



# **Ventus 2 VCT plc**

## **Half-yearly Financial Report**

for the six month period ended 31 August 2014

## CONTENTS

<b>01</b> Chairman's Statement	<b>15</b> Directors and Advisers	<b>22</b> Condensed Statement of Cash Flows
<b>04</b> Principal risks and uncertainties	<b>16</b> Independent Review Report	<b>23</b> Explanatory Notes to the Condensed Financial Statements
<b>04</b> Going concern	<b>17</b> Condensed Statement of Comprehensive Income	
<b>05</b> Responsibilities Statement	<b>19</b> Condensed Statement of Financial Position	
<b>06</b> Investment Manager's Report	<b>20</b> Condensed Statement of Changes in Equity	

Ventus 2 VCT plc invests in companies that develop, construct and operate renewable energy projects.

I am pleased to present the financial report of Ventus 2 VCT plc (the "Company") for the six month period ended 31 August 2014.

The Investment Manager, Temporis Capital LLP, has continued its successful management of the portfolio with a focus on delivering predictable dividends to shareholders.

The Company's ordinary and "C" share funds now have an established portfolio of assets generating a steady, tax-free yield to investors characterised by stability in terms of net asset value ("NAV") and dividends. Both the ordinary and "C" share funds are substantially invested in fully-operational renewable energy assets. The "D" share fund made its first investment in the period and is expected to be fully invested by the end of 2014. As discussed in the Investment Manager's Report, the first investment of the "D" share fund, in a company building a wind farm, was made prior to Royal Assent of the Finance Act 2014, so is a qualifying investment for VCT purposes. The remaining investments of the "D" share fund will be in companies building hydroelectric projects, which are still qualifying investments for Venture Capital Trust ("VCT") purposes. The ordinary and "C" share funds also have cash available to invest in these companies building hydroelectric projects.

During the period, the Company met its investment and dividend goals. The Company's key objective going forward is to optimise the performance of portfolio company wind farms so as to continue generating consistent dividends.

During the period, the wind farms owned by investee companies at Eye Airfield, Weston Airfield and North Pickenham Airfield were all completed ahead of schedule and below budget. With these wind farms operational, 87% of the ordinary share fund's investments and 89% of the "C" share fund's investments by value as a percentage of the share funds' NAV are in companies with operational wind farms generating regular dividends and mezzanine debt interest. The ordinary share fund also earns interest at the rate of 8% per annum on deferred consideration from the sale of Craig Wind Farm Limited, which accounts for 4% of the NAV of the ordinary share fund.

Also during the period, the Company received a cash distribution of £306,000 from BEL Holdco Limited, the successor company to Broadview Energy Limited, into which the Company invested £200,000 in December 2008. This represents a 1.53 times multiple on the Company's original investment.

On 3 June 2014, the Company allotted a further 377,439 "D" shares, taking the total "D" shares issued under the "D" share offer, which is now closed, to 1,990,767. The net proceeds raised by the Company under the "D" share offer totalled £1.93 million.

### Strategic Review

The Board regularly reviews the performance of the investment manager and the implementation of the Company's investment strategy. Since the Board appointed Temporis Capital LLP as Investment Manager in September 2011, the Company has been managed with the intention of achieving consistent, predictable dividends, along with growth in NAV.

The major developments and achievements during the past three years have been as follows:

- > The Investment Manager has restructured development investments in the ordinary share fund to unlock planning value.
- > Leverage on the underlying assets has been paid down as the assets have matured.
- > The investee companies of the Company have added underlying generation capacity of 61 MW and now have 88 MW of underlying generation capacity.
- > The Company's investment in Craig Wind Farm Limited was sold in 2012 at a price equal to 3.12 times the initial investment.
- > Dividends have been stabilised and increased.

From 31 August 2011 to 31 August 2014, the performance of the share classes has been as follows:

	Increase in NAV	Increase in NAV	Dividends paid plus increase in NAV	Dividends paid plus increase in NAV
	pence per share	as a % of starting NAV	pence per share	as a % of starting NAV
Ordinary shares	15.4p	25.9%	25.0p	42.0%
"C" shares	33.4p	36.0%	43.4p	46.7%

The Directors intend to pay a minimum dividend of 4p per ordinary share per annum for the year ending 28 February 2015, with a realistic target range in the medium term beyond 28 February 2015 of 4p to 6p per ordinary share per annum. The Directors intend to pay a minimum dividend of 6.25p per "C" share per annum for the year ending 28 February 2015, with a realistic target range in the medium term is 6p to 8p per "C" share per annum. It should be stressed that these are intentions only, and no forecasts are intended or should be inferred.

Following the recent changes in legislation relating to VCTs, the Directors and Ventus VCT plc held a special joint meeting with the Investment Manager in late September to decide what strategies should be adopted to preserve and enhance shareholder value. After considering in depth a variety of options including, inter alia, broadening the remit of the Funds to invest in non-renewables, progressive sell off of assets and merger of the two Funds, the Directors agreed that it was in the best interests of shareholders to maintain the status quo and maximise the performance of the assets, thus providing a stable and possibly increasing stream of tax free dividends. The Directors will continue to monitor this situation very carefully, in particular in light of any new legislation which may be enacted after the next General Election.

The Directors regularly review the question of when the "C" shares will be converted into ordinary shares and intend to effect the conversion of the "C" shares into ordinary shares when they deem it appropriate to do so.

#### Net Asset Value, Results and Dividend – Ordinary Shares

At 31 August 2014, the NAV of the ordinary share fund of the Company attributable to equity shareholders stood at £18,299,000 or 75.0p per ordinary share.

The revenue profit attributable to ordinary shareholders for the six month period ended 31 August 2014 was £424,000 or 1.74p per ordinary share. The capital gain attributable to ordinary shareholders for the period was £605,000 or 2.48p per ordinary share, resulting in a net gain to ordinary shareholders for the period of £1,029,000 or 4.22p per ordinary share (six month period ended 31 August 2013: net gain of £370,000 or 1.52p per ordinary share; year ended 28 February 2014: net gain of £1,052,000 or 4.31p per ordinary share).

The value of investments held by the Company's ordinary share fund at 31 August 2014 was £16,405,000 compared to £16,339,000 at 28 February 2014. The Investment Manager's Report gives details of investments made and proceeds received during the period together with information about the valuation of all investee company holdings within the portfolio.

The Company has declared an interim dividend of 2.0p per ordinary share which will be paid on 14 January 2015 to all ordinary shareholders on the register as at the close of business on 12 December 2014.

#### Net Asset Value, Results and Dividend – "C" Shares

At the period end, the net asset value per "C" share of the Company stood at £14,227,000 or 126.1p per "C" share.

The revenue profit attributable to "C" shareholders for the period was £300,000 or 2.65p per "C" share. The capital gain attributable to "C" shareholders for the period was £422,000 or 3.73p per "C" share, resulting in a net profit attributable to "C" shareholders for the six month period ended 31 August 2014 of £722,000 or 6.38p per "C" share (six month period ended 31 August 2013: net profit of £233,000 or 2.06p per "C" share; year ended 28 February 2014: net profit of £2,226,000 or 19.65p per "C" share).

The value of investments held at 31 August 2014 by the "C" share fund was £12,939,000 compared to £12,941,000 at 28 February 2014.

The Company has declared an interim dividend of 3.0p per "C" share which will be paid on 14 January 2015 to all "C" shareholders on the register as at the close of business on 12 December 2014.

#### Net Asset Value, Results and Dividend – "D" Shares

At the period end, the net asset value per "D" share of the Company stood at £1,910,000 or 95.9p per "D" share.

The revenue loss attributable to "D" shareholders for the period was £9,000 or 0.60p per "D" share. The capital loss attributable to "D" shareholders for the period was £17,000 or 1.14p per "D" share, resulting in a net loss attributable to "D" shareholders for the six month period ended 31 August 2014 of £26,000 or 1.74p per "D" share.

#### VCT Qualifying Status

The Company retains PricewaterhouseCoopers LLP to review its compliance with VCT regulations. The Directors are satisfied that the Company has continued to fulfil the conditions for maintaining VCT status.

## Key Performance Indicators

The Directors consider the following key performance indicators, which are typical for VCTs, to best measure the Company's performance and to provide shareholders with a summary of how the business' objectives are pursued:

	Ordinary Shares		"C" Shares		"D" Shares		Total
	£000	Pence per share <sup>1</sup>	£000	Pence per share <sup>1</sup>	£000	Pence per share <sup>1</sup>	£000
<b>Results and dividends</b>							
<b>For the six months ended 31 August 2014 (unaudited)</b>							
Revenue profit/(loss) attributable to equity shareholders	424	1.74	300	2.65	(9)	(0.60)	715
Capital gain/(loss) attributable to equity shareholders	605	2.48	422	3.73	(17)	(1.14)	1,010
Net gain/(loss) attributable to equity shareholders	1,029	4.22	722	6.38	(26)	(1.74)	1,725
Dividends paid during the year	(427)	(1.75)	(283)	(2.50)	-	-	(710)
Total movement in equity shareholders' funds	602	2.47	439	3.88	(26)	(1.74)	1,015
		%		%		%	%
On-going ratio <sup>2</sup>		3.60%		3.07%		2.88%	3.35%

	Ordinary Shares		"C" Shares		"D" Shares		Total
	£000	Pence per share <sup>1</sup>	£000	Pence per share <sup>1</sup>	£000	Pence per share <sup>1</sup>	£000
<b>As at 31 August 2014</b>							
Net asset value <sup>3</sup>	18,299	75.0	14,227	126.1	1,910	95.9	34,436
Total shareholder return <sup>4</sup>	22,121	95.2	15,359	136.1	1,910	95.9	39,390

1 The "per share" value is determined in respect of the weighted average number of shares in issue during the period, except in respect of the dividends paid in the period, which is determined on the basis of the number of shares eligible to receive dividends at the time the dividends were paid.

2 The on-going charges ratio represents the Company's total operating expenditure during the period (excluding investment costs) as a percentage of the average NAV of the Company during the 6 month period.

The total annual running costs cap is set out in Note 3 to the financial statements.

3 The "per share" value is determined in respect of the number of shares in issue at the period end, except in respect of the dividends paid, which is determined on the basis of the number of shares eligible to receive dividends at the time the dividends were paid.

4 The total shareholder return represents the NAV at period end plus the cumulative dividends paid since incorporation.

Temporis Capital LLP continues to be actively engaged in managing the portfolio of existing investments and in identifying and negotiating potential investment opportunities to invest the share capital that has been raised. The investments made constitute the important events of the period.

The performance of the Company is reviewed in the Investment Manager's Report, including the Company's compliance with HM Revenue & Customs ("HMRC") VCT regulations. The Company's prospects are considered in the UK Market Outlook section of the Investment Manager's Report.

**Alan Moore**

Chairman

29 October 2014

Under the Financial Conduct Authority's Disclosure and Transparency Rules, the Directors are required to identify those material risks to which the Company is exposed and take appropriate steps to mitigate those risks. Other than the inherent risks associated with investment activities, which are discussed in the Investment Manager's Report, the risks described below are those which the Directors consider to be material. The Directors do not expect that the risks and uncertainties presented will change significantly over the current financial year.

- > Failure to meet and maintain the investment requirements for compliance with HMRC VCT regulations may result in the Company losing its status as a VCT.

*The Board mitigates this risk by regularly reviewing investment management activity and each new investment with appropriately qualified advisers and, typically, by obtaining pre-approval from HMRC for each qualifying investment.*

- > Inadequate control environment at service providers may lead to inaccurate reporting or misappropriation of assets

*This risk is mitigated by only appointing service providers of a high standing under agreements that set out their responsibilities and by obtaining assurances from them that all exceptions have been reported to the Board. In addition, the Board has appointed an independent external party, Roffe Swayne, to report directly to the Board in respect of the Company's internal controls undertaken by the Investment Manager on behalf of the Company.*

- > Non-compliance with the Listing Rules of the Financial Conduct Authority, Companies Act Legislation and other applicable regulations may result in termination of the Company's Stock Exchange listing or other sanctions

*This risk is mitigated by employing external advisers fully conversant with applicable statutory and regulatory requirements who report regularly to the Board on the Company's compliance.*

- > Reliance on the UK Government's continued support for the renewable energy sector and the risk of adverse changes in the application of government policies particularly in respect of the renewable energy sector and tax legislation. Changes in legislation may render future investment opportunities unviable and in the unlikely event that regulations are applied retrospectively, the impact may be detrimental to the value of the portfolio.

*The future level of Government-mandated support for renewables has important implications for the industry and could impact the value of investments the Company has made in companies developing renewable projects. However, the Directors believe that any future reductions in renewable energy tariffs should not impact any existing investments in companies operating renewable energy assets, as the UK Government has a consistent history of grandfathering financial support mechanisms for existing projects and has a long term commitment to the renewable energy sector.*

The Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the accounts. The Company's major cash flows are within the Company's control (namely investments and dividends) or are reasonably predictable (namely the operating expenses). The Company is able to forecast cash inflows comprising proceeds from investments to a reasonable degree. Having reviewed a cash flow forecast for the next 18 months, the Board has a reasonable expectation that the Company is able to continue in operational existence for a period of at least 12 months from the date of this report.

# RESPONSIBILITY STATEMENT

---

## Responsibility Statement

The Directors acknowledge responsibility for the interim results and approve this half-yearly report. The Directors confirm that to the best of their knowledge:

- (a) the condensed financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting* and give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Company as required by Disclosure and Transparency Rule ("DTR") 4.2.4R;
- (b) the interim management report, included within the Chairman's Statement and Investment Manager's Report, includes a fair review of the information required by DTR 4.2.7R, being the important events of the first half of the year and the principal risks and uncertainties for the remaining six months of the year; and
- (c) the financial statements include a fair review of related party transactions and changes thereto, as required by DTR 4.2.8R.

The Responsibility Statement has been approved by the Board.

**Alan Moore**

Chairman

29 October 2014

# INVESTMENT MANAGER'S REPORT

## Investment Manager's Report

In line with the strategic objectives set by the Board, the Investment Manager has continued to focus the Company's activities on renewable energy investments generating stable long-term income with the objective of providing predictable dividends to shareholders.

### Ordinary share portfolio

A summary of the ordinary share fund's unaudited investment valuations as at 31 August 2014 and gains and losses during the six month period ended 31 August 2014 is given below.

Ordinary Shares		Investment value			Investment cost			Gain/(loss) six months to ended 31 August 2014	Investment value Total as at 28 February 2014	Investment cost Total as at 28 February 2014	
		Voting rights as at 31 August 2014 %	Shares as at 31 August 2014 £000	Loans as at 31 August 2014 £000	Total as at 31 August 2014 £000	Shares as at 31 August 2014 £000	Loans as at 31 August 2014 £000				Total as at 31 August 2014 £000
<b>Operational wind</b>											
Achairn Energy Limited*	Q	40.40%	2,541	1,407	3,948	1,226	1,289	2,515	80	3,868	2,515
A7 Lochhead Limited*	Q	20.00%	748	-	748	570	-	570	(88)	956	690
Greenfield Wind Farm Limited*	PQ	16.65%	1,383	1,381	2,764	666	1,280	1,946	(235)	3,026	1,973
Biggleswade Wind Farm Limited*	Q	3.50%	333	287	620	86	264	350	8	612	350
Eye Wind Power Limited**	Q	35.09%	1,947	-	1,947	1,480	-	1,480	349	1,800	1,682
Bernard Matthews Green Energy Weston Limited*	Q	50.00%	864	-	864	500	-	500	326	538	500
Bernard Matthews Green Energy Pickenham Limited*	Q	50.00%	641	-	641	500	-	500	105	536	500
<b>Wind under construction</b>											
Bernard Matthews Green Energy Halesworth Limited**	Q	10.09%	416	-	416	351	-	351	-	416	351
<b>Operational companies in the wind sector</b>											
Firefly Energy Limited*	Q	50.00%	-	82	82	200	104	304	-	82	304
<b>Operational landfill gas</b>											
Renewable Power Systems (Dargan Road) Limited	Q	50.00%	649	1,248	1,897	780	1,120	1,900	25	1,872	1,900
<b>Operational small hydro</b>											
Osspower Limited		50.00%	2,443	-	2,443	300	-	300	275	2,223	355
<b>Development and pre-planning</b>											
BEL Holdco Limited*		1.98%	25	-	25	200	-	200	(79)	410	200
BEL Acquisition Limited*		1.98%	10	-	10	10	-	10	-	-	-
<b>Realised investments</b>											
Redimo LFG Limited*		50.00%	-	-	-	1,000	-	1,000	-	-	1,000
PBM Power Limited		25.00%	-	-	-	574	-	574	-	-	574
Sandsfield Heat & Power Limited		44.90%	-	-	-	1,796	1,000	2,796	-	-	2,796
The Small Hydro Company Limited		22.50%	-	-	-	115	-	115	-	-	115
Redeven Energy Limited*		50.00%	-	-	-	-	130	130	-	-	130
<b>Total</b>			12,000	4,405	16,405	10,354	5,187	15,541	766	16,339	15,935

Q Investment complies with VCT regulations on qualifying holdings.

PQ Part of the investment complies with VCT regulations on qualifying holdings.

\* A company in which Ventus VCT plc has also invested (or in which Ventus VCT plc had invested prior to the investment being realised).

\*\* A company in which Temporis Capital Renewable Infrastructure EIS Fund and Ventus VCT plc have also invested

The Company, Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund are managed by Temporis Capital LLP.

A discussion of each investment follows.

## OPERATIONAL WIND

Each of the following investee companies owns and operates a single wind farm (or, in the case of Bernard Matthews Green Energy Weston Limited and Bernard Matthews Green Energy Pickenham Limited, owns an interest in a limited liability partnership that owns and operates a single wind farm):

	Wind farm capacity (megawatts)	Operational since	Location
Achairn Energy Limited	6.0	May 2009	Caithness, Scotland
A7 Lochhead Limited	6.0	June 2009	Lanarkshire, Scotland
Greenfield Wind Farm Limited	12.3	March 2011	Lanarkshire, Scotland
Biggleswade Wind Farm Limited	20.0	December 2013	Bedfordshire
Eye Wind Power Limited	6.8	April 2014	Suffolk
Bernard Matthews Green Energy Weston Limited	4.0	April 2014	Norfolk
Bernard Matthews Green Energy Pickenham Limited	4.0	April 2014	Norfolk

The Company's investments in the above companies are valued using discounted cash flow models. The aggregate value of the above seven companies increased by 1.73% during the six month period ended 31 August 2014. This was due to the net effect of a variety of factors, including the effect of the unwinding of the discount, a decrease in the underlying project debt in some companies, a decrease in the estimate of future electricity prices and adjustments to the projected long-term energy yields of Greenfield Wind Farm Limited's wind farm. Eye Wind Power Limited, Bernard Matthews Green Energy Weston Limited and Bernard Matthews Green Energy Pickenham Limited (all three of which were previously valued at cost) were revalued on a discounted cash flow basis in line with the Company's valuation policy for investments in companies with operating renewable energy assets.

During the six month period ended 31 August 2014, the electricity output as a percent of budget averaged 84% for the companies with wind farms in operation during the entire period. All investee companies' wind farms experienced satisfactory availability during the six month period ended 31 August 2014. Set out below is a brief summary of the financial performance of these investee companies.

### *Achairn Energy Limited*

The Company received mezzanine interest cash payments of £125,000 from Achairn Energy Limited in the six month period ended 31 August 2014, representing a 5.0% cash yield on the cost of investment. In addition to mezzanine interest income, the Company recognised a valuation gain of £80,000 on its investment in Achairn Energy Limited in the six month period ended 31 August 2014.

### *A7 Lochhead Limited*

The Company received dividends and mezzanine interest cash payments totalling £164,000 from A7 Lochhead Limited in the six month period ended 31 August 2014, representing a 26.0% cash yield on the average cost of investment. A7 Lochhead Limited also repaid £120,000 of mezzanine loan principal to the Company during the period, reducing the balance of the mezzanine loan to nil. The value of the Company's investment in A7 Lochhead Limited decreased by £88,000 in the six month period ended 31 August 2014. This was a consequence of the large dividend paid by A7 Lochhead Limited during the period.

### *Greenfield Wind Farm Limited*

The Company's ordinary share fund received dividends and mezzanine interest cash payments totalling £180,000 from Greenfield Wind Farm Limited in the six month period ended 31 August 2014, representing a 9.2% cash yield on the average cost of the investment. Greenfield Wind Farm Limited also repaid £27,000 of mezzanine loan principal to the Company's ordinary share fund during the period. In addition to dividend and mezzanine interest income, the Company's ordinary share fund recognised a valuation loss of £235,000 on its investment in Greenfield Wind Farm Limited in the six month period ended 31 August 2014. The projected long-term mean annual energy yield of the wind farm was reassessed during the six month period and was revised downwards by 4.59%. This has been taken into account in the valuation of this investment.

The Company's "C" share fund also holds an investment in Greenfield Wind Farm Limited as discussed below.

### *Biggleswade Wind Farm Limited*

The Company's ordinary share fund recognised a valuation gain of £8,000 on its investment in Biggleswade Wind Farm Limited in the six month period ended 31 August 2014. The Company received no cash income from Biggleswade Wind Farm Limited in the six month period ended 31 August 2014.

The Company's "C" share fund also holds an investment in Biggleswade Wind Farm Limited as discussed below.

### *Eye Wind Power Limited*

The Eye Airfield wind farm became fully operational in April 2014. The wind farm was completed ahead of schedule and under budget. The Company received mezzanine interest cash payments of £26,000 from Eye Wind Power Limited in the six month period ended 31 August 2014, representing a 1.6% cash yield on the average cost of the investment. Eye Wind Power Limited also repaid

£202,000 of mezzanine loan principal to the Company's ordinary share fund during the period, reducing the balance of the mezzanine loan to nil. The Company's ordinary share fund recognised a valuation gain of £349,000 on its investment in Eye Wind Power Limited in the six month period ended 31 August 2014 because the investment, having been held at cost as at 28 February 2013, has been revalued on a discounted cash flow basis in line with the Company's accounting policy.

As discussed below, the Company's "C" share fund held a mezzanine debt investment in Eye Wind Power Limited which was repaid in full during the six month period ended 31 August 2014.

#### *Bernard Matthews Green Energy Weston Limited*

The Weston Airfield wind farm (in which Bernard Matthews Green Energy Weston Limited holds a partnership interest) became fully operational in April 2014. The wind farm was completed ahead of schedule and under budget. The Company received no cash income from Bernard Matthews Green Energy Weston Limited in the six month period ended 31 August 2014. The Company recognised a valuation gain of £326,000 on its investment in Bernard Matthews Green Energy Weston Limited in the six month period ended 31 August 2014 because the investment, having been held at cost as at 28 February 2014, has been revalued on a discounted cash flow basis in line with the Company's accounting policy.

As discussed below, the Company's "C" share fund holds an investment in Weston Airfield Investments Limited, which is Bernard Matthews Green Energy Weston Limited's partner in the Weston Airfield wind farm.

#### *Bernard Matthews Green Energy Pickenham Limited*

The North Pickenham Airfield wind farm (in which Bernard Matthews Green Energy Pickenham Limited holds a partnership interest) became fully operational in April 2014. The wind farm was completed ahead of schedule and under budget. The Company received no cash

income from Bernard Matthews Green Energy Pickenham Limited in the six month period ended 31 August 2014. The Company recognised a valuation gain of £105,000 on its investment in Bernard Matthews Green Energy Pickenham Limited in the six month period ended 31 August 2014 because the investment, having been held at cost as at 28 February 2014, has been revalued on a discounted cash flow basis in line with the Company's accounting policy.

As discussed below, the Company's "C" share fund holds an investment in North Pickenham Energy Limited, which is Bernard Matthews Green Energy Pickenham Limited's partner in the North Pickenham Airfield wind farm.

#### **WIND UNDER CONSTRUCTION**

##### *Bernard Matthews Green Energy Halesworth Limited*

Bernard Matthews Green Energy Halesworth Limited is constructing a 10.25 megawatt wind farm at the Upper Holton Airfield near Halesworth, Suffolk. The wind farm will operate five Senvion (formerly REpower) MM82 2.05 megawatt turbines. The wind farm is scheduled to be operational in March 2015. The investment of the Company's ordinary share fund in Bernard Matthews Green Energy Halesworth Limited is held at £116,000, which represents the total cost of the investment incurred both in the investee company and through Redeven Energy Limited, which was the development company.

The Company's "C" and "D" share funds also hold an investment in Bernard Matthews Green Energy Halesworth Limited as discussed below.

#### **OPERATIONAL COMPANIES IN THE WIND SECTOR**

##### *Firefly Energy Limited*

Firefly Energy Limited is the parent company of a group of trading subsidiaries that have entered into long-term power purchase agreements with customers for 41.7 megawatts of generating capacity across five wind farm developments. The five wind farm projects are fully operational and generating revenues. Each of the five power

purchase agreements expires on 31 March 2016. Firefly Energy Limited earns a margin on the five long-term power purchase agreements. There was no change in the valuation of Firefly Energy Limited in the six month period ended 31 August 2014.

The Company has a loan investment in Firefly Energy Limited which had a principal amount outstanding as at 31 August 2014 of £104,000. The loan is valued in the Company's accounts based on the discounted projected future cash flows from the five power purchase agreements on which the company earns a spread, net of projected administration costs. As at 31 August 2014, the value of the loan was £82,000. The loan, as valued, is projected to be paid off by the end of 2016. The Company also holds 50% of the ordinary shares of Firefly Energy Limited (cost of £200,000) which was written down to nil value in a prior year.

#### **OPERATIONAL LANDFILL GAS**

##### *Renewable Power Systems (Dargan Road) Limited*

Renewable Power Systems (Dargan Road) Limited operates a landfill gas electricity generation site in Northern Ireland. The site performed in line with expectations during the six month period ended 31 August 2014. The third of its five generators came offline during the period as the volume of gas at the site reduced. The Company received a loan interest payment of £73,000 from Renewable Power Systems (Dargan Road) Limited in the six month period ended 31 August 2014, representing a 3.8% cash yield on the cost of the investment.

The value of the Company's investment in Renewable Power Systems (Dargan Road) Limited decreased by £25,000 in the six month period ended 31 August 2014.

#### **OPERATIONAL SMALL HYDRO**

##### *Osspower Limited*

The Company's ordinary share fund holds 50% of the ordinary shares of Osspower Limited, which owns and operates a 1.999 megawatt hydroelectric project at Allt Fionn Ghlinne in

Scotland. The Allt Fionn project has been operating with satisfactory availability and above budget since it was commissioned in June 2012.

Osspower Limited has consent for three further small hydro projects on the same estate as the Allt Fionn project. The Investment Manager has been working with the board of Osspower Limited to develop a strategy for financing the construction of those three projects.

On 22 May 2014, Osspower Limited repaid a £5,990,000 senior loan with The Co-operative Bank plc secured by the Allt Fionn project as well as the three further consented but unconstructed hydro projects, thereby discharging the Co-operative Bank's security over these assets. Simultaneously, Osspower Limited obtained a £7 million loan from Gravis Capital Partners ("GCP") secured solely by the Allt Fionn hydroelectric project.

Subsequent to the release of The Co-operative Bank's security over the consented but unconstructed projects, three new companies were formed by the shareholders of Osspower Limited (with identical ownership percentages as Osspower Limited), and certain assets and rights of the three unconstructed projects were transferred from Osspower Limited to these companies. Each company will own, construct and operate one of the projects. The Ventus Funds have investment rights in each of the new companies. The three new companies are now proceeding toward construction of the projects, which should result in Osspower Limited recovering development costs relating to the three projects totalling £1,870,000.

During the six months ended 31 August 2014, Osspower Limited repaid its shareholder loan to the Company's ordinary share fund of £55,000 along with accrued interest of £26,000. Osspower Limited also paid £90,000 in arrangement fees to the Company's "C" share fund in respect of a loan which had been provided by the "C" share fund in 2011. The arrangement fees had been recognised as income in a previous financial period and were outstanding for payment as at 28 February 2014. As at 31 August 2014, the Company held its investment in Osspower Limited at a value of £2,443,000 which takes into account the discounted present value of expected cash flows from the recovery of the development costs on

the three unconstructed projects discussed above.

## **DEVELOPMENT AND PRE-PLANNING**

### *BEL Holdco Limited*

BEL Holdco Limited is the parent company of Broadview Energy Limited ("Broadview"), an independent renewable energy company that formerly developed, constructed and operated wind farms in the UK. Having disposed of its operating and consented wind projects, Broadview carried out a reorganisation in January 2014 with the objective of returning cash to its shareholders. In connection with this reorganisation, all the shareholders of Broadview, including the Company, exchanged their holdings in Broadview for identical holdings in BEL Holdco Limited. Subsequent to this exchange, BEL Holdco Limited sold Broadview to BEL Acquisition Limited (see below) in exchange for nominal cash plus deferred consideration. Broadview's assets consisted of five wind development projects (four of which had been rejected in planning and were being appealed and one of which had yet to be submitted for planning), along with a limited amount of working capital. Upon successful consent of any of the five wind development projects, BEL Acquisition Limited will pay deferred consideration to BEL Holdco Limited. As the final step in its reorganisation, BEL Holdco entered voluntary liquidation so that the cash in Broadview could be distributed to shareholders.

During the six month period ended 31 August 2014, BEL Holdco Limited distributed £306,000 to the Company. This return of cash represents a 1.53 times multiple on the Company's £200,000 investment in Broadview made in December 2008.

Since the acquisition of Broadview by BEL Holdco Limited, two of the wind development projects under appeal have been rejected by the Secretary of State for Communities and Local Government. As at 31 August 2014, the Company's remaining interest in BEL Holdco Limited is valued at £25,000, which is the Investment Manager's estimated fair value of the company's value.

### *BEL Acquisition Limited*

BEL Acquisition Limited is a wind farm development company. It was incorporated in May 2014 for the purpose of acquiring Broadview from BEL Holdco Limited (see above). The assets held by Broadview consisted of five wind development projects, four of which had been rejected in planning and were being appealed and one of which had yet to be submitted for planning, along with a limited amount of working capital. As discussed above, two of these appeals have been rejected by the Secretary of State for Communities and Local Government. BEL Acquisition Limited also earns income from providing asset management services to wind farms.

During the six month period ended 31 August 2014, the Company acquired 2.0% of the ordinary shares of BEL Acquisition Limited at a cost of £10,000. The Company's investment in BEL Acquisition Limited is held at cost.

## **REALISED INVESTMENTS**

### *Redimo LFG Limited*

Redimo LFG Limited operates four landfill gas electricity generation sites in the north of England. Redimo LFG Limited is not paying dividends to the Company and has been held in the accounts at a nil valuation since late 2010. Given the senior debt commitments of the Redimo LFG Limited's subsidiaries, there is no possibility that the Company will recover any part of its investment in Redimo LFG Limited. Therefore, the loss in value in respect of this investment is treated as a realised loss.

### *PBM Power Limited and Sandsfield Heat & Power Limited*

PBM Power Limited and Sandsfield Heat & Power Limited are companies that constructed waste wood biomass power plants which experienced severe operating difficulties. Both investments were written off and treated as realised losses in a prior year. PBM Power Limited entered into liquidation on 15 October 2013. Sandsfield Heat & Power Limited is currently in administration and is expected to go into liquidation in due course.

# INVESTMENT MANAGER'S REPORT

Continued

## *The Small Hydro Company Limited*

The Small Hydro Company Limited developed five low-head run-of-river small hydroelectric projects in England which were ultimately not economic to build out. The investment was written off and treated as a realised loss in a prior year. The Small Hydro Company Limited entered into members' voluntary liquidation on 17 March 2014.

## *Redeven Energy Limited*

Redeven Energy Limited is a wind farm development company through which the Company, jointly with Ventus VCT plc, held investment rights in three successfully-consented wind farm developments at three sites in East Anglia: Weston Airfield, North Pickenham Airfield and Upper Holton Airfield. The development rights in these wind farms have been transferred to the relevant project companies into which the Company and Ventus VCT plc have invested further funds, leaving

Redeven Energy Limited with no remaining significant assets or liabilities as at 31 August 2014. The project companies that have built out or are building out the three wind farms are owned by the Company and by Ventus VCT plc and are described elsewhere in this report.

## "C" share portfolio

A summary of the "C" share fund's unaudited investment valuations as at 31 August 2014 and gains and losses during the six month period ended 31 August 2014 is given below.

"C" Shares		Investment value			Investment cost			Gain/(loss) six months to ended 31 August 2014	Investment value as at 28 February 2014	Investment cost as at 28 February 2014	
		Voting rights as at 31 August 2014 %	Shares as at 31 August 2014 £000	Loans as at 31 August 2014 £000	Total as at 31 August 2014 £000	Shares as at 31 August 2014 £000	Loans as at 31 August 2014 £000				Total as at 31 August 2014 £000
<b>Operational wind</b>											
Greenfield Wind Farm Limited*	PQ	12.50%	1,038	1,037	2,075	500	961	1,461	(176)	2,271	1,481
White Mill Windfarm Limited*	PQ	25.00%	2,582	343	2,925	1,000	318	1,318	15	2,910	1,318
AD Wind Farmers Limited*	Q	50.00%	1,162	-	1,162	1,000	-	1,000	(7)	1,169	1,000
Biggleswade Wind Farm Limited*	Q	21.50%	2,049	1,762	3,811	527	1,623	2,150	51	3,760	2,150
Weston Airfield Investments Limited*	Q	50.00%	1,481	-	1,481	1,000	-	1,000	481	1,000	1,000
North Pickenham Energy Limited*	Q	50.00%	1,155	-	1,155	1,000	-	1,000	155	1,000	1,000
<b>Wind under construction</b>											
Bernard Matthews Green Energy Halesworth Limited**	Q	5.63%	300	-	300	300	-	300	-	301	301
<b>Development and pre-planning</b>											
Blawearie Wind Limited*		50.00%	30	-	30	30	-	30	-	30	30
<b>Realised investments</b>											
Iceni Renewables Limited*		50.00%	-	-	-	400	18	418	-	-	418
Eye Wind Power Limited**		0.00%	-	-	-	-	-	-	-	500	500
<b>Total</b>			9,797	3,142	12,939	5,757	2,920	8,677	519	12,941	9,198

Q Investment complies with VCT regulations on qualifying holdings.

PQ Part of the investment complies with VCT regulations on qualifying holdings.

\* A company in which Ventus VCT plc has also invested.

\*\* A company in which Temporis Capital Renewable Infrastructure EIS Fund and Ventus VCT plc have also invested (or in which Ventus VCT plc had invested prior to the investment being realised).

The Company, Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund are managed by Temporis Capital LLP.

A discussion of each investment follows.

## OPERATIONAL WIND

Each of the following investee companies owns and operates a single wind farm (or, in the case of AD Wind Farmers Limited, Weston Airfield Investments Limited and North Pickenham Energy Limited, owns an interest in a limited liability partnership that owns and operates a single wind farm):

	Wind farm capacity (megawatts)	Operational since	Location
Greenfield Wind Farm Limited	12.3	March 2011	Lanarkshire, Scotland
White Mill Windfarm Limited	14.35	August 2012	Cambridgeshire
AD Wind Farmers Limited	10.2	December 2012	Argyll and Bute, Scotland
Biggleswade Wind Farm Limited	20.0	December 2013	Bedfordshire
Weston Airfield Investments Limited	4.0	April 2014	Norfolk
North Pickenham Energy Limited	4.0	April 2014	Norfolk

The Company's investments in the above companies are valued using discounted cash flow models. The aggregate value of the above six companies increased by 4.12% during the six month period ended 31 August 2014. This was due to the net effect of a variety of factors, including the effect of the unwinding of the discount, a decrease in the estimate of future electricity prices and a decrease in the underlying project debt of Greenfield Wind Farm Limited and a decrease in the projected long-term energy yield of its wind farm. Weston Airfield Investments Limited and North Pickenham Energy Limited (both of which were previously valued at cost) were revalued on a discounted cash flow basis in line with the Company's valuation policy for investments in companies with operating renewable energy assets.

During the six month period ended 31 August 2014, the electricity output as a percent of budget averaged 89% for the companies with wind farms in operation during the entire period. All investee companies' wind farms experienced satisfactory availability during the six month period ended 31 August 2014. Set out below is a brief summary of the financial performance of these investee companies.

### *Greenfield Wind Farm Limited*

The Company's "C" share fund received dividends and mezzanine interest cash payments totalling £135,000 from Greenfield Wind Farm Limited in the six month period

ended 31 August 2014, representing an 9.2% cash yield on the average cost of the investment. Greenfield Wind Farm Limited also repaid £20,000 of mezzanine loan principal to the Company's "C" share fund during the period. In addition to dividend and mezzanine interest, the Company's "C" share fund recognised a valuation loss of £176,000 on its investment in Greenfield Wind Farm Limited in the six month period ended 31 August 2014. The projected long-term mean annual energy yield of the wind farm was reassessed during the six month period and was revised downwards by 4.59%. This has been taken into account in the valuation of this investment.

The Company's ordinary share fund also holds an investment in Greenfield Wind Farm Limited as discussed above.

### *White Mill Windfarm Limited*

The Company recognised a valuation gain of £15,000 on its investment in White Mill Windfarm Limited in the six month period ended 31 August 2014. The Company received no cash income from White Mill Windfarm Limited in the six month period ended 31 August 2014.

### *AD Wind Farmers Limited*

The Company recognised a valuation loss of £7,000 on its investment in AD Wind Farmers Limited in the six month period ended 31 August 2014. The Company received no cash income from AD Wind Farmers Limited in the six month period ended 31 August 2014.

### *Biggleswade Wind Farm Limited*

The Company's "C" share fund recognised a valuation gain of £51,000 on its investment in Biggleswade Wind Farm Limited in the six month period ended 31 August 2014. The Company received no cash income from Biggleswade Wind Farm Limited in the six month period ended 31 August 2014.

The Company's ordinary share fund also holds an investment in Biggleswade Wind Farm Limited as discussed above.

### *Weston Airfield Investments Limited*

The Weston Airfield wind farm (in which Weston Airfield Investments Limited holds a partnership interest) became fully operational in April 2014. The wind farm was completed ahead of schedule and under budget. The Company received no cash income from Weston Airfield Investments Limited in the six month period ended 31 August 2014. The Company recognised a valuation gain of £481,000 on its investment in Weston Airfield Investments Limited in the six month period ended 31 August 2014 because the investment, having been held at cost as at 28 February 2014, has been revalued on a discounted cash flow basis in line with the Company's accounting policy.

As discussed above, the Company's ordinary share fund holds an investment in Bernard Matthews Green Energy Weston Limited, which is Weston Airfield Investments Limited's partner in the Weston Airfield wind farm.

### *North Pickenham Energy Limited*

The North Pickenham Airfield wind farm (in which North Pickenham Energy Limited holds a partnership interest) became fully operational in April 2014. The wind farm was completed ahead of schedule and under budget. The Company received no cash income from North Pickenham Energy Limited in the six month period ended 31 August 2014. The Company recognised a valuation gain of £155,000 on its investment in North Pickenham Energy Limited in the six month period ended 31 August 2014 because the investment, having been held at cost as at 28 February 2014, has been revalued on a discounted cash flow basis in line with the Company's accounting policy.

As discussed above, the Company's ordinary share fund holds an investment in Bernard Matthews Green Energy Pickenham Limited, which is North Pickenham Energy Limited's partner in the North Pickenham Airfield wind farm.

## WIND UNDER CONSTRUCTION

### *Bernard Matthews Green Energy Halesworth Limited*

Bernard Matthews Green Energy Halesworth Limited is constructing a 10.25 megawatt wind farm at the Upper Holton Airfield near Halesworth, Suffolk. The wind farm will operate five Servion (formerly REpower) MM82 2.05 megawatt turbines. The wind farm is scheduled to be operational in March 2015. Initially, the Company's "C" share fund made a loan investment of £301,000 in Bernard Matthews Green Energy Halesworth Limited. During the period ended 31 August 2014 this loan investment was converted to equity. The investment is held at £300,000, which represents the total cost of the equity investment.

The Company's ordinary and "D" share funds also hold an investment in Bernard Matthews Green Energy Halesworth Limited as discussed above and below.

## DEVELOPMENT AND PRE-PLANNING

### *Blawearie Wind Limited*

Blawearie Wind Limited is developing a wind farm in the Scottish Borders. The project is in the pre-planning phase. The investment is held at £30,000, which is the cost of the investment for the Company's "C" share fund.

## REALISED INVESTMENTS

### *Eye Wind Power Limited*

The Company's "C" share fund held a loan investment in Eye Wind Power Limited of £500,000 which was repaid in full during the six month period ended 31 August 2014. The Company received interest cash payments of £65,000 from Eye Wind Power Limited in the six month period ended 31 August 2014.

### *Iceni Renewables Limited*

Iceni Renewables Limited is a company established to develop two potential wind farms in Scotland. The first project, Craigannet (up to six turbines), was submitted for planning in January 2012, appealed for non-determination in August 2012 and then refused by the Scottish Government in November 2012. The second site, Merkins (up to ten turbines), was submitted for planning in January 2012 and turned down by West Dunbartonshire Council in October 2013. The Investment Manager believes there is no prospect of Iceni Renewables Limited obtaining value from either site. As such, the Company's investment in Iceni Renewables Limited has been written down to nil value and is considered to be a realised loss.

## "D" share portfolio

The "D" share offer closed on 30 May 2014 having raised net proceeds of £1.93 million. The "D" share fund made one investment during the six month period ended 31 August 2014 which is discussed below.

## WIND UNDER CONSTRUCTION

### *Bernard Matthews Green Energy Halesworth Limited*

Bernard Matthews Green Energy Halesworth Limited is constructing a 10.25 megawatt wind farm at the Upper Holton Airfield near Halesworth, Suffolk. The wind farm will operate five Servion (formerly REpower) MM82 2.05 megawatt turbines. The wind farm is scheduled to be operational in March 2015. The Company's "D" share fund made an equity investment of £712,000. The investment is held at £712,000, which represents the total cost of the equity investment.

The Company's ordinary and "C" share funds also hold an investment in Bernard Matthews Green Energy Halesworth Limited as discussed above.

## Valuation of Investments

It is the accounting policy of the Company to hold its investments at fair value. The Company's investments in investee companies which operate renewable energy assets are valued using a discounted cash flow methodology.

The key assumptions that have a significant impact on discounted cash flow valuations for these assets are the discount rate, the price at which the power and associated benefits can be sold, the amount of electricity the investee companies' generating assets are expected to produce and operating costs.

The fair value of the Company's investments in project companies which have not passed an initial satisfactory operational period, or are engaged in seeking planning permission, are determined to be the price of investment subject to a periodic impairment review.

The Company's valuation of its holding in BEL Holdco Limited is discussed above.

## Investment Policy

The Company is focused on investing in companies developing renewable energy projects with installed capacities of up to 20 megawatts, although investments in companies developing larger projects may also be considered. Given the target investment size, investments will generally be in companies developing projects initiated by specialist small-scale developers and smaller projects which are not attractive to large development companies and utilities.

### *Asset Allocation*

The Investment Manager seeks to allocate the Company's investments in equity securities and loan stock of companies owning renewable energy projects, primarily wind energy and hydroelectric. Up to 10% of net proceeds raised from share offers may be allocated to companies developing early stage renewable energy projects prior to planning permissions being obtained.

The Company together with Ventus VCT plc has an allocation agreement in place with the Investment Manager. The allocation agreement prescribes the allocation of investments between the two companies and their share funds in accordance with the ratio of available funds in each share fund, subject to adjustment in consideration of maintaining the VCT status of both companies, concentration risk, expected timing of realisations and projected dividend profiles.

When there is a conflict or potential conflict of interest between the investment strategy of the Company and that of another fund managed by Temporis Capital LLP, the matter is referred to the Investment Manager's compliance officer who ensures any conflicts are dealt with fairly. Any investment made in a company in which another fund managed by the Investment Manager has invested or intends to invest will be approved by the Directors who are independent of the Investment Manager, unless the investment is made at the same time and on the same terms or in accordance with a specific pre-existing agreement between the Company and the Investment Manager.

The Company's policy is to maintain cash reserves of at least 5% of net proceeds raised from share offers for the purpose of meeting operating expenses and purchasing its shares in the market. Circumstances may arise which would require the Company to hold less than 5% of net proceeds in cash for a limited period of time.

In order to comply with VCT requirements, at least 70% by value of the Company's investments are required to be comprised of qualifying investments.

The Company typically owns 25% to 50% of the equity share capital of each investee company and a portion of its investment in each investee company may be in the form of loan stock.

The Company's uninvested funds are placed on deposit or invested in short-term fixed income securities until suitable investment opportunities are found.

#### *Risk Diversification*

The geographical focus of the Company's portfolio is the UK and the majority of investments made to date are in the wind sector. Funds are invested with a range of small-scale independent developers so project risk is not concentrated on only a few developers. The portfolio contains projects at different stages of the asset lifecycle, ranging from pre-planning to construction and then into operation. Investments are made via subscriptions for new share capital, acquiring existing share capital or via loan stock instruments in order to secure a negotiated level of return from the project. The majority of investments are made in special purpose companies set up specifically to develop each project.

#### *Gearing*

The Company does not intend to borrow funds for investment purposes. However the Company is exposed to gearing through its investee companies which typically fund the construction costs of each project through senior debt which is non-recourse to the Company. The Investment Manager is involved in assisting investee companies in negotiating the terms of this finance to ensure competitive terms are achieved. The interest rate is typically fixed for the duration of the loan so that investee companies are not exposed to changes in market interest rates.

To the extent that borrowing should be required by the Company for any purpose, the Directors will restrict the borrowings of the Company. The aggregate principal amount at any time outstanding in respect of money borrowed by the Company will not, without the previous sanction of an ordinary resolution of the Company, exceed a sum equal to 10% of the adjusted share capital and reserves of the Company in accordance with its Articles.

#### *Maximum Exposures*

In order to gauge the maximum exposure of the Company to various risks, the following can be used as a guide:

- i) Investments in qualifying holdings  
Under VCT regulations, at least 70% of the Company's funds should be invested in qualifying holdings. When there is an issue of new shares, the 70% requirement does not apply to the new funds raised for any accounting periods which end earlier than three years from the date of allotment of the new shares.  
For the purposes of the 70% qualifying holdings requirement, disposals of qualifying investments for cash may be disregarded for a period of six months. Where a VCT breaches any requirement due to factors outside of its control, it may apply to HMRC for a determination that the breach will be disregarded for a period of 90 days while the breach is remedied.
- ii) Concentration limits  
Under VCT regulations, no more than 15% of the Company's total assets should be in a single investee company at the time the investment is made in that investee company.
- iii) Investments in pre-planning projects  
In accordance with the Company's investment policy, a maximum of 10% of the net funds raised from share offers may be invested in companies developing pre-planning projects.

## VCT Regulations

The Finance Act 2014, which received Royal Assent on 17 July 2014, changed the definition of VCT qualifying investments to exclude new investments in companies in the renewable energy space benefitting from Renewable Obligation Certificates ("ROCs"). As such, the Company will no longer be able to make new qualifying investments in companies owning and operating wind farms. The new rules do not affect any of the Company's existing investments, including the investment in Bernard Matthews Green Energy Halesworth Limited which was made in July 2014 before Royal Assent of the Finance Act 2014.

Investments in companies holding hydroelectric projects which benefit from the Feed-in Tariff are still qualifying investments for VCT purposes.

## Market Outlook

In light of the changes in the VCT regulations described above, the Company will have limited opportunities for making further new investments in renewable energy companies once the hydro investments discussed earlier in this report have been completed. Therefore, the discussion in this section relates primarily to the potential impact of market and policy developments on future income from current investments.

The Department of Energy and Climate Change ("DECC") estimates that, over the next 30 years, electricity demand in the UK will increase by between 30% and 60% from current levels and that electricity generation capacity may need to be doubled to deal with peak demand levels. This projected increase in generation capacity is set in the context of the Government's objective to almost completely decarbonise electricity supply by 2050, which will require significant changes in the mix of generation sources and in the electricity grid. In the near to medium term, DECC estimates that, due to plant closures and the need to replace and upgrade the UK's electricity infrastructure, the UK electricity sector will need around £110 billion of capital investment in the period to 2020.

In order to attract the investment needed to replace ageing energy infrastructure and meet the projected future increases in electricity demand with low-carbon generation, the Government is carrying out a comprehensive reform of the UK electricity market. This initiative, called Electricity Market Reform ("EMR"), is the centre-piece of the governing coalition's energy policy. The measures in EMR, which represent a fundamental transformation of the UK electricity market, are meant to encourage the development of a balanced portfolio of renewable, gas and nuclear generation capacity and to ensure that these technologies can compete in the market-place. The Energy Act 2013, which implements EMR, received Royal Assent on 18 December 2013. In the past year, the Government has made considerable progress on the implementation of EMR.

EMR is built around three pillars: (i) sustainability and decarbonisation, (ii) security of supply and (iii) affordability. The affordability question is a major issue, and a key feature of EMR is the Levy Control Framework which will serve as a cap on the amount of subsidy that will be available to newly-commissioned renewable energy generation plant.

Under EMR, the Renewables Obligation ("RO") is planned to be phased out and replaced by Contracts for Difference ("CfD") for all renewable energy generation capacity brought on line after 31 March 2017. Up until 31 March 2017, renewable energy generators will have a choice between the RO regime and the CfD regime, but no new generation will be accredited for ROCs after 31 March 2017. A renewable energy project is entitled to earn ROCs (or an equivalent subsidy) for 20 years, so the RO regime will not end completely until 31 March 2037. All existing wind farms operated by the Company's investee companies will continue to receive ROCs (or an equivalent subsidy) for 20 years from the date they commenced operations.

Wholesale electricity prices have been reasonably stable during the past year. The Company's exposure to short-term wholesale electricity prices is mitigated by the fact that investee companies generally sell their electricity output pursuant to power purchase agreements ("PPAs") with wholesale electricity prices that are fixed over the medium- to long-term. It has recently become more difficult to enter into PPAs with a fixed-price term of greater than three years, which could have an impact on the ability of investee companies to enter into long-term PPAs when the current PPAs expire. The Investment Manager works closely with investee companies to manage wholesale electricity price risk, and is actively investigating alternatives for certain PPAs of investee companies that are expiring within the next two years.

The banking market for renewable energy projects remains challenging. There is limited availability of senior bank debt for renewable energy projects of up to 20 megawatts, which is the typical size range for investee companies of the Company. Lending margins and arrangement fees remain high by historical standards, and banks are unwilling to lend over the same term as they did in the past. Although the reduced availability and increased cost of senior bank debt have made it more difficult to finance renewable energy projects, this has created an opportunity for the Company to invest greater amounts of equity in companies with lower leverage. Investments in portfolio companies with lower leverage should reduce the volatility in dividends from those companies compared to the dividends from portfolio companies with higher leverage. The Investment Manager has also worked successfully with investee companies to access non-bank sources of senior debt to finance projects.

It should be noted that existing investments of the Company are not impacted by the current lending environment for renewable energy projects.

# DIRECTORS AND ADVISERS

## **Directors**

Alan Moore (Chairman)  
Paul Thomas  
Colin Wood

---

## **Company Secretary**

The City Partnership (UK) Limited  
Thistle House  
21 Thistle Street  
Edinburgh  
EH2 1DF

## **Auditor**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## **Principal Banker**

Barclays Bank Plc  
1 Churchill Place  
London  
E14 1DF

## **Investment Manager & Registered Office**

Temporis Capital LLP  
Berger House  
36/38 Berkeley Square  
London  
W1J 5AE

## **Registrar**

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

## **Broker**

Panmure Gordon (UK) Limited  
One New Change  
London  
EC4M 9AF

## **VCT Taxation Adviser**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

## **Solicitors**

Howard Kennedy LLP  
No.1 London Bridge  
London  
SE1 9BG

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six month period ended 31 August 2014 which comprises the Condensed Statement of Comprehensive Income, the Condensed Statement of Financial Position, the Condensed Statement of Changes in Equity, the Condensed Statement of Cash Flows and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six month period ended 31 August 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## BDO LLP

Chartered Accountants  
London,  
United Kingdom

29 October 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 31 August 2014 (unaudited)

	Note	Ordinary Shares			"C" Shares			"D" Shares			Total		
		Revenue £000	Capital £000	Total £000									
Realised gain on investments		-	95	95	-	-	-	-	-	-	-	95	95
Net unrealised gain on investments		-	671	671	-	519	519	-	-	-	-	1,190	1,190
Income		596	-	596	417	-	417	-	-	-	1,013	-	1,013
Investment management fees	3	(55)	(166)	(221)	(41)	(123)	(164)	(5)	(14)	(19)	(101)	(303)	(404)
Other expenses		(104)	(8)	(112)	(50)	-	(50)	(7)	-	(7)	(161)	(8)	(169)
<b>Profit/(loss) before taxation</b>		437	592	1,029	326	396	722	(12)	(14)	(26)	751	974	1,725
Taxation	4	(13)	13	-	(26)	26	-	3	(3)	-	(36)	36	-
<b>Profit/(loss) and total comprehensive income attributable to equity shareholders</b>		424	605	1,029	300	422	722	(9)	(17)	(26)	715	1,010	1,725
<b>Return per share</b>													
Basic and diluted return per share (p)	5	1.74	2.48	4.21	2.65	3.73	6.38	(0.60)	(1.14)	(1.74)			

The Company has only one class of business and derives its income from investments made in the UK.

The total column of this statement represents the Company's Condensed Statement of Comprehensive Income, prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union. The revenue and capital columns shown above constitute supplementary information prepared under the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" 2009 ("SORP") published by the Association of Investment Companies.

The accompanying notes on pages 23 to 28 form an integral part of these financial statements.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
for the six month period ended 31 August 2013 (unaudited)

	Note	Ordinary Shares			"C" Shares			Total		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Realised loss on investments		-	(126)	(126)	-	-	-	-	(126)	(126)
Net unrealised gain on investments		-	330	330	-	188	188	-	518	518
Income		543	-	543	253	-	253	796	-	796
Investment management fees	3	(56)	(167)	(223)	(38)	(113)	(151)	(94)	(280)	(374)
Other expenses		(117)	(48)	(165)	(55)	-	(55)	(172)	(48)	(220)
<b>Profit/(loss) before taxation</b>		370	(11)	359	160	75	235	530	64	594
Taxation	4	(28)	39	11	(30)	28	(2)	(58)	67	9
<b>Profit and total comprehensive income attributable to equity shareholders</b>		342	28	370	130	103	233	472	131	603
<b>Return per share</b>										
Basic and diluted return per share (p)	5	1.40	0.12	1.52	1.15	0.91	2.06			

The Company has only one class of business and derives its income from investments made in the UK.

The total column of this statement represents the Company's Condensed Statement of Comprehensive Income, prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union. The revenue and capital columns shown above constitute supplementary information prepared under the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" 2009 ("SORP") published by the Association of Investment Companies.

The accompanying notes on pages 23 to 28 form an integral part of these financial statements.

# CONDENSED STATEMENT OF FINANCIAL POSITION

as at 31 August 2014 (unaudited)

	Note	As at 31 August 2014 (unaudited)				As at 28 February 2014 (audited)		
		Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000	Ordinary Shares £000	"C" Shares £000	Total £000
<b>Non-current assets</b>								
Investments	6	16,405	12,939	712	30,056	16,339	12,941	29,280
Trade and other receivables	7	771	-	-	771	745	-	745
		17,176	12,939	712	30,827	17,084	12,941	30,025
<b>Current assets</b>								
Trade and other receivables		272	528	5	805	287	419	706
Cash and cash equivalents		925	808	1,203	2,936	562	519	1,081
		1,197	1,336	1,208	3,741	849	938	1,787
<b>Total assets</b>		18,373	14,275	1,920	34,568	17,933	13,879	31,812
<b>Current liabilities</b>								
Trade and other payables		(74)	(48)	(10)	(132)	(236)	(46)	(282)
<b>Net current assets</b>		1,123	1,288	1,198	3,609	613	892	1,505
<b>Net assets</b>		18,299	14,227	1,910	34,436	17,697	13,833	31,530
<b>Equity attributable to equity holders</b>								
Share capital		6,097	2,832	498	9,427	6,097	2,832	8,929
Capital redemption reserve		2,105	-	-	2,105	2,105	-	2,105
Share premium		-	-	1,438	1,438	-	-	-
Special reserve		13,575	7,725	-	21,300	13,575	7,770	21,345
Capital reserve – realised		(10,716)	(1,339)	(17)	(12,072)	(10,860)	(1,242)	(12,102)
Capital reserve – unrealised		7,014	4,744	-	11,758	6,553	4,225	10,778
Revenue reserve		224	265	(9)	480	227	248	475
<b>Total equity</b>		18,299	14,227	1,910	34,436	17,697	13,833	31,530
<b>Basic and diluted net asset value per share (p)</b>	<b>8</b>	<b>75.0</b>	<b>126.1</b>	<b>95.9</b>		<b>72.6</b>	<b>122.1</b>	

Approved by the Board and authorised for issue on 29 October 2014.

## Alan Moore

Chairman

Ventus 2 VCT plc. Registered No: 05667210

The accompanying notes on pages 23 to 28 form an integral part of these financial statements.

# CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six month period ended 31 August 2014 (unaudited)

	Share capital £000	Capital redemption reserve £000	Share premium £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>Ordinary Shares</b>								
<b>At 1 March 2014</b>	6,097	2,105	-	13,575	(10,860)	6,553	227	17,697
Transfers of unrealised gains on investments to realised gains on investments	-	-	-	-	210	(210)	-	-
Profit/(loss) and total comprehensive income for the period	-	-	-	-	(66)	671	424	1,029
Dividends paid in the period	-	-	-	-	-	-	(427)	(427)
<b>At 31 August 2014</b>	6,097	2,105	-	13,575	(10,716)	7,014	224	18,299

	Share capital £000	Capital redemption reserve £000	Share premium £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>"C" Shares</b>								
<b>At 1 March 2014</b>	2,832	-	-	7,770	(1,242)	4,225	248	13,833
Shares buyback for Treasury in the period	-	-	-	(45)	-	-	-	(45)
Profit/(loss) and total comprehensive income for the period	-	-	-	-	(97)	519	300	722
Dividends paid in the period	-	-	-	-	-	-	(283)	(283)
<b>At 31 August 2014</b>	2,832	-	-	7,725	(1,339)	4,744	265	14,227

	Share capital £000	Capital redemption reserve £000	Share premium £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>"D" Shares</b>								
<b>At 1 March 2014</b>	-	-	-	-	-	-	-	-
Shares issued in the period	498	-	1,489	-	-	-	-	1,987
Issue costs	-	-	(51)	-	-	-	-	(51)
Loss and total comprehensive income for the period	-	-	-	-	(17)	-	(9)	(26)
<b>At 31 August 2014</b>	498	-	1,438	-	(17)	-	(9)	1,910

	Share capital £000	Capital redemption reserve £000	Share premium £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>Total</b>								
<b>At 1 March 2014</b>	8,929	2,105	-	21,345	(12,102)	10,778	475	31,530
Shares issued in the period	498	-	1,489	-	-	-	-	1,987
Issue costs	-	-	(51)	-	-	-	-	(51)
Transfers of unrealised gains on investments to realised gains on investments	-	-	-	-	210	(210)	-	-
Shares buyback for Treasury in the period	-	-	-	(45)	-	-	-	(45)
Profit/(loss) and total comprehensive income for the period	-	-	-	-	(180)	1,190	715	1,725
Dividends paid in the period	-	-	-	-	-	-	(710)	(710)
<b>At 31 August 2014</b>	9,427	2,105	1,438	21,300	(12,072)	11,758	480	34,436

The ordinary share fund's revenue reserve includes £84,000 of income which is considered to be unrealised.

The revenue reserve and realised capital reserve are distributable reserves. The special reserves may be used to fund buy-backs and pay dividends if they are considered by the Board to be in the interests of the shareholders.

The accompanying notes on pages 23 to 28 form an integral part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY  
for the six month period ended 31 August 2013 (unaudited)

Ordinary Shares	Share capital £000	Capital redemption reserve £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>At 1 March 2013</b>	6,105	2,097	13,592	(10,367)	5,550	540	17,517
(Loss)/profit and total comprehensive income for the period	-	-	-	(302)	330	342	370
Dividends paid in the period	-	-	-	-	-	(427)	(427)
<b>At 31 August 2013</b>	6,105	2,097	13,592	(10,669)	5,880	455	17,460

"C" Shares	Share capital £000	Capital redemption reserve £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>At 1 March 2013</b>	2,832	-	7,874	(591)	1,874	104	12,093
(Loss)/profit and total comprehensive income for the period	-	-	-	(85)	188	130	233
Dividends paid in the period	-	-	(100)	-	-	(103)	(203)
<b>At 31 August 2013</b>	2,832	-	7,774	(676)	2,062	131	12,123

Total	Share capital £000	Capital redemption reserve £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>At 1 March 2013</b>	8,937	2,097	21,466	(10,958)	7,424	644	29,610
(Loss)/profit and total comprehensive income for the period	-	-	-	(387)	518	472	603
Dividends paid in the period	-	-	(100)	-	-	(530)	(630)
<b>At 31 August 2013</b>	8,937	2,097	21,366	(11,345)	7,942	586	29,583

The accompanying notes on pages 23 to 28 form an integral part of these financial statements.

# CONDENSED STATEMENT OF CASH FLOWS

for the six month period ended 31 August 2014 (unaudited)

	Six months ended 31 August 2014 (unaudited)				Six months ended 31 August 2013 (unaudited)		
	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000	Ordinary Shares £000	"C" Shares £000	Total £000
<b>Cash flows from operating activities</b>							
Investment income received	596	424	-	1,020	482	99	581
Deposit interest received	-	-	-	-	-	1	1
Investment management fees paid	(222)	(164)	(18)	(404)	(222)	(151)	(373)
Other cash payments	(284)	(164)	(2)	(450)	(165)	(75)	(240)
<b>Net cash (used in)/from operations</b>	90	96	(20)	166	95	(126)	(31)
Taxes paid	-	-	-	-	(40)	(6)	(46)
<b>Net cash (outflow)/inflow from operating activities</b>	90	96	(20)	166	55	(132)	(77)
<b>Cash flows from investing activities</b>							
Purchases of investments	(10)	-	(712)	(722)	(869)	(107)	(976)
Disposals of investments	-	1	-	1	-	-	-
Proceeds from investments	710	520	-	1,230	352	-	352
<b>Net cash inflow/(outflow) from investing activities</b>	700	521	(712)	509	(517)	(107)	(624)
<b>Cash flows from financing activities</b>							
"D" shares issued	-	-	1,987	1,987	-	-	-
"D" share issue costs	-	-	(51)	(51)	-	-	-
Dividends paid	(427)	(283)	-	(710)	(427)	(203)	(630)
"C" share repurchase	-	(45)	-	(45)	-	-	-
<b>Net cash inflow/(outflow) from financing activities</b>	(427)	(328)	1,936	1,181	(427)	(203)	(630)
<b>Net increase/(decrease) in cash and cash equivalents</b>	363	289	1,203	1,855	(889)	(442)	(1,331)
<b>Cash and cash equivalents at the beginning of the period</b>	562	519	-	1,081	1,637	1,248	2,885
<b>Cash and cash equivalents at the end of the period</b>	925	808	1,203	2,936	748	806	1,554

The accompanying notes on pages 23 to 28 form an integral part of these financial statements.

# EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the six month period ended 31 August 2014 (unaudited)

## 1. Accounting convention and policies

The unaudited half-yearly results which cover the six month period ended 31 August 2014 have been prepared on the basis of accounting policies set out in the statutory accounts of the Company for the year ended 28 February 2014. The half-yearly financial statements have been prepared under IAS 34 Interim Financial Reporting.

The accounting policies are consistent with those of the previous financial year. The standards and interpretations applicable for the first time that have been adopted are IFRS 10, 11, 12 and amendments to IAS 27 & 28. The Directors do not expect the accounting policies to change over the current financial year.

## 2. Publication of non-statutory accounts

These are not statutory accounts in accordance with S436 of the Companies Act 2006 and the financial information for the six month period ended 31 August 2014 and 31 August 2013 have not been audited but have been reviewed by the auditor.

Statutory accounts in respect of the year ended 28 February 2014 have been audited and reported on by the auditor and delivered to the Registrar of Companies and included the report of the auditor which was unqualified and did not contain a statement under S498(2) or S498(3) of the Companies Act 2006.

No statutory accounts in respect of any period after 28 February 2014 have been reported on by the auditor or delivered to the Registrar of Companies.

## 3. Investment management fees

The Company pays the Investment Manager an annual management fee equal to 2.5% of the Company's net assets. The fee is not subject to VAT and is payable quarterly in advance. The annual management fee is allocated 75% to capital and 25% to revenue. Total annual running costs are in aggregate capped at 3.6% of NAV (excluding the Investment Manager's performance fee, any irrecoverable VAT and investment costs), with any excess being borne by the Investment Manager.

The amount paid to the Investment Manager for the six month period ended 31 August 2014 in respect of net asset value attributable to ordinary shareholders was £221,000 (six month period ended 31 August 2013: £223,000). The amount paid to the Investment Manager for the six month period ended 31 August 2014 in respect of the net assets attributable to the "C" shareholders was £164,000 (six month period ended 31 August 2013: £151,000). The amount paid to the Investment Manager for the six month period ended 31 August 2014 in respect of the net assets attributable to the "D" shareholders was £19,000 (six month period ended 31 August 2013: £nil).

## 4. Taxation

The Company has accrued £nil tax charge for the six month period ended 31 August 2014 in the ordinary share fund (six month period ended 31 August 2013: tax credit £11,000), £nil tax charge in the "C" share fund (six month period ended 31 August 2013: tax charge £2,000) and £nil tax charge in the "D" share fund. The tax charges are accrued using an effective tax rate of 23% for the 2013/14 tax year and 21% for the 2014/15 tax year, however dividends and capital gains are not subject to tax resulting in a lower effective tax rate than the standard applicable rate in the UK.

A deferred tax asset of £13,000 has been recognised in the ordinary share fund corresponding to a tax loss carried forward. The Directors expect the Company to make sufficient taxable profits in the future against which the tax loss may be offset.

# EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(continued)

## 5. Basic and diluted return per share

<b>For the six month period ended 31 August 2014 (unaudited)</b>		<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>
Revenue return for the period	<i>p per share</i>	1.74	2.65	(0.60)
<i>Based on:</i>				
Revenue return for the period	<i>£'000</i>	424	300	(9)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,314,224	1,488,332
Capital gain for the period	<i>p per share</i>	2.48	3.73	(1.14)
<i>Based on:</i>				
Capital gain for the period	<i>£'000</i>	605	422	(17)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,314,224	1,488,332
Net profit for the period	<i>p per share</i>	4.21	6.38	(1.74)
<i>Based on:</i>				
Net gain for the period	<i>£'000</i>	1,029	722	(26)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,314,224	1,488,332

<b>For the six month period ended 31 August 2013 (unaudited)</b>		<b>Ordinary Shares</b>	<b>"C" Shares</b>
Revenue return for the period	<i>p per share</i>	1.40	1.15
<i>Based on:</i>			
Revenue return for the period	<i>£'000</i>	342	130
Weighted average number of shares in issue	<i>number of shares</i>	24,422,655	11,329,107
Capital gain for the period	<i>p per share</i>	0.12	0.91
<i>Based on:</i>			
Capital gain for the period	<i>£'000</i>	28	103
Weighted average number of shares in issue	<i>number of shares</i>	24,422,655	11,329,107
Net profit for the period	<i>p per share</i>	1.52	2.06
<i>Based on:</i>			
Net gain for the period	<i>£'000</i>	370	233
Weighted average number of shares in issue	<i>number of shares</i>	24,422,655	11,329,107

There were no differences between basic and diluted return per ordinary share, per "C" share or per "D" share because no dilutive instruments had been issued or granted.

## 6. Investments

Six months ended 31 August 2014 (unaudited)	Ordinary Shares			"C" Shares			"D" Shares			Total		
	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000
<b>Opening position</b>												
Opening cost	10,042	5,893	15,935	5,457	3,740	9,197	-	-	-	15,499	9,633	25,132
Opening realised losses	(4,234)	(1,228)	(5,462)	(264)	(17)	(281)	-	-	-	(4,498)	(1,245)	(5,743)
Opening unrealised gains	5,397	469	5,866	3,784	241	4,025	-	-	-	9,181	710	9,891
Opening fair value	11,205	5,134	16,339	8,977	3,964	12,941	-	-	-	20,182	9,098	29,280
<b>During the period</b>												
Purchases at cost	12	-	12	-	-	-	712	-	712	724	-	724
Conversion of loan to equity	300	(300)	-	300	(301)	(1)	-	-	-	600	(601)	(1)
Investment proceeds *	(306)	(406)	(712)	-	(520)	(520)	-	-	-	(306)	(926)	(1,232)
Realised gains	95	-	95	-	-	-	-	-	-	95	-	95
Unrealised gains/(losses)	694	(23)	671	520	(1)	519	-	-	-	1,214	(24)	1,190
Closing fair value	12,000	4,405	16,405	9,797	3,142	12,939	712	-	712	22,509	7,547	30,056
<b>Closing position</b>												
Closing cost	10,354	5,187	15,541	5,757	2,919	8,676	712	-	712	16,823	8,106	24,929
Closing realised losses	(4,139)	(1,228)	(5,367)	(264)	(17)	(281)	-	-	-	(4,403)	(1,245)	(5,648)
Closing unrealised gains	5,785	446	6,231	4,304	240	4,544	-	-	-	10,089	686	10,775
Closing fair value	12,000	4,405	16,405	9,797	3,142	12,939	712	-	712	22,509	7,547	30,056

\* Investment proceeds in the period ended 31 August 2014 includes £306,000 of liquidation proceeds received from BEL Holdco Limited. The Company retains the contractual rights to the cash flows from the asset and so the asset has not been derecognised.

During the period £210,000 of unrealised gains in the value of shares held by the ordinary share fund were transferred to realised gains.

# EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(continued)

## 6. Investments (continued)

Year ended 28 February 2014 (unaudited)	Ordinary Shares			"C" Shares			Loan		Total
	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000	Shares £000	Stock £000	
<b>Opening position</b>									
Opening cost	9,773	7,264	17,037	5,447	3,422	8,869	15,220	10,686	25,906
Opening realised losses	(4,329)	(1,740)	(6,069)	-	-	-	(4,329)	(1,740)	(6,069)
Opening unrealised gains	4,543	320	4,863	1,788	86	1,874	6,331	406	6,737
Opening fair value	9,987	5,844	15,831	7,235	3,508	10,743	17,222	9,352	26,574
<b>During the year</b>									
Purchases at cost	50	692	742	10	401	411	60	1,093	1,153
Disposal proceeds	(352)	(682)	(1,034)	-	(83)	(83)	(352)	(765)	(1,117)
Conversion of loan stock to shares	848	(848)	-	-	-	-	848	(848)	-
Realised losses	(182)	(21)	(203)	(264)	(17)	(281)	(446)	(38)	(484)
Unrealised gains	854	149	1,003	1,996	155	2,151	2,850	304	3,154
Closing fair value	11,205	5,134	16,339	8,977	3,964	12,941	20,182	9,098	29,280
<b>Closing position</b>									
Closing cost	10,042	5,893	15,935	5,457	3,740	9,197	15,499	9,633	25,132
Closing realised losses	(4,234)	(1,228)	(5,462)	(264)	(17)	(281)	(4,498)	(1,245)	(5,743)
Closing unrealised gains	5,397	469	5,866	3,784	241	4,025	9,181	710	9,891
Closing fair value	11,205	5,134	16,339	8,977	3,964	12,941	20,182	9,098	29,280

The shares held by the Company represent equity holdings in unquoted UK companies. The Investment Manager's Report on pages 6 to 14 provides details in respect of the Company's shareholding in each investment. The investments acquired and disposed of during the period are detailed in the Investment Manager's Report. The shares held by the Company represent equity holdings in unquoted UK companies. The Investment Manager's Report above provides details in respect of the Company's shareholding in each investment.

Under IFRS 7 and IFRS 13, the Company is required to report the category of fair value measurements used in determining the value of its investments, to be disclosed by the source of inputs, using a three-level hierarchy:

- > Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- > Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- > Those with inputs for the instrument that are not based on observable market data (unobservable inputs) (Level 3).

As at 31 August 2014, each of the Company's investments held was valued using inputs which are considered to be Level 3 inputs and a reconciliation of the movements is in the table above.

The Board has considered the key assumptions which may affect the results reported in the Financial Statements and the Company is further required to disclose the effect of changing one or more inputs with reasonable alternative assumptions where a significant change to the fair value measurement would result.

The key assumptions that have a significant impact on fair value in the discounted future cash flow valuations are the discount factors used (which range from 9.5% to 11.5%), the price at which power and associated benefits may be sold and the level of electricity the investee companies' generating assets are likely to produce (which are taken from specialist consultant reports).

## 6. Investments (continued)

As at 28 February 2014, the value of the Company's investment in Eye Wind Power Limited, North Pickenham Energy Limited, Bernard Matthews Green Energy Pickenham Limited, Weston Airfield Investments Limited and Bernard Matthews Green Energy Weston Limited were determined on a discounted cash flow basis, whereas previously the investments were valued on the basis of the price of recent investment. The impact of the change of valuation basis is discussed in the Investment Manager's report.

The Board has determined that a reasonable alternative assumption may be made in respect of the discount factors applied; the sensitivity of the value of the portfolio to the application of an increase or decrease in discount factors is set out below.

The investment portfolio has been reviewed for the effect of alternative valuation inputs, namely the sensitivity of the total value of all investments to a 1% increase or decrease in the discount factors applied to the valuation models which have been valued using the discounted future cash flows from the underlying business.

The application of the upside alternative discount factor to the investments in the ordinary share fund's portfolio would have resulted in the total value of its investments having been £1,077,000 or 6.6% higher. The application of the downside alternative discount factor would have resulted in the total value of all investments having been £967,000 or 5.9% lower.

The application of the upside alternative discount factor to the "C" share fund's portfolio would have resulted in the total value of its investments having been £938,000 or 7.3% higher. The application of the downside alternative discount factor would have resulted in the total value of its investments having been £838,000 or 6.5% lower.

The future price at which power and associated benefits may be sold is estimated using forecasts produced by third party industry experts and, in the case of the wind energy assets, the energy yield is determined by wind yield analyses also prepared by third party industry experts. The Directors do not believe there are reasonable alternative assumptions available for these inputs at the current time.

## 7. Trade and other receivables (non-current)

At 31 August 2014, the ordinary share fund held non-current trade receivables totalling £771,000 (28 February 2014: £745,000) which represents the amortised cost value of the outstanding balance of the consideration arising from the Company's sale of Craig Wind Farm Limited plus the accrued interest on the outstanding balance. The accrued interest in respect of the deferred consideration amounted to £84,000 at 31 August 2014 (28 February 2014: £nil). This has been treated as unrealised revenue in the revenue reserve.

## 8. Basic and diluted net asset value per share

The net asset value per ordinary share of 75.0p as at 31 August 2014 (31 August 2013: 71.5p; 28 February 2014: 72.6p) is based on net assets attributable to the ordinary shareholders of £18,299,000 (31 August 2013: £17,460,000; 28 February 2014: £17,697,000) divided by 24,392,655 ordinary shares in issue at that date (31 August 2013: 24,422,655 ordinary shares; 28 February 2014: 24,392,655 ordinary shares).

The net asset value per "C" share of 126.1p as at 31 August 2014 (31 August 2013: 107.0p; 28 February 2014: 122.1p) is based on net assets attributable to the "C" shareholders of £14,227,000 (31 August 2013: £12,123,000; 28 February 2014: £13,833,000) divided by 11,283,207 "C" shares in issue at that date (31 August 2013: 11,329,107 "C" shares; 28 February 2014: 11,329,107 "C" shares).

The net asset value per "D" share of 95.9p as at 31 August 2014 is based on net assets attributable to the "D" shareholders of £1,910,000 divided by 1,990,768 "D" shares in issue at that date.

## 9. Dividends

A final dividend for the year ended 28 February 2014 of 1.75p per ordinary share was paid to ordinary shareholders on 6 August 2014.

An interim dividend of 2.0p per ordinary share has been declared for the six month period ended 31 August 2014 which will be paid on 14 January 2015 to all ordinary shareholders on the register as at close of business on 12 December 2014.

A final dividend for the year ended 28 February 2014 of 2.50p per "C" share was paid to "C" shareholders on 6 August 2014.

An interim dividend of 3.0p per "C" share has been declared for the six month period ended 31 August 2014 which will be paid on 14 January 2015 to all "C" shareholders on the register as at close of business on 12 December 2014.

## 10. Contingencies, guarantees and financial commitments

The contingencies, guarantees and financial commitments of the Company were disclosed in the annual report and financial statements for the year ended 28 February 2014. All the guarantees disclosed therein remain in force, along with those described below.

On 3 June August 2014, the Company registered a share charge over its shares in Osspower Limited to GCP Hydro 1 Limited as security for a senior loan facility of £7.0 million raised by Osspower Limited to finance the construction costs of its hydro projects. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Osspower Limited.

On 9 September 2014, the Company registered a share charge over its shares in Bernard Matthews Green Energy Halesworth Limited to GCP Onshore Wind 1 Limited as security for a senior loan facility of £8.4 million raised by Bernard Matthews Green Energy Halesworth Limited to finance the construction costs of its wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Bernard Matthews Green Energy Halesworth Limited.

# EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(continued)

## 11. Related party transactions

The investee companies in which the Company has a shareholding of 20% or more are considered to be related parties. The significant changes to the balances and transactions with these companies are presented in the Investment Manager's Report. The aggregate balances at the period end and transactions with these companies during the six month period ended 31 August 2014 are summarised below.

	Ordinary Shares £000	"C" shares £000	"D" shares £000	Total £000
<b>As at 31 August 2014 (unaudited)</b>				
<b>Balances as at 31 August 2014 (unaudited)</b>				
Investments - shares	11,965	9,797	712	22,474
Investments - loan stock	4,405	3,142	-	7,547
Accrued interest income	215	385	-	600
<b>Transactions in the six months ended 31 August 2014 (unaudited)</b>				
Loan stock interest income	272	210	-	482
Dividend income	294	206	-	500

	Ordinary Shares £000	"C" shares £000	Total £000
<b>As at 31 August 2013 (unaudited)</b>			
<b>Balances as at 31 August 2013 (unaudited)</b>			
Investments - shares	10,292	7,433	17,725
Investments - loan stock	5,123	3,605	8,728
Accrued interest income	219	200	419
<b>Transactions in the six month period ended 31 August 2013 (unaudited)</b>			
Loan stock interest income	287	217	504
Dividend income	227	35	262

	Ordinary Shares £000	"C" shares £000	Total £000
<b>As at 28 February 2014 (audited)</b>			
<b>Balances as at 28 February 2014 (audited)</b>			
Investments - shares	10,796	8,977	19,773
Investments - loan stock	5,134	3,964	9,098
Accrued interest income	244	303	547
<b>Transactions in the year ended 28 February 2014 (audited)</b>			
Loan stock interest income	384	433	817
Dividend income	222	330	552

## 12. Report distribution

In accordance with the Company's commitment to environmental sustainability and to minimise costs wherever appropriate, the financial statements will continue to be made available through regulated news service providers and will also be available in the Financial Reports section of the Company's website [www.ventusvct.com](http://www.ventusvct.com). Any shareholder who wishes to receive notification of reports by email or post may request this by contacting the Registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.



**The Ventus Funds**<sup>®</sup>

Managed by Temporis Capital LLP

[www.ventusvct.com](http://www.ventusvct.com)



**TEMPORIS CAPITAL**

**Investment Manager**  
Temporis Capital LLP  
Berger House  
36/38 Berkeley Square  
London W1J 5AE

Tel: +44 (0) 20 7491 9033  
[www.temporiscapital.com](http://www.temporiscapital.com)

