

LOUDGATE ENVIRONMENTAL FUND LIMITED

CHAIRMAN'S STATEMENT

Interim results for the period from 7th June 2007 to 31st December 2007

I am pleased to report to shareholders on the performance of Ludgate Environmental Fund Limited ('LEF') for your company's first six months and since its shares were successfully placed and admitted to AIM in August 2007. The company made a net profit in the period of £589,000 after accounting for issue costs, increased its NAV by 4% and saw its market capitalisation grow by 3% excluding warrants. This was achieved against a background of falling interest rates affecting the cash deposits of LEF, adverse and worsening new issue and secondary markets for investment companies and AIM listed securities and with 20.25% of ungeared available funds invested over the period.

This absolute and relative out performance was attributable both to your company's cooperative business model for venture technology investment in the environmental and cleantech sectors with its partners and shareholders as described in the placing memorandum and also to the advice, decisions and investment activities of the adviser and manager to LEF. Your board has been mindful of its responsibilities with respect to the management of conflicts of interest and to high standards of governance and I am pleased to report that in our opinion the performance of LEF in the period is a fair and encouraging reflection of the company's continuing activities. I should also like to note that the NAV of your company has continued to grow since the end of the reporting period principally due to the strong performance of investments linked to securities trading in the public markets.

John Shakeshaft
Chairman
14th February 2008

BALANCE SHEET

AS AT 31ST DECEMBER 2007

	<u>Notes</u>	<u>2007</u>
ASSETS		
Non-current assets		
Financial assets at fair value through profit or loss	6	6,109,463
		<hr/>
		6,109,463
		<hr/>
Current assets		
Trade and other receivables	8	441,167
Cash and cash equivalents	7	20,800,237
		<hr/>
		21,241,404
		<hr/>
TOTAL ASSETS		£ 27,350,867
		<hr/> <hr/>

EQUITY AND LIABILITIES

Capital and reserves

Stated capital account	10	26,735,101
Warrants	10	-
Retained earnings	11	588,645

TOTAL SHAREHOLDERS' EQUITY

£ 27,323,746

LIABILITIES

Current liabilities

Trade and other payables	9	27,121
--------------------------	---	--------

TOTAL EQUITY AND LIABILITIES

£ 27,350,867

Net asset value per ordinary shares outstanding

Basic	1.02
Diluted	1.14

These financial statements were approved and authorised for issue by the Board of Directors on the 14th day of February 2008 and were signed on its behalf by:

Director: Helen Grant

INCOME STATEMENT

FOR THE PERIOD 7TH JUNE 2007 TO 31ST DECEMBER 2007

	<u>Notes</u>	7th Jun 07 to 31st Dec 07
INCOME:		
Deposit interest income		600,628
Interest income on investments		34,676
Unrealised gain on financial assets at fair value through profit or loss	7	1,033,691
Other income		1,194
Realised movement on foreign exchange		4,595
		<hr/> 1,674,784 <hr/>
EXPENDITURE:		
Legal fees		33,951
Professional fees		173,609
Investment management fees		215,019
Administration & accountancy fees		36,011

Directors' fees and expenses	4	28,581
Audit fees		7,500
Issue costs		581,187
Bank charges		1,281
Other operating expenses		9,000

1,086,139

PROFIT FOR THE PERIOD £ 588,645

Earnings per ordinary share

Basic	5	£	0.0220
Diluted	5	£	0.0170

Weighted average ordinary shares outstanding

			Number of shares
Basic	5		26,735,101
Diluted	5		34,704,125

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD 7TH JUNE 2007 TO 31ST DECEMBER 2007

	Ordinary shares	Share premium	Warrants	Retained earnings	Total
Issue of ordinary shares on incorporation	2	-	-	-	2
Issue of ordinary shares on IPO	-	26,735,099	-	-	26,735,099
Net profit for the period	-	-	-	588,645	588,645
Balance at 31st December 2007	£ 2	£ 26,735,099	£ -	£ 588,645	£ 27,323,746

CASH FLOW STATEMENT

companies throughout the life of each investment.

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

2. ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee.

Applicable new standards and interpretations not yet effective

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

b) Basis of measurement

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

Financial instruments designated at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss. 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 3 determination of fair values.

c) Functional and presentation currency

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

d) Use of estimates and judgements

The preparation of financial statements in accordance with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

e) Foreign currencies

Transactions in foreign currencies, other than sterling, are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to

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

f) Financial instruments

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

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

Financial assets are derecognised 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 are derecognised when the liabilities are extinguished.

Financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents and trade and other payables.

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

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

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or designated as such upon initial recognition. The Company has designated its investment holdings as at fair value through profit or loss as permitted by International Accounting Standard 39 Financial Instruments: Recognition and Measurement. Upon initial recognition attributable transaction costs are recognised in the in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

Other financial instruments

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

Ordinary shares

Ordinary shares are classified as equity.

g) Provisions

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

current market assessments of the time value of money and the risks specific to that liability.

h) Revenue and expenses

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

i) Finance income and expenses

Finance income comprises interest income on funds invested (including financial assets at fair value through profit or loss), interest income and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method. Dividend income is recognised in the income statement on the date the Company's right to receive payments is established which is usually the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of discounts on provisions and changes in the fair value of financial assets held at fair value through profit or loss.

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

j) Earnings per share

The Company presents basic and diluted earnings per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders outstanding during the period. The diluted EPS is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential Ordinary Shares, which comprise the Management and Investor Warrants. For further details please see Note 5.

k) Transaction costs

Expenses incurred by the Company that are directly attributable to its initial public offering have been expensed to the income statement.

l) Taxation

Under Article 123 A of the Income Tax (Jersey) Law 1961, as amended, the Company has obtained Jersey exempt company status for the year and is therefore exempt from Jersey income tax on non Jersey source income and bank interest (by concession). A £600 annual exempt company fee is payable by the Company.

m) Dividends payable

Dividends payable on ordinary shares are recognised in the Statement of Changes in Shareholders' Equity.

n) Offsetting

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

o) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair values for both financial and non-financial assets and liabilities. Fair values have been determined and/or 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 assets or liability.

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

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

3. DIRECTORS' REMUNERATION

**7th Jun 07
to
31st Dec 07**

Directors' fees	27,078	
Directors' expenses	1,503	
		£ 28,581

4. DIVIDENDS

The Directors have not recommended a dividend for the period ended 31st December 2007.

5. EARNINGS PER SHARE

**2007
£**

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

Earnings for the purposes of basic earnings per share being net profit attributable to equity holders	588,645	
		Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	26,735,101	
Dilutive effect of ordinary shares subject to warrants:		
Investment warrants issued at £1.50 each	6,683,774	
Management warrants issued at £1.75 each	1,285,250	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	34,704,125	

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Financial assets at fair value through profit or loss

2007

Quoted securities:

Cost: Hydrodec Group plc Ordinary Shares	505,001
------------------------------------------	---------

Fair value movement to 31st December 2007	63,749
Fair value as at 31st December 2007	568,750
Unquoted securities:	
Cost: Hydrodec Group plc Convertible Bonds	3,000,000
Fair value movement to 31st December 2007	887,760
Fair value as at 31st December 2007	3,887,760
Cost: STX Services B.V. Ordinary Shares	134,402
Fair value movement to 31st December 2007	49,583
Fair value as at 31st December 2007	183,985
Cost: Energya Wind Technologies B.V. Loan Notes	1,436,369
Movement in fair value to 31st December 2007	32,599
Fair value as at 31st December 2007	1,468,968
Financial assets at fair value through profit or loss as at 31st December 2007	£ 6,109,463

7. CASH AND CASH EQUIVALENTS

2007

Cash at bank:	
RBS - current account USD	1,158
RBS - current account GBP	1,076,263
Mourant & Co Limited - client account	2
Cash held on fixed term deposit:	
RBS six-month fixed term deposits	7,750,000
RBS nine-month fixed term deposits	7,850,000
RBS one-month fixed term deposits	4,122,814
	£ 20,800,237

8. TRADE AND OTHER RECEIVABLES

2007

Fixed deposit interest receivable	397,228
Coupons receivable	35,869
Prepayments and other receivables	8,070
	£ 441,167

9. TRADE AND OTHER PAYABLES

2007

Directors' fees payable	6,250
Directors' expenses payable	598
Professional fees payable	6,259

Audit fees payable	7,500
Mourant & Co. fees payable	5,581
Overdraft (RBS - current account EUR)	933
	£ 27,121

10. STATED CAPITAL ACCOUNT

2007

AUTHORISED:

Ordinary shares of no par value each unlimited

The authorised share capital of the Company comprises an unlimited number of voting, non-convertible ordinary shares with no par value each.

ISSUED DURING THE PERIOD:

	No. of ordinary shares	No. of investor warrants	No. of management warrants
Issued on incorporation	2	-	-
Issued during the period	26,735,099	6,683,774	1,285,250
Balance at 31st December 2007	26,735,101	6,683,774	1,285,250

Two Founder Shares of £1.00 each were issued on incorporation. The initial public offering of Ordinary Shares on 2nd August 2007 was priced at £1.00 per share. Subscribers for the shares received one Investor Warrant for every four ordinary shares subscribed. Each Investor Warrant entitles the holder to subscribe for additional shares in the Company at a subscription price of £1.50 until the final subscription date of 31st October 2012. The Ordinary Shares and warrants are listed and traded on AIM.

Ludgate Fund Management (Environmental) (Jersey) Limited (the "Manager") received 1,285,250 Manager Warrants which entitles the Manager to subscribe for additional shares in the Company at a subscription price of £1.75 until the subscription date of 31st October 2012. The Manager Warrants are not listed on AIM.

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

	Stated capital £	Warrants £
Issued on incorporation	2	-
Issued during the period	26,735,099	-
Balance at 31st December 2007	26,735,101	-

WARRANTS:

2007

Investor Warrants:

Issue of warrants at IPO (1:4 exercisable for ordinary shares)	Number	6,683,774
Value of warrants at IPO	GBP	-
Exercise price		£1.50

Management Warrants:

Issue of Manager Warrants at IPO	Number	1,285,250
Value of warrants at IPO	GBP	-
Exercise price		£1.75

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

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

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

11. RESERVES

Profit for the period

Retained Earnings

588,645

£ 588,645**12. FINANCIAL RISK MANAGEMENT**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. Below is a summary of the risks that the Company is exposed to as a result of its use of financial instruments:

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 Company's exposure to market risk comes mainly from movements in the value of its investments. Changes in credit spreads may affect the Company's net equity or net income directly through their impact on unrealised gains or losses on investments within the portfolio, and therefore the Company's ability to make gains on such investments, or indirectly through their impact on the Company's ability to borrow and access capital (and its cost of capital).

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 earning investments and the interest expense incurred on interest-bearing liabilities. Changes in the level of interest rates also can affect, among other things, the Company's ability to acquire loans and investments, the value of its investments and the Company's ability to realise gains from the settlement of such assets.

Interest Rate Profile as at 31st
December 2007

2007

**Interest
charging****Effective**

	basis	interest rate	Amount
		%	£
<i>Financial assets:</i>			
Cash and cash equivalents:	Floating	4.95%	20,800,237
Financial assets at fair value though profit or loss:	Floating	0.97%	6,109,463
Trade and other receivables	Non-interest bearing	n/a	441,167
			£ 27,350,867
<i>Financial liabilities:</i>			
Trade and other payables	Non-interest bearing	n/a	27,121
			£ 27,121

Currency Risk

The Company's financial statements are presented in sterling. As the Company's investments may be made in currencies other than sterling, and it is possible that no hedging or similar strategies will be adopted, the value of such investments may be adversely affected by changes in currency exchange rates.

Credit Risk

The Company is subject to credit risk with respect to its investments. The Company and its Investment Manager seek to mitigate credit risk by actively monitoring the underlying credit quality of the Company's investment holdings.

Concentration Risk

The Company may be exposed at any given time to a degree of concentration risk. To the extent that the Company's investments are concentrated in any one sub-sector of the Environmental/Cleantech Sector, country or asset class down turns affecting the source of concentration may result in total or partial loss on such investments, which will reduce the Company's Net Asset Value.

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 assets 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 Advisor determines that such sale would be in the Company's interests. The Company can seek to manage liquidity needs by borrowing, but turns in market sentiment may make credit expensive or unavailable. Liquidity may also be addressed by selling the more liquid assets in the Company's portfolio, but selling those assets first may not in some circumstances be advantageous for the Company.

Maturity profile

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

Maturity profile as at 31st December 2007:

	Within one year	One to five years	Over five years
<i>Financial assets:</i>	£	£	£
Cash and cash equivalents	20,800,237	-	-
Financial assets at fair value through profit or loss	-	6,109,463	-
Trade and other receivables	441,167	-	-
	<u>21,241,404</u>	<u>6,109,463</u>	<u>-</u>
<i>Financial liabilities:</i>			
Trade and other payables	27,121	-	-

13. CASH GENERATED FROM OPERATIONS

	<u>2007</u>
Profit for the period	588,645
Adjustments for:	
Unrealised gain on financial assets at fair value through profit or loss	(1,033,691)
Coupons receivable	(34,676)
Increase in trade and other receivables	(441,167)
Increase in trade and other payables	26,188
CASH FLOW FROM OPERATIONS	<u>£ (894,701)</u>

14. RELATED PARTY DISCLOSURE

H. Grant is an employee of a subsidiary of Mourant Limited. D. Maccabe is a shareholder and an employee of a subsidiary of Mourant Limited. Affiliates of Mourant Limited provide ongoing administrative services to the Company at commercial rates. Directors remuneration and expenses payable for the period ended 31st December 2007 are disclosed in Note 4.

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

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

During the period the management fees accrued were €215,019. No accrued management fees were outstanding as at 31st December 2007.

Under the terms of the Investment Management Agreement the Investment Manager is also entitled to a performance fee which is payable in arrears in respect of each annual period ending 30th June. The first calculation period begins on the admission date and ends on 30th June 2008. The performance fee is dependent on the Company's performance.

15. 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.

Website: www.ludgateenvironmental.com

Ludgate Environmental Fund

Nick Pople / Nigel Meir +44 (0)20 7621 5770

Media Enquiries:

Carbon International

David Hopkins +44 (0)20 7483 7202
david.hopkins@carboninternational.com

Samantha Hill +44 (0)20 7483 7205
samantha.hill@carboninternational.com

NOMAD

PricewaterhouseCoopers LLP
Melville Trimble +44(0)20 7213 8898

END