Ludgate Environmental Fund Limited

INTERIM REPORT AND ACCOUNTS

For the period from 1st July 2008 to 31st December 2008

Table of Contents

Chairman's Statement

I am pleased to report to our shareholders that in the period to 31 December 2008 Ludgate Environmental Fund Limited ("LEF" or the "Company"), quoted on AIM in London under the symbols LEF.L and LEFW.L for the warrants, increased its net asset value (NAV) to £51,395,149 from £35,362,006 at the end of June 2008. This represents NAV equivalent to 112 pence per share, compared with 120 pence at the end of the previous period.

LEF raised approximately £18,000,000 in new capital at the beginning of November 2008 in a placing of new shares to investors at a price equivalent to the prevailing NAV and a premium to the market price of your Company's securities. Against a background of considerable distress in banking markets, closed new issue markets and falling equity markets this was a formidable endorsement of LEF's strategy and performance to date. The share price responded positively to the placing and has continued to outperform the broader market and our peer group of investment companies and listed cleantech funds. We would hope that in due course the shares will be traded at a premium to the published NAV, better reflecting the Manager's performance and value added.

The new capital raised will permit LEF to purchase more significant and influential but typically minority positions in its underlying investments together with some prudent diversification of the portfolio within our committed Environmental/Cleantech sector. We believe that to continue to realise our primary investment objectives of creating significant, distributable returns for our shareholders over the anticipated life of the closed end company, our business model of active shareholder participation is robust. The markets for IPOs, private equity and trade sales are, for differing reasons, likely to be muted for more than a year. LEF will therefore continue to seek board seats and purchase securities across the capital structure of our investee companies to protect and develop our shareholders' expected returns.

With due regard to the intensity of the economic problems in the term and trade finance banking markets, the liquidity positions of investee companies have been carefully reviewed both in due diligence and as a continuing matter of shareholder monitoring. This vigilance has also been applied to LEF itself and to the positions of fellow shareholders in our underlying assets where this might adversely affect the commercial performance and value of an investee company. We think that the Manager's increased attention to the governance and capital structure of specific investments within the sub sectors or clusters of LEF's holdings together with the Company's increased capital base provide strong support for the execution of your Company's strategy in changed and complex markets.

The Directors have reviewed the portfolio and the Manager's performance and pipeline at regular board meetings and also at the consideration of each investment proposal to ensure consistency with strategy and stated objectives as well as to consider and approve measures to mitigate new or unexpected risk. All board meetings have been attended by all directors or their alternates and all decisions have been unanimous. Particular attention has been given to treasury policies and directly to the cash deposits held by LEF. We believe that these are sufficiently diversified between creditworthy prime banks and tenor to provide LEF with sufficient liquidity for operations, continuing obligations, follow on investments and the exploitation of the expected schedule of new opportunities. In assessing risk and return the Fund has not had to relax any investment standard nor provide contingency funding to investee companies.

Chairman's Statement (CONTINUED)

The valuation principles remain as outlined in my previous report to shareholders. I believe that it is important to note that a number of our portfolio companies have had external financial transactions in the period and several are quoted; this underscores our confidence in the statement of NAV as an indication of the stand alone value of the investments made. We therefore consider the Fund to be appropriately managed.

In the period your Company has made the following investments :

- Hydrodec Group plc (specialist oils recycling): an additional investment of £0.75 million as part of a £2 million fundraising achieved through the placing of 8,000,000 new ordinary shares at 25 pence per share.
- Emergya Wind Technologies B.V. (wind turbine manufacturing): a follow on investment of €1 million as part of a €31 million private placement of preference shares into the company;
- agri.capital (specialist developer, owner and operator of biogas plants in Germany): an investment of €3 million by way of 8% preferred stock with detachable warrants as part of a €10 million funding round;
- Phoslock Water Solutions Ltd (water treatment technology): an investment of A$0.55 million through the subscription of 5,000,000 ordinary shares with attached options as part of a A$1.7 million placing of new shares in the company at A$0.11 per share;
- Azure Dynamics plc (hybrid vehicles): an investment of £0.15 million in ordinary shares; and
- Renewable Energy Generation (wind energy generation): an investment of £0.46 million in ordinary shares

These last three investments result from a decision by your Board to allow up to £5 million in total and £0.75 million per investee company to be invested in small quoted companies which may develop into larger positions where the Fund's Advisor becomes more actively involved or which may be traded in the shorter term.

In December 2008 your Board reviewed the performance and strategy of the Company and concluded that its investment outlook is positive. The Environmental/Cleantech sector is likely to be a significant beneficiary of fiscal and governmental support in Europe and the USA in policies for economic recovery and growth. The social and political commitment to our investment themes remain strong. The commercial value of the sector is also increasing above national growth rates even in recession. Energy security at a national level is persistently important and an investment stimulus. Specifically, we think that the clusters of your Company's investments in companies in the sub sectors of recycled hydrocarbons, biogas, carbon trading, environmentally enhancing packaging, wind technology and large scale water purification position your Company well and knowledgeably for growth in 2009.

Your board considers that the Manager and its Advisor have continued to perform creditably in realising your Company's strategy during the period.

Report of the Directors

The Directors present their report and the unaudited interim financial statements for the period 1st July 2008 to 31st December 2008.

INCORPORATION

The Company was incorporated in Jersey, Channel Islands on 7th June 2007.

ACTIVITIES

The Company is a closed-ended investment company investing in the Environmental/ Cleantech Sector including energy efficient and alternative energy sources, waste treatment and management, waste management and recycling, industrial process advances and emission reduction technologies.

RESULTS AND DIVIDENDS

The net loss for the period amounted to £1,966,853 (profit for the period from 7th June 2007 to 30th June 2008 amounted to £5,632,575).

The Directors do not recommend the payment of a dividend for the period.

GOING CONCERN

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

DIRECTORS

The directors who held office during the period were:-

J. Shakeshaft
M. Christensen
H. Grant
D. Maccabe

COMPANY SECRETARY

The Company Secretary is Mourant & Co. Secretaries Limited of 22 Grenville Street, St. Helier, Jersey, JE4 8PX.

INDEPENDENT AUDITORS

BDO Alto Limited have expressed their willingness to continue in office. These interim financial statements were read by BDO Alto Limited for omissions and errors but no review of the numbers was performed.

NOMINATED ADVISOR

The Company's Nominated Advisor is PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH, who have expressed their willingness to continue in office.

Report of the Directors (CONTINUED)

REGISTRAR

Computershare Investor Services (Channel Islands) Limited, Ordnance House, 31 Pier Road, St. Helier, JE4 8PW.

BROKER

Fairfax I.S. PLC, 46 Berkeley Square, Mayfair, London, WIJ 5AT.

BANKERS

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

LEGAL ADVISORS

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

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

INVESTMENT MANAGER

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

INVESTMENT ADVISOR

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

REGISTERED OFFICE

22 Grenville Street
St. Helier
Jersey
JE4 8PX

BY ORDER OF THE BOARD

Helen Grant
Authorised Signatory
Mourant & Co. Secretaries Limited
Secretary

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards.

Jersey company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance 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.

Balance Sheet
As at 31st December 2008

	Notes		Unaudited interim financial statements 31st Dec 08		Audited annual financial statements 30th Jun 08		Unaudited interim financial statements 31st Dec 07
ASSETS							
Non-current assets							
Financial assets at fair value through profit or loss	7		20,092,049		18,003,084		6,109,463
			20,092,049		18,003,084		6,109,463
Current Assets							
Loan receivable	9		-		399,361		
Trade and other receivables	10		411,948		483,483		441,167
Cash and cash equivalents	8		31,124,532		17,468,862		20,800,237
			31,536,480		18,351,706		21,241,404
TOTAL ASSETS		£	51,628,529	£	36,354,790	£	27,350,867
EQUITY AND LIABILITIES							
Capital and reserves							
Stated capital	13		47,729,427		29,729,431		26,735,101
Warrants	13		-		-		-
Retained earnings	14		3,665,722		5,632,575		588,645
TOTAL SHAREHOLDERS' EQUITY		£	51,395,149	£	35,362,006	£	27,323,746
LIABILITIES							
Non-current liabilities							
Retention of performance fees	12		183,397		-		-
Current liabilities							
Trade and other payables	11		49,983		992,784		26,188
Overdraft			-		-		933
			49,983		992,784		27,121
TOTAL EQUITY AND LIABILITIES		£	51,628,529	£	36,354,790	£	27,350,867
			£		£		£
Net asset value per ordinary share outstanding			1.1181		1.2024		1.0220

These interim financial statements on pages 6 to 29 were approved and authorised for issue by the Board of Directors on the 22nd day of January 2009 and were signed on its behalf by:

Director:

J. C. Shakeshaft

John Shakeshaft

(The notes on pages 10 to 34 form part of these financial statements)

Income Statement

For the period 1st July 2008 to 31st December 2008

	Notes	Unaudited interim financial statements 1st Jul 08 to 31st Dec 08	Audited annual financial statements 7th June 07 to 30th Jun 08	Unaudited interim financial statements 7th Jun 07 to 31st Dec 08
INCOME:				
Deposit interest income		511,171	1,194,199	600,628
Interest income on investments		300,633	230,960	34,676
Loan facility interest		-	2,704	-
Commitment fees		3,797	541	-
Unrealised gain on financial assets at fair value through profit or loss	7	-	6,718,978	1,033,691
Other income		483	2,417	1,194
Movement on foreign exchange	15	937,930	4,476	4,595
		1,754,014	8,154,275	1,674,784
EXPENDITURE:				
Legal fees		2,230	81,026	33,951
Professional fees		113,936	299,803	173,609
Ludgate Investments Limited	17	343,296	-	-
Investment management fees	17	349,484	527,799	215,019
Performance fees	3	-	916,988	-
Administration & accountancy fees		32,106	52,864	36,011
Fee paid on behalf of a third party		-	9,750	-
Directors' fees and expenses	4	29,960	43,560	28,581
Audit fees		1,000	6,500	7,500
Issue costs		-	581,187	581,187
Miscellaneous fees		1,368	2,223	10,281
Unrealised loss on financial assets at fair value through	7	2,847,487	-	-
		3,720,867	2,521,700	1,086,139
(LOSS)/PROFIT FOR THE PERIOD		£ (1,966,853)	£ 5,632,575	£ 588,645
(Loss)/Earnings per ordinary share	6	£ (0.0578)	£ 0.2369	£ 0.0302
Weighted average ordinary shares outstanding	6	33,998,002	23,772,934	19,502,417

(The notes on pages 10 to 34 form part of these financial statements)

Statement of Changes in Shareholders' Equity

For the period 1st July 2008 to 31st December 2008

	Stated capital account	Warrants	Retained earnings	Total
Opening balance as at 1st July 2008	29,729,431	-	5,632,575	35,362,006
Issue of ordinary shares	17,999,996	-	-	17,999,996
Net loss for the period	-	-	(1,966,853)	(1,966,853)
Balance as at 31st December 2008	£ 47,729,427	£ -	£ 3,665,722	£ 51,395,149
Opening balance as at 7th June 2007	-	-	-	-
Issue of ordinary shares on incorporation	2	-	-	2
Issue of ordinary shares on IPO	26,735,099	-	-	26,735,099
Subsequent issue of ordinary shares	2,994,330	-	-	2,994,330
Net profit for the period	-	-	5,632,575	5,632,575
Balance at 30th June 2008	£ 29,729,431	£ -	£ 5,632,575	£ 35,362,006

(The notes on pages 10 to 34 form part of these financial statements)

Cash Flow Statement

For the period 1st July 2008 to 31st December 2008

	Notes	Unaudited interim financial statements 1st Jul 08 to 31st Dec 08	Audited annual financial statements 7th June 07 to 30th Jun 08	Unaudited interim financial statements 7th Jun 07 to 31st Dec 08
Cash flows from operating activities	16	(86,835)	(609,129)	(894,701)
Cash flows from investing activities				
Purchase of investments		(4,936,452)	(11,284,106)	(5,075,772)
Interest and dividends received		279,600	32,027	34,676
Loan finance repaid/(provided)		399,361	(399,361)	-
Net cash used in investing activities		(4,257,491)	(11,651,440)	(5,041,096)
Cash flows from financing activities				
Proceeds from issue of ordinary shares during the period		17,999,996	29,729,431	26,735,101
Net cash generated from financing activities		17,999,996	29,729,431	26,735,101
Net increase in cash and cash equivalents		13,655,670	17,468,862	20,799,304
Cash and cash equivalents at beginning of the period		17,468,862	-	-
Cash and cash equivalents at end of the period	8	£ 31,124,532	£ 17,468,862	£ 20,799,304

(The notes on pages 10 to 34 form part of these financial statements)

Notes to the Interim Financial Statements

For the period 1st July 2008 to 31st December 2008

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's IPO closed on 2nd August 2007 and its shares are listed on the Alternative Investment Market ("AIM"). The registered office of the Company is 22 Grenville Street, St Helier, Jersey, JE4 8PX.

The principal activities of the Company include building a diversified portfolio of investment holdings in Environmental and Cleantech companies. The Company's investment objective is to generate a significant level of capital growth in the medium to long term. The Company seeks to fulfil its investment objectives through the Investment Manager and its advisor, Ludgate Investments Limited (the "Investment Advisor") to identify, invest and build successful businesses within the Environmental/Cleantech sector. The Company thereby seeks to maximise returns and reduce investment risk through an active investment approach and an ability to provide important value-added services to portfolio companies throughout the life of each investment.

The principal accounting policies adopted in the preparation of these interim financial statements are set out below.

2. Accounting Policies

a) Basis of preparation

These interim financial statements should be read in conjunction with the annual financial statements for the period ended 30th June 2008, which have been prepared in accordance with International Financial Reporting Standards published by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee.

Applicable new standards and interpretations not yet effective

In November 2006, the IASB issued IFRS 8, "Operating Segments" which is effective for annual periods beginning on or after 1 January 2009. The standard requires segmental disclosure based on the components of the entity that management monitors in making decisions about operating matters. This "management approach" differs from IAS 14, which currently requires the disclosure of two sets of segments, business and geographical segments, based on a desegregation of information contained in the financial statements. Under IFRS 8 operating segments become reportable based on threshold tests related to revenues, results and assets. The Company will apply IFRS 8 for its accounting period commencing 1 July 2009.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

2. Accounting Policies (CONTINUED)

b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for the following:

Financial instruments designated at fair value through profit or loss are measured at fair value and changes therein are recognised in the income statement. 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 Section O of Note 2 '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 recognized 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 income statement. 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 income statement.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

2. Accounting Policies (CONTINUED)

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.

Regular way 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, loans receivable, trade and other receivables, cash and cash equivalents and trade and other payables.

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

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.

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. Upon initial recognition attributable transaction costs are recognised in the income statement when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

Other financial instruments

Other financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

Ordinary shares

Ordinary shares are neither redeemable nor convertible and are classified as equity.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

2. Accounting Policies (CONTINUED)

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 financial assets at fair value through profit or loss), interest income, loan interest income and changes in the fair value of financial assets at fair value through profit or loss. Interest income and loan interest income are recognised as they accrue in the income statement, using the effective interest rate method. Dividend income is recognised in the income statement 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, unwinding of discounts on provisions and changes in the fair value of financial assets held at fair value through profit or loss.

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

j) Earnings per share

The Company presents basic earnings per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. For further details please see Note 6.

k) Transaction costs

Expenses incurred by the Company that are directly attributable to the offering of new shares have been expensed to the income statement.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

2. Accounting Policies (CONTINUED)

l) Taxation

The Company has exempt status for Jersey taxation purposes for the year of assessment 2008. Effective 1 January 2009, Jersey's tax regime will change. The new regime will impose a general corporate income tax rate of 0%, a 10% rate will apply to certain regulated financial services companies and a 20% rate will apply to utilities and income from Jersey land (ie rents and development profits).

Since the company is not a regulated financial service entity, the effect of the new tax regime is limited to the change of status from exempt to liable to Jersey income tax at a rate of 0%.

In accordance with the investment objective of achieving substantial capital growth over the medium term the directors have not applied for distributor status for the Company. This may in certain circumstances lead to non-exempt UK taxpayers incurring an income tax liability on recognised but unrealised capital gains retained within the Company.

m) Dividends payable

Dividends payable, if any, on ordinary shares would be recognised in the 'Statement of Changes in Shareholders' Equity'.

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 of the British Venture Capital Association as amended from time to time.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

2. Accounting Policies (CONTINUED)

o) Determination of fair values (continued)

The fair values of quoted equities are based on quoted closing prices (Hydrodec Group plc Ordinary shares, Renewable Energy Generation Ordinary Shares, Phoslock Water Solutions Limited Ordinary Shares and Azure Dynamics plc Ordinary Shares). Unquoted equities and unquoted securities are valued at cost where the investment is purchased within twelve months of the period end (Rapid Action Packaging Limited and Emergya Wind Technologies B.V.) or at prices used for subsequent arms length purchases of the same investments (STX Services B.V. and Agri Capital Limited). The Hydrodec Group plc Convertible Bonds have been valued using the quoted share price for the Ordinary shares as the Directors consider this to be the best estimate of the fair value.

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.

3. Performance Fees Retained and Payable

	1st Jul 08 to 31st Dec 08	7th June 07 to 30th Jun 08
Performance fees payable	£ -	£ 916,988

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

- 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

- 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 Manager 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 times-weighted average number of shares in issue since the end of the last performance period for which a performance fee was earned.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

3. Performance Fees Retained and Payable (CONTINUED)

20% of performance fees earned by the Manager shall be retained and deposited in a Reserve Account. 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 Management Agreement.

From time to time members of the Ludgate group may provide corporate financial services to the Company. The directors ensure that such services are pre-approved, provided on an arms length basis and market terms and that any possible conflicts of interest are disclosed.

4. Directors' Remuneration and Interests

		1st Jul 08 to 31st Dec 08		7th June 07 to 30th Jun 08
Directors fees'		28,048		40,829
Directors' expenses		1,912		2,731
	£	29,960	£	43,560

As at the balance sheet date, the following ordinary shares and warrants of the Company were held by the Directors:

	Ordinary Shares	Warrants
J. Shakeshaft	50,000	12,500
M. Christensen	10,000	2,500

5. Dividends

The Directors have not recommended a dividend for the period ended 31st December 2008 (Period ended 30th June 2008: £nil).

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

6. Earnings Per Share

	31st Dec 08 £	30th Jun 08 £
The calculation of the basic earnings per share is based on the following information:		
Earnings for the purposes of basic earnings per share being net (loss)/profit attributable to equity holders	(1,966,853)	5,632,575
	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	33,998,002	23,772,934

7. Financial Assets at Fair Value Through Profit or Loss

As noted above the Company has designated its investment holdings in Environmental/ 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 income statement.

Investments		31st Dec 08		30th Jun 08
Opening cost of investments		11,284,106		-
Purchases during the period		4,936,452		11,284,106
Closing cost of investments	£	16,220,558	£	11,284,106
Opening fair value of investments		18,003,084		-
Purchases during the period		4,936,452		11,284,106
Fair value movement		(2,847,487)		6,718,978
Closing fair value of investments	£	20,092,049	£	18,003,084

Further details of the investments held can be found in Note 20 to these financial statements.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

7. Financial Assets at Fair Value Through Profit or Loss (CONTINUED)

The following table shows an analysis of financial assets recorded at fair value, between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market, and those where the valuation techniques involve the use of non-market observable inputs.

	Quoted market Price (£)	Valuation technique - market observable inputs (£)	Valuation technique – non-market observable inputs (£)	Total (£)
31st December 2008:				
Financial assets	3,065,963	4,263,158	12,762,928	20,092,049
30th June 2008:				
Financial assets	3,422,369	8,052,632	6,528,083	18,003,084

8. Cash and Cash Equivalents

	31st Dec 08	30th Jun 08
Cash at bank:		
Royal Bank of Scotland International - current account GBP	560,846	465,325
Royal Bank of Scotland International - current account EUR	77,722	4,128
Royal Bank of Scotland International - current account AUD	1,438	-
Royal Bank of Scotland International - escrow account GBP	9,271	401
Royal Bank of Scotland International - escrow account EUR	2,745	-
Mourant & Co Limited - client account	2	2
Cash held on fixed term deposit:		
Fixed term deposits held with Bank of Scotland	7,871,299	13,988,928
Fixed term deposits held with Barclays	5,922,120	-
Fixed term deposits held with HSBC	6,061,768	-
Fixed term deposits held with UBS	7,579,006	-
Fixed term deposits held with ABN AMRO	3,038,315	-
Fixed escrow account held with Royal Bank of Scotland International	-	3,010,078
	£ 31,124,532	£ 17,468,862

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. The Board of Directors and Management 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.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

9. Loan Receivable

		31st Dec 08		30th Jun 08
Loan receivable - STX Services B.V.	£	-	£	399,361

The Company entered into a Loan Facility Agreement dated 5th June 2008 with STX Services B.V. The loan was unsecured, bore interest at 10% per annum, payable quarterly on the last business day of March, June, September and December and was repayable on the Facility End Date of 31st October 2008. A commitment fee was payable to the Company at a rate of 2% per annum on the loan facility amount. The facility was in the principal sum of €500,000.

The loan was repaid to the Company on 6th October 2008.

10. Trade and Other Receivables

		31st Dec 08		30th Jun 08
Fixed deposit interest receivable		177,564		216,243
Investment income receivable		219,966		198,933
Loan facility interest receivable		-		2,703
Loan commitment fees receivable		3,797		541
Reimbursement of legal fees receivable		-		59,000
Prepayments and other receivables		10,621		6,063
	£	411,948	£	483,483

11. Trade and Other Payables

		31st Dec 08		30th Jun 08
Directors' fees and expenses payable		8,272		177
Professional fees payable		24,207		5,538
Performance fees payable		-		916,988
Pinsent Manson legal fees payable		-		59,000
Audit fees payable		1,000		4,000
Mourant & Co. fees payable		16,504		1,667
Ludgate Investments Limited management fees payable		-		5,414
	£	49,983	£	992,784

The following expenses are payable on presentation of invoice: Directors' expenses, Professional fees, Pinsent Mason's legal fees, Mourant & Co fees and Audit fees.

The following expense is payable within 30 days of presentation of invoice: Ludgate Investments Limited management fees.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

12. Performance Fee Retention

		31st Dec 08		30th Jun 08
Retention of performance fees	£	183,397	£	-

For further details please refer to Note 3.

13. Stated Capital Account

	31st Dec 08	30th Jun 08
AUTHORISED:		
Ordinary shares of no par value each	Unlimited	Unlimited

ISSUED DURING THE PERIOD:

	No. of ordinary shares	No. of investor warrants	No. of management warrants
Opening balance at 1st July 2008	29,408,610	6,683,775	1,285,250
Issued during the period	16,557,807	-	-
Balance at 31st December 2008	45,966,417	6,683,775	1,285,250
Opening balance at 7th June 2007	-	-	-
Issued on incorporation	2	-	-
Issued during the period	29,408,608	6,683,775	1,285,250
Balance at 30th June 2008	29,408,610	6,683,775	1,285,250

Two Founder Shares of £1.00 each were issued on incorporation. The initial public offering of Ordinary Shares on 2nd August 2007 was priced at £1.00 per share. Subscribers for the shares received one investor warrant for every four ordinary shares subscribed. Each investor warrant entitles the holder to subscribe for additional 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. No warrants were attached to these shares. The Ordinary Shares and warrants are listed and traded on AIM.

Ludgate Fund Management (Environmental) (Jersey) Limited (the "Manager") received 1,285,250 unlisted Manager Warrants entitling the Manager to subscribe for additional shares in the Company at a subscription price of £1.75 until the subscription date of 31st October 2012.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

13. Stated Capital Account (CONTINUED)

The Ordinary Shares and founder 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 and Founder Shares have the same voting rights.

		31st Dec 08 Stated capital £		30th Jun 08 Stated capital £
Opening balance		29,729,431		-
Issued on incorporation		-		2
Issued during the period		17,999,996		29,729,429
Closing balance	£	47,729,427	£	29,729,431

WARRANTS:

		31st Dec 08	30th Jun 08
Investor Warrants			
Issue of warrants at IPO (1:4 exercisable for ordinary shares)	Number	6,683,775	6,683,775
Value of warrants at IPO	GBP	-	-
Exercise price		£1.50	£1.50
Management Warrants:			
Issue of Manager Warrants at IPO	Number	1,285,250	1,285,250
Value of warrants at IPO	GBP	-	-
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 Management 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.

The subscription right of all warrants may only be exercisable during the 28 days following the date of publication of the Company's annual audited accounts for any of the financial periods/years ended June 2008 to 2011 inclusive and/or during the 28 days prior to the Final Subscription Date of 31st October 2012.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

14. Reserves

		31st Dec 08 Retained Earnings		30th Jun 08 Retained Earnings
Opening balance		5,632,575		-
Issued on incorporation		(1,966,853)		5,632,575
Closing balance	£	3,665,722	£	5,632,575

15. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management 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. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities.

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

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 Manager 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 Environmental/Cleantech companies. The Company's market risk is managed by the Manager in accordance with the policies and procedures in place.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

15. Financial Risk Management (CONTINUED)

Market Risk (CONTINUED)

The Company seeks to achieve its investment objective and minimise investment risk through the identification of appropriate technologies and companies within the Environmental/Cleantech sector using a vigorous 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.

A pre-screening of potential investments is carried out to ensure that investments comply with the investment criteria, as defined in the Admission Document. 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 Manager.

Monitoring of the portfolio is carried out on a monthly basis by the Investment Advisor 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. 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 on a quarterly basis by the Board of Directors. Details of the Company's investment portfolio composition as at the balance sheet date are disclosed in Note 20 to these interim 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 also can 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 (CONTINUED)

For the period 1st July 2008 to 31st December 2008

15. Financial Risk Management (CONTINUED)

Interest Rate Profile:	**31st December 2008**			
	Interest charging basis	**Effective interest rate**		**Amount**
Financial Assets:				
Cash and cash equivalents	Floating	3.28%		31,124,532
Financial assets at fair value through profit or loss:				
Unquoted securities	Fixed	8.00%		7,347,582
Quoted equities	Non-interest bearing	n/a		3,065,963
Unquoted equities	Non-interest bearing	n/a		9,678,504
Trade and other receivables	Non-interest bearing	n/a		411,948
			£	51,628,529
Financial liabilities:				
Trade and other payables	Non-interest bearing	n/a		49,983
Retention of performance fees	Floating	3.28%		183,397
			£	233,380

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

15. Financial Risk Management (CONTINUED)

Interest Rate Profile:	**30th June 2008**			
	Interest charging basis	**Effective interest rate**		**Amount**
Financial assets:				
Cash and cash equivalents	Floating	6.31%		17,468,862
Financial assets at fair value through profit or loss:				
Unquoted securities	Fixed	8.00%		12,882,297
Quoted equities	Non-interest bearing	n/a		3,422,369
Unquoted equities	Non-interest bearing	n/a		1,698,418
Loan receivable	Fixed	10.00%		399,361
Trade and other receivables	Non-interest bearing	n/a		483,483
			£	36,354,790
Financial liabilities:				
Trade and other payables	Non-interest bearing	n/a		992,784
			£	992,784

Interest rate sensitivity

IFRS 7 Financial Instruments: Disclosures ("IFRS 7) requires a sensitivity analysis for each type of market 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 period, the Company received £511,171 in interest income from fixed deposits which accrue and pay floating rate interest (Period ended 30th June 2008: £1,194,199). Had interest rates been 50 basis points higher throughout the period the Company would have decreased its loss by £77,083, with a corresponding extra loss being recognised had interest rates been 50 basis points lower (Period ended 30th June 2008: £104,964).

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

15. Financial Risk Management (CONTINUED)

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 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 income statement. 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 income statement. 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 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.

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

		31st Dec 08		30th Jun 08
Investments:				
Unquoted securities denominated in Euro		584,424		1,854,405
Unquoted equities denominated in Euro		7,934,511		-
Quoted equities denominated in AUD		190,896		-
	£	8,709,831		1,854,405
Loan receivable:				
Loan receivable denominated in Euro	£	-		399,361
Cash and cash equivalents				
Cash and cash equivalents denominated in EUR		5,873,886		4,128
Cash and cash equivalents denominated in AUD		3,665,722		
	£	5,875,324	£	4,128

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

15. Financial Risk Management (CONTINUED)

Currency Risk (CONTINUED)

		31st Dec 08		30th Jun 08
Trade receivables:				
Trade receivables denominated in Euro	£	20,692	£	64,072
Trade payables:				
Trade payables denominated in Euro	£	-	£	(177)

Currency sensitivity

As at 31st December 2008 if GBP strengthened against the Euro by 5%, with all other variables held constant, the loss for the period as per the income statement would have increased and the net assets of the Company would have decreased by £686,358 (As at 30th June 2008: decrease of £110,365 in profit and net assets). A 5% weakening of GBP against the Euro would have resulted in a decrease in the loss for the period as per the income statement and an increase in net assets of the Company of £758,606, with all other variables held constant (As at 30th June 2008: increase of £121,982 in profit and net assets).

As at 31st December 2008 if GBP strengthened against the AUD by 5%, with all other variables held constant, the loss for the period as per the income statement would have increased and the net assets of the Company would have decreased by £9,159. A 5% weakening of GBP against the AUD would have resulted in a decrease in the loss for the period as per the income statement and an increase in the net assets of the Company of £10,123, with all other variables held constant.

The movement in foreign exchange for the period to 31st December 2008 was £937,930. This movement has been largely caused by the variance in the EUR:GBP exchange rate during the period on deposits held in Euro. The EUR:GBP exchange rate moved from 1.2635 as at 1st July 2008 to 1.0272 as at 31st December 2008.

Market 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 income statement, 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.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

15. Financial Risk Management (CONTINUED)

Market price risk (CONTINUED)

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 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:

	31st Dec 08	30th Jun 08
Investment assets	**percentage of net assets**	**percentage of net asets**
Equity investments:		
Quoted	5.96%	9.68%
Unquoted	18.83%	4.80%
Debt investments:		
Unquoted	14.29%	36.43%

Market price risk sensitivity

15.26% of the Company's investment assets are listed on European stock exchanges (30th June 2008: 19.01%). 0.95% of the Company's investments are listed on the Australian stock exchange (30th June 2008: 0%). A 3% increase in stock prices as at 31st December 2008 would have decreased the loss for the period and would have increased the net assets of the Company by £219,874 (30th June 2008: £344,250 increase in profit and net assets). 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:

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

15. Financial Risk Management (CONTINUED)

Credit Risk (CONTINUED)

Financial assets at fair value through profit or loss:		31st Dec 08		30th Jun 08
Unquoted securities	£	7,347,582	£	12,882,297
Loan receivable	£	-	£	399,361
Trade and other receivables	£	411,948	£	483,483
Cash and cash equivalents	£	31,124,532	£	17,468,862
Total financial assets exposed to credit risk	£	38,884,062	£	31,234,003

The Company is subject to credit risk with respect to its unquoted securities. The Company and its Manager 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 Investment Advisor 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 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 titled "Cash2". All transactions are in the name of Mourant & Co. Limited Client Nominee, advised by Mourant & Co. 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:

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

15. Financial Risk Management (CONTINUED)

Credit Risk (CONTINUED)

	31st Dec 08	30th Jun 08
Environmental/Cleantech industries	19.50%	43.38%
Banks/financial services	80.50%	56.62%

All of the Company's financial assets which were held at the balance sheet date are European with the exception of Phoslock Water Solutions Limited which is Australian. None of the financial assets are either past due or impaired.

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 Environmental/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:

	31st Dec 08	30th Jun 08
Investments in Environmental/Cleantech industries	100.00%	43.38%
Geographical area - Europe	99.05%	56.62%
Geographical area - Australia	0.95%	0.00%

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 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 Advisor 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 accounts. As 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.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

15. Financial Risk Management (CONTINUED)

Maturity profile

	31st Dec 08		30th Jun 08	
	Within one year	One to five years	Within one year	One to five years
Financial Assets:	£	£	£	£
Cash and cash equivalents	31,124,532	-	17,468,862	-
Financial assets at fair value through profit or loss:	-	20,092,049	-	18,003,084
Loan receivable	-	-	399,361	-
Trade and other receivables	411,948	-	483,483	-
	31,536,480	20,092,049	18,351,706	18,003,084
Financial liabilities:				
Trade and other payables	49,983	-	992,784	-
Retention of performance fees	-	183,397	-	-
	49,983	183,397	992,784	-

16. Cash Generated from Operations

	31st Dec 08	30th Jun 08
(Loss)/Profit for the period	(1,966,853)	5,632,575
Adjustments for:		
Unrealised loss/(gain) on financial assets at fair value through profit or loss	2,847,487	(6,718,978)
Interest and dividends on investments receivable	(300,633)	(230,960)
Decrease/(Increase) in trade and other receivables	92,568	(284,550)
(Decrease)/Increase in trade and other payables	(942,801)	992,784
Increase in retention of performance fees	183,397	-
CASH FLOW FROM OPERATIONS	£ (86,835)	£ (609,129)

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

17. Related Party Disclosure

H. Grant is an employee of a subsidiary of Mourant Limited. D. Maccabe was a shareholder and an employee of a subsidiary of Mourant Limited. Affiliates of Mourant Limited provide ongoing administrative services to the Company at commercial rates. Directors remuneration and expenses payable for the period ended 31st December 2008 are disclosed in Note 4.

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 Management Agreement the Manager 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 31 March, 30th June, 30th September and 31 December each year on the basis of the Company's net asset value at the end of the preceding period and payable quarterly in arrears.

During the period the management fees payable were £349,484 (30th June 2008: £527,799). No accrued management fees were outstanding as at 31st December 2008 (30th June 2008: £ Nil).

During the period placing fees were payable to the Corporate Finance Division of Ludgate Investments Limited. The Placing fees were charged on an arm's length basis.

Under the terms of the Investment Management Agreement the Manager 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.

18. 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.

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

19. Shareholders' Interests

As at the balance sheet date, the registered holdings of the Company of at least 3% of the total share capital included:

	Ordinary shares held	Percentage shareholding
Morstan Nominees Limited	8,019,271	17.45%
HSBC Global Custody Nominee (UK) Limited (786698)	6,000,000	13.05%
The Bank of New York (Nominees) Limited	4,759,635	10.35%
Quintain Estates and Development PLC	4,000,000	8.70%
Flintshire County Council	3,732,615	8.12%
HSBC Global Custody Nominee (UK) Limited (771096)	2,639,757	5.74%
BNY (OCS) Nominees Limited	2,100,000	4.57%
Ocean Capital Holdings B.V.	1,839,797	4.00%
HSBC Global Custody Nominee (UK) Limited (771576)	1,790,568	3.90%

Notes to the Financial Statements (CONTINUED)

For the period 1st July 2008 to 31st December 2008

20. Investments

		31st Dec 08 Cost £		31st Dec 08 Fair value £		30th Jun 08 Cost £		30th Jun 08 Fair value £
Quoted equity securities:								
Hydrodec Group plc Ordinary Shares		3,015,589		2,621,842		2,265,589		3,422,369
Renewable Energy Generation Ordinary shares		460,241		218,225		-		-
Phoslock Water Solutions Limited Ordinary shares		210,905		190,896		-		-
Azure Dynamics plc ordinary shares		167,081		35,000		-		-
Total quoted equities:		3,853,816		3,065,963		2,265,589		3,422,369
Unquoted equities:								
STX Services B.V. Ordinary Shares		134,402		243,993		134,402		198,418
Rapid Action Packaging Limited Ordinary Shares		1,500,000		1,500,000		1,500,000		1,500,000
Emergya Wind Technologies B.V. Preference Shares		2,241,575		4,961,838		-		-
Agri Capital Preference Shares		2,543,019		2,972,673		-		-
Total unquoted equities:		6,418,996		9,678,504		1,634,402		1,698,418
Unquoted securities:								
Emergya Wind Technologies B.V. Loan Notes		-		-		1,436,369		1,854,405
Hydrodec Group plc Convertible Bonds		3,000,000		4,263,158		3,000,000		8,052,632
STX Services B.V. 8% Convertible Loan Notes		447,746		584,424		447,746		475,260
Rapid Action Packaging Limited 8% Convertible Loan Notes		2,500,000		2,500,000		2,500,000		2,500,000
		5,947,746		7,347,582		7,384,115		12,882,297
Total investments:	£	16,220,558	£	20,092,049	£	11,284,106	£	18,003,084