Unaudited Interim Report and Financial Statements

LUDGATE
ENVIRONMENTAL FUND

For the Period from 1st July 2013
to 31st December 2013

Contents

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LUDGATE
ENVIRONMENTAL FUND

Ludgate Environmental Fund Limited is regulated by the Jersey Financial Services Commission

Statement of Investment Policy

Ludgate Environmental Fund Limited (the "Fund" or the "Company") has made investments in a diverse portfolio of cleantech companies for capital growth.

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

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

Cleantech investments have the following characteristics:

- Clear environmental benefit
- Proven technology with a scalable business model
- Revenue generation or clear, near-term visibility of substantial sales
- Experienced management with technical expertise and record of delivery
- Defensible, differentiable intellectual property or know-how
- Significant potential market with high existing, or expected, growth rates

No single investment at subscription has had 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 any significant borrowing.

Seeking to provide significant total return to shareholders over the expected life of the Company to 30th June 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 2013.

Chairman's Statement

I am pleased to report to shareholders on the performance of Ludgate Environmental Fund Limited in the six months to 31st December 2013.

Financial Review

The net asset value of your Company on 31st December 2013 was £37,886,299 (2012: £46,498,889), equivalent to 70.7 (2012: 82.7) pence per share. A special dividend of 5.0 pence was paid in December 2013 and we purchased 1,104,000 and 570,000 shares in the market in November and December 2013 for 55 and 50 pence each respectively. The Company recorded a net loss in the period of £5,030,475 (2012: income of £1,997,329). At period end we held cash balances of £5,322,039. The Company subscribed for £2,626,498 of additional investments in existing assets (Terra Nova, Lumicity, Micropelt, Ignis and Tamar). Consistent with managing the Company's assets toward our anticipated wind up date in June 2015 we do not expect to make any investments outside the existing portfolio. We will also retain sufficient funds, supplemented by the proceeds of sales, to maintain operations through our remaining life.

We shall continue to return capital to shareholders by the purchase of our own shares within established authority, the payment of dividends and other means. Total return to shareholders on an NAV basis since launch is positive and we hope to enhance this over our remaining life. Both the liquidity in our shares and the discount at which they trade to NAV are disappointing; however, the discipline we apply to the calculation and reporting of NAV, the stability of the share register and discussions with shareholders would support this assessment; sales will substantiate it.

As explained in more detail in Notes 2a and 2p, the Directors have decided not to prepare consolidated financial statements following the amendments to IFRS 10 being endorsed for use in the European Union on 20th November 2013 and these were early adopted by the Company.

Portfolio Review

The fund is fully invested. Any further subscriptions into existing assets would only be made if they were expected to enhance the value achievable on disposal by LEF in accordance with our established investment policy and expected life. ECO Plastics has significantly increased its sales and improved consistency of operation and commissioned its new plant. The reduction in the fair value of ECO Plastics is partly due to a change in valuation methodology together with a change in ECO Plastics' internal accounting treatment of a debt instrument. Rapid Action Packaging has similarly increased and diversified sales and capacity utilization in its operations. Ignis Biomass is operating effectively and has added to its customer base. Tamar has two operational plants and is developing according to plan and has recently strengthened its management team. Terra Nova was put into administration and LEF wrote down its interest in its entirety. STX performed strongly in the period and continued to develop its business portfolio. Lumicity continues to develop its pipeline and has a number of projects in planning. On NERR, the final sale of securities for £1.1 million completed a positive return from the disposal of this investment. Hydrodec repaid convertible securities due to LEF and others and this was distributed as a special dividend. The performance of their ordinary shares continues to disappoint despite significant strategic developments. Micropelt is establishing the commercial viability of its products in development; there remain significant challenges to its success and we have reduced our carrying value accordingly.

Strategy and Outlook

We continue to manage the assets in the portfolio actively to achieve the greatest distributable return to shareholders within the life of the fund. We have set targets for the adviser to realise this substantially in 2014.

I should like to thank my fellow board members for their common commitment and diligence in considering and developing investments in uncertain and occasionally challenging circumstances.

Directors' Report

The Directors present their report and the unaudited financial statements for the period 1st July 2013 to 31st December 2013.

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, dividends and other returns

The net decrease in net assets attributable to shareholders from operations before dividends for the period amounted to £5,030,475 (for the six months ended 31st December 2012: net increase of £1,997,329).

No interim dividend was paid during this period (for the six months ended 31st December 2012: an interim dividend of 1.9 pence per share at a total cost of £1,068,936). The Company paid a special dividend of 5.0 pence per share at a total cost of £2,707,539 on 4th December 2013 (for the six months ended 31st December 2012: nil).

The Company purchased 1,104,000 and 570,000 shares in the market in November and December 2013 for 55 and 50 pence each respectively, reducing the number of shares in issue to 53,580,784.

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.

Directors

The Directors who held office during the period and subsequently were:

J. Shakeshaft (Chairman)
M. Christensen (Resigned 1st January 2014)
R. Green
S. Hansen
D. Pirouet
D. Quilty (Appointed 1st January 2014)

Secretary

The Secretary of the Company is State Street Secretaries (Jersey) Limited with registered address at Lime Grove House, Green Street, St. Helier, Jersey, JE1 2ST.

Independent auditors

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

Nominated adviser

The Company's Nominated Adviser is PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT who has expressed its willingness to continue in office.

Directors' Report

Registrar

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

Broker

Panmure Gordon & Co, 1 New Change, London, EC4M 9AF

Banker

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

Legal advisers

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

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

Investment adviser

Ludgate Investments Limited, First Floor, 52 Jermyn Street, London, SW1Y 6LX

Registered office

Lime Grove House, Green Street, St. Helier, Jersey, JE1 2ST.

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 period 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") adopted by the European Union and 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 period 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.

The Directors are also required to:

- select suitable accounting policies and then apply them consistently;
- 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.

Directors' Report

The Directors are also responsible for keeping 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 period and subsequently.

By Order of the Board

S. Ctterdon

Authorised Signatory
State Street Secretaries (Jersey) Limited
Secretary

Date: 10th February 2014

Balance Sheet

AS AT 31 ST DECEMBER 2013

	Notes	Unaudited interim financial statements 31st Dec 13	Audited annual financial statements 30th June 13	Unaudited interim financial statements 31st Dec 12
ASSETS		£	£	£
Non-current assets				
Financial assets at fair value through profit or loss	7,20	30,422,877	34,434,630	32,738,892
Loans receivable	10	-	3,000,000	3,000,000
		30,422,877	37,434,630	35,738,892
Current assets				
Derivatives at fair value through profit or loss	7,8	84,373	67,116	114,676
Loans receivable	10	1,169,672	969,672	969,672
Trade and other receivables	11	971,685	778,159	585,104
Cash and cash equivalents	9	5,322,039	7,388,288	9,219,691
		7,547,769	9,203,235	10,889,143
TOTAL ASSETS		**37,970,646**	**46,637,865**	**46,628,035**
LIABILITIES				
Current liabilities				
Trade and other payables	12	84,347	121,352	129,146
TOTAL LIABILITIES		84,347	121,352	129,146
NET ASSETS ATTRIBUTABLE TO EQUITY SHAREHOLDERS		37,886,299	46,516,513	46,498,889
TOTAL LIABILITIES AND NET ASSETS ATTRIBUTABLE TO EQUITY SHAREHOLDERS		**37,970,646**	**46,637,865**	**46,628,035**
Net asset value per ordinary share outstanding		0.71	0.84	0.83

These interim financial statements on pages 6 to 46 were approved and authorised for issue by the Board of Directors on the 10th day of February 2014 and were signed on its behalf by:

Director:

D. R. Pironet

The notes on pages 12 to 44 form part of these financial statements

Statement of Comprehensive Income

FOR THE PERIOD 1ST JULY 2013 TO 31ST DECEMBER 2013

	Notes	Unaudited interim financial statements **1st Jul 13 to 31st Dec 13**	Audited annual financial statements **1st Jul 12 to 30th Jun 13**	Unaudited interim financial statements **1st Jul 12 to 31st Dec 12**
INCOME:		£	£	£
Deposit interest income		15,129	61,969	40,070
Loan notes interest income		1,198,153	1,391,197	792,426
Net gain on financial assets and derivatives at fair value through profit or loss	7,8	-	2,224,518	1,596,920
Net gain on foreign exchange		-	11,324	5,483
Dividend income		590,235	504,272	-
Reversal of provision against loans receivable		-	265,315	265,315
Other income		-	218,775	210,898
		1,803,517	4,677,370	2,911,112
EXPENSES:				
Net loss on financial assets and derivatives at fair value through profit or loss	7,8	5,274,327	-	-
Net loss on foreign exchange		2,000	-	-
Administration and accountancy fees		96,494	177,650	78,405
Adviser fees	17	483,672	932,225	450,922
Audit fees		10,040	27,583	6,935
Directors' fees and expenses	4	85,604	169,762	84,464
Legal fees		9,450	15,473	8,638
Miscellaneous fees		7,729	8,880	4,809
Professional fees		53,013	135,654	79,294
Provision for interest receivable		485,544	394,365	176,119
Withholding tax		326,119	248,075	24,197
		6,833,992	2,109,667	913,783
TOTAL COMPREHENSIVE (LOSS) / INCOME		(5,030,475)	2,567,703	1,997,329
(Loss) / gain per ordinary share	6	(0.09)	0.05	0.04

The notes on pages 12 to 44 form part of these financial statements

Statement of Changes in Net Assets Attributable to Equity Shareholders

FOR THE PERIOD 1ST JULY 2013 TO 31ST DECEMBER 2013

	Notes	Ordinary shares and warrants issued 31st Dec 13	Net assets attributable to equity shareholders 30th June 13	Total net assets attributable to equity shareholders 31st Dec 12
FOR THE PERIOD ENDED 31ST DECEMBER 2013		£	£	£
Opening balance as at 1st July 2013		57,013,686	(10,497,173)	46,516,513
Purchase of own shares	13	(892,200)	-	(892,200)
Total comprehensive loss		-	(5,030,475)	(5,030,475)
Dividends paid to equity shareholders	5	-	(2,707,539)	(2,707,539)
Closing balance as at 31st December 2013	13	**56,121,486**	**(18,235,187)**	**37,886,299**
FOR THE YEAR ENDED 30TH JUNE 2013				
Opening balance as at 1st July 2012		57,566,436	(11,995,940)	45,570,496
Purchase of own shares	13	(552,750)	-	(552,750)
Total comprehensive income		-	2,567,703	2,567,703
Dividends paid to equity shareholders	5	-	(1,068,936)	(1,068,936)
Closing balance as at 30th June 2013	13	**57,013,686**	**(10,497,173)**	**46,516,513**

The notes on pages 12 to 44 form part of these financial statements

Statement of Cash Flows

FOR THE PERIOD 1ST JULY 2013 TO 31ST DECEMBER 2013

	Notes	Unaudited interim financial statements **1st Jul 13 to 31st Dec 13**	Audited annual financial statements **1st Jul 12 to 30th Jun 13**	Unaudited interim financial statements **1st Jul 12 to 31st Dec 12**
Cash flows from operating activities	16	**(1,110,899)**	**(1,459,355)**	**(775,139)**
Cash flows from investing activities				
Purchase of investments	7	(2,426,497)	(8,439,913)	(4,933,799)
Sale of investments	7	1,146,666	2,485,534	-
Loan notes interest and dividends received		1,126,220	1,094,660	674,358
Loan finance provided	10	(200,000)	-	-
Loan finance repaid	10	3,000,000	100,000	100,000
		2,646,389	**(4,759,719)**	**(4,159,441)**
Cash flows from financing activities				
Dividends paid to equity shareholders	5	(2,707,539)	(1,068,936)	(1,068,936)
Purchase of own shares	13	(892,200)	(552,750)	-
		(3,599,739)	**(1,621,686)**	**(1,068,936)**
Net decrease in cash and cash equivalents		(2,064,249)	(7,840,760)	(6,003,516)
Effects from changes in exchange rates on cash and cash equivalents		(2,000)	11,324	5,483
Cash and cash equivalents at beginning of the period/year		7,388,288	15,217,724	15,217,724
Cash and cash equivalents at end of the period/year	9	5,322,039	7,388,288	9,219,691

The notes on pages 12 to 44 form part of these financial statements

Notes to the Financial Statements

FOR THE PERIOD 1ST JULY 2013 TO 31ST DECEMBER 2013

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 Lime Grove House, Green Street, St Helier, Jersey, JE1 2ST.

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

The unaudited interim financial information included in the half-year report for the six months ended 31st December 2013, has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". It does not include all of the information required for full annual financial statements. The half-year report should be read in conjunction with the annual report and audited financial statements for the year ended 30th June 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The extra column of comparatives for the half-year ended 31st December 2012 in the statement of financial position is an AIM requirement, and notes to these accounts are not required.

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 period

IFRS 7, "Disclosures – offsetting financial assets and financial liabilities"

Amendments to IFRS 7, "Disclosures – offsetting financial assets and financial liabilities" require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendments are effective from annual periods beginning on or after 1st January 2013. The amendments did not have any impact on the Company's financial position or results of operations and did not result in additional disclosure in the notes to the financial statements.

IAS 27 (Revised 2011), "Separate financial statements"

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. The revised standard includes requirements limited to the accounting for investments in subsidiaries, joint ventures and associates in separate financial statements. The standard is effective for annual periods beginning on or after 1st January 2013. The amendment did not have any impact on the Company's financial position or performance, however, has resulted in additional disclosure in the notes to the financial statements.

Notes to the Financial Statements

2. ACCOUNTING POLICIES – (CONTINUED)

a) Basis of preparation – (continued)

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

IFRS 10, "Consolidated financial statements"

IFRS 10 was issued in May 2011 and is mandatory for accounting periods commencing from 1st January 2013, but early adoption is permitted at any time prior to this date. IFRS 10 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.

Amendments to IFRS 10, IFRS 12 and IAS 27 on investment entities

IFRS 10 was amended on 31st October 2012 to introduce an exception from the requirement to prepare consolidated financial statements for "Investment Entities".

The amendment to IFRS 10 defines an Investment Entity as an entity that: "(a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services; (b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and (c) measures and evaluates the performance of substantially all of its investments on a fair value basis."

The amendment also provides examples of typical characteristics of an Investment Entity. The characteristics are: holding more than one investment; having more than one investor; having investors that are not related parties of the entity; and having ownership interests in the form of equity or similar interests. However, the absence of one or more of these characteristics will not prevent an entity from qualifying as an Investment Entity.

An entity will not be disqualified from being an Investment Entity where it carries out any of the following activities: provision of investment-related services to third parties and to its investors, even when substantial; or, providing management services and financial support to its investees, but only when these do not represent separate substantial business activity and are carried out with the objective of maximising the investment return from its investees.

An Investment Entity is required to account for its subsidiaries at fair value through profit or loss in accordance with IFRS 9, 'Financial instruments' (or IAS 39, 'Financial instruments: recognition and measurement', where applicable). The only exception is for subsidiaries that provide services to an Investment Entity that are related to its investment activities, which should be consolidated.

The exception from the consolidation requirements of IFRS 10 only applies to a parent of an Investment Entity if such parent is itself an Investment Entity. If the parent is not itself an Investment Entity, then such parent is required to consolidate all of the entities that it controls, including the Investment Entity's investees.

The revised standard is effective for accounting periods commencing on or after 1st January 2014, but early adoption is permitted at any time prior to this date. The amendments were endorsed for use in the EU and were early adopted by the Company.

Notes to the Financial Statements

2. ACCOUNTING POLICIES – (CONTINUED)

a) Basis of preparation – (continued)

New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, “New Accounting Requirements”) adopted during the period – (continued)

Amendments to IFRS 10, IFRS 12 and IAS 27 on investment entities – (continued)

At the same time as the amendment to IFRS 10 was issued, the International Accounting Standards Board (“IASB”) issued corresponding amendments to IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 “Separate Financial Statements”, which must be adopted concurrently with the amendment to IFRS 10, if applicable. These amendments were also endorsed for use in the European Union (“EU”) on 20th November 2013 and were early adopted by the Company.

The Company has controlling holdings in Ignis Biomass Limited and Micropelt GmbH. An amendment to IFRS 10 exempts “Investment Entities” from the need to consolidate controlling holdings in investments if certain conditions are met. The Company meets the definition of an Investment Entity under IFRS 10 and is therefore exempt from preparing consolidated financial statements. The investments would be accounted for at fair value, on the same basis as the investments where a controlling holding is not held, which is how they are currently presented in the financial statements.

IFRS 12, “Disclosures of interests in other entities”

IFRS 12 was issued in May 2011 and is mandatory for accounting periods commencing from 1st January 2013, but early adoption is permitted at any time prior to this date. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard did not have any impact on the Company’s financial position or performance.

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 amendment did not have any impact on the Company’s financial position or performance, however, has resulted in additional disclosures in the notes to the financial statements.

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.

Notes to the Financial Statements

2. ACCOUNTING POLICIES – (CONTINUED)

a) Basis of preparation – (continued)

Non-mandatory New Accounting Requirements not yet adopted (continued)

IAS 32, "Financial instruments: Presentation - Offsetting financial assets and financial liabilities" (amendments)

These amendments clarify that rights of set-off must be legally enforceable in the normal course of business and must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event. The standard is effective for annual periods beginning on or after 1st January 2014.

IFRS 9, "Financial Instruments"

IFRS 9 addresses the recognition, classification and measurement of financial assets and financial liabilities. It is the IASB's intention that IFRS 9 will replace IAS 39 in its entirety. The IASB has adopted a phased approach to completion of the overall standard. When the first phase was published in November 2009, IFRS 9 addressed only the classification and measurement of financial assets. In October 2010, requirements for the classification and measurement of financial liabilities were published. The phases covering impairment methodology and hedge accounting are scheduled for completion prior to the mandatory effective date.

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 changes in an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Directors have not yet assessed the full potential impact of IFRS 9, but intend to do so once the standard is complete. The Company intends to adopt IFRS 9 no later than the mandatory effective date, which is yet to be established by IASB.

The Directors have made an assessment of the potential impact of early adoption of all of the standards listed above, except for IFRS 9, as stated 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'.

Notes to the Financial Statements

2. ACCOUNTING POLICIES – (CONTINUED)

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 IFRSs 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.

Notes to the Financial Statements

2. ACCOUNTING POLICIES – (CONTINUED)

f) Financial instruments (continued)

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

a. those that the Company intends to sell immediately or in the short-term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
b. those that the Company upon initial recognition designates as available for sale; or
c. those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently 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.

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.

Notes to the Financial Statements

2. ACCOUNTING POLICIES – (CONTINUED)

f) Financial instruments (continued)

Financial liabilities

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

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 period. (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 period end.

Ludgate Environmental Fund Limited is regulated by the Jersey Financial Services Commission

Notes to the Financial Statements

2. ACCOUNTING POLICIES – (CONTINUED)

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 price that would be received to sell an asset or paid to transfer liability in an ordinary transaction between market participants at the measurement date. 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.

The fair value of financial assets traded in active markets are based on quoted market prices at the close of trading on the balance sheet date. Prior to 1st January 2013, the quoted market price used for financial assets held by the Company was the last traded price. The Company adopted IFRS 13, 'Fair value measurement', from 1st January 2013; it did not change its fair valuation input where the last traded market price for financial assets has been utilised and such last traded price falls within the bid-ask spread.

Notes to the Financial Statements

2. ACCOUNTING POLICIES – (CONTINUED)

o) Determination of fair values (continued)

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 an EBITDA multiple 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.
- STX Services B.V. Ordinary Shares have been valued based on a multiple of profit before tax for the period / year. This metric has been discounted to reflect the company's non-listed status.
- New Earth Recycling and Renewables (Infrastructure) plc is valued at the most recent published monthly valuation published by the fund administrator.
- Terra Nova's Preference Shares and Loan Notes have now been written off following the company being placed into liquidation.
- ECO Plastics Limited Ordinary Shares are valued based on an EBITDA multiple in line with market multiples. This metric has been discounted to reflect the company's non-listed status.
- Lumicity Limited Class A Preference Shares are valued on a net asset basis and the loan is valued at cost.
- Tamar Energy Limited Ordinary Shares are valued at cost.
- Ignis Biomass Limited Ordinary Shares are valued on a discounted cashflow basis and the unsecured loan stock is valued at cost.
- Micropelt GmbH unsecured loan stock is valued at its estimated net realisable value.

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.

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 Biomass Limited and Micropelt GmbH, as set out in the provisions of paragraph 12 of International Accounting Standard 27 (Consolidated and Separate Financial Statements), 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 Micropelt GmbH:

- 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.

Notes to the Financial Statements

2. ACCOUNTING POLICIES – (CONTINUED)

Ignis Biomass Limited and Micropelt GmbH were not consolidated in these financial statements as the Company qualified for the exemption from the requirement to prepare consolidate financial statements. As explained on page 12, the amendments to IFRS 10 were endorsed for use in the EU on 20th November 2013 and were early adopted by the Company.

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) Segment 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

	Period ended 31st Dec 13	**Period ended 31st Dec 12**
	£	£
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.

Notes to the Financial Statements

3. PERFORMANCE FEES RETAINED AND PAYABLE – (CONTINUED)

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 period ended 31st December 2013 and year ended 30th June 2013.

20% of any 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.

On 21st December 2012, the Company entered into a new Investment Advisory Agreement with the Adviser in which the performance fee basis of calculation was reset from an effective date of 30th June 2012 and under the amended terms, the calculation will add back any distributions made to shareholders during any performance fee period. In the addition to the above conditions, there are also certain additional criteria which need to be met by the Adviser before any accrued performance fees are payable. Also, as a result of entering into this new agreement, the balance of the performance fee retention was released in favour of the Company.

4. EXPENSES

AUDITOR'S FEES

	Period ended 31st Dec 13	Period ended 31st Dec 12
	£	£
Audit fees	10,040	6,935
Non-audit fees	2,651	2,525
	12,691	**9,460**

DIRECTORS' REMUNERATION AND INTERESTS

	Period ended 31st Dec 13	Period ended 31st Dec 12
	£	£
Directors' fees	80,000	79,722
Directors' expenses	5,604	4,742
	85,604	**84,464**

Notes to the Financial Statements

4. EXPENSES – (CONTINUED)

The details of the Directors' remuneration are as follows:

	Period ended 31st Dec 13	Period ended 31st Dec 12
	£	£
J. Shakeshaft (Chairman)	30,000	30,000
M. Christensen	12,500	12,500
R. Green	12,500	12,222
S. Hansen	12,500	12,500
D. Pirouet	12,500	12,500
	80,000	**79,722**

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.

	Ordinary Shares	Warrants	Manager Warrants
31ST DECEMBER 2013			
Directors			
J. Shakeshaft	115,445	-	-
M. Christensen	15,000	-	
Investment Adviser and related principals			
Ludgate Investments Limited*	664,000	-	-
T. Cooke	50,000	-	-
J.N.B. Curtis	15,000	-	-
N. Pople	50,000	-	-
Ocean Capital Holding II BV**	5,839,757	-	-
30TH JUNE 2013			
Directors			
J. Shakeshaft	115,445	-	-
M. Christensen	15,000	-	
Investment Adviser and related principals			
Ludgate Investments Limited*	664,000	-	-
T. Cooke	50,000	-	-
J.N.B. Curtis	15,000	-	-
N. Pople	50,000	-	-
Ocean Capital Holding II BV**	5,839,757	-	-

Principals of Ludgate Investments Limited include Directors and senior management.

*Ocean Capital Holding II BV, T. Cooke, J.N.B. Curtis, N. Pople, C. Sebag-Montefiore and B. Weil have an interest in Ludgate Investments Limited.
** Ocean Capital Holding II BV is a company in which G. Voskamp and J. Voskamp, both directors of Ludgate Investments Limited, have 20% and 80% shareholdings, respectively.

Notes to the Financial Statements

5. DIVIDENDS

	Period ended 31st Dec 13	Period ended 31st Dec 12
	£	£
Interim dividend	-	1,068,936
Special dividend	2,707,539	-
	2,707,539	1,068,936

No interim dividend was paid during this period (for the six months ended 31st December 2012: an interim dividend of 1.9 pence per share was paid at a total cost of £1,068,936). The Company paid a special dividend of 5.0 pence per share at a total cost of £2,707,539 on 4th December 2013 (for the six months ended 31st December 2012: nil).

6. EARNINGS PER SHARE

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

	Period ended 31st Dec 13	Period ended 31st Dec 12
Total comprehensive (loss) / income	£(5,030,475)	£1,997,329
	Number	Number
Weighted average number of equity shares for the purposes of basic earnings per share	54,872,932	56,259,784
Basic and diluted (loss) / income per equity share	£(0.09)	£0.04

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments:	31st Dec 13	30th June 13
	£	£
Opening cost of investments41,590,494	38,209,522	
Purchases/(disposals) during the period / year:		
Cost of Loan Notes converted into preference shares	-	1,301,635
Additional investments acquired	2,426,497	8,439,913
Conversion to preference shares	-	(1,301,635)
Conversion to loan	-	(3,000,000)
Investments sold	(882,403)	(2,058,941)
Closing cost of investments	**43,134,588**	**41,590,494**

Notes to the Financial Statements

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – (CONTINUED)

	31st Dec 13	30th June 13
	£	£
Opening fair value of investments	34,434,630	29,179,682
Purchases/(disposals) during the period / year:		
Cost of Loan Notes converted into preference shares	-	1,301,635
Additional investments acquired	2,426,497	8,439,913
Conversion to preference shares	-	(1,301,635)
Conversion to loan	-	(3,000,000)
Proceeds on disposal	(1,146,666)	(2,485,534)
Realised gain on disposal	264,263	426,593
Fair value movement	(5,555,847)	1,873,976
Closing fair value of investments	**30,422,877**	**34,434,630**

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

IFRS 13 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

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 31st December 2013 and 30th June 2013.

31st December 2013	Level 1	Level 2	Level 3	Total
	£	£	£	£
Financial assets at fair value through profit or loss	2,474,242	-	27,948,635	30,422,877
Derivatives at fair value through profit or loss	-	-	84,373	84,373
30th June 2013				
Financial assets at fair value through profit or loss	2,300,797	-	32,133,833	34,434,630
Derivatives at fair value through profit or loss	-	-	67,116	67,116

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) 'Determination of fair values'.

Level 3 valuations are reviewed on a quarterly basis by the Company's Investment Adviser, Ludgate Investments Limited ("LIL"), who report to the Board of Directors on a quarterly basis. The Investment Adviser considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. In selecting the most appropriate valuation model, the Investment Adviser performs back testing and considers which model's results have historically aligned most closely to actual market transactions.

The level 3 unquoted equities amounted to £22,654,260 and the Company substantially utilises comparable trading multiples in arriving at the valuation. LIL determines comparable public companies (peers) based on industry, size, developmental stage and strategy. LIL then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortisation (EBITDA). The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances. The Company utilised net realisable values and discounted cash flow techniques also. On determining the discount rate, regard is given to risk rates, the specific risks of the investment and evidence of the recent transaction.

Notes to the Financial Statements

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – (CONTINUED)

The level 3 unquoted securities amounted to £5,294,375 and the Company valued these instruments at cost and net realisable values.

Description	Fair value at 31st Dec 2013 £	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/- £
Unquoted equities	15,482,450	Comparable trading multiples	Profit before tax multiple and EBITDA multiple	6.20× - 8.95×	5%	1,024,755/ (1,024,755)
	1,630,836	Discounted cash flows	Cost of Capital	12.5%	5%	(206,175) / 206,175
	4,585,272	At cost	Not applicable	-	-	
	955,421	Estimated NAV of underlying investment company	Net asset value includes estimated value of pipeline of projects	-	5%	47,771 / (47,771)
	281	Estimated realisable values	Estimated value	-	5%	14/ (14)
Unquoted securities	449,719	Estimated realisable values	Estimated value	-	5%	22,486 / (22,486)
	4,844,656	At cost	Not applicable	-		-

The change in valuation disclosed in the above table shows the direction an increase or decrease in the respective input variables would have on the valuation result. For unquoted equities, increases in the profit before tax multiple, EBITDA multiple, net asset value and estimated value would each lead to an increase in fair value. However, an increase in cost of capital would lead to a decrease in fair value. For unquoted securities, increases in estimated value would lead to an increase in fair value.

No interrelationships between unobservable inputs used in the Company's valuation of its Level 3 unquoted equities have been identified.

A sensitivity analysis for Level 3 positions was not presented in the prior year, as it was deemed that the impact of reasonable changes in inputs would not be significant.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

Notes to the Financial Statements

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – (CONTINUED)

The movement in Level 3 financial assets for the period ended 31st December 2013 and year ended 30th June 2013 by class of financial assets were as follows:

31st December 2013	**Derivatives £**	**Unquoted equities £**	**Unquoted securities £**	**Total £**
Opening balance	67,116	25,100,304	7,033,529	32,200,949
Total gains / (losses) (realised/unrealised) included in the statement of comprehensive income	17,257	(2,384,650)	(3,080,379)	(5,447,772)
Purchases, sales, issuances, and settlements (net)	-	(61,394)	1,341,225	1,279,831
Closing balance	84,373	22,654,260	5,294,375	28,033,008
30th June 2013				
Opening balance	143,167	17,947,020	5,902,518	23,992,705
Total (losses) / gains (realised/unrealised) included in the statement of comprehensive income	(76,051)	4,785,731	(2,455,815)	2,253,865
Purchases, sales, issuances, and settlements (net)	-	2,367,553	3,586,826	5,954,379
Closing balance	67,116	25,100,304	7,033,529	32,200,949

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 £879,983 (for the year ended 30th June 2013: £994,405). A decrease of 5% would have resulted in a decrease in value of £879,983 (for the year ended 30th June 2013: £994,405).

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

	31st Dec 13 £	**30th Jun 13 £**
Computer Share (Australia)	299,790	217,712
State Street (Jersey) Limited	27,948,635	32,133,833
Walker Crips Stockbrokers Limited	2,174,452	2,083,085
	30,422,877	34,434,630

8. DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31st Dec 13 £	**30th Jun 13 £**
Rapid Action Packaging Limited - 2,250 warrants (30th June 2013: 2,250 warrants)	84,373	67,116

Notes to the Financial Statements

9. CASH AND CASH EQUIVALENTS

	31st Dec 13 £	30th Jun 13 £
Royal Bank of Scotland International - current account (AUD)	-	1
Royal Bank of Scotland International - current account (GBP)	70,031	175,529
Walker Crips Stockbrokers Limited	13,933	-
Cash held on fixed term deposit:		
Fixed term deposits held with Barclays (GBP)	1,206,141	2,865,178
Fixed term deposits held with Barclays (EUR)	-	323,712
Fixed term deposits held with Lloyds (GBP)	2,608,626	2,602,833
Fixed term deposits held with Royal Bank of Scotland International (GBP)	1,423,308	1,421,035
	5,322,039	7,388,288

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 (30th June 2013: £nil). The Board has 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.

Up until 21st December 2012, the cash held on the reserve account represented 20% of the performance fees earned by the Adviser to date. As part of the terms of the new Investment Advisory Agreement, effective from 21st December 2012, the balance on this account was released to the Company.

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

Bank/Broker	31st Dec 13 £	30th Jun 13 £
Barclays	1,206,141	3,188,890
Lloyds	2,608,626	2,602,833
Royal Bank of Scotland International	1,493,339	1,596,565
Walker Crips Stockbrokers Limited	13,933	-
	5,322,039	7,388,288

Notes to the Financial Statements

10. LOANS RECEIVABLE

	31st Dec 13 £	30th Jun 13 £
Non-current:		
Hydrodec Group Plc	-	3,000,000
Current:		
Ignis Wick Limited	319,672	319,672
Lumicity Limited	850,000	650,000
	1,169,672	969,672

On 1st November 2012, the Hydrodec Group plc convertible bonds expired. At this date, the bonds were converted into a 2 year loan with interest of 8% per annum. The loan was fully repaid on 14th November 2013.

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, repayable on demand and bears interest at 10% per annum. As at 31st December 2013, £319,672 (30th June 2013: £319,672) has been drawn.

On 12th December 2013, the Company subscribed £200,000 unsecured series B Loan Notes in Lumicity, in addition to the £750,000 unsecured Series B Loan Notes subscribed on 18th August 2011 (maximum of £3.75 million). Effective 1st April 2013, the loan was restructured and bears 3% per annum (from 10% per annum), which is also applicable to subsequent subscriptions. The loans are repayable on demand with a final redemption date of 1st January 2018. During the period, £nil (year ended 30th June 2013: £100,000) of the loan was repaid.

11. TRADE AND OTHER RECEIVABLES

	31st Dec 13 £	**30th Jun 13 £**
Fixed deposit interest receivable	1,052	2,583
Investment income receivable	886,111	709,487
Prepayments and other receivables	84,522	66,089
	971,685	778,159

12. TRADE AND OTHER PAYABLES

	31st Dec 13 £	**30th Jun 13 £**
Administration and accountancy fees	47,500	65,000
Audit fees payable	-	20,600
Directors' fees and expenses payable	18,750	18,976
Other creditors	18,097	16,776
	84,347	121,352

All expenses are payable on presentation of an invoice.

Notes to the Financial Statements

13. STATED CAPITAL ACCOUNT

	31st Dec 13	30th Jun 13
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 2013	55,254,784	-	-
Purchase of own shares	(1,674,000)	-	-
Closing balance at 31st December 2013	53,580,784	-	-
Opening balance at 1st July 2012	56,259,784	6,683,775	1,285,250
Purchase of own shares	(1,005,000)	-	-
Expired warrants	-	(6,683,775)	(1,285,250)
Closing balance at 30th June 2013	55,254,784	-	-

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. At that date, these warrants expired.

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.

During the period, the Company purchased 1,674,000 (year ended 30th June 2013: 1,005,000) of its own ordinary shares amounting to £892,200 (year ended 30th June 2013: £552,750). These shares were subsequently cancelled.

Notes to the Financial Statements

13. STATED CAPITAL ACCOUNT – (CONTINUED)

	31st Dec 13 £	30th Jun 13 £
Opening balance	57,013,686	57,566,436
Purchase of own shares	(892,200)	(552,750)
Closing balance	56,121,486	57,013,686

WARRANTS:		**31st Dec 13**	**30th Jun 13**
Investor Warrants:			
Issue of warrants at IPO (1:4 exercisable for ordinary shares)	Number	-	-
Exercise price		-	-
Manager Warrants:			
Issue of Manager Warrants at IPO	Number	-	-
Exercise price		-	-

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 Report and 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.

The Warrants expired during the year ended 30 June 2013 and the holders did not exercise the right to acquire additional shares in the Company.

14. 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 15 under "concentration risk".

Non-current assets

The Company has a £nil (30th June 2013: £3,000,000) loan receivable from Hydrodec Group plc.

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 period was derived from investments in Hydrodec Group, Rapid Action Packaging Limited, STX Services B.V. and fixed term deposits.

Notes to the Financial Statements

15. 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 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.

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT – (CONTINUED)

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 20 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.

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.

The majority of the Company's financial assets and financial liabilities are non-interest bearing or fixed rate. During the period, the Company's interest income from fixed deposits was £15,129 (year ended 30th June 2013: £61,969) of which £1,052 (as at 30th June 2013: £2,583) is outstanding at the end of the period. Had interest rates been 50 basis points higher throughout the period the Company would have increased its income by £26,610 (year ended 30th June 2013: £36,941), with a corresponding decrease had interest rates been 50 basis points lower by £26,610 (year ended 30th June 2013: £36,941).

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

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT – (CONTINUED)

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.

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

Financial assets at fair value through profit or loss	**31st Dec 13 £**	**30th Jun 13 £**
Unquoted equities and securities denominated in EUR	5,498,623	6,826,814
Quoted equities denominated in AUD	323,935	235,247
	5,822,558	7,062,061
Cash and cash equivalents		
Cash and cash equivalents denominated in EUR	-	323,712
Cash and cash equivalents denominated in AUD	-	1
	-	323,713
Trade and other receivables:		
Trade receivables denominated in EUR	17	8,607
Trade and other payables:		
Trade payables denominated in EUR	6,871	5,899

Currency sensitivity

As at 31st December 2013 if GBP had strengthened against the EUR by 5%, with all other variables held constant, the income for the period as per the statement of comprehensive income would have decreased and the net assets of the Company would have decreased by £261,531 (year ended 30th June 2013: £340,644). A 5% weakening of GBP against the EUR would have resulted in an increase in the income for the period as per the statement of comprehensive income and an increase in net assets of the Company of £289,040 (year ended 30th June 2013: £376,501), with all other variables held constant.

As at 31st December 2013 if GBP had strengthened against the AUD by 5%, with all other variables held constant, the income for the period as per the statement of comprehensive income would have decreased and the net assets of the Company would have decreased by £15,425 (year ended 30th June 2013: £11,202). A 5% weakening of GBP against the AUD would have resulted in an increase in the income for the period as per the statement of comprehensive income and an increase in the net assets of the Company of £17,049 (year ended 30th June 2013: £12,381), 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 period ended 31st December 2013 was a loss of £2,000 (year ended 30th June 2013: gain of £11,324). This movement has been largely caused by the variance in the EUR:GBP exchange rate during the period on deposits held in EUR. The EUR:GBP exchange rate moved from 1.1668 as at 1st July 2013 to 1.2020 as at 31st December 2013.

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT – (CONTINUED)

Currency Risk (continued)

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:

	31st Dec 13 percentage of net assets	30th Jun 13 percentage of net assets
Financial assets at fair value through profit or loss		
Equity investments:		
Quoted	6.53%	4.95%
Unquoted	59.80%	53.96%
Debt investments:		
Unquoted	3.97%	15.12%

Market price risk sensitivity

7.07% of the Company's investment assets are listed on European stock exchanges (year ended 30th June 2013: 6.00%). 1.06% of the Company's investments are listed on the Australian stock exchange (year ended 30th June 2013: 0.68%). A 10% increase in stock prices as at 31st December 2013 would have increased the income for the period and would have increased the net assets of the Company by £247,424 (year ended 30th June 2013: £230,080). 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.

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT – (CONTINUED)

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 balance sheet date the Company's financial assets exposed to credit risk amounted to the following:

	31st Dec 13 £	30th Jun 13 £
Unquoted securities	5,294,375	14,573,262
Loans receivable	1,169,672	3,969,672
Trade and other receivables971,685	778,159	
Cash and cash equivalents	5,322,039	7,388,288
Total financial assets exposed to credit risk	12,757,771	26,709,381

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 Poor's, Moody's, or Fitch of "A", 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:

	31st Dec 13	30th Jun 13
Cleantech industries	58.28%	72.34%
Banks/financial services	41.72%	27.66%

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

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

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT – (CONTINUED)

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 13	30th Jun 13
Investment in cleantech industries	100.00%	100.00%
Geographical area – Holland	16.60%	12.86%
Geographical area – France	-	0.73%
Geographical area – UK	80.86%	79.49%
Geographical area – Australia	1.06%	0.68%
Geographical area – Germany	1.48%	6.24%

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.

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT – (CONTINUED)

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.

	31st Dec 13		30th Jun 13	
	Within one year £	One to five years £	Within one year £	One to five years £
Financial assets:				
Cash and cash equivalents	5,322,039	-	7,388,288	-
Financial assets at fair value through profit or loss	-	30,422,877	-	34,434,630
Derivatives at fair value through profit or loss	84,373	-	67,116	-
Loans receivable	1,169,672	-	969,672	3,000,000
Trade and other receivables	971,685	-	778,159	-
	7,547,769	30,422,877	9,203,235	37,434,630
Financial liabilities:				
Trade and other payables	84,347	-	121,352	-

Financial instruments by category

	Amounts recognised in balance sheet according to IAS 39			
Category in accordance with IAS 39	**Carrying amount**	**Amortised Cost**	**Fair value recognised in profit or loss**	**Fair value**
At 31st December 2013:	**£**	**£**	**£**	**£**
Loans and receivables	6,293,724	6,293,724	-	6,293,724
Fair value through profit or loss	30,507,250	-	30,507,250	30,507,250
Other liabilities	84,347	84,347	-	84,347
At 30th June 2013:				
Loans and receivables	12,136,119	12,136,119	-	12,136,119
Fair value through profit or loss	34,501,746	-	34,501,746	34,501,746
Other liabilities	121,352	121,352	-	121,352

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT – (CONTINUED)

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 £
31st December 2013:			
Net loss on financial assets and derivatives at fair value through profit or loss	-5,274,327-		
Investment income	15,129	1,774,438	-
Loss on foreign exchange	-	(2,000)	-
	15,129	7,046,765	-
30th June 2013:			
Net gain on financial assets and derivatives at fair value through profit or loss	-	2,224,518	-
Investment income	61,969	1,409,797	-
Gain on foreign exchange	-	11,324	-
	61,969	3,645,639	-

Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) not measured at fair value at 31 December 2013 but for which fair value is disclosed.

Assets	Level 1 £	Level 2 £	Level 3 £	Total £
Loans receivable	-	-	1,169,672	1,169,672
Trade and other receivables	-	971,685	-	971,685
Cash and cash equivalents	5,322,039	-	-	5,322,039
	5,322,039	971,685	1,169,672	7,463,396
Liabilities				
Trade and other payables	-	-	84,347	84,347

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents include deposits held by the banks. Loans receivable include the contractual amounts for settlement of obligations due to the Company.

Trade and other receivables include the loan interest and investment income receivables. Trade and other payables represent the contractual amounts and obligations due by the Company for settlement.

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT – (CONTINUED)

Capital Management

The Company is an investment company listed at 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.

16. CASH GENERATED FROM OPERATIONS

	Period ended 31st Dec 13 £	Period ended 31st Dec 12 £
Total comprehensive (loss) / income	(5,030,475)	1,997,329
Adjustments for:		
Unrealised loss / (gain) on financial assets and derivatives at fair value through profit or loss	5,538,590	(1,596,920)
Realised gain on financial assets and derivatives at fair value through profit or loss	(264,263)	-
Net gain on foreign exchange: cash and cash equivalents	2,000	(5,483)
Loan notes interest income	(1,198,153)	(792,426)
Dividend income		(590,235)
Reversal of provision against loan receivable	-	(265,315)
Provision for interest receivable	485,544	-
(Increase)/ decrease in trade and other receivables	(16,902)	70,398
(Decrease) / increase in trade and other payables	(37,005)	7,311
Decrease in retention of performance fees	-	(190,033)
CASH FLOWS FROM OPERATIONS	(1,110,899)	(775,139)

NON-CASH MOVEMENTS	31st Dec 13 £	30th Jun 13 £
Conversion of Loan Notes to preference shares (see note 7)	-	1,301,635
Conversion of Loan Notes to Loan (see notes 7 and 10)	-	3,000,000
	-	4,301,635

Notes to the Financial Statements

17. RELATED PARTY DISCLOSURE

Directors' remuneration and expenses payable for the period ended 31st December 2013 are disclosed in notes 4 and 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 original 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.

On 21st December 2012, the Company entered into a new Investment Advisory Agreement with the Adviser in which it is entitled to receive a management fee from the Company at a rate of 2% of the Company's net asset value for each quarter end plus any distributions made to shareholders since 30th June 2012 which is payable quarterly in advance. In addition the Adviser is entitled to retain any fees received from providing directors to certain portfolio companies at LEF's nomination.

During the period the Adviser's fee was £483,672 (period ended 31st December 2012: £450,922). No accrued Adviser's fees were outstanding as at the period end (year ended 30th June 2013: £nil). During the period the Adviser's expenses were £nil (period ended 31st December 2012: £nil).

No placing fees were paid to LIL by the Company during the period (period ended 31st December 2012: £nil).

Under the terms of the original Investment Advisory 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. Under the new Investment Advisory Agreement, the basis of the calculation of the performance fee has been reset to 30th June 2012 and is payable to the advisor if certain conditions are attained. The performance fee is dependent on the Company's performance and amounted to £nil for the period ended 31st December 2013 (period ended 31st December 2012: £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 period ended 31st December 2013, LIL provided directors fee services to certain portfolio companies and these fees were retained by LIL under the terms of the revised Investment Advisory Agreement. The total paid by portfolio companies for various corporate services to LIL for the period ended 31st December 2013 was £46,498 (period ended 31st December 2012: £53,427). Out of this sum, LIL reimbursed the Company £nil (period ended 31st December 2012: £nil).

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

19. 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 31ST DECEMBER 2013	Ordinary shares held	Percentage shareholding
Morstan Nominees Limited	8,019,271	14.97%
BNY Mellon Nominees Limited	7,568,308	14.13%
HSBC Global Custody Nominee (UK) Limited (786698)	5,839,757	10.90%
Flintshire County Council	5,791,288	10.81%
Harewood Nominees Limited	5,220,999	9.74%
Quintain Estates and Development PLC	4,000,000	7.47%
Chase Nominees Limited	3,809,939	7.11%
HSBC Global Custody Nominee (UK) Limited (771096)	3,669,094	6.85%
BNY (OCS) Nominees Limited	2,159,000	4.03%

AS AT 30TH JUNE 2013	Ordinary shares held	Percentage shareholding
Morstan Nominees Limited	8,019,271	14.51%
BNY Mellon Nominees Limited	7,568,308	13.70%
HSBC Global Custody Nominee (UK) Limited (786698)	5,839,757	10.57%
Flintshire County Council	5,791,288	10.48%
Harewood Nominees Limited	5,220,999	9.45%
Quintain Estates and Development PLC	4,000,000	7.24%
Chase Nominees Limited	3,809,939	6.90%
HSBC Global Custody Nominee (UK) Limited (771096)	3,669,094	6.64%
BNY (OCS) Nominees Limited	2,159,000	3.91%

Notes to the Financial Statements

20. INVESTMENTS

	31st Dec 13 Cost	31st Dec 13 Fair value	30th Jun 13 Cost	30th Jun 13 Fair value
Quoted equity securities:	**£**	**£**	**£**	**£**
Hightex Group plc Ordinary Shares	730,000	-	730,000	135,000
Hydrodec Group plc Ordinary Shares	3,498,417	1,490,007	3,498,417	1,316,750
Phoslock Water Solutions Limited Ordinary shares	443,713	323,935	443,713	235,247
Renewable Energy Generation Ordinary shares	720,241	660,300	720,241	613,800
Total quoted equities:	**5,392,371**	**2,474,242**	**5,392,371**	**2,300,797**
Unquoted equities:				
ECO Plastics Limited Ordinary Shares	5,000,059	5,054,314*	5,000,059	7,539,733*
Emergya Wind Technologies B.V. Preference Shares	4,471,385	-	4,471,385	-
Ignis Biomass Limited Ordinary Shares	1,000,000	1,630,836	1,000,000	1,243,819
Lumicity Limited Class A Preference Shares	548,000	955,421	548,000	1,253,145
Micropelt GmbH Ordinary Shares	-	281	-	289
New Earth Recycling & Renewables (Infrastructure) plc	-	-	882,403	1,113,307
Rapid Action Packaging Limited Ordinary Shares	5,035,903	5,379,513	5,035,903	5,681,138
STX Services B.V. Ordinary Shares	917,068	5,048,623	917,068	4,427,941
Tamar Energy Limited Ordinary Shares	4,585,272	4,585,272	3,500,000	3,840,932
Terra Nova SAS Preference Shares (in administration)	5,291,669	-	5,291,669	-
Total unquoted equities:	**26,849,356**	**22,654,260**	**26,646,487**	**25,100,304**
Unquoted securities:				
ECO Plastics Limited 19% Loan Notes	1,585,635	-*	1,585,635	-*
Ignis Biomass Limited 10% Unsecured Convertible Notes 2017	2,370,000	2,370,000	2,160,000	2,160,000
Micropelt GmbH 15% (2012: 15%) CULS	3,689,285	449,719	2,833,060	2,148,873
Rapid Action Packaging Limited 10% (2012: 10%) Convertible Loan Notes	2,474,656	2,474,656	2,474,656	2,474,656
Terra Nova SAS 12% (2012 : 8%) Convertible Loan Notes (in administration)	773,285	-	498,285	250,000
Total unquoted securities:	10,892,861	5,294,375	9,551,636	7,033,529
Total investments:	**43,134,588**	**30,422,877**	**41,590,494**	**34,434,630**

* The shares and loan notes of ECO Plastics Limited were valued on the basis of a calculated fair enterprise value and the resulting figure was allocated based on the economic ownership of the shares and the loan notes.

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