Audited Annual Report and Financial Statements

LUDGATE
ENVIRONMENTAL FUND

For the year ended 30th June 2016

Contents

LUDGATE
ENVIRONMENTAL FUND

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Statement of Investment Policy

Ludgate Environmental Fund Limited (the ''Fund", the ''Company" or ''LEF") has made investments in a diverse portfolio of resource efficiency companies for capital growth.

The Fund has focused on the following areas within the resource efficiency sector:

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

No single investment at subscription had a value greater than 15.0% 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 25.0% 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 remaining life of the Company to 30th June 2018, 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 2016.

On 1st September 2014, shareholders approved the recommendation of the Directors to extend the life of the Company to 30th June 2018. They also approved a revised investment policy which states that the policy is to effect the systematic winding down of the activities of the Company and the disposal of its assets in such a way as to seek to achieve the maximum possible value for shareholders. In order to effect such a winding down, the Company's key strategy is to dispose of its portfolio of investments and any other assets and to exercise all legal rights of the Company over time in such a way as to maximise shareholder value and to take any such other action so as to enable it to realise its assets.

No further investments will be made save for those made either: (i) to preserve, protect or enhance the value of an existing investment; or (ii) as part of a prudent cash management programme.

Chairman's Statement

I report to shareholders on the performance of Ludgate Environmental Fund Limited ("LEF") for the year ended 30th June 2016.

Financial Review

The net asset value of LEF on 30th June 2016 was £14,087,746 (2015: £32,312,863), equivalent to 26.4 (2015: 60.6) pence per share. A net loss of £17,691,659 was recorded (2015: £3,186,351). A gross dividend of £533,458 was paid, equivalent to 1p per share. At the end of the year the cash balance was £1,697,615 (2015: £867,973).

Strategy and Portfolio Review

The purpose of LEF is to manage the remaining assets in the portfolio for sale with proceeds distributed in cash by the wind up date of the fund in 2018. Progress in the year under review was disappointing. The biomass generation company, Ignis was sold by competitive tender at a price below NAV with part of the consideration deferred against the achievement of certain operational measurements in 2016; the proceeds of sale less a reserve and costs were distributed to shareholders. If the deferred consideration is received, it is intended to distribute this as a dividend. Rapid Action Packaging (RAP) has furthered its strategic development, diversifying its customer base and the introduction of certain new products; however production delays and cost overruns led to weaker profitability, lower margins and inconsistent forecasting. We have therefore reduced the trading multiples against which we value RAP and increased the private company discount to reflect the volatility of performance. This in turn has had a significant impact on the NAV of LEF. Similarly STX Services B.V. (STX) has seen a decline in revenue and has replaced business lost due to regulatory change but at a slower pace than in previous years. We have increased the private company discount and reduced the comparable trading multiples to reflect slower growth and a revised business model. This too has had a significant impact on the NAV of LEF. Unanticipated changes to the UK government's applicable subsidy regime in the third quarter of 2015 seriously weakened the business proposition and value of Tamar, an aggregated anaerobic digestion producer of electricity; the company was restructured around a new business model with competent management and direction. The reduction in value has also had a material effect on the NAV of LEF; the current holding is valued as an option. The remaining interests in liquid securities will be sold and it is intended to distribute proceeds when opportunities arise.

We continue to explore ways of realising liquidity and value for shareholders from the sale of assets. In 2015 an acquirer of secondary fund assets made a preliminary offer for part of the share capital of the company contingent on a subsequent de listing and reorganisation. Shareholders rejected the approach with the restated expectation that LEF should sell its assets and distribute proceeds within the time agreed at the extension of the life of the fund. Despite this year's disappointments at RAP, STX and Tamar, we believe that this objective remains attainable. I am grateful to my fellow board members for their engagement and diligence in what has necessarily been a frustrating year.

Investment Adviser's Report

Highlights and Key Financial Data

- Net assets of £14.1 million at 30th June 2016, with a NAV per share of 26.4 pence (2015: £32.3 million and 60.6 pence)
- 1.0 pence per share dividend paid during the financial year (2015: nil)
- Investments made in the year totaling £0.6 million into 3 existing portfolio companies (2015: £3.0 million invested into 5 existing portfolio companies)
- Interest and dividend income receivable (net of provisions) was £0.3 million (2015: £0.6 million)
- £2.4 million was realised from the sale of the Company's interest in Ignis with further potential earn-outs dependent upon achieving certain milestones by 31st December 2016
- £0.9 million was realised from the sale of the Company's interest in Renewable Energy Generation
- Cash balances were £1.7 million as at 30th June 2016 (2015: £0.9 million)

Net Asset Valuation summary

The table below summarises the asset position of the Company as at 30th June 2016.

Currency £m		Investment Amount				
Company	**Activity**	**Equity**	**Convertible/Loan**	**Total**	**Valuation***	**% of NAV**
Rapid Action Packaging	Food Packaging	7.51	-	7.51	6.50	*46.16*
STX Services	Environmental broking	0.92	-	0.92	4.19	*29.73*
Phoslock Water Solutions	Water treatment	0.44	-	0.44	0.46	*3.29*
Hydrodec Group	Oil recycling	3.50	-	3.50	0.28	*1.97*
Tamar Energy	Anaerobic Digestion	7.00	-	7.00	0.15	*1.04*
Micropatent	IP	0.09	-	0.09	0.05	*0.36*
Subtotal		**19.45**	**-**	**19.45**	**11.63**	**82.55**
Cash at bank					1.70	*12.05*
Other assests/liabilities					0.76	*5.40*
					14.09	***100.00***

Adviser to the Company

Ludgate Investments Limited ("Ludgate Investments"), established in London in 2001, is an FCA regulated firm which specialises in private equity investments focused on resource efficiency, in commercially proven industrial applications and services in energy efficiency, recycling, materials and water.

The investment team changed during the year and comprises Gijs Voskamp (Chief Executive Officer), Ekaterina Sharashidze (Director) and Jim Lelivelt (Investment Manager); Bill Weill (Chief Investment Officer), resigned on 31st December 2015.

Principal Investments

Rapid Action Packaging

Food packaging

Valuation at 30th June 2016 (method):	£6.5million (fair value)
Investment:	£5.0 million ordinary shares and £2.5 million convertible loan notes (converted on 16 September 2014)
Ownership:	49.5% (46.7% fully converted and fully diluted)
Date(s) of investment:	Q2 2008, Q2 2009, Q2 2011

Company summary:
Rapid Action Packaging (RAP) designs, manufactures and supplies innovative, cost effective and environmentally responsible packaging systems particularly for the "food on the move" market. Further information can be found at www.rapuk.com.

Investment during the year:
No further investment was made during the year.

Significant events during the year:
- RAP recorded a 3.7% decrease in revenues to £19.9 million (2014: £20.7 million) for the FY September 2015. Performance in the current year is below expectations
- Following Brexit, the company has been impacted by the depreciation of the GBP in June 2016, as its cost of production is in EUR and the majority of revenues are in GBP
- The company commissioned an automation project with the intention to improve efficiency and reduce cost. The project is expected to be finalised in September 2016
- RAP has invested in additional production capacity, which is expected to become operational in Q1 2017, and should expand the total capacity by circa 65%
- The company has successfully increased sales in continental Europe

Gijs Voskamp and Ekaterina Sharashidze are the nominated directors on the board of RAP

Principal Investments

STX Services

Environmental Financial Product Broking

Valuation at 30th June 2016 (method):	£4.2 million (fair value)
Investment:	£0.9 million (ordinary shares)
Ownership:	30.8% fully diluted
Date(s) of investment:	Q4 2007, Q1 2008, Q1 2012

Company summary:
STX Services (STX) is a broker specialising in environmental financial products with a particular focus on the carbon markets. It has mostly been active in EU Emission Allowances but has diversified into Certified Emission Reductions, biofuel tickets, green certificates and other environmental trading. STX is Amsterdam-based and active across the European markets. Further information can be found at www.stxservices.com.

Investment during the year:
No further investment was made during the year.

Significant events during the year:
- Performance in the previous and current year is below expectations
- The company paid dividends twice, totalling £0.3 million to LEF. The total received to date from STX in interest payments and dividends is £4.0 million
- No further dividends expected in the financial year to 31st March 2017
- With the overall environmental commodity market in decline, the company has actively started to diversify into other products and markets, including physical products in which it is starting to get traction

Gijs Voskamp is the nominated director on the board of STX.

Principal Investments

Tamar Energy

Biogas project developer, owner and operator

Valuation at 30th June 2016 (method):	£0.1 million (fair value)
Investment:	£7.0 million (preferred ordinary shares)
Ownership:	7.1% fully diluted
Date(s) of investment:	Q2/Q3 2012, Q2/Q4 2013, Q1/Q2 2014

Company summary:
Tamar Energy is a renewable energy business, focusing on anaerobic digestion and offering a range of composting services. Tamar owns and operates a network of anaerobic digestion (AD) plants and composting plants offering cost-effective, sustainable treatment of organic waste. Further information can be found at www.tamar-energy.com/.

Investment during the year:
No further investment was made during the year.

Significant events during the year:
- Following HM Government's publication of a 'Consultation: Reforming the business energy efficiency tax landscape' incorporating a Treasury review in October 2015, Tamar commenced fundamental changes to its business model as it was forced to abandon its plant development/roll-out strategy
- The company was subsequently restructured and downsized and as a consequence, LEF had to significantly write down the value of its holding in Tamar
- Dean Hislop has taken over as CEO
- The company is budgeted to show positive EBITDA in the new financial year to March 2017
- The valuation methodology has been amended from a Cash Flow analysis to a multiple of budgeted EBITDA

Gijs Voskamp replaced Bill Weil (former CIO of Ludgate Investments Limited) as the nominated director on the board of Tamar.

Principal Investments

Phoslock Water Solutions (ASX:PHK)

Water treatment

Valuation at 30th June 2016 (method):	£0.5 million (fair value)
Investment:	£0.5 million (ordinary shares)
Ownership:	2.5%
Date(s) of investment	Q3 2008, Q2/Q3 2009, Q3 2010

Company summary:
Phoslock is an environmentally-friendly tool in algae management. It is a natural product which starves algae of phosphate, thereby preventing its growth. Unlike many other treatments for blue-green algae, no chemicals are used. Further information can be found at http://www.phoslock.com.au/irm/content/default.aspx.

Divestment during the year::
LEF sold 745,000 shares during the financial year for a total consideration of £12,733.

Significant events during the year:

- During the year, Phoslock announced multiple contract wins, predominantly in Brazil and China
- Major news release in April 2016, when Phoslock announced an agreement with Xingyuan Environment Technology Co. Ltd (a large Chinese listed company), which covers working jointly on lake, river and canal remediation projects in China
- The company subsequently undertook a share placement raising A$2.1 million at A$0.07 per share (30 million new shares), for investment in sales & marketing, working capital and reduction of liabilities
- Phoslock's share price increased from A$0.038 on 30th June 2015 to A$0.090 on 30th June 2016

Principal Investments

Hydrodec (AIM:HYR)

Specialist oils recycling

Valuation at 30th June 2016 (method):	£0.3 million (fair value)
Investment:	£3.5 million (ordinary shares) and £3.0 million (loan – repaid in full in November 2013)
Ownership:	1.8%
Date(s) of investment:	Q4 2007, Q1/Q2/Q4 2008, Q1/Q2 2009

Company summary:
Hydrodec's technology is a patented sustainable oil refining process that takes existing spent oil as feedstock to produce new specialty oils thus creating a virtuous green cycle. The process is closed loop and produces no harmful emissions. Further information can be found at www.hydrodec.com.

Divestment during the year:
LEF sold 200,000 shares during the financial year for a total consideration of £13,675.

Significant events during the year:
- Revenue decreased to $43.8 million (2014: $54.7 million), driven by delays in US facility being commissioned, challenging conditions in particular in the UK market and a collapse in the oil price
- Operating EBITDA (after restructuring costs and recommissioning) decreased to a loss of $12.8 million (2014: $1.6 million gain)
- Former CFO Chris Ellis took over as CEO from Ian Smale in December 2015
- Canaccord Genuity Limited took over form Peel Hunt as nominated adviser and broker in December 2015
- In March 2016, Hydrodec's UK operations were sold to board member and significant shareholder Andrew Black for a consideration of £1
- Canton plant has been showing record production levels in June 2016

Investment Divestments

Ignis Biomass

On 6th January 2016, the Company sold all its holdings in Ignis Biomass Limited (Ordinary Shares and Unsecured Convertible Notes) for a total consideration of £4 million of which £2.4 million was payable on completion and up to £1.6 million deferred pending the achievement of certain performance conditions. Additional payments may also be made up to 31st December 2016 on achievement of agreed contractual targets.

Renewable Energy Generation

LEF completed the realisation of its shareholding in Renewable Energy Generation, resulting in a total consideration of £0.9 million.

Emergya Wind Technologies

LEF completed the realisation of its shareholding in Emergya Wind Technologies, resulting in a total return of £0.1 million.

Hydrodec

LEF received £13,675 from the sale of some of its shares in Hydrodec.

Phoslock Water Solutions

LEF received £12,733 from the sale of some of its shares in Phoslock Water Solutions.

Lumicity

LEF received a further £45,900 in earn-outs from the sale of its shares in Lumicity.

Micropelt GmbH

Micropelt went into administration in December 2015 and the remaining value of the Company's investment (£0.4 million) was written off. When the company was restructured in April 2014, the Intellectual Property (IP) that Micropelt used was placed into a new entity (Micropatent B.V.) of which LEF owns 50% of the shares.

Directors' Biographies

John Shakeshaft - Chairman
John, 62, has 30 years' experience as a corporate finance and capital markets banker. He is a Director and Chairman of the Audit Committee of Kinnevik, AB, listed on the OMX Nasdaq exchange and Chairman of The Economy Bank, NV, supervised and regulated in the Netherlands. He is also a Director of Valiance Funds regulated in Guernsey. John is Deputy Chairman of the Council of Cambridge University. He is also a trustee of the Institute of Historical Research and the London Symphony Orchestra. He was educated at Cambridge, Princeton and London Universities. He served for nine years in HM Diplomatic Service.

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

Ronald Green - Director
Ronald, 68, is retired from full time employment having had a long career involving various financial and senior management positions. From 1985 to December 2004, he worked at Berkeley Technology Limited, a listed Jersey financial services group where he had a variety of duties and responsibilities including managing the head office in Jersey, and executive and non-executive directorships of various development capital, leverage buy-out and other listed and unlisted funds. Prior to Berkeley Technology Limited, he worked at Citibank Jersey and was Finance Director of RCA Jersey Limited, a company manufacturing and selling television broadcast equipment worldwide. He is currently non-executive director of various other investment funds, including a European Private Equity Fund, a group of Mezzanine Debt Funds and investment holding company of a multinational telecommunications group. He is a Jersey resident and is a Fellow of the Chartered Institute of Management Accountants.

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

David Pirouet - Director
David, 61, a Jersey resident, is a qualified chartered accountant. He was an audit and assurance partner for 20 years with PricewaterhouseCoopers CI LLP ("PwC") until he retired in June 2009. He specialised in the financial services sector, in particular in the alternative investment management area. He also led PwC's Channel Islands hedge fund management practice for over four years.

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

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

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

Directors' Report

The Directors present their report and the audited financial statements for the year ended 30th June 2016.

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 that has invested in the resource efficiency sector.

Results, Dividends and Other Returns

The decrease in net assets attributable to shareholders from operations before dividends for the year amounted to £17,691,659 (2015: £3,186,351).

No interim dividend was paid during the year (2015: £nil). A special dividend of 1.0 pence per share was paid during the year (2015: £nil).

No shares were purchased during the year. The number of shares in issue at the year end is 53,345,782.

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. The wind-up date of the Company is 30th June 2018.

Corporate Governance

The Company was registered with AIM on 2nd August 2007. As a Jersey incorporated company and under the AIM Rules for Companies, the Company is not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council in May 2010 (the "Code"). However, it is the Company's policy to comply with best practice on good corporate governance that is applicable to investment companies.

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

The Board considers that it is appropriate to report against the principles and recommendations of the AIC Code and by reference to the AIC Guide and that the Company has complied with the principles and recommendations throughout the accounting period, except where indicated below on pages 13 and 14 in respect of the chief executive, executive directors' remuneration, a senior independent director, Board Committees and an internal audit function. The following statements describe how the relevant principles of governance are applied to the Company.

The Board

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

The Company has no executive directors and no employees. However, the Board has engaged external companies to undertake investment advisory and administrative activities of the Company together with the production of the Annual

Directors' Report

Report and Financial Statements which are independently audited. Clearly documented contractual arrangements are in place with these external companies that define the areas where the Board has delegated responsibility to them and their contracts are reviewed on an annual basis. Whilst the Board delegates responsibility, it retains accountability for the functions it delegates and is responsible for the systems of internal control.

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

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

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

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

During the year under review the Board met thirteen times. Of those thirteen meetings, John Shakeshaft and Ronald Green attended twelve and David Pirouet attended thirteen.

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

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

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

Board Responsibilities

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

- The overall objectives for the Company
- Risk assessment and management, including reporting, monitoring, governance and control;

Directors' Report

- Any shifts in strategy that may be appropriate in light of changes in market conditions;
- The appointment, and ongoing monitoring, through regular reports and meetings of the Investment Adviser, Administrator and other service providers;
- Review of the Company's investment performance;
- Share price performance;
- Statutory obligations and public disclosures;
- The shareholder profile of the Company; and
- Transactional and other general matters affecting the Company.

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

Committees of the Board

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

Audit Committee

The Board operates an Audit Committee which, at the year end, consisted of Ronald Green, David Pirouet and John Shakeshaft. David Pirouet serves as the Chairman of the Committee. The Audit Committee operates within defined terms of reference as agreed by the Board which are available from the Secretary upon request. Due to the Company's size, the Board considers it appropriate that all of the Board may sit on the Audit Committee but that the Committee is chaired by one of the independent non-executive Directors other than the Company's Chairman. The Audit Committee's function is to ensure the Company's financial performance is properly reported on and monitored and the Audit Committee reviews the following:

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

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

During the year under review the Committee met five times. Of those five meetings, John Shakeshaft and Ronald Green attended four while David Pirouet attended five.

Internal Controls

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

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

Directors' Report

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

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

Relationships With Shareholders

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

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

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

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

Directors

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

J. Shakeshaft (Chairman)
R. Green
D. Pirouet

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.

Registered Office

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

Directors' Report

Statement of Directors' Responsibilities in Respect of the Financial Statements

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

The Directors are required to prepare financial statements for each financial year under the Companies (Jersey) Law 1991. As permitted by that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") 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 year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Conceptual Framework for Financial Reporting". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs.

The Directors are also required to:

- select suitable accounting policies and 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.

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.

Disclosure of information to the auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information;

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

By Order of the Board

Katerina Gara

Authorised Signatory
State Street Secretaries (Jersey) Limited
Secretary

Date: 5th September 2016

Auditors' Report

Independent Auditor's Report to the Members of Ludgate Environmental Fund Limited

We have audited the financial statements of Ludgate Environmental Fund Limited (the "Company") for the year ended 30 June 2016 which comprise the balance sheet, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

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

Respective Responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

Opinion on the Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the Companies (Jersey) Law 1991.

Auditors' Report

Matters on Which We are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

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

B. Glancy

Bill Glancy
For and on behalf of BDO Limited
Chartered Accountants
Jersey, Channel Islands
6th September 2016

Balance Sheet

AS AT 30TH JUNE 2016

	Notes	2016 £	2015 £
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	7, 20	**11,589,558**	**31,183,825**
Current assets			
Derivatives at fair value through profit or loss	7, 8	52,549	387,809
Loans receivable	9	-	319,672
Trade and other receivables	10	864,357	10,241
Cash and cash equivalents	11	1,697,615	867,973
		2,614,521	1,585,695
TOTAL ASSETS		**14,204,079**	**32,769,520**
LIABILITIES			
Current liabilities			
Trade and other payables	12	116,333	456,657
TOTAL LIABILITIES		116,333	456,657
NET ASSETS ATTRIBUTABLE TO EQUITY SHAREHOLDERS		14,087,746	32,312,863
SHAREHOLDERS EQUITY			
Ordinary shares	13	56,018,480	56,018,480
Reserves (deficit)		(41,930,734)	(23,705,617)
		14,087,746	32,312,863
Net asset value per ordinary share outstanding		0.26	0.61

These financial statements on pages 20 to 52 were approved and authorised for issue by the Board of Directors on the 5th day of September 2016 and were signed on its behalf by:

J. R. Pironet

Director

The notes on pages 24 to 52 form part of these financial statements

Statement of Comprehensive Income

FOR THE YEAR ENDED 30TH JUNE 2016

INCOME	**Notes**	**2016** **£**	**2015** **£**
Deposit interest income		1,147	1,872
Loan note interest income		170,830	352,833
Dividend income		306,347	1,154,789
Other income		145,539	77,703
		623,863	**1,587,197**
EXPENSES:			
Net loss on financial assets and derivatives at fair value through profit or loss	7, 8	16,977,324	2,195,724
Net loss on foreign exchange		2,338	16,398
Administration and accountancy fees		216,624	217,038
Adviser fees	17	507,664	670,290
Audit fees	4	22,145	30,480
Directors' fees and expenses	4	114,603	115,343
Legal fees		30,617	12,221
Professional fees		160,119	299,089
Provision against interest receivable	9	170,830	968,388
Withholding tax		39,557	240,716
Miscellaneous expenses		73,701	7,861
		18,315,522	4,773,548
TOTAL COMPREHENSIVE (LOSS) / INCOME		**(17,691,659)**	**(3,186,351)**
(Loss) / income per ordinary share	6	(0.33)	(0.06)

The notes on pages 24 to 52 form part of these financial statements

Statement of Changes in Equity

FOR THE YEAR ENDED 30TH JUNE 2016

	Notes	Ordinary shares	Reserves (deficit)	Total net assets attributable to equity shareholders
		£	£	£
FOR THE YEAR ENDED 30TH JUNE 2016				
Opening balance as at 1st July 2015		56,018,480	(23,705,617)	32,312,863
Total comprehensive loss		-	(17,691,659)	(17,691,659)
Dividends paid to equity shareholders	5	-	(533,458)	(533,458)
Closing balance as at 30th June 2016		**56,018,480**	**(41,930,734)**	**14,087,746**
FOR THE YEAR ENDED 30TH JUNE 2015				
Opening balance as at 1st July 2014		56,018,481	(20,519,266)	35,499,215
Purchase of own shares	13	(1)	-	(1)
Total comprehensive income		-	(3,186,351)	(3,186,351)
Closing balance as at 30th June 2015	13	**56,018,480**	**(23,705,617)**	**32,312,863**

The notes on pages 24 to 52 form part of these financial statements

Statement of Cash Flows

FOR THE YEAR ENDED 30TH JUNE 2016

	Notes	2016 £	2015 £
Cash flows from operating activities	16	(1,137,598)	(1,276,708)
Cash flows from investing activities			
Purchase of investments	7	(620,351)	(2,826,393)
Proceeds from sale of investments	7	2,497,368	783,293
Loan note interest and dividends received		306,347	1,708,230
Loan finance repaid	9	319,672	850,000
		2,503,036	515,130
Cash flows from financing activities			
Dividends paid to equity shareholders	5	(533,458)	-
Purchase of own shares	13	-	(1)
		(533,458)	(1)
Net increase / (decrease) in cash and cash equivalents		831,980	(761,579)
Effects from changes in exchange rates on cash and cash equivalents		(2,338)	(16,398)
Cash and cash equivalents at beginning of the year		867,973	1,645,950
Cash and cash equivalents at end of the year	11	1,697,615	867,973

The notes on pages 24 to 52 form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2016

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 was incorporated with a life of approximately eight years from admission to AIM, expiring on 30th June 2015 (the "Proposed Wind-up Date"). On 12th August 2014, the Directors recommended to the shareholders to extend the Wind-up Date until 30th June 2018 and this was subsequently approved by the shareholders at the Extraordinary General Meeting on 1st September 2014.

2. ACCOUNTING POLICIES

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") adopted by the European Union ("EU") and International Accounting Standards Board ("IASB"), and its predecessor body, as well as interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") and its predecessor body.

The more significant policies are set out below:

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

In the opinion of the Directors, there are no mandatory new standards, interpretations and amendments to existing standards that are effective for the first time for the financial year beginning 1st July 2015 that would be expected to have a material impact on the Company.

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.

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

Notes to the Financial Statements

2. ACCOUNTING POLICIES (continued)

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 standard is effective for accounting periods beginning on or after 1st January 2018. Early adoption is permitted, subject to EU endorsement.

Amendments to IFRS 10, IFRS 12 and IAS 28, "Investment entities: applying the consolidation exception"

These amendments confirm that the exemption from preparing consolidated financial statements continues to be available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. IAS 28 has been amended to permit an entity to retain the fair value measurement applied by an investment entity associate or joint venture to its interests in subsidiaries. Amendments to IFRS 12, "Disclosure of interests in Other Entities" states that it does not apply to an entity's separate financial statements. The amendments to IFRS 12 clarified that an investment entity that measures all its subsidiaries at fair value should provide the IFRS 12 disclosures related to investment entities.

The standard is effective for accounting periods beginning on or after 1st January 2016. Early adoption is permitted, subject to EU endorsement.

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 years 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 value'.

c) Functional and presentational currency

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

Notes to the Financial Statements

2. ACCOUNTING POLICIES (continued)

d) Use of estimates and judgements

The preparation of financial statements in accordance with IFRSs as adopted by the EU 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, other assets, cash and cash equivalents, trade and other payables and performance fees retained.

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

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or designated as such upon initial recognition. The Company has designated its investment holdings as at fair value through profit or loss as permitted

Notes to the Financial Statements

2. ACCOUNTING POLICIES (continued)

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, 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.

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.

Notes to the Financial Statements

2. ACCOUNTING POLICIES (continued)

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 probable that economic benefits will flow to the Company and the revenue can be reliably measured. Expenses are accounted for on an accruals basis.

i) Finance income and expenses

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

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

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

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

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

k) Transaction costs

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

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.

Notes to the Financial Statements

2. ACCOUNTING POLICIES (continued)

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 equity.

n) Offsetting

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

o) Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value 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. The Company adopted IFRS 13, "Fair value measurement", where the last traded market price for financial assets has been utilised and such last traded price falls within the bid-ask spread.

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 Rapid Action Packaging Limited's unlisted status.
- STX Services B.V. Ordinary Shares have been valued based on a multiple of profit before tax for the year in line with market multiples. This metric has been discounted to reflect STX Services B.V.'s unlisted status.
- Tamar Energy Limited Ordinary Shares have been valued based on an EBITDA multiple applied to forecast EBITDA.
- Micropelt GmbH Ordinary Shares have been valued at zero following its shareholders' decision not to fund the company further and the company being placed into administration.
- Micropatent B.V. Ordinary Shares have been valued based on an estimated realisable value of the intellectual property rights it holds.

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.

Notes to the Financial Statements

2. ACCOUNTING POLICIES (continued)

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) Investment entity

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

- 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.

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.

Notes to the Financial Statements

3. PERFORMANCE FEES RETAINED AND PAYABLE

	2016 £	2015 £
Performance fees payable	nil	nil

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

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

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

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

The conditions for payment of performance fees were not met for the performance years ended 30th June 2016 and 2015.

20% of any performance fees earned by the Adviser shall be retained and deposited in a Reserve Account (see note 11).

On 1st September 2014 the shareholders approved revised performance fee arrangements for the Investment Adviser, which took effect from 1st July 2014:

- the Advisory fee is calculated at 2% of the Company's Net Asset Value, payable quarterly and any future distributions will no longer be added back for the purposes of the calculation; and
- the basis of the calculation of the performance fee has been reset to 30th June 2014 and is payable to the Adviser if certain conditions are attained.

Notes to the Financial Statements

4. EXPENSES

AUDITOR'S FEES

		2016 £	2015 £
Audit fees	- current year	22,000	22,000
	- prior year under accrual	145	8,480
		22,145	30,480
Non-audit fees		4,730	8,225
		26,875	38,705

DIRECTORS' REMUNERATION AND INTERESTS

	2016 £	2015 £
Directors' fees	110,000	110,000
Directors' expenses	4,603	5,343
	114,603	115,343

The details of the Directors' remuneration are as follows:

	2016 £	2015 £
J. Shakeshaft (Chairman)	60,000	60,000
R. Green	25,000	25,000
D. Pirouet	25,000	25,000
	110,000	110,000

Notes to the Financial Statements

4. EXPENSES (continued)

As at the balance sheet date, the following Ordinary Shares 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
2016	
Directors	
J. Shakeshaft	115,445
Investment Adviser and related principals	
Ludgate Investments Limited*	664,000
N.Meir	50,500
N. Pople	50,000
Ocean Capital Holding II BV**	5,839,798
2015	
Directors	
J. Shakeshaft	115,445
Investment Adviser and related principals	
Ludgate Investments Limited*	664,000
J.N.B. Curtis	15,000
N. Pople	50,000
Ocean Capital Holding II BV**	5,839,798

Principals of Ludgate Investments Limited include Directors and senior management.

* As at 30th June 2016, Ocean Capital Investments BV (an entity related to Ocean Capital Holding II BV), N. Meir and N. Pople have an interest in Ludgate Investments Limited. J.N.B. Curtis left Ludgate Investments Limited on 31st August 2015. N. Meir was re-appointed as director of Ludgate Investments Limited on 2nd September 2015.

** Ocean Capital Investments BV (an entity related to Ocean Capital Holding II BV) is a company in which G. Voskamp and J. Voskamp, both directors of Ludgate Investments Limited, have 80% and 20% shareholdings, respectively.

Notes to the Financial Statements

5. DIVIDENDS

	2016	2015
	£	£
Special dividend	533,458	-

No interim dividend was paid during the year (2015: £nil). A special dividend of 1.0 pence per share was paid at a total cost of £533,458 during the year (2015: £nil).

6. EARNINGS PER SHARE

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

	2016	**2015**
	£	**£**
Total comprehensive loss	(17,691,659)	(3,186,351)
Weighted average number of ordinary shares for the purposes of basic earnings per share	53,345,782	53,345,782
	£	£
Basic and diluted loss per ordinary share	(0.33)	(0.06)

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments:	**2016**	**2015**
	£	**£**
Opening cost of investments	48,652,004	46,153,611
Purchases / (disposals) during the year:		
Additional investments acquired	400,351	3,046,393
Investments sold	9,808,089	(548,000)
Closing cost of investments	**39,244,266**	**48,652,004**
Opening fair value of investments	31,183,825	31,369,034
Purchases / (disposals) during the year:		
Additional investments acquired	400,351	3,046,393
Proceeds on disposal	(3,426,740)	(783,293)
Realised gain on disposal	(443,185)	235,293
Fair value movement	(16,124,693)	(2,683,602)
Closing fair value of investments	**11,589,558**	**31,183,825**

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

Notes to the Financial Statements

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

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.

The following table analyses within the fair value hierarchy the Company's financial assets measured at fair value at 30th June 2016 and 2015.

2016	Level 1	Level 2	Level 3	Total
	£	£	£	£
Financial assets at fair value through profit or loss	740,896	-	10,848,662	11,589,558
Derivatives at fair value through profit or loss	-	-	52,549	52,549

2015				
Financial assets at fair value through profit or loss	1,708,757	-	29,475,068	31,183,825
Derivatives at fair value through profit or loss	-	-	387,809	387,809

Notes to the Financial Statements

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

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 value'.

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 £10,848,662 (2015: £26,455,068) 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 has also previously utilised net realisable values and discounted cash flow techniques. On determining the discount rate, regard is given to risk rates, the specific risks of the investment and evidence of the recent transaction.

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

The Level 3 unquoted securities amounted to £nil (2015: £3,020,000).

2016

Description	Fair value at 30th June 2016 £	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/- £
Unquoted equities	10,651,037	Comparable trading multiples	Profit before tax multiple and EBITDA multiple	6.0× - 7.0×	5%	537,658/ (537,658)
	146,814	Valuation of existing operational assets	EBITDA multiple	9.0×	5%	(349,814)/ 349,814
	50,811	Estimated realisable value	Not applicable	-	-	-

2015

Description	Fair value £	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation +/- £
Unquoted equities	18,383,585	Comparable trading multiples	Profit before tax multiple and EBITDA multiple	8.25× - 9.01×	5%	907,738/ (907,738)
	7,196,417	Discounted cash flows	Cost of Capital	14.6%	5%	(264,298)/ 264,298
	875,066	Estimated realisable value	Not applicable	-	-	-
Unquoted securities	3,020,000	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.

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 years ended 30th June 2016 and 2015 by class of financial assets were as follows:

2016	**Derivatives £**	**Unquoted equities £**	**Unquoted securities £**	**Total £**
Opening balance	387,809	26,455,068	3,020,000	29,862,877
Total gains / (losses) (realised/unrealised) included in the statement of comprehensive income	(335,260)	(15,484,543)	(589,781)	(16,409,584)
Purchases and issuances	-	75,351	325,000	400,351
Sales and settlements	-	(197,214)	(2,755,219)	(2,952,433)
Closing balance	**52,549**	**10,848,662**	**-**	**10,901,211**

2015				
Opening balance	135,224	23,980,575	4,844,656	28,960,455
Total gains / (losses) (realised/unrealised) included in the statement of comprehensive income	252,585	(1,613,263)	-	(1,360,678)
Purchases and issuances	-	2,396,393	650,000	3,046,393
Sales and settlements	-	(783,293)	-	(783,293)
Share conversion	-	2,474,656	(2,474,656)	-
Closing balance	**387,809**	**26,455,068**	**3,020,000**	**29,862,877**

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 £190,385 (2015: £687,193). A decrease of 5% would have resulted in a decrease in value of £190,385 (2015: £687,193).

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

	2015 £	**2015 £**
Computer Share (Australia)	-	171,782
Panmure Gordon & Co	740,896	1,536,975
State Street (Jersey) Limited	10,848,662	29,475,068
	11,589,558	31,183,825

Notes to the Financial Statements

8. DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 **£**	**2015** **£**
Rapid Action Packaging Limited – 3,368 warrants (2015: 3,368 warrants)	52,549	387,809

9. LOANS RECEIVABLE

	2016 £	2015 £
Current:		
Ignis Wick Limited	-	319,672

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 was unsecured, repayable on demand and bore interest at 10% per annum. The loan interest income due during the year ended 30th June 2016 amounted to £15,974 (2015: £102,213) of which £15,974 (2015: £102,213) was provided for during the year.

This loan was repaid on 6th January 2016 as part of the initial consideration received on the sale of Ignis Biomass Limited.

10. OTHER ASSETS

	2016 **£**	**2015** **£**
Fixed deposit interest receivable	-	50
Prepayments and other receivables	9,171	10,191
Current asset investment at fair value through profit or loss	855,186	-
	864,357	10,241

Notes to the Financial Statements

11. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Panmure Gordon & Co	20,367	20,442
Royal Bank of Scotland International - current account (GBP)	124	78,900
State Street Bank and Trust Company	1,358,021	450,322
Cash held on fixed term deposit:		
Fixed term deposits held with Barclays (GBP)	319,103	318,309
	1,697,615	867,973

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 (2015: £nil). The Board has taken care to minimise the credit risk associated with cash and cash equivalents.

12. TRADE AND OTHER PAYABLES

	2016 £	2015 £
Administration and accountancy fees	51,250	51,250
Professional fees payable	35,000	150,000
Audit fees payable	17,030	22,000
Directors' fees and expenses payable	12,500	12,500
Other creditors	553	907
Investment payable	-	220,000
	116,333	**456,657**

All expenses are payable on presentation of an invoice.

Notes to the Financial Statements

13. STATED CAPITAL ACCOUNT

	2016	2015
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 2015	53,345,782	-	-
Purchase of own shares	-	-	-
Closing balance at 30th June 2016	**53,345,782**	-	-
Opening balance at 1st July 2014	53,345,784	-	-
Purchase of own shares	(2)	-	-
Closing balance at 30th June 2015	**53,345,782**	-	-

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. At 31st October 2012, 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 year, the Company did not repurchase any of its shares. During the year ended 30th June 2015, it repurchased 2 ordinary shares amounting to £1. These shares were subsequently cancelled.

	2016 £	2015 £
Opening balance	56,018,480	56,018,481
Purchase of own shares	-	(1)
Closing balance	56,018,480	56,018,480

Notes to the Financial Statements

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".

Sources of income

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

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 debt securities and cash which the Company intends to hold for an indefinite period (subject to the life of the Company). Asset allocation is determined by the Board who manages the distribution of the assets to achieve the investment objectives.

The 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.

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT (continued)

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 Investment Committee and the Adviser.

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

The Company's overall market positions are reviewed quarterly by the Board of Directors. Details of the Company's investment portfolio composition as at the balance sheet date are disclosed in note 20 to these financial statements.

As assets are sold in accordance with the investment policy and expected winding up date, the portfolio will become less diversified and market risks possibly increase.

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 year, the Company's interest income from fixed deposits was £1,147 (2015: £1,872) of which £nil (2015: £50) is outstanding at the end of the year. Had interest rates been 50 basis points higher throughout the year the Company would have decreased its loss by £8,488 (2015: £4,340), with a corresponding increase had interest rates been 50 basis points lower by £8,488 (2015: £4,340).

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk

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

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

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

Financial assets at fair value through profit or loss	2016 £	2015 £
Unquoted equities and securities denominated in EUR	4,238,087	9,724,523
Quoted equities denominated in AUD	463,685	185,617
	4,701,772	9,910,140

Currency sensitivity

As at 30th June 2016 if GBP had strengthened against the EUR by 5%, with all other variables held constant, the loss for the year as per the statement of comprehensive income would have increased and the net assets of the Company would have decreased by £201,814 (2015: increase in loss and decrease in net assets of £463,073). A 5% weakening of GBP against the EUR would have resulted in a decrease in the loss for the year as per the statement of comprehensive income and an increase in net assets of the Company of £223,057 (2015: decrease in loss and increase in net assets of £511,817), with all other variables held constant.

As at 30th June 2016 if GBP had strengthened against the AUD by 5%, with all other variables held constant, the loss for the year as per the statement of comprehensive income would have increased and the net assets of the Company would have decreased by £22,080 (2015: increase in loss and decrease in net assets of £8,839). A 5% weakening of GBP against the AUD would have resulted in a decrease in the loss for the year as per the statement of comprehensive income and an increase in the net assets of the Company of £24,404 (2015: decrease in loss and increase in net assets of £9,769), with all other variables held constant.

The movement in foreign exchange, excluding foreign exchange movements on financial assets at fair value through profit or loss which are reflected in the statement of comprehensive income as part of losses or gains on financial assets at fair value through profit or loss, for the year ended 30th June 2016 was a loss of £2,338 (2015: £16,398). This movement has been largely caused by the variance in the GBP:EUR exchange rate during the year on deposits held in EUR. The GBP:EUR exchange rate moved from 1.4114 as at 1st July 2015 to 1.2032 as at 30th June 2016.

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT (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:

	2016 Percentage of net assets	**2015 Percentage of net assets**
Financial assets at fair value through profit or loss		
Equity investments:		
Quoted	5.26%	5.29%
Unquoted	77.01%	81.87%
Debt investments:		
Unquoted	-	9.35%

Market price risk sensitivity

2.39% of the Company's investment assets are listed on European stock exchanges (2015: 4.88%). 4.00% of the Company's investments are listed on the Australian stock exchange (2015: 0.59%). A 10% increase in stock prices as at 30th June 2016 would have decreased the loss for the year and would have increased the net assets of the Company by £74,090 (2015: decrease in loss of £170,876). 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:

	2016 £	2015 £
Unquoted securities	-	3,020,000
Loans receivable	-	319,672
Other assets	864,357	10,241
Cash and cash equivalents	1,697,615	867,973
Total financial assets exposed to credit risk	2,561,972	4,217,886

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 of "AA-", through a pooled account. This service is entitled "Cash2". All transactions are in the name of State Street (Jersey) Limited Client Nominee, operated by State Street (Jersey) Limited. The Company is the beneficial owner of these deposits. There is no additional payment, liquidity, or settlement risk associated with the pooling.

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

	2016	2015
Resource efficiency industries	33.74%	79.42%
Banks/financial services	66.26%	20.58%

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

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT (continued)

Concentration Risk

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

	2016	2015
Investment in resource efficiency industries	100.00%	100.00%
Geographical area – Netherlands	36.57%	28.52%
Geographical area – UK	59.43%	68.22%
Geographical area – Australia	4.00%	0.59%
Geographical area – Germany	-	2.67%

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. 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 table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date. The amounts in the table are the contractual undiscounted cash flows.

	2016		2015	
	Within one year £	One to five years £	Within one year £	One to five years £
Financial liabilities:				
Trade and other payables	116,333	-	456,657	-

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**
2016:	**£**	**£**	**£**	**£**
Loans and receivables	1,706,786	1,706,786	-	1,706,786
Other assets	855,186	-	855,186	855,186
Fair value through profit or loss	11,642,107	-	11,642,107	11,642,107
Other liabilities	116,333	116,333	-	116,333
2014				
Loans and receivables	1,197,886	1,197,886	-	1,197,886
Fair value through profit or loss	31,571,634	-	31,571,634	31,571,634
Other liabilities	456,657	456,657	-	456,657

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 £**
2016:			
Net loss on financial assets and derivatives at fair value through profit or loss	-	(16,977,324)	-
Investment income	17,121	461,203	-
Loss on foreign exchange	(2,338)	-	-
	14,783	(16,516,121)	-
2015			
Net loss on financial assets and derivatives at fair value through profit or loss	-	(2,195,724)	-
Investment income	37,427	1,472,067	-
Loss on foreign exchange	(16,398)	-	-
	21,029	(723,657)	-

Notes to the Financial Statements

15. FINANCIAL RISK MANAGEMENT (continued)

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 30th June 2016 and 2015 but for which fair value is disclosed.

2016 Assets	**Level 1 £**	**Level 2 £**	**Level 3 £**	**Total £**
Other assets	-	9,171	-	9,171
Cash and cash equivalents	1,697,615	-	-	1,697,615
	1,697,615	9,171	-	1,706,786
Liabilities				
Trade and other payables	-	116,333	-	116,333
2015 Assets				
Loans receivable	-	319,672	-	319,672
Other assets	-	10,241	-	10,241
Cash and cash equivalents	867,973	-	-	867,973
	867,973	329,913	-	1,197,886
Liabilities				
Trade and other payables	-	456,657	-	456,657

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are 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.

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

Capital Management

The Company is an investment company listed on AIM in London. Capital can only be increased either by the issue of new shares at net asset value or by borrowing up to the permitted limit of 25% of NAV. Capital can only be reduced by the repurchase and cancellation of shares, which requires shareholder approval. 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 seek to maintain sufficient liquidity to be able to meet its financial obligations as they fall due.

Notes to the Financial Statements

16. CASH GENERATED FROM OPERATIONS

	2016 £	2015 £
Total comprehensive (loss)	(17,691,659)	(3,186,351)
Adjustments for:		
Unrealised loss on financial assets and derivatives at fair value through profit or loss	16,534,139	2,431,017
Realised loss / (gain) on financial assets and derivatives at fair value through profit or loss	443,185	(235,293)
Net loss on foreign exchange: cash and cash equivalents	2,338	16,398
Loan note interest income	(170,830)	(352,833)
Dividend income	(306,347)	(1,154,789)
Provision against interest receivable	170,830	968,388
Decrease in other assets	1,070	91,621
(Decrease) / increase in trade and other payables	(120,324)	145,134
CASH FLOWS FROM OPERATIONS	(1,137,598)	(1,276,708)

17. RELATED PARTY DISCLOSURE

Directors' remuneration and expenses payable for the year ended 30th June 2016 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.

On 21st December 2012, the Company entered into a restated Investment Advisory Agreement with the Adviser which took effect from 1st July 2012 in which it was 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.

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 updated Investment Advisory Agreement, the basis of the calculation of the performance fee was reset to 30th June 2012 and was payable to the Advisor if certain conditions were attained. On 1st September 2014, the shareholders approved the recommendation of the Directors to amend the fee arrangements under the Investment Advisory Agreement with effect from 1st July 2014, as follows:

- the Advisory fee is calculated at 2% of the Company's Net Asset Value, payable quarterly and any future distributions will no longer be added back for the purposes of the calculation; and
- the basis of the calculation of the performance fee has been reset to 30th June 2015 and is payable to the Adviser if certain conditions are attained.

During the year the Adviser's fee was £507,664 (2015: £670,290). No accrued Adviser's fees were outstanding as at the year end (2015: £nil). During the year the Adviser's expenses were £nil (2015: £nil).

Notes to the Financial Statements

17. RELATED PARTY DISCLOSURE (continued)

The performance fee is dependent on the Company's performance and amounted to £nil for the year ended 30th June 2016 (2015: £nil). Further details are disclosed in note 3.

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

In the year ended 30th June 2016, 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 the year ended 30th June 2016 was £44,140 (2015: £147,415).

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.

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 30TH JUNE 2016	Ordinary shares held	Percentage shareholding
Vidacos Nominees Limited	8,769,271	16.44%
HSBC Global Custody Nominee (UK) Limited (814437)	7,568,308	14.19%
HSBC Global Custody Nominee (UK) Limited (786698)	5,839,757	10.95%
Flintshire County Council	5,791,288	10.86%
Harewood Nominees Limited (4046320)	5,220,999	9.79%
Quintain Estates and Development PLC	4,000,000	7.50%
Chase Nominees Limited	3,777,439	7.08%
HSBC Global Custody Nominee (UK) Limited (771096)	3,669,094	6.88%
State Street Nominees Limited (OM04)	2,159,000	4.05%

AS AT 30TH JUNE 2015	Ordinary shares held	Percentage shareholding
Securities Services Nominees Limited	8,819,271	16.53%
HSBC Global Custody Nominee (UK) Limited (814437)	7,568,308	14.19%
HSBC Global Custody Nominee (UK) Limited (786698)	5,839,757	10.95%
Flintshire County Council	5,791,288	10.86%
Harewood Nominees Limited	5,220,999	9.79%
Quintain Estates and Development PLC	4,000,000	7.50%
Chase Nominees Limited	3,777,439	7.08%
HSBC Global Custody Nominee (UK) Limited (771096)	3,669,094	6.88%
BNY (OCS) Nominees Limited	2,159,000	4.05%

Notes to the Financial Statements

20. INVESTMENTS

	2016 Cost	2016 Fair value	2015 Cost	2015 Fair value
Quoted equity securities:	**£**	**£**	**£**	**£**
Hydrodec Group plc Ordinary Shares	3,459,734	277,211	3,498,417	1,039,540
Phoslock Water Solutions Limited Ordinary shares	410,933	463,685	443,713	185,617
Renewable Energy Generation Ordinary shares (sold in November 2015)	-	-	720,241	483,600
	3,870,667	**740,896**	**4,662,371**	**1,708,757**
Unquoted equities:				
ECO Plastics Limited Ordinary Shares (in liquidation)	6,052,937	-	6,052,937	-
Emergya Wind Technologies B.V. Preference Shares (sold in December 2015)	-	-	4,471,385	-
Hightex Group plc Ordinary Shares (in administration May 2015)	730,000	-	730,000	-
Ignis Biomass Limited Ordinary Shares (sold in January 2016)	-	-	1,200,000	1,220,102
Rapid Action Packaging Limited Ordinary Shares	7,510,559	6,463,761	7,510,559	9,534,128
STX Services B.V. Ordinary Shares	917,068	4,187,276	917,068	8,849,457
Tamar Energy Limited Ordinary Shares	7,000,000	146,814	7,000,000	5,976,315
Terra Nova SAS Preference Shares (in liquidation)	5,291,669	-	5,291,669	-
Micropelt GmbH (the new company) Ordinary Shares (in liquidation)	1,721,385	-	1,661,572	831,947
Micropatent B.V. Ordinary Shares	101,776	50,811	86,238	43,119
Total unquoted equities:	**29,325,394**	**10,848,662**	**34,921,428**	**26,455,068**
Unquoted securities:				
ECO Plastics Limited 19% Loan Notes (in liquidation)	1,585,635	-	1,585,635	-
Ignis Biomass Limited 10% Unsecured Convertible Notes 2017 (sold in January 2016)	-	-	3,020,000	3,020,000
Micropelt GmbH 15% CULS (in liquidation)	3,689,285	-	3,689,285	-
Terra Nova SAS 12% Convertible Loan Notes (in liquidation)	773,285	-	773,285	-
Total unquoted securities:	6,048,205	-	9,068,205	3,020,000
Total investments:	**39,244,266**	**11,589,558**	**48,652,004**	**31,183,825**

Key Parties

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