IONA ENVIRONMENTAL VCT PLC

(FORMERLY ACUITY ENVIRONMENTAL VCT PLC)

ANNUAL REPORT & ACCOUNTS

2011

Contents

Investment Objectives

The Company's initial Prospectus was published on 19 November 2009 and a second, 'B' Shares prospectus was published on 4 July 2011.

The Company's objective is to maximise tax free capital gains and income to Shareholders from dividends and capital distributions by investing the Company's funds in:

- a portfolio of Qualifying Investments, primarily in UK unquoted companies specialising in environmental infrastructure focusing on organic waste recycling in the UK; and
- in fixed income funds, securities and cash deposits

within the requirements imposed on venture capital trusts.

Investment Strategy

The Company will seek to invest in investee companies that it believes are materially de-risked and will provide shareholders with a reliable source of tax free income. Companies will generally reflect the following criteria:

- a well defined business plan and ability to demonstrate strong demand for its products and services;
- products or services which are cash generative;
- objectives of management and shareholders which are similarly aligned;
- adequate capital resources or access to further resources to achieve the targets set out in its business plan;
- access to high calibre management teams; and
- be companies where the Investment Manager believes there are reasonable prospects of an exit, either through a trade sale or flotation in the medium term.

Risk Diversification

The structure of the Company's fund and its investment strategy, have been designed to reduce risk as much as possible.

The main risk management features include:

- portfolio of investee companies – the Company will invest in at least 6 different companies, thereby reducing the potential impact of poor performance by any individual investment;
- establishment of relationships with operating partners – the Company will establish such relationships to source a pipeline of IVC and AD plants for investee companies;
- monitoring of investee companies – the Investment Manager will closely monitor the performance of all the investments made by the Company in order to identify any issues and to enable necessary corrective action to be taken;
- significant influence over investee companies – the Company will ensure that it has significant influence over the management of the business of the investee companies, in particular, through rights contained in the relevant investment agreements and other shareholder and constitutional documents; and
- significant proportion of investments in fixed income funds, securities and cash deposits – a significant proportion of funds will be invested by the Investment Manager in this way. After the initial three year period, the objective is to keep approximately 10% of the Company's funds in such investments to reduce the overall risk profile of each portfolio.

Change in Investment Policy

On 8 August 2011, the Company's investment policy was changed at a General Meeting as follows: the Company's investment policy is to focus on investing in lower risk Qualifying Companies which utilise existing technologies and which are supported by commercial supply agreements.

Gearing

It is not intended that the Company will borrow. However, the Company will retain the power to borrow up to 25% of its net asset value.

Annual Review Financial Highlights

Year and Period ended 30 September	2011	2010
Net Assets	£4.8m	£4.9m
Net asset value per Ordinary share	87.7p	89.6p
Net asset value per A share	1.8p	2.2p
Dividend paid per Ordinary share	0.0p	0.0p
Dividend paid per A share	0.0p	0.0p
Cumulative return to shareholders since launch		
Dividends paid per Ordinary share	0.0p	0.0p
Dividends paid per A share	0.0p	0.0p
Net asset value plus dividends paid per Ordinary share	87.7p	89.6p
Net asset value plus dividends paid per A share	1.8p	2.2p

I am pleased to report steady progress with our fund investments as set out within the Investment Manager's Review. In particular, it is pleasing to be able to report that we have made our first investment of £720,000 in Rosewood Energy Ltd, a joint venture with Biogen.

I am also pleased to inform you that our Investment Manager, Iona Capital Limited, now has sufficient confidence to expect the original fund to be fully invested by the middle of 2012. That in part is why we have been writing to you to setting out the case for more funding, and I do hope you will consider allocating additional money from your taxable income in 2011-12 into our Environmental VCT fund

Of recent note is that Waste and Resources Action Plan (WRAP, a government sponsored organisation whose mission is to work with business and individuals to help them reap the benefits of reducing waste, develop sustainable products and use resources in an efficient way) produced a report in November 2011 indicating the UK still generates 7.2m tonnes of household food waste each year. WRAP also indicated that households throw out food worth around £12bn a year, equivalent to £680 a year for an average sized family, while burdening councils with around £80m a year in additional landfill costs. This presents the UK government with a number of challenges if it is to achieve the key directives such as landfill diversion and carbon emission reductions to which it has committed. It has also presented our fund with a real window of opportunity to invest in profitable projects which take this food waste and convert it through Anaerobic Digestion (AD) into methane gas which can then be converted into electricity and sold into the grid. These sales attract significant subsidies via central government allocated Feed in Tariffs or preferential market rates through the renewable obligation certificate scheme. Our first investment into Rosewood Energy Ltd will attract these subsidies. Rosewood Energy Ltd will produce enough electricity to supply the equivalent of 2,000 houses with all their annual electricity needs. This plant, which is located in Bedfordshire, is a joint venture with Biogen Ltd, the plant operator, and will be producing income streams for our fund this year.

In-Vessel-Composting (IVC) facilities also represent an important component of our funds targeted investment area and although these facilities do not usually provide the opportunity to generate income from power generation, the returns from selected projects can still be very attractive. We are expecting to complete in the near future a joint venture investment into an existing IVC facility near Exeter where we intend to commit around £750,000. This plant will be operated and co-owned by TEG Ltd. The branded compost is called 'zoo poo', originating as it does from Exeter Zoo.

The projects we invest in and are looking to invest in have been selected because they have relatively low technology risk and relatively secure long term contracted waste volumes.

Although our projects are expected to have a long life - typically in excess of 15 years - we have structured them so that we can achieve earlier exits through refinancing and thus mitigate potential liquidity risks.

In many cases we will look to co-invest pari-passu alongside institutional funds also managed by Iona Capital. This will enable the Environmental VCT and those institutional funds to benefit mutually from the greater joint resources that can be invested in Iona Capital's due diligence process.

Finally, going forward I hope we can share in the pleasure of knowing we are helping to contribute to a greener society through profitable investments within the waste energy sector.

Overview

As at 30 September 2011, the Net Asset Value per Ordinary Share was 87.7p (2010 - 89.6p) and the Net Asset Value per A Share was 1.8p (2010 - 2.2p). The decrease in NAV per Ordinary Share was largely as a result of the initial set-up costs and the running expenses incurred by the Company over the period.

Dividend

The Board does not intend to pay a dividend.

Annual General Meeting

I look forward to meeting as many shareholders as possible at our Annual General Meeting at 12am on 22 March 2012 to be held at Marriott Harrison, Staple Court, 11 Staple Inn Buildings, London WC1V 7QH.

Risks

Risks associated with the Company are set out in detail in the Report of the Directors and in note 16 of the Notes to the Accounts. The Company believes that it has insignificant exchange risk and minor credit or interest rate risk.

David Eades
Chairman
27 January 2012

Overview

Market Background

The Anaerobic Digestion (AD) market sector remains a growing opportunity for profitable environmentally sensitive investment. It is driven through a combination of policy direction, as set out most recently in the DEFRA AD strategy report published in June 2011 where AD was endorsed as a preferred process for energy recovery from waste, and various fiscal incentives, such as the Feed-in Tariffs and Renewable Heat Incentives subsidies. These subsidies are specifically available to processors of biomass such as food or agricultural waste who capture methane from their process and convert the methane into heat or electricity for consumption. These tariff subsidies are available against an overall waste market backdrop which, through the levy of landfill taxation that currently stands at £64 per tonne and is due to rise in graduated levels to £80 per tonne by 2014-15, encourages the diversion of waste away from landfill to alternative processes such as AD. Thus, an AD processor can expect to receive a fee for the waste which is delivered to it and an income for the methane gas and heat it produces through the natural breakdown of the food or more generally biomass.

In-Vessel-Composting (IVC) is also an important component in central government's plans to reduce landfill and although it does not usually provide the opportunity to generate income from power generation, the returns from selected projects can still be very attractive and Iona Capital is looking for the fund to invest in these types of projects.

These features, when combined with the absence of significant debt within the waste energy sector, means there is an exceptional market opportunity for equity investors such as Iona Environmental VCT.

Portfolio Activity

Iona Capital has now established a pipeline of investment opportunities with many of the key smaller AD sector organisations including Biogen, TEG and Adgen where it is either seeking to arrange Joint Venture investments in Special Purpose Vehicles (SPVs) or has already arranged participation in existing SPVs, such as Biogen Gwyriad Ltd and Biogen Twinwoods Ltd.

Specifically and as mentioned in the chairman's statement, Iona Environmental VCT now has an equity holding in Rosewood Energy Ltd which will be supplying around 1.5MWh of energy to the grid every year. Iona Capital has single bidder status on one Welsh project and is competing in the last two in a further two projects in Wales and has aspirations in others. These projects are expected to be commissioned and producing electricity before the end of 2012. Iona Capital thus expects in addition to the £1.5M of committed funding from the VCT fund to be investing a further £750k by the end of this year in Biogen projects alone.

In total Iona Capital has identified in excess of £18m of investment opportunities which will qualify as VCT investments and expects to have £4.8m fully invested by June 2012, which approximates to the current funds in Iona Environmental VCT.

Iona Capital expects the current projects to generate returns to the fund on exit in excess of 15% IRR.

Iona Capital will typically look to exit from the Company's investments through a refinancing of the subordinated debt which represents a significant element of the project specific investments. This subordinated debt is expected to generate regular income streams through the coupon rate which, depending on specific project issues, ranges between 10% and 12%. As an example the Rosewood Energy Ltd investment subordinated debt has a basic coupon rate of 11%.

Summary

The outlook remains extremely positive for Iona Environmental VCT as Iona Capital has secured a number of long term strategic relationships with several of the key organisations within the energy from waste sector.

Iona Capital expects to see the first investments result in operating facilities by the summer of 2012 with dividends to start accruing from the point of operations as it expects the projects selected to be highly cash generative.

Iona Capital Limited

27 January 2012

Annual Review Investment Manager and Unquoted Investment Valuation Process

The Investment Manager

The Fund's investments are managed by Iona Capital Limited ("Iona Capital"). Iona Capital was established in 1981 and is authorised and regulated by the Financial Services Authority.

Iona Capital has considerable expertise in quoted and unquoted investments and has a well developed deal flow, including unquoted company proposals that originate from its own contacts and network.

Iona Capital is also the Investment Manager of Iona Environmental Infrastructure LP.

Iona Capital has established an Investment Committee chaired by John Kutner, an experienced independent waste company executive. John Kutner is an FCA and served as Finance Director and Deputy Chief Executive of Veolia Environmental Services, the leading recycling waste management company in the UK since its establishment in 1990.

Company Information Contact Details

Iona Environmental VCT Plc

Board of Directors
David Eades (Chairman)
Philip Ling
Nicholas Ross – (Resigned 24 March 2011)
William Elliott - (Resigned 21 October 2010)
Michael Dunn – (Appointed 31 May 2011)

Investment Manager and Administrator
Iona Capital Limited
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65 St Paul's Churchyard
London EC4M 8AB
Telephone: +44 (0)207 306 3901
Web: www.ionacapital.co.uk
Enquiries: info@ionacapital.co.uk

Secretary and Registered Office
Iona Capital Limited
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
Telephone: +44 (0)20 7306 3901

Company Number
07049290

Registered Independent Auditors
Moore Stephens LLP
150 Aldersgate Street,
London, EC1A 4AB
Telephone: +44 (0) 207 334 9191

Registrar and Transfer Office
The City Partnership (UK) Limited
Thistle House
21 Thistle Street
Edinburgh EH2 1DF
Telephone (UK): 0131 220 8226
Telephone (Overseas): +44 131 220 8226

Any change of address of a shareholder or other relevant amendment to shareholder details should be communicated to the Company's Registrar, The City Partnership (UK) Limited

Company Information **Board of Directors**

David Eades, Chairman

Appointed a Director on 12 November 2009

David is a Qualified Chartered Certified Accountant and an experienced executive who has led businesses from start-up through to IPO. David is also non-executive director of a number of small private companies.

Philip Ling

Appointed a Director on 15 April 2010

Philip is a non-executive Chairman of a number of small private companies. Past non-executive directorships have included Ibstock Johnsen plc, PE Consulting plc and Elderstreet Millennium VCT.

Michael Dunn

Appointed a Director on 31 May 2011

Michael is the Company's sector expert having previously held board positions with Shanks Group and Veolia Environmental Plc (Onyx). He currently holds non-executive directorships at London Waste Limited, which operates one of the largest Energy from Waste facilities in the UK and Oaktech Limited, an AD development company. Michael was a partner with PKF LLP, has a Masters degree in finance from the London Business School, was trained at RMA Sandhurst and has a degree in physics. He is also a director of Iona Capital Limited, the Company's Investment Manager.

To the Members of Iona Environmental VCT Plc

The Directors present the audited accounts of the Company for the year ended 30 September 2011 and their report on its affairs.

Investment Company Status

Throughout the period under review the Company was an investment company as defined under Section 833 of the Companies Act 2006.

VCT Status

HM Revenue and Customs has granted the Company approval under Section 274 of the Income Tax Act 2007 as a VCT, the approval being effective from the first day on which the Company's Ordinary and A Shares were listed on the London Stock Exchange being 22 April 2010. The Board continues to direct the affairs of the Company to enable it to maintain approval as a VCT. As at 30 September 2011 the Company had made no VCT-qualifying investments and the majority of its assets have been held in cash and money market funds to generate yield. Although it was unknown at the time the cash was invested, the money market funds had been aggregated and, therefore, potentially exceeded the 15% test for VCTs (i.e. no more than 15% can be invested in any one investment). On discovering this, the Company immediately contacted HMRC, which has confirmed that the Company's VCT status remains intact.

Change of Name

On 26 May 2011, the Company changed its name from Acuity Environmental VCT Plc to Iona Environmental VCT Plc.

Business Review

Objective and Investment Strategy

A review of the Company's Investment Objectives and Strategy is detailed on page 2.

Current and Future Development

A review of the main features of the period is contained in the Chairman's Statement and the Investment Manager's Review on pages 4 and 5 respectively.

The Board regularly reviews the development and strategic direction of the Company. The Board's main focus continues to be on the Company's long-term investment return. Attention is paid to the integrity and success of an investment process and on factors which may affect this approach. Due regard is given to the marketing and promotion of the Company, including effective communication with shareholders and other external parties.

Performance

A detailed review of performance during the period under review is contained in the Investment Manager's Review on page 5.

A number of performance measures are considered by the Board and Investment Manager in assessing the Company's success in achieving its objectives.

The key performance indicators ('KPIs') used to measure the progress and performance of the Company are established industry measures and are as follows:-

- The movement in net asset value per share
- The movement in share price
- The movement of net asset value and share price performance compared to the FTSE All-Share Index

Details of the KPIs are shown in the Financial Highlights on page 3 and through a graph comparing the Company's total return on a share price and net asset value basis over the year to 30 September 2011 with the FTSE All-Share Index total return over the same period as set out in the Directors' Remuneration Report on page 17.

The Board recognises that it is in the long term interests of shareholders to reduce discount volatility and believes that the prime driver of discounts over the longer term is performance. As outlined in the Report of the Directors on page 12, the Board intends to seek approval of its share buy-back authority at the Company's Annual General Meeting in 2012.

Risk Management

Since the Company is seeking to invest in a particular industry sector, there is a significant level of in-built risk. There are also a number of specific risks associated with the investment strategy of the Company as set out on page 7 of the Prospectus issued on 4 July 2011 which include site identification, acquisition and planning permission risk, construction risk, plant performance and technology risk, contract risk, electricity price risk, renewable obligation scheme risk and regulatory risk. These risks could have a materially negative impact on any investment made by the Company.

However, to provide a level of diversification, the Company is restricted to investing no more than 15% of the value of its total assets at the time of investment in any one individual qualifying investment or non-qualifying investment. The key risks facing the Company include Market Risk, Interest Rate Risk, Financial Credit Risk and Liquidity Risk as further detailed in Note 16 of the Notes to the Accounts.

In addition the Company is also focused on the following key risks:

Macroeconomic risks

In addition to the specific risks set out above, the performance of the Company's underlying investment portfolio is also influenced by a combination of economic growth, interest rates, the availability of well-priced debt finance, the number of active trade and private equity buyers and the general level of merger and acquisition activity. All of these factors affect the Company's ability to invest, its ability to exit from its underlying portfolio and on the levels of profitability achieved on exit.

Long-term strategic risk

The Company is subject to the risk that its long-term strategy and its level of performance fail to meet the expectations of its shareholders. The Company constantly monitors the level of discount of its Net Asset Value to the share prices of its Ordinary Shares and A Shares and considers the most effective methodologies to keep this at a minimum including a share buy-back policy.

In addition the Company regularly reviews its Objectives and Investment Strategy in light of prevailing investor sentiment to ensure the Company remains attractive to its shareholders.

Government policy and regulation risk

The Company carries on business as a VCT under section 274 of the Income Tax Act 2007. Continuation of this status is subject to the Company directing its affairs in line with the relevant requirements of the legislation. Anticipated and actual changes in government policy and related tax treatment of VCTs are closely monitored, as are other changes which could affect results of operations or financial position.

Iona Capital, the Investment Manager, is an authorised person under the Financial Services and Markets Act 2000 and regulated by the FSA. Changes to the regulatory framework under which Iona Capital operates are closely monitored by Iona Capital and reported upon as necessary by Iona Capital to the Company.

Investment risks

The Company operates in a very competitive market. Changes in the number of market participants, the availability of funds within the market, the pricing of assets, or in the ability of Iona Capital to access deals on a proprietary basis could have a significant effect on the Company's competitive position and on the sustainability of returns.

In order to source and execute good quality investments the Company is primarily dependent on Iona Capital having the ability to attract and retain people with the requisite investment experience and whose compensation is in line with the Company's objectives.

Once invested, the performance of the Company's portfolio is dependent upon a range of factors. These include but are not limited to: (i) the quality of the initial investment decision described above; (ii) the ability of the investee company to execute successfully its business strategy; and (iii) actual outcomes against the key assumptions underlying the investee company's financial projections. Any one of these factors could have an impact on the valuation of an investee company and upon the Company's ability to make a profitable exit from the investment within the desired timeframe.

A rigorous process is put in place by Iona Capital for managing the relationship with each investee company for the period to anticipated realisation. This includes regular asset reviews and, in many cases, board representation by one of Iona Capital's executives.

The Company reviews both the performance of Iona Capital and its incentive arrangements on a regular basis to ensure that both are appropriate to the objectives of the Company.

Operational risks

The Company's investment management, custody of assets and all administrative systems are provided or arranged for the Company by Iona Capital. Therefore, the Company is exposed to a range of operational risks at Iona Capital which can arise from inadequate or failed processes, people and systems or from external factors affecting these.

The Company's system of internal control mainly comprises the monitoring of the services provided by Iona Capital, including the operational controls established by them to ensure they meet the Company's business objectives, as discussed further in the Corporate Governance Statement on page 13.

Share Capital

The share capital of the Company comprises Ordinary Shares of 0.1p each ("Ordinary Shares") and A Shares of 0.1p each ("A Shares"). The Ordinary Shares and A Shares have voting rights attached, and the holders of these are entitled to receive notice of and attend shareholder meetings and to receive dividends once declared and approved. The other rights and obligations attaching to the Ordinary Shares and A Shares are set out in the Company's Articles of Association.

During the year, the Redeemable Preference Shares of £1 each were redeemed.

The Company does not hold any shares in treasury.

At 30 September 2011, the Company had no authority to purchase any of its own shares.

At 30 September 2011 a total of 5,345,499 Ordinary Shares, 8,018,246 A Shares were in issue.

Results and Dividend

The loss attributable to shareholders amounted to £252,000 (2010 - £208,000). The Directors do not recommend the payment of a final dividend in respect of the year ended 30 September 2011 (2010 - £nil).

Directors

The Directors who held office during the year are detailed on page 7. Mr DW Eades, Mr PH Ling and Mr MB Dunn, being eligible, will offer themselves for election at the Annual General Meeting in 2012. Short biographical details of all the current Directors are provided on page 8. The Board recommends that those Directors retiring at the Annual General Meeting in 2012 and offering themselves for election be re-elected.

Directors' Interests

The beneficial interests of the Directors in the shares of the Company are shown below. Save as disclosed, no Director had any notifiable interest in the securities of the Company. Director's purchases of Shares of the Company during the period under review are shown in the table below. No options over shares in the capital of the Company have been granted to the Directors.

	30 September 2011		30 September 2010	
Directors	Ordinary Shares of 0.1p Each	A Shares of 0.1p Each	Ordinary Shares of 0.1p Each	A Shares of 0.1p Each
D Eades	-	-	-	-
P Ling	105,000	105,000	-	-
M Dunn	-	-	N/A	N/A
W Elliot (Resigned 21 October 2010)	N/A	N/A	-	-
N Ross (Resigned 24 March 2011)	N/A	N/A	52,500	376,500

Directors' Remuneration Report

An Ordinary Resolution to approve the Directors' Remuneration Report will be put to the Annual General Meeting in 2012.

Contracts with Directors

No Director has a service contract with the Company. As a result of being a Director of Iona Capital Limited, Mr MB Dunn is deemed to have an interest in the Management Contract between the Company and Iona Capital Limited.

Directors' and Officers' Liability Insurance

Directors' and Officers' Liability Insurance is maintained on behalf of the Directors in respect of their positions as Directors of the Company.

Substantial Shareholders

At 31 January 2012 the Directors had not been notified of any interests of 3% or more in the Company's issued share capital.

Independent Auditors

A resolution to appoint Moore Stephens LLP as auditors to the Company will be proposed at the Annual General Meeting in 2012. A separate resolution will be proposed at the Annual General Meeting in 2012 authorising the Directors to fix the remuneration of the auditors.

The Directors confirm that so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware and that each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Creditor Payment Policy

The Company agrees the terms of payment with its suppliers when agreeing the terms of each agreement. Suppliers are aware of the terms of payment and the Company abides by the terms of payment. The Company's average creditor payment period at 30 September 2011 was 1 day.

Management Fees and Arrangements

Iona Capital Limited was originally appointed as Investment Manager under an agreement dated 19 November 2009. The agreement was for an initial period of six years and thereafter could be terminated by either party giving not less than one year's notice.

Annual Running Costs (annual costs and expenses incurred by the Company, including irrecoverable VAT but excluding exceptional and extraordinary costs) of the Fund are capped at 3.6% of the net asset value as at 30 September. Any excess will be refunded by way of a reduction of management fees payable to the Investment Manager.

On 6 April 2010, the Company announced that the Board and Investment Manager had agreed to waive all the respective director, investment management and administration fees due from the Company until such time as total funds raised by the Company exceed £8 million. However, in recognition of the progress in the investment pipeline, the Board has reinstated the Directors' fees and administration fees with effect from 1 October 2011.

Incentive Schemes

To give effect to the Performance Incentive described below, each investor received one Ordinary Share and one A Share at the subscription prices of 99.9p for each Ordinary Share and 0.1p for each A Share. Management received such number of A Shares in the Company so that at the close of the Offer they owned one-third of the issued A Shares in the share capital of the Company. Subject to the achievement of the Hurdle, being a Performance Value of at least 120p per Share and the payment of Shareholder Proceeds of at least 20p per Share, the Management A shareholders will receive 1% of the first 20p of Shareholder Proceeds and 20% of Shareholder Proceeds thereafter. The offer for subscription closed on the 18 November 2010.

A 'B' Share prospectus was published on 6 August 2011 which has separate incentive arrangements, described below.

The amount of the performance incentive Fee is based wholly on the Net Asset Value of the B Shares in the Company and on the payment of Shareholder Proceeds in relation to the B Shares. If by the end of a financial year (commencing no earlier than close of the 2014 financial year), Shareholder Proceeds per B Share have reached 20p in aggregate and if the Performance Value at that date exceeds 120p per B Share, a performance incentive fee equal to 20% of the excess of such Performance Value over 100p per B Share will be payable to the Investment Manager. If, on a subsequent financial year end, the Performance Value of the Company falls short of the Performance Value on the previous financial year end, no incentive fee will arise. If, on a subsequent financial year end, the performance exceeds the previous best Performance Value of the Company, the Investment Manager will be entitled to 20% of such excess in aggregate.

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the Accounts as the Company has adequate resources to continue in operational existence for the foreseeable future.

Annual General Meeting

The Annual General Meeting of the Company will be held on 22 March 2012. In addition to the ordinary business, the following special business will be considered:

Authority to allot shares: Resolution 8

An Ordinary Resolution will be proposed at the Annual General meeting in 2012 to grant the Directors authority under section 551 of the Companies Act 2006 to allot Ordinary Shares up to a maximum aggregate nominal value of £550 (representing approximately 10% of the Ordinary Share capital in issue at the date of this Directors' Report), to allot A Shares up to a maximum aggregate nominal value of £810 (representing approximately 10% of the A Share capital in issue at the date of this Directors' Report). The authority will expire at the earlier of the conclusion of the Company's Annual General Meeting in 2013 and the expiry of 15 months from the passing of the relevant resolution. The Directors believe that further fundraising through the issue of such shares is in the best interests of the shareholders and recommend that shareholders vote in favour of this Ordinary Resolution.

Disapplication of pre-emption rights: Resolution 9

A Special Resolution will be proposed at the Annual General Meeting in 2012 to grant the Directors authority to allot the equity securities referred to above for cash without first offering the securities to existing shareholders. The Directors' authority under this resolution will expire at the earlier of the conclusion of the Company's Annual General Meeting in 2013 and the expiry of 15 months from the passing of the relevant resolution. The Directors recommend shareholders to vote in favour of this Special Resolution.

Authority to Make Market Purchases of Shares: Resolution 10

The Board wishes to have in place the authority to purchase the Company's own Ordinary Shares and A Shares so that the buy back programme can be established as required. Accordingly, a Special Resolution will be proposed to renew the Board's authority to make market purchases of Ordinary Shares and/or A Shares provided that such authority is limited to the purchase of 14.9 per cent of the issued Ordinary Share capital and/or 14.9 per cent of the issued A Share capital of the Company immediately prior to the passing of the resolution subject to the constraints set out in the Special Resolution. Should any shares be purchased under this authority, it is the intention of the Board that they be cancelled and not held as treasury shares. The Directors do not intend to use this authority to purchase shares unless this would result in an increase in the net asset value per Ordinary and/or A share as applicable and would be in the best interests of shareholders generally. The Directors recommend shareholders to vote in favour of this Special Resolution.

Corp orate Governance

The Company's compliance with The UK Corporate Governance Code June 2010 issued by the Financial Reporting Council ("the Code") (www.frc.org.uk) is shown on pages 13 to 15.

By order of the Board of Directors
Iona Capital Limited
Secretary
Registered Office:
Paternoster House
65 St Paul's Churchyard

London EC4M 8AB
27 January 2012

Corporate Governance

Directors' Attendance at Scheduled Meetings of the Board and Committees of the Board

Year Ended 30 September 2011	Scheduled Board	Attended Board	Scheduled Audit Committee	Attended Audit Committee
DW Eades	7	7	2	2
PH Ling	7	6	2	2
MB Dunn	3	3	2	2
NRW Ross (Resigned 24 March 2011)	2	2	-	-

In addition, a number of Directors attended further Board meetings at short notice to address specific issues.

The Board of Directors

The Board, which meets regularly, comprised three Directors at 30 September 2011 all of whom were non-executive. All of the Directors who held office at 30 September 2011, apart from Mr MB Dunn, have been considered by the Board to be independent from the Investment Manager. The Board has nominated Mr PH Ling as the Senior Independent Director.

The Board believes that each of the Company's Directors, apart from Mr MB Dunn, continues to be wholly independent under the Code notwithstanding the directorships noted on page 8. Independence is a state of mind and the character and judgement which accompany this are distinct from and, in the Board's opinion, are not compromised by holding such directorships.

The Board has agreed a schedule of matters reserved for its specific approval, which includes a regular review of the Company's Management Agreement with Iona Capital Limited, together with the monitoring of the performance thereunder. The Management Agreement sets out the matters over which Iona Capital Limited has authority in accordance with the policies and directions of the Board. The Board Meetings consider as appropriate such matters as overall strategy, investment performance, share price performance, share price discount and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The numbers of scheduled meetings of the Board and the Audit Committee are shown in the table above. All of the Directors expect to attend the Annual General Meeting.

The Board receives information that it considers to be sufficient and appropriate to enable it to discharge its duties. Each Director receives board papers several days in advance of each scheduled Board meeting and is able to consider in detail the Company's performance and any issues to be discussed at the relevant meeting.

The Directors believe that the Board has the balance, skills and experience which enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience can be found on page 8.

Performance Appraisal

The Board carries out a formal appraisal of its own and of its Committees' operation and performance during the year. This is implemented by means of questionnaires circulated to the Directors, the results of which are then reviewed by the Board. Issues covered included Board composition, meeting arrangements and communication. The process established is considered by the Board to be constructive in identifying areas for improving the functioning and performance of the Board and of its Committees.

The Chairman also carries out a formal appraisal of each of the Directors during the year and the Board, and the senior independent director similarly appraises the Chairman. Relevant matters to be considered include the attendance and participation at Board and Committee meetings, commitment to Board activities and the effectiveness of the contribution made by the relevant Director. As a result of this process the Chairman confirms whether the performance of each of the Directors being proposed for re-election continues to be effective and that each of them continues to show commitment to his role.

Election of Directors

In accordance with the Code's provisions and the Company's Articles, all of the current Directors will retire at the Annual General Meeting to be held in 2012 and offer themselves for re-election.

Independent Professional Advice

Individual Directors may seek independent professional advice in furtherance of their duties at the Company's expense within certain parameters. All Directors have access to the advice and services of the Company Secretary. Any appointment or removal of the Company Secretary would be a matter for consideration by the entire Board.

The Audit Committee

The Board has an Audit Committee established in compliance with the Code. It comprises all the Directors other than the Chairman of the Board, with Mr PH Ling as Chairman of the Committee. The Board has taken note of the suggestion that at least one member of the Committee should have recent and relevant experience and is satisfied that the Committee is properly constituted in this respect. Its authority and duties are clearly defined in its written terms of reference which are available to shareholders on request.

The Committee's Responsibilities include:

- monitoring and reviewing the integrity of the financial statements, the internal financial controls and the independence, objectivity and effectiveness of the external auditors;

- making recommendations to the Board in relation to the appointment of the external auditors and approving the remuneration and terms of their engagement;
- developing and implementing the Company's policy on the provision of non-audit services by the external auditors;
- reviewing the arrangements in place within Iona Capital Limited whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company;
- considering annually whether there is a need for the Company to have its own internal audit function.

The Committee has agreed that all non-audit work to be carried out by the external auditors must be approved by the Audit Committee and that any special projects must be approved in advance. No such work was carried out during the year.

Internal Audit

Following the review carried out by the Audit Committee as to whether there is a need for the Company to have its own internal audit function, the Board has considered and continues to believe that the internal control systems in place within Iona Capital provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

The Nomination Committee

The Nomination Committee meets on an ad hoc basis to consider suitable candidates for appointment as Director. It comprises all the Directors apart from Mr MB Dunn, with Mr DW Eades as Chairman of the Committee. The Committee has written terms of reference which are available to shareholders on request. The Committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill board vacancies to maintain a balanced Board. Letters of appointment, which specify the terms of appointment, are issued to new Directors.

The current Directors of the Company were appointed with regard to their independence, suitability for the position and their experience in related business areas. The precise qualities they bring to the Board will be formally documented for reference in setting out requirements for any future appointees.

The Remuneration Committee

During the year under review the Remuneration Committee comprised all the Directors of the Company other than Mr MB Dunn, with Mr DW Eades Chairman of the Committee and met once during the year. Hitherto, Mr DW Eades was chairman of the Remuneration Committee but Mr PH Ling has now been appointed to that post. It was agreed that the Directors would waive Directors' fees until such time as total funds raised by the Company exceed £8 million. In recognition of the progress in the investment pipeline, the Board intends to reinstate the Directors' fees with effect from 1 October 2011.

The Committee has written terms of reference which are available on Iona Capital's website. Full details of its role are set out in the Directors' Remuneration Report.

Induction and Training

New Directors will be provided with an induction programme which is tailored to the particular circumstances of the appointee and which includes being briefed fully about the Company by the Chairman and senior executives of Iona Capital Limited. Following appointment, Directors continue to receive other relevant training and advice as necessary to enable them to discharge their duties.

The Company's Relationship with its Shareholders

The Company places great importance on communication with the Company's shareholders. In addition to the Annual and Half-Yearly Reports shareholders will be sent regular newsletters from Iona Capital.

At the Annual General Meeting all shareholders are welcome to attend and have the opportunity to put questions to the Board.

The notice of the Annual General Meeting and related papers are sent to shareholders at least 21 working days before the meeting. A separate resolution is proposed on each substantially separate issue including the annual report and accounts.

All proxy votes are counted and, except where a poll is called, the level of proxies lodged for each resolution is announced at the Meeting and is published on Iona Capital's website. The Chairman and the Senior Independent Director can always be contacted either through the Company Secretary or care of the Company's registered office at Paternoster House, 65 St Paul's Churchyard, London EC4M 8AB.

Internal Control

The Code requires the Directors to review the effectiveness of the Company's system of internal control and report to shareholders that they have done so. The Code extended the earlier reporting requirements and now includes financial, operational and compliance controls and risk management.

The Board confirms that it has an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been in place throughout the period and has continued since the period end and up to the date of this report. It is reviewed at regular intervals by the Board and accords with the Financial Reporting Council's 'Internal Control: Revised Guidance for Directors on the Combined Code'.

The Board is responsible for the Company's system of internal control and it has reviewed its effectiveness for the year ended 30 September 2011. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Since investment management, custody of assets and all administrative services are provided or arranged for the Company by Iona Capital, the Company's system of internal control mainly comprises the monitoring of services provided by Iona Capital, including the operating controls established by them, to ensure they meet the Company's business objectives. The key elements designed to provide effective internal control for the Company are as follows:

- Financial Reporting – Regular and comprehensive review by the Board of key investment and financial data including management accounts, revenue projections, analyses of transactions and performance comparisons.
- Investment Strategy – Agreement by the Board of the Company's investment strategy and monitoring of all large investments.
- Management Agreements – The Board regularly monitors the performance of Iona Capital to ensure that the Company's assets and affairs are managed in accordance with the guidelines determined by the Board.
- Investment Performance - The investment transactions and performance of the Company's assets and affairs are managed in accordance with the guidelines determined by the Board.
- Management Systems – Iona Capital's system of internal control includes clear lines of responsibility, delegated authority, control procedures and systems. Iona Capital Limited's compliance department monitors compliance with the Financial Services Authority rules.

The Board keeps under review the effectiveness of the Company's system of internal control by monitoring the operation of key controls of Iona Capital as follows:

- The Board reviews the terms of the Management Agreement and receives regular reports from Iona Capital executives.
- The Board reviews the certificates provided by Iona Capital on a six monthly basis, verifying compliance with documented controls.

Voting Policy

Iona Capital's voting policy as agent for the Company has been adopted. It applies the Statement of Principles drawn up by the Institutional Shareholders Committee, when it considers these in its reasonable judgement to best serve the financial interests of the Company's shareholders. Iona Capital's voting policy has been reviewed and endorsed by the Board.

The Directors confirm that, other than as noted above, during the period under review the Company has complied with the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council in 2010.

By Order of the Board of Directors

Iona Capital Limited
Secretary
Registered Office:
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
27 January 2012

Accounts Statement of Directors' Responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Investment Management Company's website.

The accounts of the Company are published on www.ionacapital.co.uk which is a website maintained by the Company's Investment Manager, Iona Capital. Legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in other jurisdictions.

In accordance with the FSA's Disclosure and Transparency Rules, the Directors confirm to the best of their knowledge that:

the financial statements, prepared in accordance with UK Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and the Report of the Directors includes a fair review of the development and performance of the business and position of the Company together with a description of the principal risks and uncertainties that it faces.

By order of the Board of Directors
David Eades,
Chairman
Registered Office:
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
27 January 2012

The Directors submit this report in accordance with the requirements of Schedule 8 of the Large and Medium sized Companies and Groups (Accounts & Reports) Regulations 2008. An Ordinary Resolution for the approval of this report will be put to members at the forthcoming Annual General Meeting. The law requires the Company's Auditors to audit certain of the disclosures provided. Where disclosures have been audited they are indicated as such.

Policy on Directors' Remuneration

In accordance with the Articles of Association of the Company, the aggregate remuneration of the Directors may not exceed £100,000 per annum or such higher amount as may from time to time be determined by an Ordinary Resolution of the Company. Subject to this overall limit, the Company's policy is that remuneration of non-executive Directors should be sufficient to attract and retain the Directors needed to oversee the Company and reflect the specific circumstances of the Company, the duties and responsibilities of the Directors and the value and amount of time committed to the Company's affairs. It is intended that this policy will continue for the year ending 30 September 2012 and subsequent years. Non-executive Directors are not eligible to receive bonuses, pension benefits, share options and other benefits.

Directors' Service Contracts

None of the Directors has a service contract with the Company. No arrangements have been entered into between the Company and the Directors to entitle any of the Directors for compensation for loss of office.

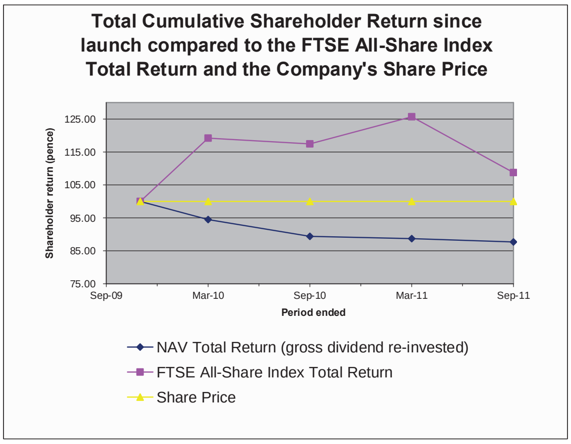
Performance Graph

The Company is required to show a graph of total shareholder return against a suitable benchmark index in its Directors' Remuneration Report since the date on which the shares were first listed.

The graph below shows the Company's performance being measured in terms of its Total Shareholder Return and its net asset value per ordinary share over the period from 18 November 2009 to 30 September 2011 against the Total Shareholder Return of the FTSE All-Share Index.

The graph has incorporated the change in net asset value per share because changes in net asset value per ordinary share relative to the FTSE All-Share Index are an important indicator of the performance of the Company's assets.

The Directors consider that since the Company's investment strategy is to invest in a particular industry sector, the FTSE All-Share Index is an approximate index against which to compare the Company's performance.



Directors' Remuneration for the Period (audited):

	30 September 2011		30 September 2010	
Directors	Management A Shares Issued	Value	Management A Shares Issued	Value
		£000		£000
D Eades	-	-	-	-
P Ling	-	-	-	-
M Dunn	-	-	-	-
W Elliot	-	-	-	-
N Ross	317,460	35	324,000	35

The Directors were not remunerated for the period, other than outlined above, which identifies an estimated present value of the future worth to management of their management A Shares.

As a current executive of Iona Capital, Mr MB Dunn has an interest in the Management Contract between the Company and Iona Capital. Mr MB Dunn has waived his right to receive a salary from the Fund.

By order of the Board of Directors
David Eades
Chairman
Registered Office:
Paternoster House,
65 St Paul's Churchyard,
London, EC4M 8AB
27 January 2012

Independent Auditors' Report to the Members of Iona Environmental VCT Plc

We have audited the financial statements of Iona Environmental VCT Plc for the year ended 30 September 2011 which comprise the Income Statement, Balance Sheet, Cashflow Statement, Reconciliation of Movements in Shareholders' Funds and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 16, 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 (APBs) 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 Chairman's Statement and Investment Manager's Review to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the Corporate Governance Statement set out on pages 13 to 15 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structure is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 12, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Timothy West, Senior Statutory Auditor
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

30 January 2012

	Notes	Revenue £000	Capital £000	Year Ended 30 September 2011 Total £000	Revenue £000	Capital £000	19 October 2009 to 30 September 2010 Total £000
Income	1	3	-	3	9	-	9
		3	-	3	9	-	9
Investment management fees	2	-	-	-	-	-	-
Share based payment	2	-	(145)	(145)	-	(148)	(148)
Other expenses	3	(110)	-	(110)	(69)	-	(69)
		(110)	(145)	(255)	(69)	(148)	(217)
Loss on Ordinary Activities before interest and taxation		(107)	(145)	(252)	(60)	(148)	(208)
Interest		-	-	-	-	-	-
Loss on Ordinary Activities before taxation		(107)	(145)	(252)	(60)	(148)	(208)
Tax on loss on ordinary activities	5	-	-	-	-	-	-
Loss on Ordinary Activities after taxation		(107)	(145)	(252)	(60)	(148)	(208)
Basic and Diluted Return to Shareholders per Ordinary Share	6	(1.9p)	(2.6p)	(4.5p)	(2.2p)	(5.5p)	(7.7p)
Basic and Diluted Return to Shareholders per A Share	6	(0.0p)	(0.1p)	(0.1p)	(0.1p)	(0.1p)	(0.2p)

The total column of this statement represents the Company's Income Statement prepared in accordance with UK GAAP. The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year. A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The notes on page 23 to 32 form part of these financial statements.

Accounts Balance Sheet

	Notes	As at 30 September 2011 £000	As at 30 September 2010 £000
Current Assets			
Debtors	7	100	9
Other Investments	8	-	4,500
Cash at bank		4,798	438
		4,898	4,947
Current Liabilities			
Creditors: amounts falling due within one year	9	(63)	(70)
		(63)	(70)
Net Current Assets		4,835	4,877
Total Assets less current liabilities		4,835	4,877
Net Assets		4,835	4,877
Capital and Reserves			
Called–up share capital	11	13	25
Share Premium	12	4,989	4,912
Capital Reserve	12	-	-
Revenue reserve	12	(167)	(60)
Total Equity Shareholders' Funds		4,835	4,877
Net Asset Value per Ordinary Share	13	87.7p	89.6p
Net Asset Value per A Share	13	1.8p	2.2p

	As at 30 September 2011	As at 30 September 2010
Number of Ordinary Shares in issue at end of period	5,345,499	5,268,369
Number of A Shares in issue at end of period	8,018,246	6,618,367

The information on pages 23 to 32 forms part of these Financial Statements.

The Financial Statements on pages 19 to 32 were approved and authorised for issue by the Board of Directors on 27 January 2012 and were signed on their behalf by:

David Eades
Chairman

Accounts Cash Flow Statement

	Notes	Year Ended 30 September 2011 £000	19 October 2009 to 30 September 2010 £000
Net Cash Outflow from Operating Activities	14	(205)	-
Taxation		-	-
Corporation tax paid		-	-
Investing Activities			
Purchase of investments		-	-
Sales of investments		-	-
Net Cash Outflow from Investing Activities		-	-
Equity Dividends Paid		-	-
Cash Outflow before Financing and Management of Liquid Resources		(205)	-
Management of Liquid Resources			
Investment in Liquidity Funds		4,500	(4,500)
Net Cash Inflow/(Outflow) from Management of Liquid Resources		4,500	(4,500)
Financing			
Issue of Shares		78	5,155
Expenses from the issue of shares		-	(217)
Redeemable preference shares amounts outstanding received		37	-
Redeemable preference shares redeemed		(50)	-
Net Cash Inflow from Financing		65	4,938
Increase in Cash for the Year and Period	15	4,360	438

Accounts Reconciliation of Movements in Shareholders' Funds

	Year Ended 30 September 2011 £000	19 October 2009 to 30 September 2010 £000
Total Return on ordinary activities after taxation	(252)	(208)
Issue of new shares	78	5,282
Share issue expenses		(345)
Redeemable preference shares amounts outstanding received	37	-
Redeemable preference shares redeemed	(50)	-
Share based payment	145	148
Movement in Total Shareholders' Funds	(42)	4,877
Total Shareholders' Funds brought forward	4,877	-
Total Shareholders' Funds at the End of the Year and Period	4,835	4,877

Basis of Accounting

The accounts are prepared on a going concern basis and on the historical cost basis of accounting, modified to include the revaluation of fixed asset investments, in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies in January 2009 (the "SORP").

In order to reflect the activities of an investment company, supplementary information which analyses the financial statements between items of a revenue and capital nature has been presented alongside the financial statements. In analysing total income between capital and revenue returns, the Directors have followed the guidance contained in the "SORP".

The management fee is allocated between revenue and capital in accordance with the Board's expected long term split of returns, and other expenses are charged to capital only to the extent that a clear connection with the maintenance or enhancement of the value of investments can be demonstrated.

Investments

Purchases and sales of investments are recognised when the contract for acquisition or sale becomes unconditional. Investments are designated at fair value through profit or loss on initial recognition (described in the accounts as investments held at fair value) and are subsequently measured at reporting dates at fair value. Changes in the fair value of investments are recognised in the Income Statement through the capital account.

Other investments comprise investments in liquidity funds with AAA rating and are redeemable on call.

Unquoted Investments

Unquoted investments are held at fair value through profit or loss. The fair value is calculated in accordance with International Private Equity and Venture Capital Valuation Guidelines issued in September 2009 following the methodology outlined below.

Principles of Valuation of Investments

General

In valuing investments, the Directors follow the principles recommended in the International Private Equity and Venture Capital Valuation Guidelines issued in September 2009. Investments are valued at fair value at the reporting date.

Fair value represents the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In estimating fair value, the Directors use a methodology which is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio. Methodologies are applied consistently from one period to another except where a change results in a better estimate of fair value. Because of the inherent uncertainties in estimating the value of private equity investments, the Directors exercise due caution in applying the various methodologies.

Unquoted Investments

The principal methodologies applied in valuing unquoted investments including PLUS investments (a UK market focussed on small and medium companies which the Directors do not regard as an active market with sufficient liquidity) include the following:

- Revenues multiple, Earnings multiple
- Price of recent investment
- Net assets
- Discounted cashflow

In applying the Revenues and/or Earnings Multiple methodology, the Directors apply a market based multiple that is appropriate and reasonable to the maintainable earnings of the company. In the majority of cases the Enterprise Value of the underlying business is derived by the use of an Earnings before Interest, Tax and Depreciation multiple applied to current year's earnings where these can be forecast with a reasonable degree of certainty and are deemed to represent the best estimate of maintainable earnings. Where this is not the case, historic earnings will generally be used in their place or by using measurements of value such as the price of a recent transaction, a revenues multiple and net assets.

Where a recent investment has been made, either by the Company or by a third party in one of the Company's investments, this price will be used as the estimate of fair value from the date on which the investment was made. One of the principal methodologies, as above, may be used at any time if this is deemed to provide a better assessment of the fair value of the investment. Unlisted investments may be subject to an impairment adjustment to valuation where necessary.

The fair value of an investment in a company will be arrived at through the following process:

- The Enterprise Value of the underlying business will be calculated using one of the above methodologies;
- The Enterprise Value of the underlying business will then be adjusted for surplus assets or excess liabilities to arrive at an Enterprise Value for the Company; and
- The valuation of the Company's investment will be calculated from the Enterprise Value for the company after deduction of prior ranking debt and other financial instruments and an appropriate discount.

This discount will normally be in the range of 10-30% (in steps of 5%) applied to the comparable multiple of the company. The amount of the discount is a question of judgment and will reflect several factors including the ability of the Company to influence the timing and nature of any realisation. Where the Company has the ability to influence an exit, or is part of a syndicate of likeminded investors who initiate the exit, a smaller discount will be applied. This may vary according to market and investee company circumstances. Where the likelihood of an exit is high, the discount is likely to be lower. Where there is no ability to initiate an exit and exit is not under discussion, the discount is likely to be higher. In cases where no exit is contemplated by controlling shareholders, the investment may be valued by discounting the cash flow from the investment itself.

Income

Dividends receivable from equity investments are brought into account on the ex-dividend date or, where no ex-dividend date is quoted, are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity investments and on debt securities are recognised on an effective interest rate basis. Where there is reasonable doubt that a return, which falls within the accounting period, will actually be received by the Company, the recognition of the return is deferred until the reasonable doubt has been removed.

Interest receivable on cash deposits is accounted for on an accruals basis.

Expenses

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except for expenses in connection with the disposal of fixed asset investments, which are deducted from the disposal proceeds of the investment and investment management and incentive fees which are dealt with below. A split of expenses is made between Ordinary and A shares in proportion to the Net Asset Value.

Investment Management and Incentive Fees

The investment management fees for the Investment Manager's services are charged 25% to the revenue account and 75% to the capital account. This is in line with the Board's long-term expected split of returns from the investment portfolio of the Company. The payment of the performance fee will be effected through an equity-settled share-based payment.

FRS 20 Share-Based Payment requires the recognition of an expense in respect of share-based payments in exchange for goods or services. Entities are required to measure the goods or services received at their fair value, unless that fair value cannot be estimated reliably in which case that fair value should be estimated by reference to the fair value of the equity instruments granted. The fair value of the share-based payment is calculated by discounting the expected future value of the net assets. Incentive fees are fully charged to the capital account.

Revenue and Capital Reserves

The revenue return in the Income Statement is taken to the revenue reserve.

Gains and losses on the realisation of investments are taken to the realised capital reserve. Gains and losses arising from changes in fair value are considered to be realised only to the extent that they are readily convertible to cash in full at the balance sheet date. Otherwise gains and losses are treated as unrealised.

Taxation

The tax effects of different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate using the Company's effective rate of tax for the accounting period.

Due to the Company's status as a venture capital trust and the continued intention to meet the conditions required to comply with Section 274 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the Company's investments.

Deferred tax is provided on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they are recoverable.

Dividends Payable

Dividend distributions to shareholders are recognised as a liability in the period in which they are paid in respect of interim dividends or when approved by members in respect of final dividends.

Share Issue Expenses and Share Premium Account

Costs of share issues are written off against the premium arising on the issues of share capital.

1 Income

	For the year ended 30 September 2011 £000	For the period ended 30 September 2010 £000
Income from Liquidity Funds	3	9
	3	9

Income arose on financial assets not designated as fair value through profit or loss.

2 Investment Manager's Fees

		For the year ended 30 September 2011 £000	For the period ended 30 September 2010 £000
Iona Capital Limited	Revenue	-	-
Iona Capital Limited	Capital	-	-
	Total	-	-

Iona Capital Limited waived all fees including Management Fees and Administration Fees for the year ended 30 September 2011 and the period ended 30 September 2010.

Management Fees and Arrangements

Iona Capital Limited was appointed as Investment Manager under an agreement dated 19 November 2009. The agreement was for an initial period of six years and thereafter could be terminated by either party giving not less than one year's notice. Fees are to be paid quarterly in advance, as a percentage of net assets, at 2.5% per annum.

Annual Running Costs (annual costs and expenses incurred by the Company, including irrecoverable VAT but excluding exceptional and extraordinary costs) of the Fund are capped at 3.6% of the net asset value as at 30 September. Any excess will be reduced against the management fee payable to the Investment Manager.

An administration fee of £60,000 is also payable under the terms of the agreement and is subject to an annual RPI adjustment.

On 6 April 2010, the Company announced that the Board and Investment Manager had agreed to waive all the respective director, investment management and administration fees due from the Company until such time as total funds raised by the Company exceed £8 million. In recognition of the progress in the investment pipeline, the Board has reinstated the Directors' fees and administration fees with effect from 1 October 2011.

Incentive Scheme

To give effect to a Performance Incentive, each investor received one Ordinary Share and one A Share at the subscription prices of 99.9p for each Ordinary share and 0.1p for each A Share. At the close of the Offer, the Management owned 20% of the issued A Shares in the share capital of the Company, with a further 13% allotted on the 25 November 2010, therefore holding a third of all A Shares in issue, which vested on allocation. Subject to the achievement of the Hurdle, being a Performance Value of at least 120p per share and the payment of Shareholder Proceeds of at least 20p per share, the Management A shareholders will receive 1% of the first 20p of Shareholder Proceeds and 20% of Shareholder Proceeds thereafter.

The holders of A Shares will be entitled to distributions equivalent to three times the Performance Incentive. 2/3 of the distributions in respect of the A Shares will be allocated to Shareholders and 1/3 to Management, which will result in Management receiving the level of Performance as described above.

Share Based Payment

	For the year ended 30 September 2011 £000	For the period ended 30 September 2010 £000
Revenue	-	-
Capital	145	148
Total	145	148

The above is an estimate of the fair value of 1,322,749 management A Shares on the date of grant, giving a share based payment charge of 10.96p per share. No amount has been paid to management and it is not foreseen that any performance fees will be paid to management in the near future.

3 Other Expenses

	For the year ended 30 September 2011 £000	For the period ended 30 September 2010 £000
Auditors Remuneration:		
Statutory audit	32	15
Other:		
Professional fees	48	13
Administration expenses	24	28
Trail commission	6	13
	110	69

In addition to the statutory audit fees, the auditor was also paid fees of £nil during the year (2010 - £15,000) in relation to the listing of the Company. These fees were borne by Iona Capital Limited.

4 Directors' Remuneration

Details of Directors' remuneration are shown in the "Directors' Remuneration for the Period (audited)" section of the Directors' Remuneration Report on page 17.

The Company had no employees or employee costs in 2011 or 2010.

5 Taxation on Ordinary Activities

	For the year ended 30 September 2011 £000	For the period ended 30 September 2010 £000
Analysis of charge in the period		
Current tax:	-	-
UK Corporation tax at 20.5%	-	-
Total Current Tax	-	-
Factors affecting tax charge for the period		
Loss on ordinary activities before tax	(107)	(60)
Loss on ordinary activities before tax multiplied by corporate tax rate	(22)	(13)
Effects of:-		
Dividend income not subject to tax	-	-
Expenses not deductible for tax purposes	-	-
(Losses)/gains on investments	-	-
Unutilised tax losses arising in the period	22	13
Total Current Tax	-	-

There is no unprovided deferred tax liability at 30 September 2011 or 30 September 2010.

There has been no recognition of a deferred tax asset arising from tax losses of £35,000 as the Directors' do not expect these tax losses to be used or recovered against taxable profits in the future.

Capital returns are not included as VCTs are exempt from tax on realised capital gains provided that they comply and continue to comply with the VCT regulations.

6 Return per Share

	Year Ended 30 September 2011		Year Ended 30 September 2010	
	Ordinary Shares	A Shares	Ordinary Shares	A Shares
Revenue return per share based on:				
Net revenue after taxation (£000)	(104)	(3)	(58)	(2)
Weighted average number of shares in issue	5,333,845	7,806,726	2,631,286	3,321,893
Pence per Ordinary Share/A Share	(1.9)	(0.0)	(2.2)	(0.1)
Capital return per share based on:				
Net capital gain/(loss) for the financial year (£000)	(141)	(4)	(144)	(4)
Weighted average number of shares in issue	5,333,845	7,806,726	2,631,286	3,321,893
Pence per Ordinary Share/A Share	(2.6)	(0.1)	(5.5)	(0.1)

7 Debtors

	As at 30 September 2011 £000	As at 30 September 2010 £000
Amounts receivable within one year:		
Other debtors	100	9

8 Other Investments

	As at 30 September 2011 £000	As at 30 September 2010 £000
Liquidity funds	-	4,500

9 Creditors: amounts falling due within one year

	As at 30 September 2011 £000	As at 30 September 2010 £000
Trail commission payable	19	12
Accrued expenses	44	47
Other creditors	-	11
	63	70

10 Significant Interests

At 30 September 2011 and 30 September 2010 the Company held no significant investments amounting to 3% or more of the equity capital.

11 Called Up Share Capital

	As at 30 September 2011		As at 30 September 2010	
	Number	£000	Number	£000
Issued:				
Ordinary Shares of 0.1p each issued at the year end	5,345,499	5	5,268,369	5
Issued:				
A Shares of 0.1p each issued at the year end	8,018,246	8	6,618,367	7
Issued:				
Redeemable Preference Shares of £1 each one quarter paid up	-	-	50,000	13

On 25 November 2010 77,130 ordinary shares were issued at 99.9 pence per share and 77,130 'A' shares were issued at 0.1 pence per share.

On 25 November 2010, 1,322,749 A shares were issued to the management of Iona Capital Limited, pursuant to the offers for subscription by way of a prospectus, bringing the total of such shares to one third of the total issued 'A' shares.

All shares were issued for cash except for 2,030 Ordinary shares and 2,030 A shares which were issued as bonus shares in respect of either early subscriptions or waived commission, as explained in the prospectus.

The Redeemable Preference Shares were fully paid up during the year and redeemed at par on 17 June 2011.

12 Reserves

	Share Premium £000	Capital Reserve (Non-distributable) £000	Revenue Reserve (Distributable) £000
As at 19 October 2009	-	-	-
Issue of shares	5,257		-
Share issue expenses	(345)		-
Share based payment		148	-
Retained loss for the period		(148)	(60)
As at 30 September 2010	4,912	-	(60)
Issue of shares	77	-	-
Share issue expenses	-	-	-
Share based payment	-	145	-
Retained loss for the period	-	(145)	(107)
As at 30 September 2011	4,989	-	(167)

13 Net Asset Value per Ordinary Share and A Share

	Ordinary Shares	A Shares	Preference Shares	Total
Net assets at 19 October 2009	-	-	-	-
Total revenue return for the period	(58)	(2)	-	(60)
Issue of new shares	5,262	7	13	5,282
Share issue expenses	(342)	(3)	-	(345)
Adjustment *	(143)	143	-	-
Net assets at 30 September 2010	4,719	145	13	4,877
Number of shares in issue	5,268,369	6,618,367		
Net asset value per share (p)	89.6	2.2		
Diluted number of shares **	N/A	7,941,116		
Diluted net asset value per share	N/A	1.8		
Net assets at 30 September 2010	4,719	145	13	4,877
Total revenue return for the period	(104)	(3)	-	(107)
Issue of new shares	77	1	37	115
Redemption of shares	-	-	(50)	(50)
Share issue expenses	-	-	-	-
Adjustment *	(2)	2	-	-
Net assets at 30 September 2011	4,690	145	-	4,835
Number of shares in issue	5,345,499	8,018,246		
Net asset value per share (p)	87.7	1.8		
Diluted number of shares **	N/A	N/A		
Diluted net asset value per share	N/A	N/A		

*Unless and until the Hurdle is met (i.e. there is a performance value of at least 120p per share and the Shareholders have received Shareholder Proceeds of at least 20p per share), distributions are made as to 97% to Ordinary Shares and 3% to A Shares.

** 1,322,749 A Shares were issued to management on 25 November 2010, giving management one-third of the total issued A Shares.

14 Reconciliation of Net Revenue on Ordinary Activities Before Taxation to Net Cash Outflow from Operating Activities

	For the year ended 30 September 2011 £000	For the period ended 30 September 2010 £000
Return on ordinary activities before finance costs and taxation	(252)	(208)
Share based payments	145	148
(Increase)/decrease in debtors	(91)	(9)
Increase/(decrease) in creditors and accruals	(7)	69
Net cash inflow/(outflow) from operating activities	(205)	-

15 Analysis of Changes in Net Funds

	Cash £000	Liquidity Funds £000	Total £000
At 19 October 2009	-	-	-
Net cash inflow/(outflow) in the period to 30 September 2010	438	4,500	4,938
At 30 September 2010	438	4,500	4,938
Net cash inflow/(outflow) in the year to 30 September 2011	4,360	(4,500)	(140)
At 30 September 2011	4,798	-	4,798

16 Financial Instruments

Market Risk: Market Risk incorporates the possibility for losses and gains from Investments and encompasses interest risk and price risk

Investment risk management is governed by the Investment Strategy detailed on the annual review on page 2 of this Report and Accounts and Market Risk is within that process. On a regular basis the Investment Manager monitors the Fund's Market Risk, in accordance with policies and procedures documented in the Report of the Directors.

The constituent parts of those investment risks are set out below.

Interest Rate Risk: None of the Fund's financial assets is interest bearing and the Fund therefore has no exposure to fair value Interest Rate Risk arising from fluctuations in the market interest rates.

The interest rate profile of the Company's financial assets as at 30 September 2011 was:

	Financial Assets on which no Interest Earned	Fixed Rate Financial Assets	Variable Rate Financial Assets	Total	Weighted Average Interest Rates
	£000	£000	£000	£000	%
Cash	4,798	-	-	4,798	-
Debtors	100	-	-	100	-
Total	4,898	-	-	4,898	-

The interest rate profile of the Company's financial assets as at 30 September 2010 was:

	Financial Assets on which no Interest Earned	Fixed Rate Financial Assets	Variable Rate Financial Assets	Total	Weighted Average Interest Rates
	£000	£000	£000	£000	%
Liquidity Funds	-	-	4,500	4,500	0.5
Cash	-	-	438	438	-
Debtors	9	-	-	9	-
Total	9	-	4,938	4,947	-

The only financial liabilities are the creditors shown in note 9, none of which is interest bearing.

The Company's future cash flows can be affected by changes in interest rates resulting in an increase or decrease in income from investments linked to the base rate and by the credit worthiness of the borrowers of the funds. Sensitivity has been tested by assessing the impact on the NAV over a one year period of a fall in the base rate to nil, being the largest possible fall. The estimated impact on performance and NAV is not deemed material. Detail is summarised below:

In respect of the position as at 30 September 2011, there could be no negative effect from a fall in interest rates because no interest was being earned on the Company's bank balances.

Note 16 Continued

In respect of the position as at 30 September 2010, the effect calculated was as follows:

Movement in Interest Rate	Liquidity Funds £000	Impact on Return on Net Assets £000	Impact on NAV per Ordinary Share £000
Fall by 0.25%	4,500	(11)	(0.2)p
Increase by 1.00%	4,500	45	0.9p

The Company categorised its financial instruments using the fair value hierarchy as follows:

Level 1 - Reflects financial instruments quoted in an active market (Liquidity fund investments)

Level 2 - Reflects financial instruments that have inputs that are observable either directly or indirectly (no such investments are currently held)

Level 3 - Reflects financial instruments that have inputs that are not based on observable market data (no such investments are currently held)

	As at 30 September 2010			
	Level 1	Level 2	Level 3	Total
Liquidity Funds (£000)	4,500	-	-	4,500
	4,500	-	-	4,500

Credit Risk: Credit risk is the risk that a counterparty to a financial instrument is unable to discharge an obligation or commitment entered into with the Company. The Investment Manager has in place a monitoring procedure in respect of counterparty risk which is monitored on an ongoing basis. The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

Credit Risk	As at 30 September 2011 £000	As at 30 September 2010 £000
Investments in fixed interest instruments	-	-
Investments in variable interest instruments (including cash)	4,798	4,938
Interest, dividends and other receivables	-	-

As at 30 September 2010, the credit risk arising on floating rate instruments was mitigated by investing in AAA-rated money market companies managed by HSBC Bank PLC. Since then, these investments have been liquidated so that credit risk arising on the bank balances as at 30 September 2011 relates solely to deposits with HSBC Bank PLC, the Company's bank.

The board regularly reviews this strategy.

Liquidity risk: The liquidity risk is that the Company might encounter difficulty in meeting its obligations arising from holding financial instruments.

The Company's liquidity risk is managed on an ongoing basis by the Investment Manager as presented in the Report of the Directors.

The Company maintains sufficient investments in cash and liquid resources to pay all accounts payable and accrued expenses as they become due. Liquidity funds as at 30 September 2010 were redeemable on call.

Management of Capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to continue to provide returns to shareholders. In compliance with HMRC's VCT Tax legislation, 70% must be invested within 3 years of the the capital being subscribed. Capital for this purpose is considered to be shareholders' funds. The Company does not have any externally imposed capital requirements.

17	**Geographical Analysis**
	The Company's operations are wholly in the United Kingdom.
18	**Transactions with the Investment Manager**
	During the year ended 30 September 2011 the Company paid £nil (2010 - £115,000) to Iona Capital Limited, the Investment Manager, with respect to the costs associated with the fundraising for the Company. At 30 September 2011, the Company owed £nil (2010 - £nil) to the Investment Manager. Details of the Investment Manager's fee arrangements are included in Note 2.
19	**Contingent Liabilities**
	There are no contingent liabilities outstanding as at 30 September 2011.
20	**Post Balance Sheet Events**
	Since the year end, the Company has entered into a commitment to invest £720k in Rosewood Energy Ltd, whose principal activity is to produce electricity from biogas for sale to the grid.

Notice of Annual General Meeting

Notice is hereby given that the first Annual General Meeting of Iona Environmental VCT Plc will be held on 22 March 2012 to be held at Marriott Harrison, Staple Court, 11 Staple Inn Buildings, London WC1V 7QH. for the purpose of considering and, if thought fit, passing the following Resolutions (of which, Resolutions 1 to 8 will be proposed as Ordinary Resolutions and Resolutions 9 and 10 will be proposed as Special Resolutions):

Ordinary Resolutions

1 To receive, consider and adopt the Reports of the Directors and Auditors and the Company's Accounts for the year ended 30 September 2011.

2 To approve the Directors' Remuneration Report for the year ended 30 September 2011.

3 To re-elect Mr Eades as a Director of the Company.

4 To re-elect Mr Ling as a Director of the Company.

5 To re-elect Mr Dunn as a Director of the Company.

6 To re-appoint Moore Stephens LLP as Auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the members.

7 To authorise the Directors to fix the remuneration of the Auditors.

8 THAT the Directors be generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the "Act") to allot:

(a) Ordinary shares, or to grant rights to subscribe for or to convert any securities into Ordinary shares, up to a maximum nominal amount of £550 (representing approximately 10% of the Ordinary share capital in issue at today's date); and

(b) A shares, or to grant rights to subscribe for or to convert any securities into A shares, up to a maximum nominal amount of £810 (representing approximately 10% of the A share capital in issue at today's date)

(c) This authority to expire at the earlier of the conclusion of the Company's Annual General Meeting next following the passing of this resolution and the expiry of 15 months from the passing of the relevant resolution (unless previously revoked, varied or extended by the Company in general meeting) but so that such authority allows the Company to make offers or agreements before the expiry thereof which would or might require shares to be allotted, or rights to subscribe for or to convert any securities into shares to be granted, after the expiry of such authority.

Special Resolutions

9 To empower the Directors pursuant to Section 570(1) of the Act to allot or make offers or agreements to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority referred to in resolution 8 as if Section 561(1) of the Act did not apply to any such allotments and so that:

(a) reference to allotment in this Resolution shall be construed in accordance with Section 560(2) of the Act; and

(b) the power conferred by this Resolution shall enable the company to make any offer or agreement before the expiry of the said power which would or might require equity securities to be allotted after the expiry of the said power and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding the expiry of such power. and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the annual general meeting of the company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.

10 THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of its own Ordinary shares and 'A' shares in the capital of the Company provided that:

(a) the maximum number of Ordinary shares and 'A' shares hereby authorised to be purchased shall not exceed 14.9% of the present issued share capital of the Company;

(b) the minimum price which may be paid for an Ordinary share is 0.1p and for an 'A' shares is 0.1p, exclusive of all expenses;;

(c) the maximum price which may be paid for an Ordinary share or an 'A' share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations of the Ordinary shares or 'A' shares as derived from the Daily Official List of the London Stock Exchange, for each of the five business days immediately preceding the day on which the share is contracted to be purchased;

(d) the Company may validly make a contract to purchase Ordinary shares or 'A' shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of Ordinary shares or 'A' shares in pursuance of any such contract;

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution or, if earlier, on the expiry of 15 months from the passing of this resolution.

By order of the Board of Directors
Iona Capital Limited
Secretary
Registered Office:
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB
27 January 2012

Notes

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), members must be registered in the register of members of the Company at 6pm on 20 March 2012 (or, in the event of any adjournment, 6pm on the date which is two days before the date of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent the member. Details of how to appoint the chairman of the meeting or another person as a proxy using the form of proxy are set out in the notes on the form of proxy. If a member wishes a proxy to speak on the member's behalf at the meeting the member will need to appoint his or her own choice of proxy (not the chairman) and give his or her instructions directly to them. Under section 319A of the CA 2006, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:

- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

3. A reply paid form of proxy is attached to this document. To be valid, a form of proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to The City Partnership (UK) Limited, Thistle House, 21 Thistle Street, Edinburgh EH2 1DF not less than 48 hours before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the form of proxy proposes to vote. In the case of a poll taken more than 48 hours after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours before the time appointed for taking the poll, or where the poll is taken not more than 48 hours after it was demanded, the document(s) must be delivered at the meeting at which the demand is made.

   CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting to be held on 21 March 2012 and any adjournment(s) thereof by using the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID) by 6pm on 20 March 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

4. As at 30 January 2012 (being the last business day prior to the publication of this notice), the Company's issued voting share capital was 5,345,499 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 30 January 2012 was 5,345,499.

5. Any person to whom this notice is sent who is a person nominated under section 146 of the CA 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such

agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

6. The statement of the rights of members in relation to the appointment of proxies in paragraph 2 above does not apply to Nominated Persons. The rights described in this paragraph can only be exercised by members of the Company.

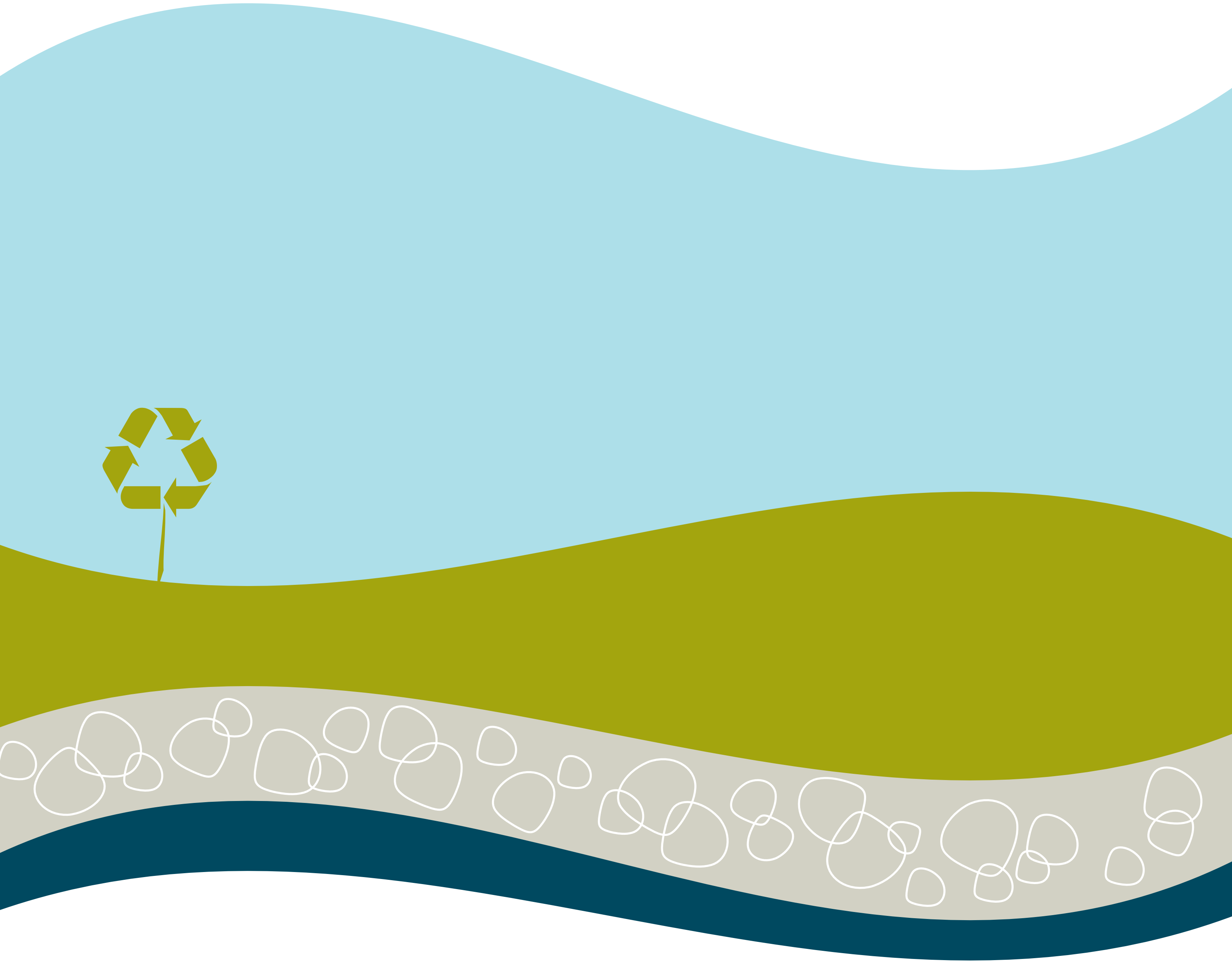
7. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (a) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives — www.icsa.org.uk — for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (a) above.

8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should the member subsequently decide to do so. A member can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.

9. Except as provided above, members who have general queries about the Annual General Meeting should call on 0207 306 3901 or for overseas callers on 0044207 306 3901 (no other methods of communication will be accepted): Calls to this number are charged at 30p per minute from a BT landline. Other telephony provider costs may vary.

10. Members may not use any electronic address provided either in this notice of General Meeting, or any related documents (including the Chairman's letter and form of proxy), to communicate with the Company for any purposes other than those expressly stated.

11. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.



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