receive enhanced dividends on our original investment. Sadly, our holdings in the listed companies, Hydrodec, Hightex, Renewable Energy and Phoslock all, in different ways, continue to disappoint despite the strategic reasons for each investment and management discussions through which we have sought to promote the interests of the Company. We shall be looking to dispose of our holdings in a timely manner.

Strategy

We would expect the progressive return of capital and the increased expectation of performance from the remaining assets to narrow the discount to NAV over the remaining life of the fund. We will continue to consider, in consultation with our major shareholders, the optimum means of return.

Over our investment period the Company has developed considerable experience and expertise in the active management of companies specialised in resource efficiency. With the adviser we have built a sustainable business of industry knowledge, connections and diversified and yet coherent portfolio. As a limited life investment company the worth of such sustainability to our shareholders can only be in realisations of financial assets at greater value than published NAV. We also need to ensure that we are not bound at the end of the company's life to sell assets at prices which do not reflect their intrinsic value. We have nominated directors on the boards of most of our unlisted holdings; their principal roles are both to ensure that the companies budget, perform and invest in a manner consonant with our expected disposal of interests and to engage with other shareholders to pursue these ends. We will continue to monitor and assess the performance of the adviser on their discharge of these responsibilities and on their management and recommendation for the divestment of assets, consistent with the sustainable interests of the

Company itself. We have considered the competence and economic viability of the present adviser to act through the period of divestment and management for value and concluded from their creation, understanding and management of the portfolio companies that they should.

To ensure the adviser is appropriately incentivised to realise assets in a timely manner prior to the end of the Company's life whilst maximising value, the Company has entered into negotiations with the adviser to amend the existing agreement, including rebasing the NAV for the purposes of calculating the performance fee. Following conclusion of these negotiations, the board expects to put the proposed changes to the adviser's agreement for approval by shareholders at the next AGM of the Company.

Outlook

The Company has grown and developed through times of enduring financial distress particularly for small companies needing bank finance for working capital or projects. There is no current sign of this easing. Though only 15% of current NAV is held in Eurozone countries and only in those among the strongest in the region, in all our geographic markets the availability and certainty of bank finance has weakened requiring greater equity subscriptions to sustain companies, the practical effect, perhaps, on our portfolio of worldwide deleveraging. In turn this depresses anticipated returns from the portfolio and leads to questions about the appropriate cost and under pricing of equity. The weakening of some commodity prices also reduces short term interest in efficiency investments. Across Europe the volatility of energy, planning and tariff policies has added to political risks in the portfolio again reducing returns and access to capital. We also consider the capability of our partners and co-investors to continue to support each of our financial assets in this context. At each statement of NAV we have rigorously applied fair value methodologies under International Financial Reporting Standards reflecting, as each does, the value of our assets compared with publicly traded companies discounted for illiquidity and size. For this reason we consider that the realised value of our assets should, over the remaining life of the company, exceed the current NAV.

I wish to thank my fellow board members for a level of engagement with the Company, its assets and advisers exceptional for an investment company, contributing significantly to our sustainability. Donald Adamson left us during the year; we are very grateful for his advice, sagacity and commitment over five years. Ronald Green joined the board and we look to his experience to help guide us through the period of value management.

The Company has shown that there is an investable universe of cleantech and environmental assets and that we have created a sustainable and well supported company.

Investment Adviser's Report

Highlights and Key Financial Data

- Net assets decreased to £45.6 million at 30th June 2012, with a NAV per share of 81.0 pence (2011: £58.8 million and 104.6 pence).
- Cash balances were £15.2 million as at 30th June 2012.
- The Company is now over 90 per cent invested including commitments.
- Before realisations, £51.5 million had been invested into 16 companies by 30th June 2012 (2011: £38.3 million into 11 companies).
- During the year investments totalling £18.2 million were made into nine companies.
- £3.0 million was realised from the sale of 50 per cent of the Company's interest in New Earth.
- Interest and dividend income receivable of £1.0 million from investments and cash deposits.
- An interim dividend of 1.75 pence per share was paid on 12th August 2011 (2011: a final dividend of 1.65 pence per share) and a special dividend of 12 pence per share was paid on 27th October 2011.

At the Balance Sheet Date, the Company had outstanding commitments to invest up to £9.65 million into Ignis Biomass Limited, Micropelt and Tamar Energy of which £1.6 million has subsequently been drawn down by Ignis Biomass Limited. Subsequent to the balance sheet date, £0.2 million was invested into a convertible unsecured loan note in ECO Plastics.

Net Asset Valuation summary

The table below summarises the position of the Company as at 30th June 2012. Investments made subsequent to year end are not included.

Currency: £m			Investment Amount			*% of*
Company	**Activity**	**Equity**	**Convertible/Other**	**Total**	**Valuation**	***NAV***
Rapid Action Packaging	Food packaging	5.0	2.5	7.5	7.6	16.7
ECO Plastics	Plastic bottle recycling	5.0	-	5.0	4.2	9.2
Hydrodec Group	Oil recycling	3.5	3.0	6.5	4.5	9.9
STX Services	Environmental broking	0.9	-	0.9	2.9	6.4
New Earth Recycling & Renewables	Waste treatment	2.9	-	2.9	3.2	6.9
Terra Nova	Electronic waste recycling	2.7	1.3	4.0	1.5	3.3
Micropelt	Thermogenerator Manufacturer	-	2.2	2.2	2.2	4.8
Tamar Energy	Anaerobic Digestion	1.8	-	1.8	1.8	3.9
Lumicity	Solar developer	0.5	0.8	1.3	0.5	1.1
Phoslock Wateutions	Water treatment	0.4	-	0.4	0.3	0.7
Renewable Energy Generation	Wind developer	0.7	-	0.7	0.4	0.9
Ignis	Biomass developer	0.5	0.3	0.8	0.8	1.8
Hightex Group	Solar cooling	0.7	-	0.7	0.1	0.2
Emergya Wind Technologies	Turbine manufacturer	4.5	-	4.5	-	-
Subtotal		29.1	10.1	39.2	30.0	65.8
Cash at bank					15.2	33.3
Other assets/liabilities					0.4	0.9
					45.6	100.0

Advisor to the Company

Ludgate Investments Limited (LIL) acts as adviser to the Company. LIL was established in 2001 and has built a record as a specialist private equity investor in resource efficiency investment.

During the year Gijs Voskamp succeeded Nick Pople as chief executive of LIL. Gijs is also managing partner and a shareholder of Ocean Capital Holdings, the majority shareholder of LIL. Ocean also holds 10.38% directly and indirectly in the Company. Bill Weil, the chief investment officer of LIL, was appointed as a director of LIL. Charles Sebag Montefiore became chief financial officer and head of compliance for LIL. Nick Curtis remains as a senior investment director and Matthew Sheppee as investment analyst.

Dr. Bernie Bulkin and Ms. Ekaterina Sharashidze joined the board of LIL as non executive directors. Further information of the above can be obtained from www.ludgate.com.

Major Investments

MAJOR INVESTMENTS

Rapid Action Packaging Ltd ("RAP")

Food packaging solutions

Valuation at 30th June 2012 (method): £7.6 million (fair value)

Investment: £5.0 million (ordinary shares) and £2.5 million (12.0 per cent convertible loan notes).

Ownership: 36.3 per cent; 45.0 per cent after conversion of CULS and fully diluted after warrants

Date(s) of investment: Q2 2008; Q3 2010; Q3 2011

Company summary:

Specialists in the design, manufacture and supply of innovative, cost effective and environmentally responsible packaging systems particularly for the "food on the move" marketplace.

Further information can be found at www.rapuk.com.

Investment during the year:

No further investment was made during the year.

Significant events during the year:

- Financial results to year end September 2011 showed a 29.1 per cent increase in revenues to £16.1 million (2010: £12.5 million).
- Turnover in the first nine months of the financial year to June 2012 was 16 per cent ahead of the equivalent period in the previous year.
- The increase in turnover reflects the strong performance of the Freshpack product with further supermarket launches announced earlier in the year.
- Customer trials on the modified atmosphere tray and Softpacks continue with launches planned during the Autumn of 2012.
- Record production levels as management action to improve manufacturing efficiencies are delivered.
- The new production equipment is expected to be operational in September 2012, increasing capacity by between 150 - 200 million units.

The Company has the right to two seats on the board of RAP and has appointed Nick Curtis and Nick Pople, of the Investment Adviser, as its directors.

ECO Plastics

Plastic bottle recycling

Valuation at 30th June 2012 (method): £4.2 million (fair value)

Investment: £5.0 million (ordinary shares)

Ownership: 17.1 per cent; 16.6 per cent fully diluted

Date(s) of investment: Q3 2011

Company summary:

ECO Plastics is Europe's largest recycler of mixed plastic bottles. Operating the most technically advanced plastics recycling facility in Europe, it produces 11 different streams of plastics, including food-grade recycled PET (rPET) suitable for soft drinks packaging.

Further information can be found at www.ecoplasticsltd.com.

Investment during the year:

In July 2011, the Company completed an investment of £5.0 million into ECO Plastics alongside £5.0 million from Coca-Cola Enterprises and a debt package from Close Brothers bringing the funding to £24.0 million committed during this round. The Company's investment was structured as ordinary shares.

Significant events during the year:

- Plant expansion to increase processing capacity by 50 per cent to 150,000 tonnes.
- Final Coca-Cola Enterprises (CCE) milestone was met with approval received on 25th May 2012. ECO Plastics is the first supplier of rPET to have received validation on first application.
- ECO Plastics will supply rPET to CCE for all their bottles at the Olympic Games.
- Agreement reached with London Organising Committee of the Olympic and Paralympic Games (LOCOG) to take all waste plastic bottles from the venues.
- Winner of 'deal of the year' at the New Energy Awards.
- Additional 'cost plus' deal signed for rPET and significant 'cost plus' deal signed for HDPE outputs into an industrial product.
- Engagement with a second major international brand for rPET supply.
- A further 10,000 tonnes per annum of contracted feedstock supply agreed.

The Company has the right to a seat on the Board of ECO Plastics and has appointed Bill Weil, of the Investment Adviser as its director.

Hydrotec (AIM:HYR)

Specialist oils recycling

Valuation at 30th June 2012 (method): £4.5 million (market value)

Investment: £3.5 million (ordinary shares); £3.0 million (8.0 per cent convertible loan notes)

Ownership: 3.4 per cent; 6.9 per cent fully diluted

Date(s) of investment: Q4 2007; Q1/Q2/Q4 2008; Q1/Q2 2009

Company summary:

Hydrodec's technology is a patented sustainable oil refining process that takes existing spent oil as feedstock to produce new specialty oils thus creating a virtuous green cycle. The process is closed loop and produces no harmful emissions.

Further information can be found at www.hydrodec.com.

Investment during the year:

No further investment was made during the year.

Significant events during the year:

- Revenues in 2011 increased 26 per cent to $22.6 million (2010: $17.8 million).
- The Environmental Protection Agency has issued Hydrodec with a final permit for the storage and treatment of polychlorinated biphenyl (PCB) contaminated used transformer oil in the US.
- In June 2012 Hydrodec reported that sales volumes were significantly up, gross unit margins have continued to improve and plant use was 70 per cent compared with 55 per cent in the same period last year.
- Mexico's national electricity utility has awarded Hydrodec a joint mandate to export and process 900,000 litres of PCB contaminated oil at the group's plant in Australia.
- Ian Smale appointed CEO and Chris Ellis CFO, based in London. Paul Manchester will step down from the Board but remain with the company, based in Sydney.
- The Company's investment in Hydrodec's convertible unsecured loan notes may be converted into ordinary shares at any time prior to 1st November 2012. Those elements not converted into shares by this date are repayable, at the Company's determination, between 1st November 2012 and 31st October 2014 and carry an interest rate of 8 per cent p.a.

Convertible unsecured loan stock holders, including the Company, have the right to nominate a director to the board. No appointment has yet been made.

STX Services

Environmental product broking

Valuation at 30th June 2012 (method): £2.9 million (fair value)

Investment: £0.9 million (ordinary shares)

Ownership: fully diluted 29.3 per cent

Date(s) of investment: Q4 2007; Q1and Q2 2008; Q1 2012

Company summary:

STX Services (STX) is a broker specialising in environmental financial products with a particular focus on the carbon markets. It has mostly been active in EU Emission Allowances but has diversified into Certified Emission Reduction, Biofuel Tickets, Green Certificates and other environmental trading. STX is Amsterdam-based and active across the European markets.

Further information can be found at www.stxservices.com.

Investment during the year:

In March 2012, the Company invested a further £0.2 million in STX by acquiring ordinary shares from another shareholder.

Significant events during the year:

- In March 2012 the Company increased its shareholding in STX Services from 23.8 per cent to 29.3 per cent.
- STX continues its strong revenue and top line growth. The number of brokers grew from 20 in March to 33 in July 2012.
- The company has further diversified its product portfolio and is now trading over 40 different environmental commodities.
- First company to provide electronic brokerage services for Green Certificates with the launch of its exclusive auction model.
- In July 2012, STX paid the Company a dividend of £0.2 million, bringing the total received to date from STX in interest payments and dividends to £1.9 million.

The Company has the right to nominate a member on the supervisory board of STX and has nominated Gijs Voskamp, of the Investment Adviser.

New Earth Recycling & Renewables (Infrastructure)

Waste treatment and renewable energy

Valuation at 30th June 2012 (method): £3.2 million (market value)

Original Investment: £5.0 million (preferred B ordinary shares and CULS in New Earth Solutions Group) exchanged for shares in New Earth Recycling & Renewables (Infrastructure) at a subscription value of £5.9 million

Realised: £3.0 million (50 per cent realised)

Ownership: n/a

Date(s) of investment: Q3 2011

Date(s) of divestment: Q3 2011; Q2 2012

Company summary:

New Earth Recycling & Renewables (Infrastructure) plc is an open-ended fund with a net asset value currently in excess of £120.0 million and registered as a specialist fund with the Isle of Man Financial Supervision Commission (Isle of Man Company Number: 123613C), which was created principally to finance the recycling facilities of New Earth Solutions Group Limited, a waste treatment and renewable energy specialist providing sustainable waste treatment processes to local authority and commercial customers across the UK.

Further information about New Earth Solutions can be found at www.newearthsolutions.co.uk.

Investment/Divestment during the year:

In October 2011, the Company exchanged its shares in New Earth Solutions Group in consideration for the issue of an equivalent value of shares in New Earth Recycling & Renewables (Infrastructure) at a subscription value of £5,882,689. The initial investment of £5.0 million into New Earth Solutions Group was transferred into New Earth Recycling & Renewables (Infrastructure), recognizing an increase in value of circa 17.6 per cent. In November 2011 and April 2012 the Company redeemed 25 per cent of its holding in New Earth Recycling & Renewables (Infrastructure) at each time leaving it with 50 per cent remaining.

Significant events during the year:

- First redemption of 25 per cent of holding completed, realising £1.5 million on 7th November 2011, and second redemption of a further 25 per cent, realising £1.5 million on 10th April 2012.
- New Earth Recycling & Renewables has now exceeded £120.0 million in assets, as at 11th July 2012, and was featured in Investor Chronicle's "Top 100 Funds".
- Construction of New Earth's first commercial scale energy recovery plant continues to progress on-time and on-budget at a site next to the MBT facility in Avonmouth. It will use Advanced Thermal technology to process 120,000 tonnes per annum of refuse-derived fuel (RDF) and export around 13MW of power, enough to meet the needs of nearly 25,000 homes in the Bristol area.
- Community engagement activities in support of a planning application for Anaerobic Digestion (AD) at New Earth's Blaise facility have begun. The addition of AD will cover the full range of technologies appropriate for the treatment of organic wastes at the site.
- Planning permission granted for the Scottish Borders facility and a 24 year feedstock contract signed for 65,000 tonnes.

Terra Nova

Electronic waste recycling

Valuation at 30th June 2012 (method): £1.6 million (fair value)

Investment: £2.7 million (preference shares); £1.3 million convertible unsecured loan notes

Ownership: 25.1 per cent; 27.0 per cent fully diluted and after conversion of loan notes

Date(s) of investment: Q4 2009; Q4 2011; Q1/Q2 2012

Company summary:
Terra Nova developed, constructed and now operates a printed circuit board treatment and recycling business. The company has a 30,000 tonne per annum pyrolysis plant to pre-treat recovered metals from waste electronics for the major metal smelters.

Further information can be found at www.terranovametal.com.

Investment during the year:
The Company subscribed to three tranches of 6 per cent convertible loan notes totalling £1.3 million during the year.

Significant events during the year:

- Construction of 30,000 ton per annum pre-treatment and recycling plant complete.
- Commissioning challenges required refinement of plant design, leading to circa 6 month delay.
- Wide international network of feedstock supply relationships established.
- Delays in initial market acceptance, however significant, long-term contracts now signed with Metallo Chimique (Belgium), LS (South Korea), KGHM (Poland), with others in advanced trials; material international shipments have commenced.
- Research and development contract with Nyrstar from 2009 to design, help build and ramp up a full industrial process for indium recovery has successfully completed and will now provide material royalty income stream.
- Opportunities for further expansion, both to the existing process and into the recycling of other metals.
- Winner of a regional prize for innovation.

The Company has the right to one seat and one observer on the board of Terra Nova and has appointed Charles DesForges (adviser to the Investment Adviser), who has been named Chairman and Bill Weil, of the Investment Adviser, respectively as its director and observer.

Micropelt

Waste heat recovery

Valuation at 30th June 2012 (method): £2.2 million (cost)

Investment: £2.2 million (convertible loan notes) with a further £1.9 million committed; £280 (ordinary shares)

Ownership: 30.3 per cent fully drawn, 27.3 per cent fully diluted

Date(s) of investment: Q2 2012

Company summary:
Micropelt is a developer and producer of the world's smallest thermal energy harvesting chips, with operations in Germany. The thermoelectric microchips are based on a patented and scalable thin-film technology which reduces component size while maximising power density. The chips scavenge free electric power from waste heat to replace or recharge batteries in wireless sensor networks and micro actuators.

Further information can be found at www.micropelt.com.

Investment during the year:
In May 2012, the Company completed an investment of £2.2 million as part of a £2.8 million round into Micropelt structured as convertible loan notes. The total commitment by the Company is £4.1 million.

Significant events during the year:

- £5.3 million raised in May 2012 from the Company, Mitsubishi UJF Capital Co. Ltd and existing shareholders.
- As part of the Company's investment Micropelt's balance sheet was re-structured and strengthened.
- Presenter at 2012 Munich Energy Harvesting Congress.
- Japanese branch office opened for intensification of business development.
- Starting serial production at site in Halle, Germany, in August 2012.
- Joint presentation at Techno-Frontier exhibition in Tokyo with Hitachi High Tech Materials.
- ISO 9000 Quality Management and ISO 14000 Environmental Monitoring Systems preparations aiming for September certification.

The Company has the right to a seat on the board of Micropelt and has appointed Bill Weil, who has been named Chairman.

MAJOR INVESTMENTS

Tamar Energy

Biogas project developer, owner and operator

Valuation at 30th June 2012 (method): £1.8 million (cost)

Investment: £1.8 million (ordinary shares) with a further £5.2 million committed

Ownership: 7.8 per cent fully drawn, 7.1 per cent fully diluted

Date(s) of investment: Q2 2012

Company summary:
Tamar Energy is biogas project developer, owner and operator planning a UK network of over 40 Anaerobic Digestion (AD) plants to generate 100MW of green electricity over the next five years.

Further information can be found at www.tamar-energy.com.

Investment during the year:
In May 2012, the Company completed an investment of £1.8 million into Tamar as part of a £7.0 million commitment. The Company's investment was structured as ordinary shares.

Significant events during the year:

- First round of equity fundraising closed at end of July 2012, with £95.8 million committed including RIT Capital Partners, Fajr Capital, Sainsbury's and the Duchy of Cornwall.
- Experienced management team now in place with an initial focus on securing feedstock and developing the pipeline.
- Build started on first plant in Holbeach Hurn, Lincolnshire, with a further six to seven planned (15-17MW) to be under construction by 31st March 2013.
- Strategic options being considered by management to secure feedstock and sites in London, South East and East Anglian regions.

The Company has the right to a seat on the board of Tamar and a seat on the investment committee and has appointed Bill Weil and Nick Curtis respectively, of the Investment Adviser.

Lumicity

Solar project developer

Valuation at 30th June 2012 (method): £0.5 million (fair value)

Investment: £0.5 million (preference shares) and £0.8 million (unsecured loan notes)

Ownership: 45.8 per cent

Date(s) of investment: Q3 2010; Q3 2011

Company summary:
Lumicity is a renewable energy company that develops projects across solar, wind and biomass. The company is a sector specialist in the planning, finance, construction and management of renewable energy projects.

Further information can be found at www.lumicity.com.

Investment during the year:
In August 2011, the Company completed an investment of £1.0 million into Lumicity structured as a combination of preference shares and unsecured loan notes.

Significant events during the year:

- The announcement in October 2011 by the Department of Energy and Climate Change of a reduction in the UK solar feed-in tariffs significantly impacted the initial strategy of Lumicity and required a shift of focus.
- Diversified focus across three renewable energy sectors:1) large scale, ground-based solar; 2) small scale (sub-200kW) biomass; 3) small / medium scale (sub 250kw) wind.
- First 13 solar projects with exclusivities signed, now entering planning.
- Exclusivities signed on a further 93 MW cumulative of solar projects.
- Established two key partnerships with Lightsource/Octopus Ventures and Hazel Capital for further funding of these projects.
- Signed JV agreement with Endurance to develop, fund and sell wind portfolio.

The Company has the right to a seat on the board of Lumicity and has appointed Bill Weil, of the Investment Adviser with Nick Curtis as his alternate.

Ignis Biomass

Biomass project developer, owner and operator

Valuation at 30th June 2012 (method): £0.8 million (cost)

Investment: £0.5 million (ordinary shares), £0.3 million loan

Ownership: 100 per cent

Date(s) of investment: Q2 2011; Q2 2012

Company summary:

Ignis Biomass is developer, owner and operator of biomass heat and power projects, providing UK business and public sector organisations with local solutions for energy, waste management and CO2 emissions reduction.

Further information can be found at www.ignis-biomass.com.

Investment during the year:

The Company has invested total of £0.8 million into Ignis as part of a £3.1 million commitment. The Company's investment is structured as ordinary shares, a development loan and convertible loan notes. After year end a further £1.65 million was drawn down.

Significant events during the year:

- On 31st May 2012 Ignis Biomass subsidiary Ignis Wick Ltd took over the district heating scheme in Wick from the Highland Council.
- Ignis Wick is now supplying heat to 165 homes with many more customers expected to sign up.
- Plans are in progress to convert the system from oil to locally sourced wood chip in order to reduce operating costs.
- A contract with the local whisky distillery for steam supply has been signed and will commence after the new boiler has been installed, which is expected to take place in Q4 2012.

The Company has the right to two seats on the board of Ignis and has appointed Bill Weil and Nick Curtis of the Investment Adviser.

Investment realisation

The Company exchanged its initial investment of £5.0 million in New Earth Solutions Group in consideration for the issue of an equivalent value of shares in New Earth Recycling & Renewables (Infrastructure) for the value of £5.9 million. Subsequently a partial sale of the Company's interest in New Earth Recycling & Renewables (Infrastructure) occurred during the year, realising £3.0 million. This realisation related to 50 per cent of the shares issued from the Company's original investment of £5.0 million and represents a 1.2x multiple and 9% IRR to the Company.

Director Biographies

John Shakeshaft – Chairman

John, 58, has 25 years' experience as a corporate finance and capital markets banker. He is a Director and Chairman of the Audit Committee of Tele2 AB, listed on the OMX Nasdaq exchange, of Xebec, Inc, listed on the TSX and of The Economy Bank, NV, supervised in the Netherlands. He is also a Director of TT Electronics plc listed on the LSE and of Valiance Funds regulated in Guernsey. John is a member of the Council of Cambridge University and chairman of the audit committee. He is also a director of the Alternative Theatre Company and a trustee of the Institute of Historical Research. He was educated at Cambridge, Princeton and London Universities. He served for nine years in HM Diplomatic Service.

John is considered by the Company to be an independent Director on the basis that he is independent of the Adviser.

Matt Christensen – Director

Matt, 42, is the Global Head of Responsible Investment for AXA Investment Managers. Prior to his appointment, Matt was the Executive Director of Eurosif, the leading European think tank dedicated to public policy and research on sustainable and responsible investment matters. He is also a Director of Oikocredit, one of the largest private financiers worldwide in the microfinance sector as well as a Director for the Munro Fundamental Tracker Fund. Matt is a frequent speaker at international events on sustainable investment matters and was a member of the European Commission's Co-ordination Committee to explore the future of sustainability policy in the EU. He was formerly a European Director at The Motley Fool, a leading publisher of information on personal finance and investing. Prior to that, he advised European clients as a strategy consultant with Braxton Associates. He holds masters degrees from Wharton (MBA) and the University of Pennsylvania (MA).

Matt is considered by the Company to be an independent Director on the basis that he is independent of the Adviser.

Ronald Green – Director

Ronald, 64, is retired from full time employment having had a long career involving various financial and senior management positions. From 1985 to December 2004, he worked at Berkeley Technology Limited, a listed Jersey financial services group where he had a variety of duties and responsibilities including managing the head office in Jersey, and executive and non-executive directorships of various development capital, leverage buy-out and other listed and unlisted funds. Prior to Berkeley Technology Limited, he worked at Citibank Jersey and was Finance Director of RCA Jersey Limited, a company manufacturing and selling television broadcast equipment worldwide. He is currently non-executive director of various other investment funds, including a European Private Equity Fund, a group of Mezzanine Debt Funds and investment holding company of a multinational telecommunications group.

He is a Jersey resident and is a Fellow of the Chartered Institute of Management Accountants.

Ronald is considered by the Company to be an independent Director on the basis that he is independent of the Adviser.

Sian Hansen – Director

Sian, 48, is the Managing Director of Policy Exchange, the UK's leading centre-right think tank which is an educational charity promoting research and discourse on public policy, including environmental and climatic issues. She is also a Commissioner of The Women's Refugee Commission (USA) and a trustee of The Prospero World Charitable Trust in the UK. Sian currently provides a corporate governance proxy management service for fund investors. Sian was formerly Head of Sales for Asian equities at Société Générale. Prior to this Sian was an equity analyst and broker with Enskilda Securities in Europe.

Sian is considered by the Company to be an independent Director on the basis that she is independent of the Adviser.

David Pirouet – Director

David Pirouet, 57, a Jersey resident, is a qualified accountant. He was an audit and assurance partner for 20 years with PricewaterhouseCoopers CI LLP ("PwC") until he retired in June 2009. He specialised in the financial services sector, in particular in the alternative investment management area. He also led PwC's Channel Islands hedge fund management practice for over four years.

Since retiring from PwC, Mr. Pirouet has carried out a four month project for the Chief Minister's Department in the States of Jersey, reporting to the Director for International Finance as well other advisory work. He currently serves on the Boards of a number of listed and privately held alternative investment vehicles.

David is regulated by the JFSC for the provision of services as a non-executive director. Mr. Pirouet has worked in London and Canada as well as the Channel Islands.

He is considered by the Company to be an independent Director on the basis that he is independent of the Adviser.

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 30th June 2012.

INCORPORATION

Ludgate Environmental Fund Limited (the "Company") was incorporated in Jersey, Channel Islands on 7th June 2007.

ACTIVITIES

The Company is a closed-ended investment company investing in the cleantech sector including waste management and recycling, renewable energy, energy efficiency, water treatment and management.

RESULTS AND DIVIDENDS

The decrease in net assets attributable to shareholders from operations before dividends for the year amounted to £5,537,728 (2011: increase of £4,459,594).

The Company paid an interim dividend of 1.75 pence per share at a total cost of £984,546 (2011: an interim dividend of 1.65 pence per share) on 12th August 2011 and on 27th October 2011 paid a special dividend of 12 pence per share at a cost of £6,751,174 (2011: £nil).

Subsequent to the balance sheet date, the Directors recommended an interim dividend of 1.9 pence per share at a cost of £1,068,936 (2011: 1.75 pence per share) on shares in issue as at 27th July 2012, paid on 10th August 2012.

GOING CONCERN

The Directors are of the opinion that the Company is a going concern, and the financial statements have been prepared on that basis.

CORPORATE GOVERNANCE

As a Jersey incorporated company and under the AIM Rules for Companies, the Company is not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council in May 2010 (the "Code"). However, it is the Company's policy to comply with best practice on good corporate governance that is applicable to investment companies.

The Board has therefore considered the principles and recommendations of the AIC's Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code can be found on www.theaic.co.uk. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in Section 1 of the Code, as well as setting out additional principles and recommendations on issues specific to investment companies.

The Board considers that it is appropriate to report against the principles and recommendations of the AIC Code and by reference to the AIC Guide and that the Company has complied with the principles and recommendations throughout the accounting period, except where indicated below on pages 21-22 in respect of the chief executive, executive directors' remuneration, a senior independent director, Board Committees and an internal audit function. The following statements describe how the relevant principles of governance are applied to the Company.

THE BOARD

The Board consisted of five non-executive Directors and the Chairman was John Shakeshaft. The Directors consider that the Chairman is independent for the purposes of the AIC Code. The Directors do not consider the appointment of a senior independent director to be appropriate due to the size of the Board and the Company.

Up to 31st March 2012, Donald Adamson was a director of the Company when he resigned. On 12th April 2012, Ronald Green was appointed as a non-executive Director.

The Company has no executive directors and no employees. However, the Board has engaged external companies to undertake investment advisory and administrative activities of the Company together with the production of the Annual Report and Financial Statements which are independently audited. Clearly documented contractual arrangements are in place with these external companies that define the areas where the Board has delegated responsibility to them and their contracts are reviewed on an annual basis. Whilst the Board delegates responsibility, it retains accountability for the functions it delegates and is responsible for the systems of internal control.

The Board meets at least four times a year and between these formal meetings there is regular contact with the Adviser, Nomad and Broker. The Directors are kept fully informed of investment and financial controls, and other matters that are relevant to the business of the Company and that should be brought to the attention of the Directors.

The Board has a breadth of experience relevant to the Company and they have access to independent professional advice at the Company's expense where they deem it necessary to discharge their responsibility as Directors. The Directors believe that any changes to the Board's composition can be managed without undue disruption. With any new appointment of a Director to the Board, consideration is given as to whether a formal induction process is appropriate and if any relevant training is required.

The Board considers agenda items laid out in the notice and agenda which are formally circulated to the Board in advance of a meeting as part of the Board papers and therefore Directors may request any agenda items to be added that they consider appropriate for Board discussion. Additionally, each Director is required to inform the Board of any potential or actual conflicts of interest prior to Board discussion.

All members of the Board are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance may be unavoidable in certain circumstances. Members of the Board are deemed to be in attendance when present at meetings in jurisdictions where they may participate in the discharge of the Company's business. All members of the Board may observe meetings from other jurisdictions but neither participate in the conduct of business, vote or be considered for quoracy.

During the year under review the Board met sixteen times. Of those sixteen meetings, John Shakeshaft attended eleven, Donald Adamson attended thirteen, Matt Christensen attended fourteen, Ronald Green attended one, Sian Hansen attended ten and David Pirouet attended fifteen.

The Board has been continuously engaged in a review of the Company's strategy with the Adviser to ensure the deployment of appropriate strategies under prevailing market, political and economic conditions at any particular time, within the overall investment restrictions of the Company.

To support the review of the strategy, the Board has focused at Board Meetings on a review of individual investments and returns, country exposure, the overall portfolio performance and associated matters such as gearing and pipeline investment opportunities. Additionally a strong focus of attention is given to marketing/investor relations, risk management and compliance, peer group information and industry issues.

The Board evaluates each Director's own performance on an annual basis and believes that the mix of skills, experience, ages and length of service are appropriate to the requirements of the Company and in accordance with the AIC Code. Directors shall retire and stand for re-election at intervals of no more than three years. Each Director is appointed subject to the provisions of the Articles of Association in relation to retirement.

BOARD RESPONSIBILITIES

The Board meets at least four times a year to consider, as appropriate, such matters as:

- The overall objectives for the Company;
- Risk assessment and management, including reporting, monitoring, governance and control;
- Any shifts in strategy that may be appropriate in light of changes in market conditions;
- The appointment, and ongoing monitoring, through regular reports and meetings of the Adviser, Administrator and other service providers;
- Review of the Company's investment performance;
- Share price performance;
- Statutory obligations and public disclosure;
- The shareholder profile of the Company; and
- Transactional and other general matters affecting the Company.

These matters are discussed by the Board to clearly demonstrate the seriousness with which the Directors take their fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of their actions.

COMMITTEES OF THE BOARD

The Board has not deemed it necessary to appoint a nomination or remuneration committee as, being comprised wholly of non-executive Directors, the whole Board considers these matters.

AUDIT COMMITTEE

The Board operates an Audit Committee which consists of Donald Adamson (up to 31st March 2012), Matt Christensen, Ronald Green (from 13th July 2012), Sian Hansen, David Pirouet and John Shakeshaft. David Pirouet serves as the Chairman of the Committee. The Audit Committee operates within defined terms of reference as agreed by the Board which are available from the Secretary upon request. Due to the Company's size, the Board considers it appropriate that all of the Board may sit on the Audit Committee but that the Committee is chaired by one of the independent non-executive Directors other than the Company's Chairman. The Audit Committee's function is to ensure the Company's financial performance is properly reported on and monitored and the Audit Committee reviews the following:

- The Annual and Interim Financial Statements;
- Internal control systems and procedures;
- Accounting policies of the Company;
- The Auditor's effectiveness and independence; and
- The Auditor's remuneration and engagement, as well as any non-audit services provided by them.

When required the Audit Committee meetings are also attended by the Administrator and the Company's Auditors. The Audit Committee meets at least twice a year.

During the year under review the Committee met three times. Of those three meetings, Matt Christensen, Sian Hansen, David Pirouet and John Shakeshaft attended three and Donald Adamson attended two.

INTERNAL CONTROLS

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place for the year under review and up to the date of approval of this Annual Report and Financial Statements. In line with general market practice for investment companies, the Directors do not conduct a formal annual review of the internal controls. However, the Board does conduct an annual review of the financial reporting procedures and corporate governance controls and feels that the procedures employed by the service providers adequately mitigate the risks to which the Company is exposed.

The key procedures which have been established to provide effective internal controls are as follows:

- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts;
- The Board reviews financial information produced by the Administrator and the Adviser on a regular basis; and
- The Company does not have an internal auditor. All of the Company's management functions are delegated to independent third parties and it is therefore considered that there is no need for the Company to have an internal auditor.

The internal control systems are designed to meet the Company's particular needs and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

RELATIONSHIPS WITH SHAREHOLDERS

The Directors, Adviser, Nomad and Broker maintain a regular dialogue with major shareholders, the feedback from which is reported to the Board. In addition, Board members will be available to respond to shareholders' questions at the Annual General Meeting.

The Board monitors the trading activity and shareholder profile on a regular basis.

Shareholder sentiment is also ascertained by the careful monitoring of the premium/discount that the shares are traded in the market when compared to those experienced by similar companies. Major shareholders are contacted directly by the Adviser on a regular basis.

The Company reports formally to shareholders twice a year and a proxy voting card is sent to shareholders with the Annual Report and Financial Statements. Additionally, current information is provided to shareholders on an ongoing basis through the Company's website. The Secretary monitors the voting of the shareholders and proxy voting is taken into consideration when votes are cast at the Annual General Meeting. Shareholders may contact the Directors via the Secretary.

DIRECTORS

The Directors who held office during the year and subsequently (except where stated) were:-

J. Shakeshaft (Chairman)
D. Adamson (resigned 31st March 2012)
M. Christensen
R. Green (appointed 12th April 2012)
S. Hansen
D. Pirouet

SECRETARY

The Secretary is State Street Secretaries (Jersey) Limited of 22 Grenville Street, St. Helier, Jersey, JE4 8PX.

INDEPENDENT AUDITORS

The Company's auditors, BDO Alto Limited, were succeeded by BDO Limited on 1st January 2012 and BDO Limited have been the appointed auditors to the Company from that date. BDO have expressed their willingness to continue in office.

REGISTERED OFFICE

22 Grenville Street, St. Helier, Jersey, JE4 8PX

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors are required to prepare financial statements for each financial year under the Companies (Jersey) Law 1991. As permitted by that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board. The financial statements are required to give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Conceptual Framework for Financial Reporting". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain its 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 (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm they have complied with the above requirements throughout the year and subsequently.

BY ORDER OF THE BOARD

S. Cltterden

Authorised Signatory
State Street Secretaries (Jersey) Limited
Secretary

Date 11 September 2012

Independent Auditors' Report

To the Members of Ludgate Environmental Fund Limited

We have audited the financial statements of Ludgate Environmental Fund Limited (the "Company") for the year ended 30 June 2012 which comprise the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Net Assets Attributable to Equity Shareholders, the Statement of Cash Flows and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

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

In addition, we read all the financial and non-financial information in the statement of investment policy, chairman's statement, directors' biographies, investment adviser's report, major investments report, investment realisation report and directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

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 30 June 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Philip Braun FCA
for and on behalf of BDO Limited
Chartered Accountants
Jersey
11 September 2012

Note:
The maintenance and integrity of the Ludgate Environmental Fund Limited web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that occur to the financial statements or financial information due to their posting on the web site.

Balance Sheet

AS AT 30TH JUNE 2012

	Notes	2012	2011
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	7, 22	29,179,682	24,170,394
Current assets			
Derivatives at fair value through profit or loss	7, 8	143,167	208,362
Loans receivable	10	804,357	745,388
Trade and other receivables	11	537,434	236,298
Cash and cash equivalents	9	15,217,724	33,801,516
		16,702,682	34,991,564
TOTAL ASSETS		£45,882,364	£59,161,958
LIABILITIES			
Non-current liabilities			
Retention of performance fees	3, 13	190,033	187,384
Current liabilities			
Trade and other payables	12	121,835	130,630
TOTAL LIABILITIES		311,868	318,014
NET ASSETS ATTRIBUTABLE TO EQUITY SHAREHOLDERS		45,570,496	58,843,944
TOTAL LIABILITIES AND NET ASSETS ATTRIBUTABLE TO EQUITY SHAREHOLDERS		£45,882,364	£59,161,958
		£	£
Net asset value per ordinary share outstanding		0.81	1.05

These financial statements on pages 23 to 46 were approved and authorised for issue by the Board of Directors on the 11th day of September 2012 and were signed on its behalf by:

Director: A W Jones

The notes on the pages 23 to 46 form part of these financial statements

Statement of Comprehensive Income

FOR THE YEAR ENDED 30TH JUNE 2012

	Notes	2012	2011
INCOME:			
Deposit interest income		224,387	205,354
Income on financial assets at fair value through profit or loss		817,721	1,249,095
Other income		108,956	149,449
Gain on financial assets and derivatives at fair value through profit or loss	7, 8	-	4,053,856
Movement on foreign exchange		-	546,939
		1,151,064	6,204,693
EXPENSES:			
Loss on financial assets and derivatives at fair value through profit or loss	7, 8	3,792,672	-
Legal fees		15,594	52,415
Professional fees		332,152	236,487
Adviser fees	18	1,047,557	1,106,616
Administration and accountancy fees		161,259	100,990
Directors' fees and expenses	4	170,125	161,688
Provision for loans receivable		265,315	-
Provision for interest receivable		65,137	-
Withholding tax		48,132	55,627
Audit fees		31,045	19,080
Miscellaneous fees		12,682	12,196
Movement on foreign exchange		747,122	-
		6,688,792	1,745,099
TOTAL COMPREHENSIVE (LOSS)/ INCOME		£(5,537,728)	£4,459,594
(Loss)/gain per ordinary share	6	£(0.10)	£0.08

The notes on the pages 23 to 46 form part of these financial statements

Statement of Shareholders Changes

in Net Assets Attributable to Equity

FOR THE YEAR ENDED 30TH JUNE 2012

	Notes	Ordinary shares warrants issued	Change in net assets attributable to equity shareholders	Total net assets attributable to equity shareholders
FOR THE YEAR ENDED 30TH JUNE 2012				
Opening balance as at 1st July 2011		57,566,436	1,277,508	58,843,944
Total comprehensive loss		-	(5,537,728)	(5,537,728)
Dividends paid to equity shareholders	5	-	(7,735,720)	(7,735,720)
Closing balance as at 30th June 2012	14	£ 57,566,436	£(11,995,940)	£ 45,570,496
FOR THE YEAR ENDED 30TH JUNE 2011				
Opening balance as at 1st July 2010		47,729,427	(2,423,640)	45,305,787
Issue of ordinary shares		10,000,009	-	10,000,009
Total comprehensive income		-	4,459,594	4,459,594
Placement fees		(163,000)	-	(163,000)
Dividends paid to equity shareholders	5	-	(758,446)	(758,446)
Closing balance as at 30th June 2011	14	£ 57,566,436	£ 1,277,508	£ 58,843,944

The notes on the pages 23 to 46 form part of these financial statements

Statement of Cash Flows

FOR THE YEAR ENDED 30TH JUNE 2012

	Notes	2012	2011
Cash flows from operating activities	17	(1,628,769)	(1,294,161)
Cash flows from investing activities			
Purchase of investments	7	(17,650,196)	(6,694,632)
Sale of investments	7	8,913,431	13,772,337
Interest and dividends received		588,868	1,265,525
Loan finance provided	10	(876,672)	(745,388)
Loan finance repaid	10	552,388	1,200,000
		(8,472,181)	8,797,842
Cash flows from financing activities			
Dividends paid to equity shareholders	5	(7,735,720)	(758,446)
Proceeds from issue of ordinary shares during the year		-	9,837,009
		(7,735,720)	9,078,563
Net (decrease)/ increase in cash and cash equivalents		(17,836,670)	16,582,244
Effects from changes in exchange rates on cash and cash equivalents		(747,122)	546,939
Cash and cash equivalents at beginning of the year		33,801,516	16,672,333
Cash and cash equivalents at end of the year	9	£ 15,217,724	£ 33,801,516

STATEMENT OF CASH FLOWS

The notes on the pages 23 to 46 form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2012

1. REPORTING ENTITY

The Company was registered as a public company on 7th June 2007 with registered number 97690 under the Companies (Jersey) Law 1991. The Company joined the Alternative Investment Market ("AIM") on 2nd August 2007. The registered office of the Company is 22 Grenville Street, St Helier, Jersey, JE4 8PX.

The Company will have a life of approximately eight years from admission to AIM, expiring on 30th June 2015 (the "Proposed Wind-up Date"). The Directors may, not less than three months prior to the Proposed Wind-Up Date, propose a special resolution to extend the life of the Company by four years. Further such resolutions may then be proposed in the same manner not less than three months prior to the expiry of each such four year period.

2. ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union and International Accounting Standards Board ("IASB"), and its predecessor body, as well as interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") and its predecessor body. The more significant policies are set out below:-

New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") adopted during the current year

The Directors have assessed the impact, or potential impact, of all New Accounting Requirements. In the opinion of the Directors, there are no mandatory New Accounting Requirements applicable in the current year that had any material effect on the reported performance, financial position, or disclosures of the Company. Consequently, no mandatory New Accounting Requirements are listed. The Company has not adopted any New Accounting Requirements that are not mandatory.

Non-mandatory New Accounting Requirements not yet adopted

The following applicable New Accounting Requirements have been issued. However, these New Accounting Requirements are not yet mandatory and have not yet been adopted by the Company. All other non-mandatory New Accounting Requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position, or disclosures of the Company and consequently have neither been adopted, nor listed.

IAS 1, "Presentation of Financial Statements" (amendments)

The main change resulting from these amendments that is relevant to the Company is a requirement for entities to group items presented in other comprehensive income ("OCI") on the basis of whether they may potentially be reclassified to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

The revised standard is effective for accounting periods commencing on or after 1st July 2012, but early adoption is permitted at any time prior to this date.

IFRS 9, "Financial Instruments" (Replacement of IAS 39, "Financial Instruments: Recognition and Measurement")

IFRS 9 was issued in November 2009 and October 2010 and addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: (i) those measured at fair value; and, (ii) those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The standard also results in one impairment method replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2012

2. ACCOUNTING POLICIES *continued*

The standard is mandatory for accounting periods commencing on or after 1st January 2015, but early adoption is permitted at any time prior to this date.

IFRS 10, "Consolidated Financial Statements"

IFRS 10 is effective for annual periods beginning on or after 1st January 2013 and builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12, "Disclosure of interest in other entities"

IFRS 12 is effective for annual periods beginning on or after 1st January 2013 and includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13, "Fair Value Measurement"

IFRS 13 was issued in May 2011 and aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

The standard is mandatory for accounting periods commencing on or after 1st January 2013, but early adoption is permitted at any time prior to this date. IFRS 13 also requires certain additional disclosures for financial instruments categorised within Level 3 of the fair value hierarchy.

The Directors have made an assessment of the potential impact of early adoption of all of the standards listed above. In the Directors' opinion, early adoption of any of these standards would have no material effect on the reported performance, financial position, or disclosures of the Company.

b) Basis of measurement

These financial statements have been prepared on a historical cost basis as modified by the revaluation of financial assets and liabilities held at fair value through profit or loss. The policies have been consistently applied to both periods presented.

Financial instruments at fair value through profit or loss and derivatives at fair value though profit and loss are measured at fair value and changes therein are recognised in the statement of comprehensive income. Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised within the financial statements are included in Note 2 Section o 'Determination of fair values'.

c) Functional and presentation currency

These financial statements are presented in sterling, which is the Company's functional and presentation currency.

d) Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

e) Foreign currencies

Transactions in foreign currencies, other than sterling, are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to sterling at the foreign currency closing exchange rate ruling at the balance sheet date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to sterling at the foreign currency exchange rates ruling at the dates that the values were determined. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income.

f) Financial instruments

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

Purchases and sales of financial instruments are recognised on the trade date. Gains and losses are recognised from that date.

Financial assets cease to be recognised when the contractual rights to cash flows from the assets expire or the Company transfers the financial assets and substantially all of the risks and rewards of ownership have been transferred. Financial liabilities cease to be recognised when the liabilities are extinguished.

Financial instruments comprise investments in equity and debt securities, warrants, loans receivable, trade and other receivables, cash and cash equivalents, trade and other payables and performance fees retained.

Financial instruments are recognised initially at fair value. Subsequent to initial recognition financial instruments are measured as described below.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or designated as such upon initial recognition. The Company has designated its investment holdings as at fair value through profit or loss as permitted by International Accounting Standard 39 Financial Instruments: Recognition and Measurement. These financial assets are designated on the basis that they form part of a group of financial assets which are managed and have their performance evaluated on a fair value basis. Upon initial recognition attributable transaction costs are recognised in the statement of comprehensive income when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the statement of comprehensive income.

Derivatives at fair value through profit or loss

The warrants held by the Company are classified as derivative financial instruments held for trading. Therefore they are recognised at fair value, with realised and unrealised gains and losses being recognised in the statement of comprehensive income. The derivatives are derecognised when the rights to receive cash flows from it have expired or the Company has transferred substantially all risks and rewards of ownership.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus directly attributable transaction costs and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Impairment provisions are recognised when there is objective evidence that the Company will be unable to collect all of the amounts due under the terms of the receivable. The Company's loans and receivables comprise loans receivable, trade and other receivables and cash and cash equivalents.

Financial liabilities

All liabilities are classified as other financial liabilities and are measured at amortised cost using the effective interest rate method.

2. ACCOUNTING POLICIES *continued*

Cash and cash equivalents

Cash comprises fixed deposits, cash balances and call deposits with banks. Cash equivalents are short-term highly-liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Ordinary shares

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability.

The Ordinary Shares of the Company are treated as equity as they entitled the shareholder to a pro rata share of the Company's net assets in the event of the Company's liquidation.

g) Provisions

A provision is recognised if, as a result of a past event, the Company has a legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to that liability.

h) Revenue and expenses

Revenue is recognised to the extent that it is possible that economic benefits will flow to the Company and the revenue can be reliably measured. Expenses are accounted for on an accruals basis.

i) Finance income and expenses

Finance income comprises interest income on funds invested (including debt securities at fair value through profit or loss), interest income and loan interest income. Interest income and loan interest income are recognised as they accrue in the statement of comprehensive income, using the effective interest rate method. Dividend income is recognised in the statement of comprehensive income on the date the Company's right to receive payments is established which is usually the ex-dividend date.

Finance expenses comprise interest expense on borrowings and unwinding of discounts on provisions.

Foreign currency gains and losses are reported in the statement of comprehensive income on a net basis.

j) Earnings per share ("EPS") and net asset value ("NAV") per share

The Company presents basic EPS and NAV data for its ordinary shares. Basic EPS is calculated by dividing the comprehensive income attributable to equity shareholders from operations by the weighted average number of ordinary shares in issue during the year. (For further details see note 6). NAV per equity share is calculated by dividing net assets attributable to equity shareholders by the number of equity shares outstanding at the year end.

k) Transaction costs

Expenses incurred by the Company that are directly attributable to the offering of new shares have been taken to statement of changes in net assets attributable to equity shareholders.

l) Taxation

Profits arising in the Company are subject to Jersey Income Tax, currently at the rate of 0%.

The Company is registered under the Reporting Fund regime Regulation 51 of The Offshore Fund (Tax) Regulations 2009 in the United Kingdom effective 1st July 2009.

m) Dividends payable

Dividends payable to ordinary shareholders are accounted for when a legal obligation arises.

Dividends payable, if any, on ordinary shares are recognised in the statement of changes in net assets attributable to equity shareholders.

n) Offsetting

Financial assets and liabilities are offset and the net amount is reported within assets and liabilities where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

o) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair values for the financial assets and liabilities. Fair value is the amount for which an asset or liability could be exchanged or settled between knowledgeable, willing parties in an arms length transaction. Fair values have been determined for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial assets for which quoted closing prices are available from a third party in a liquid market are valued on the basis of quoted bid prices. Where there are no available quoted prices the fair values will be determined in accordance with International Private Equity and Venture Capital Valuation Guidelines ("IPEVCV" Guidelines) as amended from time to time.

As at the balance sheet date, the fair values of quoted equities are based on quoted bid prices at the year end. Unquoted equities and unquoted securities are valued using a variety of methods as follows:

- Rapid Action Packaging Limited Ordinary Shares have been valued based on a multiple of sales in line with market multiples. This metric has been discounted to reflect the company's non-listed status. The unsecured convertible loan stock is valued at cost.

- Hydrodec Group plc Convertible Bonds are valued using the Black Scholes option valuation method, which is carried out by an independent broker.

- STX Services B.V. shares have been valued based on a multiple of profit after tax for the year.

- New Earth Recycling and Renewables (Infrastructure) Plc is valued at the most recent published monthly valuation published by the fund administrator.

- Terra Nova SAS shares are valued on a discounted cash flow basis. The unsecured loan stock is valued at cost.

- ECO Plastics Limited shares are valued based on a multiple of sales in line with market multiples less net debt. This metric has been discounted to reflect the company's non-listed status.

- Lumicity Limited shares and loan valuation is based on its estimated net realisable value.

- Tamar Energy Limited shares are valued at cost, given the short period of time between acquisition and the year end.

- Ignis Biomas Limited shares and unsecured loan stock are valued at cost, given the short period of time between acquisition and the year end.

- Micropelt GmbH unsecured loan stock is valued at cost , given the short period of time between acquisition and the year end.

Investments are made in companies that may be subject to a high degree of operating and financial risk. The values assigned to investments are based upon available information and do not necessarily represent amounts that might ultimately be realised. Because of the inherent uncertainty of valuations, estimated carrying values may differ significantly from the values that would have been realised had a ready market for the investments existed, and these differences could be material.

The fair value of financial liabilities is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2012

2. ACCOUNTING POLICIES *continued*

The fair value of derivatives at fair value through profit or loss is derived using the Black Scholes Option Pricing Model.

p) Non-consolidation

The Directors do not believe that the Company has the power to exercise control over the investments, except for Ignis Biomas Limited, as set out in the provisions of paragraph 12 of International Accounting Standard 27 (Consolidated Financial Statements and Accounting for Investments in Subsidiaries), or under the Standard Interpretations Committee pronouncement Number 12 (SIC 12 - Consolidation: Special Purpose Entities). The Directors have arrived at this opinion because the Company in any of its investments with the exception of Ignis Biomass Limited and its wholly owned subsidiary Ignis Wick Limited:

- does not hold a controlling stake;

- does not have the power to govern the financial and operating policies;

- does not have the power to remove the majority of the members of the Board of Directors; and

- does not have the power to cast the majority of votes at meetings of the Board of Directors.

Ignis Biomas Limited and Ignis Wick Limited were not consolidated in these financial statements as the Directors considered that these subsidiary companies are immaterial to the Group as a whole. Therefore in the opinion of the Directors, the Company has no material subsidiaries and consequently there is no requirement to present consolidated financial statements.

q) Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

As the Company operates as a venture capital organisation it uses the scope exemption of IAS 28 'Investment in Associates' and designates upon initial recognition some investments that would otherwise be equity accounted as investments at fair value through profit or loss with subsequent changes in fair value recognised in the statement of comprehensive income in the period of the change.

r) Segmental reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Directors perform regular reviews of the operating results of the Company and make decisions using financial information at the entity level only. Accordingly, the Directors believe that the Company has only one reportable operating segment.

The Directors are responsible for ensuring that the Company carries out business activities in line with the transaction documents. They may delegate some or all of the day to day management of the business, including the decisions to purchase and sell securities, to other parties both internal and external to the Company. The decisions of such parties are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Directors. Therefore, the Directors retain full responsibility as to the major allocation decisions of the Company.

3. PERFORMANCE FEES RETAINED AND PAYABLE

	2012	2011
Performance fees payable	£ nil	£ nil

Performance fees are payable to the Adviser with reference to the increase in adjusted net asset value per share over the course of each performance period. The Adviser becomes entitled to receive a performance fee if the following conditions are met:

a) The adjusted net asset value per share at the end of the performance period exceeds the Performance Hurdle. The Performance Hurdle is an amount equal to the placing price increased at a rate of 8% per annum on a compounded basis up to the end of the relevant performance period; and

b) The adjusted net asset value per share at the end of the performance period exceeds the High Watermark. The High Watermark is the highest previously recorded adjusted net asset value per share at the end of a performance period for which a performance fee was last earned.

If the above conditions are met the Adviser is entitled to receive a fee equal to 20% of the amount by which the adjusted net asset value exceeds the higher of (i) the performance hurdle and (ii) the relevant High Watermark multiplied by the time-weighted average number of shares in issue since the end of the last performance period for which a performance fee was earned.

The conditions for payment of performance fees were not met for the performance years ended 30th June 2012 and 30th June 2011.

20% of performance fees earned by the Adviser shall be retained and deposited in a Reserve Account (see note 9). The Reserve Amount shall only be released on the final calculation date when the Administrator will calculate the Reserve Release Amount in accordance with Schedule 1 of the Advisory Agreement.

4. DIRECTORS' REMUNERATION AND INTERESTS

	2012	2011
Directors' fees	159,236	154,094
Directors' expenses	10,889	7,594
	£ 170,125	£ 161,688

The details of the Directors' remuneration is as follows:

	2012	2011
J. Shakeshaft (Chairman)	60,000	58,297
D. Adamson	18,750	22,871
M. Christensen	25,000	24,319
R. Green	5,486	-
S. Hansen	25,000	24,319
D. Maccabe	-	1,417
D. Pirouet	25,000	22,871
	£ 159,236	£ 154,094

As at the balance sheet date, the following Ordinary Shares and Warrants of the Company were held by the Directors, the Directors of the Adviser, the Investment Adviser and the Principals of the Investment Adviser.

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2012

4. DIRECTORS' REMUNERATION AND INTERESTS *continued*

	Ordinary Shares	Warrants	Manager Warrants
30TH JUNE 2012			
Directors			
J. Shakeshaft	115,445	12,500	-
M. Christensen	10,000	2,500	-
Investment Adviser and related principals			
Ludgate Investments Limited	664,000	166,000	775,250
T. Cooke	50,000	12,500	25,000
J.N.B. Curtis	15,000	-	-
N. Pople	50,000	12,500	95,000
C. Sebag-Montefiore	-	-	70,000
B. Weil	-	-	40,000
30TH JUNE 2011			
Directors			
J. Shakeshaft	115,445	12,500	-
D. Adamson	50,000	12,500	25,000
M. Christensen	10,000	2,500	-
Investment Adviser and related principals			
Ludgate Investments Limited	664,000	166,000	775,250
T. Cooke	50,000	12,500	25,000
J.N.B. Curtis	15,000	-	-
N. Pople	50,000	12,500	95,000
C. Sebag-Montefiore	-	-	70,000
B. Weil	-	-	40,000

Principals of Ludgate Investments Limited include Directors and senior management.

5. DIVIDENDS

	2012	2011
Interim dividend	984,546	758,446
Special dividend	6,751,174	-
	£ 7,735,720	£ 758,446

The Company paid an interim dividend of 1.75 pence per share at a total cost of £984,546 (2011: an interim dividend of 1.65 pence per share) on 12th August 2011 and on 27th October 2011 paid a special dividend of 12 pence per share at a cost of £6,751,174 (2011: £nil).

Subsequent to the balance sheet date, the Directors recommended an interim dividend of 1.9 pence per share at a cost of £1,068,936 (2011: 1.75 pence per share) on shares in issue as at 27th July 2012, paid on 10th August 2012.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following information:

	2012	2011
Total comprehensive (loss)/ income	£(5,537,728)	£4,459,594
	Number	Number
Weighted average number of equity shares for the purposes of basic earnings per share	56,259,784	55,244,548
Basic and diluted (loss)/ income per equity share	£(0.10)	£0.08

Outstanding Warrants are not dilutive for both periods presented as the exercise price of the Warrants exceeded the average market price of Ordinary Shares issued.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As noted above the Company has designated its investment holdings in cleantech companies at fair value through profit or loss. Financial assets are initially recognised on the Company's balance sheet at fair value when the Company becomes party to the contractual provisions of a given instrument and changes thereafter are recognised in the statement of comprehensive income.

Investments:	2012	2011
Opening cost of investments	28,460,639	31,619,268
Cost of Loan Notes converted into Preference/Ordinary Shares	-	(4,500,000)
Purchases/(disposals) during the year:		
New investments acquired	17,650,196	6,694,632
Conversions	-	4,500,000
Investments sold	(7,901,313)	(9,853,261)
Closing cost of investments	£ 38,209,522	£ 28,460,639
Opening fair value of investments	24,170,394	26,719,866
Cost of Loan Notes converted into Preference/Ordinary Shares	-	(4,500,000)
Purchases/(disposals) during the year:		
New investments acquired	17,650,196	6,694,632
Conversions	-	4,500,000
Proceeds on disposal	(8,913,431)	(13,772,337)
Fair value movement	(3,727,477)	4,528,233
Closing fair value of investments	£ 29,179,682	£ 24,170,394

Further details of the investments held can be found in note 22 to these financial statements.

IFRS 7 requires the Company to classify fair value measurements using a three level fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to comprise market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2012

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *continued*

The following table analyses within the fair value hierarchy the Company's financial assets measured at fair value at 2012 and 2011.

2012	Level 1	Level 2	Level 3	Total
	£	£	£	£
Financial assets at fair value through profit or loss	2,295,944	3,034,200	23,849,538	29,179,682
Derivatives at fair value through profit or loss	-	-	143,167	143,167
2011				
Financial assets at fair value through profit or loss	2,525,070	3,123,420	18,521,904	24,170,394
Derivatives at fair value through profit or loss	-	-	208,362	208,362

Financial assets whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include mainly actively listed equities. The Company does not adjust the quoted market price for these.

Financial assets that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. Level 2 includes mainly convertible bonds. As Level 2 bonds are not traded in an active market, valuations are based on an option valuation method which was carried out by an independent broker.

Financial assets classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 includes equities and convertible loan notes. As the observable prices are not available for these equities and convertible loan notes, the Company has used valuation methods as described in note 2 (o).

The movement in Level 3 financial assets for the year ended 30th June 2012 and 30th June 2011 by class of financial assets were as follows:

2012	Derivatives	Unquoted equities	Unquoted securities	Total
Opening balance	208,362	16,226,571	2,295,333	18,730,266
Total (losses) (realised/unrealised) included in the statement of comprehensive income	(65,195)	(4,359,238)	(62,292)	(4,486,725)
Purchases, sales, issuances, and settlements (net)	-	6,079,687	3,669,477	9,749,164
Closing balance	£ 143,167	£ 17,947,020	£ 5,902,518	£ 23,992,705
2011				
Opening balance	681,608	16,087,725	4,500,000	21,269,333
Total (losses)/gains (realised/unrealised) included in the statement of comprehensive income	(473,246)	5,059,077	-	4,585,831
Purchases, sales, issuances, and settlements (net)	-	(4,920,231)	(2,204,667)	(7,124,898)
Closing balance	£ 208,362	£ 16,226,571	£ 2,295,333	£ 18,730,266

For unquoted equities, if the multiple used or the recent market transaction price used in the valuation had increased by 5%, this would have resulted in an increase in value of £914,294 (2011: £811,329). A decrease of 5% would have resulted in a decrease in value of £914,294 (2011: £811,329).

Evidence or confirmation of title of financial assets at fair value through profit or loss are held by the following parties:

	2012	2011
Walker Crips Stockbrokers Limited	2,011,812	1,953,427
State Street (Jersey) Limited	26,883,738	21,680,324
Computer Share (Australia)	284,132	536,643
	£ 29,179,682	£ 24,170,394

8. DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012	2011
Rapid Action Packaging Limited – 2,250 warrants (2011: 2,250)	£ 143,167	£ 208,362

As noted above, the warrants have been valued using the Black Scholes Option Pricing Model.

9. CASH AND CASH EQUIVALENTS

	2012	2011
Royal Bank of Scotland International - current account GBP	263,893	215,805
Royal Bank of Scotland International - current account EUR	17,928	167,749
Royal Bank of Scotland International - current account AUD	1	1
Royal Bank of Scotland International - reserve account	-	186,977
Walker Crips Stockbrokers Limited	21,554	2,980
Barclays – reserve account	189,668	-
Cash held on fixed term deposit:		
Fixed term deposits held with Barclays (GBP)	3,136,767	6,379,203
Fixed term deposits held with Barclays (EUR)	-	1,783,951
Fixed term deposits held with ABN AMRO (GBP)	-	7,502,928
Fixed term deposits held with ABN AMRO (EUR)	-	4,515,488
Fixed term deposits held with HSBC (GBP)	5,087,913	-
Fixed term deposits held with Lloyds (GBP)	4,000,000	6,030,118
Fixed term deposits held with Lloyds (EUR)	-	4,515,488
Fixed term deposits held with Royal Bank of Scotland International (GBP)	2,500,000	2,500,828
	£ 15,217,724	£ 33,801,516

The Company has permission to borrow sums equivalent to 25% of the net asset value in accordance with its Articles of Association. At the balance sheet date, no such facility had been entered into (2011: £nil). The Board of the Company have taken care to minimise the credit risk associated with cash and cash equivalents. The cash held in fixed term deposits has been diversified across a number of reputable financial institutions.

The cash held on the Reserve Account represents 20% of the performance fees earned by the Adviser to date. The balance on this account can only be released on the final calculation date when the Administrator will calculate the Reserve Release Amount in accordance with Schedule 1 of the Advisory Agreement.

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2012

9. CASH AND CASH EQUIVALENTS *continued*

Cash and cash equivalents are held by the following banks and brokers:

Bank/Broker	2012	2011
Walker Crips Stockbrokers Limited	21,554	2,980
Royal Bank of Scotland International	2,781,822	3,071,360
Barclays	3,326,435	8,163,154
Lloyds	4,000,000	10,545,606
ABN AMRO	-	12,018,416
HSBC	5,087,913	-
	£ 15,217,724	£ 33,801,516

10. LOANS RECEIVABLE

	2012	2011
Rapid Action Packaging Limited	-	254,388
Lumicity Ltd	484,685	298,000
Ignis Wick Limited	319,672	193,000
	£ 804,357	£ 745,388

On 28th September 2010, the Company entered into an Investment Agreement with Lumicity Limited whereby the Company advanced an unsecured and interest free loan of £298,000 which was converted into 149,000 A Preference Shares on 18th August 2011.

On 18th August 2011, the Company purchased additional 125,000 Lumicity A Preference Shares and £750,000 unsecured Series B Loan Notes which bear interest of 10% (maximum of £3 million). In the accounts to 30th June 2012, a fair value provision of £265,315 has been made against this loan, which accordingly has a fair value of £484,685.

The Company entered into a Loan Agreement with Ignis Wick Limited to fund the development costs of the Wick project up to £779,000. The loan is unsecured and bears interest at 8% p.a. As at 30th June 2012, £319,672 (2011: £193,000) has been drawn.

The Company originally entered into a Loan Facility Agreement in 2009 with Rapid Action Packaging Limited ("RAP"). This Loan Facility was repaid in full on 13th June 2011 and the proceeds were used to acquire additional shares and convertible unsecured loan note in RAP. On the same date, the Company provided a £254,388 unsecured and interest free loan note to RAP. On 19th July 2011, the Company converted the loan note into 180 ordinary shares of £417.03 each and the remaining £179,323 to convertible loan notes.

11. TRADE AND OTHER RECEIVABLES

	2012	2011
Fixed deposit interest receivable	39,668	60,550
Investment income receivable	394,350	165,497
Prepayments and other receivables	103,416	10,251
	£ 537,434	£ 236,298

12. TRADE AND OTHER PAYABLES

	2012	2011
Directors' fees and expenses payable	18,056	35,371
Professional fees payable	51,039	22,414
Audit fees payable	16,500	14,800
Administration and accounts payable	25,000	20,000
Other creditors	11,240	38,045
	£ 121,835	£ 130,630

All expenses are payable on presentation of an invoice.

13. PERFORMANCE FEE RETENTION

	2012	2011
Retention of performance fees	£ 190,033	£ 187,384

For further details please refer to note 3. The above figures include accrued interest as at 30th June.

14. STATED CAPITAL ACCOUNT

	2012	2011
AUTHORISED:		
Ordinary Shares of no par value each	Unlimited	Unlimited

The authorised stated capital of the Company comprises an unlimited number of voting, Ordinary Shares which are neither redeemable nor convertible and which have no par value.

	No. of ordinary shares	No. of investor warrants	No. of manager warrants
Opening balance at 1st July 2011	56,259,784	6,683,775	1,285,250
Closing balance at 30th June 2012	56,259,784	6,683,775	1,285,250
Opening balance at 1st July 2010	45,966,419	6,683,775	1,285,250
Issued during the year	10,293,365	-	-
Closing balance at 30th June 2011	56,259,784	6,683,775	1,285,250

Two Ordinary Shares of £1.00 each were issued on incorporation. The initial public offering ("IPO") of Ordinary Shares on 2nd August 2007 was priced at £1.00 per share. Subscribers for the Ordinary Shares received one investor warrant for every four Ordinary Shares subscribed. Each investor warrant entitles the holder to subscribe for additional Ordinary Shares in the Company at a subscription price of £1.50 until the final subscription date of 31st October 2012.

A second placing of shares occurred on 22nd February 2008. 2,673,509 Ordinary Shares of no par value were issued at a price of £1.12 per share. On 10th November 2008 a further issue of 16,557,807 Ordinary Shares were placed at a price of £1.09 per share. On 5th August 2010 a further issue of 10,293,365 Ordinary Shares were placed at a price of £0.97 per share. No warrants were attached to these shares issued subsequent to the IPO. The Ordinary Shares and investor warrants are listed and traded on AIM. The manager warrants are not listed.

The Ordinary Shares carry the right to vote at general meetings, dividends and the surplus assets of the Company on winding-up. All holders of the Ordinary Shares have the same voting rights.

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2012

14. STATED CAPITAL ACCOUNT *continued*

	2012 Stated Capital	2011 Stated Capital
Opening balance	57,566,436	47,729,427
Issued during the year	-	10,000,009
Placement fees	-	(163,000)
Closing balance	£ 57,566,436	£ 57,566,436

WARRANTS:		2012	2011
Investor Warrants:			
Issue of warrants at IPO (1:4 exercisable for ordinary shares)	Number	6,683,775	6,683,775
Exercise price		£1.50	£1.50
Manager Warrants:			
Issue of Manager Warrants at IPO	Number	1,285,250	1,285,250
Exercise price		£1.75	£1.75

The Investor Warrants entitle the holder to subscribe for one ordinary share in the Company at a price of £1.50 up to the Final Subscription Date of 31st October 2012. Investors who subscribed for Shares pursuant to the placing received one Investor Warrant for every four shares acquired.

The Manager Warrants were issued in registered form and entitle the holder to subscribe for one share at a price of £1.75 until the Final Subscription Date of 31st October 2012.

Warrants may only be exercised during the 28 days following the date of publication of the Company's annual Audited Financial Statements for any of the financial periods/years ended 30th June 2008 to 2011 inclusive and/or during the 28 days prior to the Final Subscription Date of 31st October 2012.

15. SEGMENT INFORMATION

Geographical information

The Company's country of domicile is Jersey, Channel Islands. All of the Company's revenues are generated from outside the Company's country of domicile. Detailed geographical information is disclosed in note 16 under "concentration risk".

Non-current assets

The Company has no non-current assets other than financial instruments.

Sources of income

The Company's sources of net income were interest and dividends from financial assets and deposits. The majority of the income during the year was derived from investments in Hydrodec Group plc, Rapid Action Packaging Limited, STX Services B.V. and fixed term deposits.

16. FINANCIAL RISK MANAGEMENT

The Board of Directors is responsible for the establishment and oversight of the Company's risk management framework. Policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. These are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company maintains positions in a variety of financial instruments dictated by its investment management strategy. The Company's investment portfolio comprises quoted and unquoted equity investments, unquoted debt securities and cash which the Company intends to hold for an indefinite period (subject to the life of the Company). Asset allocation is determined by the Board who manages the distribution of the assets to achieve the investment objectives.

The Directors are aware that substantially all of the current business of the Adviser is accounted for in the services provided to the Company under the Advisory Agreement. In reviewing the performance of the Adviser, the Directors have paid particular attention to the risks to the Company of the reputation, financial standing, compliance and operation of each. They are satisfied that there are sufficient controls in place to ensure that officers of the Adviser cannot exercise undue influence over financial reporting and that it is a going concern.

The nature and extent of the financial instruments outstanding at the balance sheet date and the risk management policies employed by the Company are discussed below.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income and or the value of its holdings in financial instruments. The Adviser is responsible for monitoring, measuring and reporting market risk.

The Company's exposure to market risk comes mainly from movements in the value of its investments.

The Company's strategy on the management of investment risk is driven by the Company's investment objective. The Company's investment objective is to deliver to investors a significant level of capital growth in the medium to long term by building a diverse portfolio of investments in cleantech companies. The Company's market risk is managed by the Adviser in accordance with the policies and procedures in place.

The Company seeks to achieve its investment objective and minimise investment risk through the identification of appropriate technologies and companies within the cleantech sector using a rigorous review and selection process; by adding value to companies in the portfolio through active support at all stages of their growth and by focusing on maximising returns for shareholders by assisting companies in achieving an appropriate and timely exit.

Potential investments are screened to ensure that investments comply with the investment criteria, as described in the Admission Document and described in the Investment Policy. A full review and due diligence are undertaken before a potential investment can be submitted for approval by the Screening Committee, Investment Committee and the Adviser.

Monitoring of the portfolio is carried out on a quarterly basis by the Adviser who reviews the investments against technology developments, commercial progress, financial and trading results including management accounts, management assessment, market intelligence and anticipated planning and exit. Investment risk is also reviewed at the time of any investment proposal, the publication of the net asset values and any capital raising.

The Company's overall market positions are reviewed quarterly by the Board of Directors. Details of the Company's investment portfolio composition as at the balance sheet date are disclosed in note 22 to these financial statements.

Interest Rate Risk

To the extent the Company incurs indebtedness, changes in interest rates can affect the Company's net interest income, which is the difference between the interest income earned on interest-bearing assets and the interest expense incurred on interest-bearing liabilities. Changes in the level of interest rates can also affect, among other things, the Company's ability to acquire loans and investments, the value of its investments and the Company's ability to realise gains from the settlement of such assets. Interest rate risk is mitigated by a policy of holding diversified instruments with varied counterparties.

The majority of the Company's financial assets are fixed rate or non-interest bearing and all of the Company's financial liabilities are non-interest bearing. Therefore, the Directors believe that the Company's exposure to interest rate risk is minimal. Any excess cash and cash equivalents are invested in fixed term deposits with maturities of 12 months or less. Investments in debt securities are in fixed rate instruments and therefore the Company has limited exposure to prevailing interest rates. Any adverse movement in interest rates would negatively affect the return on cash deposits over time. The amount of cash held on fixed term deposits is expected to reduce over the forthcoming years in accordance with the Company's stated investment objectives.

The Company's overall interest rate risk is reviewed by the Board on at least a quarterly basis.

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2012

16. FINANCIAL RISK MANAGEMENT *continued*

Interest Rate Profile:		2012	
	Interest charging basis	Effective interest rate	Amount
Financial assets:			
Cash and cash equivalents	Fixed	1.47%	15,217,724
Financial assets at fair value though profit or loss:			
Unquoted securities	Fixed	8.00%	3,034,200
Unquoted securities	Fixed	12.00%	4,653,164
Unquoted securities	Fixed	6%	1,249,354
Quoted equities	Non-interest bearing	n/a	2,295,944
Unquoted equities	Non-interest bearing	n/a	17,947,020
Derivatives at fair value through profit or loss	Non-interest bearing	n/a	143,167
Loan receivable	Fixed	8.00%	319,672
Loan receivable	Fixed	10.00%	484,685
Trade and other receivables	Non-interest bearing	n/a	537,434
			£ 45,882,364
Financial liabilities:			
Trade and other payables	Non-interest bearing	n/a	121,835
Retention of performance fees	Floating	0.19%	190,033
			£ 311,868

NOTES TO THE FINANCIAL STATEMENTS

Interest Rate Profile: **2011**

	Interest charging basis	Effective interest rate	Amount
Financial assets:			
Cash and cash equivalents	Fixed	0.61%	33,801,516
Financial assets at fair value though profit or loss:			
Unquoted securities	Fixed	8.00%	3,123,420
Unquoted securities	Fixed	12.00%	2,295,333
Quoted equities	Non-interest bearing	n/a	2,525,070
Unquoted equities	Non-interest bearing	n/a	16,075,423
Unquoted equities	Fixed	8.16%	151,148
Derivatives at fair value through profit or loss	Non-interest bearing	n/a	208,362
Loan receivable	Fixed	8.00%	193,000
Loan receivable	Non-interest bearing	n/a	552,388
Trade and other receivables	Non-interest bearing	n/a	236,298
			£ 59,161,958
Financial liabilities:			
Trade and other payables	Non-interest bearing	n/a	130,630
Retention of performance fees	Floating	0.66%	187,384
			£ 318,014

Interest rate sensitivity
IFRS 7 Financial Instruments: Disclosures ("IFRS 7") requires a sensitivity analysis for each type of risk to which the entity is exposed at the balance sheet date, showing how the profit or loss and equity would have been affected by changes in the relevant risk variable that are reasonably possible.

As disclosed above, the majority of the Company's financial assets and financial liabilities are non-interest bearing or fixed rate. During the year, the Company's interest income from fixed deposits was £224,387 (2011: £205,354) of which £39,668 (2011: £60,550) is outstanding at the end of the year. Had interest rates been 50 basis points higher throughout the year the Company would have decreased its loss by £76,089 (2011: increase profit of 169,008), with a corresponding increase had interest rates been 50 basis points lower (2011: decrease in profit of £169,008).

Currency Risk
The Company may invest in financial instruments and enter into transactions that are denominated in currencies other than its functional currency, sterling. Consequently the Company is exposed to risk that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets and liabilities denominated in currencies other than sterling.

The Company's policy is to accept a limited amount of currency risk within the portfolio. It does not hedge either the fair value of its foreign currency investments nor the cashflows, if any, arising from such investments. Any gain or loss, recognised as a result of the Company's investment and valuation policies is recognised in the statement of comprehensive income. When the Company has entered into a definitive contract to purchase or sell securities denominated in foreign currency it purchases forward contracts; any ineffectiveness in this hedging would also be recognised in the statement of comprehensive income. The Company's overall currency risk and exposure is monitored on a quarterly basis by the Board of Directors. The Directors intend to keep this policy under quarterly review as the portfolio becomes more fully invested. The Directors further consider that investment in currencies is a separate asset class and not as such part of the normal trading business of the Company.

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2012

16. FINANCIAL RISK MANAGEMENT *continued*

As at the balance sheet date the Company had the following currency risk exposure:

	2012	2011
Financial assets at fair value through profit or loss		
Unquoted equities and securities denominated in EUR	6,654,932	5,531,554
Quoted equities denominated in AUD	302,439	571,220
	£ 6,957,371	£ 6,102,774
Cash and cash equivalents		
Cash and cash equivalents denominated in EUR	17,928	10,982,676
Cash and cash equivalents denominated in AUD	1	1
	£ 17,929	£ 10,982,677
Trade and other receivables:		
Trade receivables denominated in EUR	£ 113,807	£ -
Trade and other payables:		
Trade payables denominated in EUR	3,259	521
Trade payables denominated in USD	-	37,411
	£ 3,259	£ 37,932

Currency sensitivity

As at 30th June 2012 if GBP had strengthened against the EUR by 5%, with all other variables held constant, the loss for the year as per the statement of comprehensive income would have increased and the net assets of the Company would have decreased by £323,033 (2011: decrease in income and decrease in net assets of £786,367). A 5% weakening of GBP against the EUR would have resulted in a decrease in the loss for the year as per the statement of comprehensive income and an increase in net assets of the Company of £357,036 (2011: increase in income and increase in net assets of £869,143), with all other variables held constant.

As at 30th June 2012 if GBP had strengthened against the AUD by 5%, with all other variables held constant, the loss for the year as per the statement of comprehensive income would have increased and the net assets of the Company would have decreased by £14,402 (2011: decrease in income and decrease in net assets of £27,201). A 5% weakening of GBP against the AUD would have resulted in a decrease in the loss for the year as per the statement of comprehensive income and an increase in the net assets of the Company of £15,918 (2011: increase in income and increase in net assets of £30,064), with all other variables held constant.

The movement in foreign exchange, excluding foreign exchange movements on financial assets at fair value through profit or loss which are reflected in the statement of comprehensive income as part of losses or gains on financial assets at fair value through profit or loss, for the year ended 30th June 2012 was a loss of £747,122 (2011: gain of £546,939). This movement has been largely caused by the variance in the EUR:GBP exchange rate during the year on deposits held in EUR. The EUR:GBP exchange rate moved from 1.1073 as at 1st July 2011 to 1.236 as at 30th June 2012.

Other price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those arising due to currency risk or interest rate risk) whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As the majority of the Company's financial instruments are held at fair value with changes in fair value being recognised in the statement of comprehensive income, all changes in market conditions will directly affect the profit for the period and the Company's net assets. Price risk is monitored and reviewed by the Directors on a quarterly basis, at any valuation event and at each investment committee meeting, whichever is the more frequent.

Risk is mitigated in a thematic portfolio diversified by securities, assets, geography and industrial sector. No single investment can account for more than 15% of ungeared NAV at the time of investment. No single investment held for short term trading can be more than £750,000. The following table breaks down the investment assets held by the Company:

Financial assets at fair value through profit or loss	2012 percentage of net assets	2011 percentage of net assets
Equity investments:		
Quoted	5.04%	4.29%
Unquoted	39.38%	27.58%
Debt investments:		
Unquoted	19.61%	9.21%

Market price risk sensitivity

6.83% of the Company's investment assets are listed on European stock exchanges (2011: 8.08%). 1.04% of the Company's investments are listed on the Australian stock exchange (2011: 2.36%). A 10% increase in stock prices as at 30th June 2012 would have decreased the loss for the year and would have increased the net assets of the Company by £229,594 (2011: increased the profit and increase the net assets by £252,507). An equal change in the opposite direction would increase the loss and decrease the net assets of the Company by an equal but opposite amount.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The carrying amount of financial assets best represents the maximum exposure at the balance sheet date. At the reporting date the Company's financial assets exposed to credit risk amounted to the following:

	2012	2011
Preference share holdings	301,677	3,163,179
Unquoted securities	8,936,718	5,418,753
Loans receivable	804,357	745,388
Trade and other receivables	537,434	236,298
Cash and cash equivalents	15,217,724	33,801,516
Total financial assets exposed to credit risk	£ 25,797,910	£ 43,365,134

The Company and its Adviser seek to mitigate credit risk by actively monitoring the underlying credit quality of the Company's investment holdings. As noted above, monitoring of the portfolio is carried out on a quarterly basis by the Adviser who will review the investments against milestones of technology developments, commercial progress, financial and trading results including management accounts, management assessment, market intelligence and anticipated planning and exit. Any indications of credit risk will be reported to the Board who will also review the portfolio and the related credit risk at least on a quarterly basis. The Company holds no hedges or insurance against counterparty risk. The Directors believe that the purchase of credit insurance would expose the Company to an unapproved asset class of derivatives.

The Company holds fixed term deposits of varying maturities with a number of banks each with a minimum long term credit rating from Standard and Poors, Moody's, or Fitch of AA- through a pooled account. This service is entitled "Cash2". All transactions are in the name of State Street (Jersey) Limited Client Nominee, operated by State Street (Jersey) Limited. The Company is the beneficial owner of these deposits. There is no additional payment, liquidity, or settlement risk associated with the pooling.

The Company analyses the credit concentration based on the counterparty, industry and geographical location of the financial assets that the Company holds. The Company's financial assets exposed to credit risk were concentrated in the following industries:

	2012	2011
Cleantech industries	41.01%	22.05%
Banks/financial services	58.99%	77.95%

All of the Company's financial assets exposed to credit risk which were held at the balance sheet date are European.

FOR THE YEAR ENDED 30TH JUNE 2012

16. FINANCIAL RISK MANAGEMENT ***continued***

Concentration Risk

The Company may be exposed at any given time to a degree of concentration risk. To the extent that the Company's investments are concentrated in any one sub-sector of the cleantech sector, country or asset class downturns affecting the source of concentration may result in total or partial loss on such investments, which will reduce the Company's net asset value. The Directors consider the sector a diversified asset class and that effective hedging could be achieved by replication in purchasing differentiated securities but that the cost of these transactions would negate the value of the protection. The Company's investments are concentrated as follows:

	2012	2011
Investment in cleantech industries	100.00%	100.00%
Geographical area – Holland	10.03%	10.42%
Geographical area – France	5.32%	12.46%
Geographical area - UK	76.14%	74.75%
Geographical area - Australia	1.04%	2.37%
Geographical area - Germany	7.47%	-

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company may face liquidity risks. Most of the investments in which the Company invests are relatively illiquid i.e. private companies which require a long-term capital commitment. A substantial amount of the Company's funds are concentrated in a limited number of investments subject to legal and other restrictions on resale, transfer, pledge or other disposition or that are less liquid than publicly traded securities. The illiquidity of these investments may make it difficult to sell investments if the need arises or the Investment Adviser determines that such a sale would be in the Company's interests.

The Directors monitor liquidity risk at least quarterly and perform going concern tests before the semi-annual publication of the financial statements. As an operating practice the Company is expected to hold at least sufficient working capital for a year's continuous operation on a rolling basis. The Company also holds sums equivalent to three months' forward operating expenses in call accounts. The Directors review this policy regularly. The Company also has permission to borrow sums equivalent to 25% of NAV in accordance with the terms of its Articles of Association.

Maturity profile

The tables below show the maturity of the current borrowings under the facilities, rather than the maturity over the whole life of the facilities and the expected maturity of the securities, rather than the legal maturity date.

	2012		2011	
	Within one year	One to five years	Within one year	One to five years
	£	£	£	£
Financial assets:				
Cash and cash equivalents	15,217,724	-	33,801,516	-
Financial assets at fair value through profit or loss	-	29,179,682	-	24,170,394
Derivatives at fair value through profit or loss	143,167	-	208,362	-
Loans receivable	804,357	-	745,388	-
Trade and other receivables	537,434	-	236,298	-
	16,702,682	29,179,682	34,991,564	24,170,394
Financial liabilities:				
Trade and other payables	121,835	-	130,630	-
Retention of performance fee	-	190,033	-	187,384
	121,835	190,033	130,630	187,384

Financial instruments by category

Category in accordance with IAS 39	Carrying amount £	Amortised Cost £	Fair value recognised in profit or loss £	Fair value £
	Amounts recognised in balance sheet according to IAS 39			
At 30th June 2012:				
Loans and receivables	16,559,515	16,559,515	-	16,559,515
Fair value through profit or loss	29,322,849	-	29,322,849	29,322,849
Other liabilities	311,868	311,868	-	311,868
At 30th June 2011:				
Loans and receivables	34,783,202	34,783,202	-	34,783,202
Fair value through profit or loss	24,378,756	-	24,378,756	24,378,756
Other liabilities	318,014	318,014	-	318,014

Disclosure of material income, expenses, gains and losses resulting from financial assets and financial liabilities:

	Loans and receivables £	Fair value through profit or loss £	Financial liabilities at amortised cost £
30th June 2012:			
Loss on financial assets and derivatives at fair value through profit or loss	-	(3,792,672)	-
Investment income	224,387	817,721	
Foreign exchange loss	-	(747,122)	
	224,387	(3,722,073)	
30th June 2011:			
Gain on financial assets and derivatives at fair value through profit or loss	-	4,053,856	-
Interest income	205,354	908,986	-
Dividend income	-	284,482	-
Foreign exchange gain	546,939	-	-
	752,293	5,247,324	-

Capital Management

The Company is an investment company listed on AIM in London. Capital can only be increased either by the issue of new shares at net asset value or by borrowing up to the permitted limit of 25% of NAV. Capital can only be reduced by the repurchase and cancellation of shares or the payment of special dividends both of which require shareholder resolution. The Company seeks to provide long term capital return in accordance with its stated investment policy from a diversified portfolio of securities of cleantech companies. The Company does not hold or intend to hold any derivatives other than those which may be embedded in or between the assets in the portfolio.

The Company will at all times maintain sufficient liquidity to cover at least twelve months' anticipated operating expenses. The Directors will also assure themselves that the NAV of the Company is sufficient for the cost effective management of the portfolio and the Company's objectives.

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2012

17. CASH GENERATED FROM OPERATIONS

	2012	2011
Total comprehensive (loss)/ income	(5,537,728)	4,459,594
Adjustments for:		
Loss/(gain) on financial assets and derivatives at fair value through profit or loss	3,792,672	(4,053,856)
Movement on foreign exchange: cash and cash equivalents	747,122	(546,939)
Interest and dividends on investments	(817,721)	(1,193,468)
Provision against loan receivable	265,315	-
Increase in trade and other receivables	(72,283)	(47,149)
(Decrease)/increase in trade and other payables	(8,795)	86,437
Increase in retention of performance fees	2,649	1,220
CASH FLOW FROM OPERATIONS	£(1,628,769)	£(1,294,161)

NON-CASH MOVEMENTS	2012	2011
Purchase of investments:		
Conversion of Loan Notes to Preference/Ordinary Shares	-	4,500,000
	£ -	£ 4,500,000

18. RELATED PARTY DISCLOSURE

Directors' remuneration and expenses payable for the year ended 30th June 2012 are disclosed in note 4 and note 12.

The terms and conditions of any transactions with key management personnel and their related parties are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Under the Investment Advisory Agreement the Adviser is entitled to receive a management fee from the Company at a rate of 2% per annum of the Company's net asset value calculated for each three month period ending on 31st March, 30th June, 30th September and 31st December each year on the basis of the Company's net asset value at the end of the preceding period and payable quarterly in advance.

During the year the Adviser's fee was £1,047,557 (2011: £1,104,454). No accrued Adviser's fees were outstanding as at the year end (2011: £ nil). During the year the Adviser's expenses were £nil (2011: £2,162).

No placing fees were paid to LIL by the Company during the year (2011: £163,000). Such fees are charged on normal commercial terms.

Under the terms of the Investment Adviser's Agreement the Adviser is also entitled to a performance fee which is payable in arrears in respect of each annual period ending 30th June. The first calculation period began on the admission date and ended on 30th June 2008. The performance fee is dependent on the Company's performance and amounted to £ nil for the year ended 30th June 2012 (2011: £ nil). Further details are disclosed in note 3.

From time to time members of the LIL group may provide corporate financial services to the Company and investee companies. The Directors ensure that such services are pre-approved, provided on an arm's length basis and at market terms and that any possible conflicts of interest are disclosed.

In the year ended 30th June 2012, LIL provided directors fee services to certain portfolio companies and these fees were reimbursed to the Company. The total paid by portfolio companies for various corporate services to LIL for the year ended 30th June 2012 was £89,793 (2011: £408,634). Out of this sum, LIL reimbursed the Company £89,793 (2011: £149,449).

19. IMMEDIATE HOLDING COMPANY AND ULTIMATE CONTROLLING PARTY

In the opinion of the Directors there is no single ultimate controlling party since the criteria contained within the definition of "control" in IAS 24 - Related Party Disclosures are not satisfied by any one party.

20. SUBSEQUENT EVENTS

Subsequent to the year end the Directors recommended an interim dividend of 1.9 pence per share on shares in issue as at 27th July 2012.

Also, subsequent to the year end, the Company has invested a further £1.65 million into Ignis Biomass Limited and £0.24 million into unsecured loan notes of ECO Plastics Limited.

21. SHAREHOLDERS' INTERESTS

As at the Balance Sheet Date, the registered holdings of the Company of at least 3% of the total share capital as far as the Board is aware comprised:

AS AT 30TH JUNE 2012	Ordinary shares held	Percentage shareholding
Morstan Nominees Limited	8,019,271	14.25%
BNY Mellon Nominees Limited	7,568,308	13.45%
HSBC Global Custody Nominee (UK) Limited (786698)	5,839,757	10.38%
Flintshire County Council	5,791,288	10.29%
Harewood Nominees Limited	5,220,999	9.28%
Quintain Estates and Development PLC	4,000,000	7.11%
Chase Nominees Limited	3,809,939	6.77%
HSBC Global Custody Nominee (UK) Limited (771096)	3,669,094	6.52%
BNY (OCS) Nominees Limited	2,159,000	3.84%

AS AT 30TH JUNE 2011	Ordinary shares held	Percentage shareholding
Morstan Nominees Limited	8,019,271	14.25%
BNY Mellon Nominees Limited	7,568,308	13.45%
HSBC Global Custody Nominee (UK) Limited (786698)	5,839,757	10.38%
Flintshire County Council	5,791,288	10.29%
Harewood Nominees Limited	4,632,013	8.23%
Quintain Estates and Development PLC	4,000,000	7.11%
Chase Nominees Limited	3,809,939	6.77%
HSBC Global Custody Nominee (UK) Limited (771096)	3,669,094	6.52%

22. INVESTMENTS

	2012 Cost	2012 Fair value	2011 Cost	2011 Fair value
Quoted equity securities:				
Hydrodec Group plc Ordinary Shares	3,498,417	1,455,355	3,498,417	970,237
Renewable Energy Generation Ordinary shares	720,241	423,150	720,241	433,613
Phoslock Water Solutions Limited Ordinary shares	443,713	302,439	443,713	571,220
Hightex Group plc Ordinary Shares	730,000	115,000	730,000	550,000
Total quoted equities:	5,392,371	2,295,944	5,392,371	2,525,070
Unquoted equities:				
STX Services B.V. Ordinary Shares	917,068	2,925,393	692,162	2,368,375
Rapid Action Packaging Limited Ordinary Shares	5,035,903	5,129,548	4,960,838	4,812,370
Emergya Wind Technologies B.V. Preference Shares	4,471,385	-	4,471,385	151,148
New Earth Solutions Ordinary Shares	-	-	4,959,968	5,882,647
Terra Nova SAS Preference Shares	2,688,582	301,677	2,688,582	3,012,031
New Earth Recycling & Renewables (Infrastructure) plc	2,941,344	3,165,924	-	-
Lumicity Limited Class A Preference Shares	548,000	-	-	-
ECO Plastics Limited Ordinary Shares	5,000,059	4,174,198	-	-
Tamar Energy Limited Ordinary Shares	1,750,000	1,750,000	-	-
Ignis Biomas Limited Ordinary Shares	500,000	500,000	-	-
Micropelt Ordinary Shares	-	280	-	-
Total unquoted equities:	23,852,341	17,947,020	17,772,935	16,226,571
Unquoted securities:				
Hydrodec Group plc 8% Convertible Loan Notes	3,000,000	3,034,200	3,000,000	3,123,420
Rapid Action Packaging Limited 12% Convertible Loan Notes	2,474,656	2,474,656	2,295,333	2,295,333
Micropelt GmbH 12% CULS	2,188,519	2,178,508	-	-
Terra Nova SAS 6% Convertible Loan Notes	1,301,635	1,249,354	-	-
Total unquoted securities:	8,964,810	8,936,718	5,295,333	5,418,753
Total investments:	£ 38,209,522	£ 29,179,682	£ 28,460,639	£ 24,170,394

23. COMMITMENTS

As at the Balance Sheet Date, the Company had outstanding commitments of £9.65 million to make further investments into Ignis, Micropelt and Tamar Energy, of which £1.65 million has subsequently been drawn down.

Key Parties

NOMINATED ADVISER
PricewaterhouseCoopers LLP,
7 More London Riverside,
London, SE1 2RT.

REGISTRAR
Computershare Investor Services (Channel Islands) Limited,
Queensway House
Hilgrove Street, St. Helier, JE1 1ES.

BROKER
Matrix Corporate Capital LLP
One Vine Street,
London, WIJ 0AH.

BANKERS
Royal Bank of Scotland International Limited
71 Bath Street,
St. Helier,
Jersey, JE4 8PQ.

LAWYERS
Norton Rose,
3 More London Riverside,
London, SE1 2AQ.

Carey Olsen,
47 Esplanade,
St. Helier,
Jersey, JE1 0BD.

INVESTMENT ADVISER
Ludgate Investments Limited,
80 Cannon Street,
London, EC4N 6HL.

ADMINISTRATOR
State Street (Jersey) Limited,
22 Grenville Street,
St. Helier,
Jersey, JE4 8PX.

INDEPENDENT AUDITOR
BDO Limited,
Windward House,
La Route de la Liberation,
St Helier, Jersey, JE1 1BG.

Notes

Ludgate Environmental Fund Limited
22 Grenville Street
St. Helier, Jersey JE4 8PX