

# Ventus 2 VCT plc

**Half-yearly Financial Report (unaudited)**  
for the six month period ended 31 August 2017



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Ventus 2 VCT plc owns  
a portfolio of operating  
renewable energy  
companies.

Registered No: 5667210

Front cover:  
Biggleswade wind farm in Bedfordshire  
(Photograph: Robert Pollock)

I am pleased to present the unaudited financial report of Ventus 2 VCT plc (the "Company") for the six month period ended 31 August 2017, which demonstrates continuing good performance.

The Company is now fully invested with a portfolio of companies operating wind, hydroelectric and landfill gas renewable energy assets. Details of the portfolio of investments held by the Company are set out in the Investment Manager's Report. Legislation changes for Venture Capital Trusts ("VCTs") prevent further investment by the Company in electricity generation projects.

### Strategic Objectives

The Company's key strategic objectives were described in the Annual Report for the year ended 28 February 2017 and remain unchanged. The Company's key objectives are:

- To achieve a sustainable level of dividends from the management of a portfolio of renewable energy assets held within a tax efficient VCT.
- To protect the capital of shareholders and to enhance its value by the active management of the assets operated by investee companies, which are generally joint venture companies.
- To manage the assets of the Company with a view to maximising their longevity and optionality.

### Change in valuation assumption

The Board has noted a recent downward trend in discount rates applied in valuing operating wind energy assets in the market. With this in mind, the Directors reviewed the assumptions used in valuing the Company's investments. Previously, the Company has generally applied discount rates in the range of 8.25% to 9.00% to cash flows from operating wind farm investments. However, the Directors have agreed that, in line with the market, a reduction in the discount rates used in valuing the wind farm investments is appropriate for this half-yearly financial report. Therefore, the discount rates applied have been reduced to between 8.00% and 8.75%.

The change in the discount rate assumptions has had a positive impact on the value of the

Company's operational wind investments. The Directors believe the change is appropriate and in line with the market. More information about the valuation of the Company's investments is set out in the Investment Manager's Report including an analysis of the sensitivity of the net asset value ("NAV") of each of the Company's share funds to changes in key assumptions used in valuing the Company's investments, including discount rates.

### Active Portfolio Management

#### *Refinancing of investee companies*

The Company's Investment Manager, Temporis Capital Limited, has closed the refinancing of three of the Company's investments, which own and operate wind farms at Eye, Weston and North Pickenham in East Anglia and between them have a generating capacity of 14.8MW.

Bayern LB provided term loans of £16.4 million between the three investee companies, at a blended rate of 3.85% and over a term of 14 years. The debt is fixed price and fully amortising. The proceeds repay loan facilities taken out in 2013 to fund construction of the three wind farms and the new loans offer significantly lower interest rates than were available in 2013.

The substantially reduced cost of debt will increase cashflow to the Company from the three investee companies, improving value for shareholders. This is part of the Board's continuing strategy to enhance value to shareholders through active management of the Company's assets.

#### *Achairn Energy Limited*

The Company holds an investment in Achairn Energy Limited, which operates a wind farm near Wick, Scotland. Achairn holds a 7.5MW grid connection, but has installed capacity of 6MW, leaving 1.5MW of grid capacity. The Investment Manager has negotiated a transaction with a neighbouring wind farm to use the excess grid capacity for a limited

period. This is expected to result in additional cash flows to Achairn Energy Limited of approximately £4 million over the course of the life of the Achairn project. However, this expected additional cash flow has not yet been taken into account in the valuation of the Company's investment in Achairn Energy Limited.

The Investment Manager continues to look for additional opportunities to create value from investee company assets and expects to provide an update on this in the 2018 Annual Report.

#### *Upper Falloch Power Limited*

Upper Falloch continues to perform below expectations. Works were undertaken in June 2016 on the Upper Falloch hydro scheme and performance has improved. The fundamental issue concerns the design of the intake system. The 2016 works identified an issue with the intake chamber, in which water sits before it falls into the pipeline. A re-design of the intake chamber is now complete and work to implement the design will take place in the summer of 2018 (the earliest period in which works are allowed to take place in the river), and will not be a cost to Upper Falloch. It is expected that these works will result in the scheme being capable of operating at its full capacity, subject to water resource.

### "D" share fund portfolio

The Board remains confident in the long term value inherent in the Company's "D" share assets. The three projects that comprise this portfolio were commissioned between July 2015 and November 2015. The share fund is valued at 131.2p per share and has generated a total shareholder return of 36.7p per share above the initial offer price of 100p when the shares were issued in 2014.

However, the D share assets - along with the Company's other assets - suffered from poor wind and rainfall resources throughout 2016. Given that the "D" share portfolio holds three

assets, and is not as operationally mature as other share classes, the resource performance in 2016 has had a more adverse effect on cashflow than is the case with other share classes.

In addition, the issues with Upper Falloch, as described above, further reduced the revenue proceeds of the "D" share fund below expectations.

As a result of the combination of these two factors the Directors consider it prudent to revise the dividend target for the financial year ending 28 February 2018 to zero. The Board will update investors as to performance of the assets in the Company's 2018 Annual Report and, as stated above, remain confident in the long term value of these assets.

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

At 31 August 2017, the NAV of the ordinary share fund of the Company attributable to equity shareholders stood at £19,072,000 or 78.2p per ordinary share (28 February 2017: £19,763,000 or 81.0p per ordinary share).

The value of investments held by the Company's ordinary share fund at 31 August 2017 was £18,435,000 compared to £18,598,000 at 28 February 2017. The Investment Manager's Report provides further information about the valuation of all investee companies.

The income generated in the ordinary share fund during the six months ended 31 August 2017 totalled £241,000, of which £225,000 was loan stock interest and £16,000 was from dividends. This compares to total income of £327,000 for the six months ended 31 August 2016. Income in the six month period ended 31 August 2017 was lower than expected due to the poor wind and rainfall resource during 2016 and the delay between actual generation and investee companies paying dividends.

This half-yearly period has been characterised by higher than normal (P50) wind speeds leading to additional generation at the Company's portfolio of wind farm investments. This may be expected to contribute to investee company dividends in future periods.

The revenue profit attributable to ordinary shareholders for the six month period ended 31 August 2017 was £67,000 or 0.27p per ordinary share (six month period ended 31 August 2016: £140,000 or 0.57p per ordinary share). The capital loss attributable to ordinary shareholders for the period was £148,000 or 0.60p per ordinary share (six month period ended 31 August 2016: capital gain of £429,000 or 1.75p per ordinary share), resulting in a net loss to ordinary shareholders for the period of £81,000 or 0.33p per ordinary share (six month period ended 31 August 2016: capital gain of £569,000 or 2.32p per ordinary share).

On 9 August 2017, the Company paid a final dividend of 2.50p per ordinary share in respect of the year ended 28 February 2017. The Company has declared an interim dividend of 2.50p per ordinary share which will be paid on 17 January 2018 to all ordinary shareholders on the register as at the close of business on 15 December 2017.

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

At the period end, the NAV per "C" share of the Company stood at £14,952,000 or 132.5p per "C" share (28 February 2017: £14,762,000 or 130.8p per "C" share).

The value of investments held at 31 August 2017 by the "C" share fund was £14,514,000 compared to £14,244,000 at 28 February 2017.

The total income of the "C" share fund for the year ended 31 August 2017 was £494,000, of which £190,000 was loan stock interest and £304,000 was from dividends. This compares with income generated by the "C" share fund of £602,000 in the year ended 31 August 2016. Lower than expected wind and rainfall resource during 2016 had a negative impact on income during the six month period ended 31 August 2017.

The revenue profit attributable to "C" shareholders for the period was £343,000 or 3.04p per "C" share (six month period ended 31 August 2016: £486,000 or 4.30p per "C" share). The capital gain attributable to "C" shareholders for the period was £354,000 or 3.14p per "C" share (six month period ended 31 August 2016: capital gain of £265,000 or

2.35p per "C" share), resulting in a net profit attributable to "C" shareholders for the six month period ended 31 August 2017 of £697,000 or 6.18p per "C" share (six month period ended 31 August 2016: £751,000 or 6.65p per "C" share).

On 9 August 2017, the Company paid a final dividend of 4.50p per "C" share in respect of the year ended 28 February 2017. The Company has declared an interim dividend of 3.50p per "C" share which will be paid on 17 January 2018 to all "C" shareholders on the register as at the close of business on 15 December 2017.

The investment manager is entitled to a performance-related incentive fee of £201,000 in respect of the Return attributable to the "C" share fund for the year ended 28 February 2017. The fee has been accrued in the Company's accounts. More information about the Investment Management fee is set out in note 3 to the financial statements.

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

At the period end, the NAV per "D" share of the Company stood at £2,613,000 or 131.20p per "D" share (28 February 2017: £2,632,000 or 132.2p per "D" share).

The value of investments held at 31 August 2017 in the "D" share fund was £2,494,000 compared to £2,509,000 at 28 February 2017.

The total income of the "D" share fund for the year ended 31 August 2017 was £35,000, all of which was loan stock interest. This compares with income generated by the "D" share fund of £30,000 in the year ended 31 August 2016.

The revenue profit attributable to "D" shareholders for the period was £16,000 or 0.79p per "D" share (six month period ended 31 August 2016: £10,000 or 0.49p per "D" share). The capital loss attributable to "D" shareholders for the period was £35,000 or 1.74p per "D" share (six month period ended 31 August 2016: capital loss of £80,000 or 4.01p per "D" share), resulting in a net loss attributable to "D" shareholders for the six month period ended 31 August 2017 of £19,000 or 0.95p per "D" share (six month period ended 31 August 2016: net loss of £70,000 or 3.52p per "D" share).

### Dividend policy

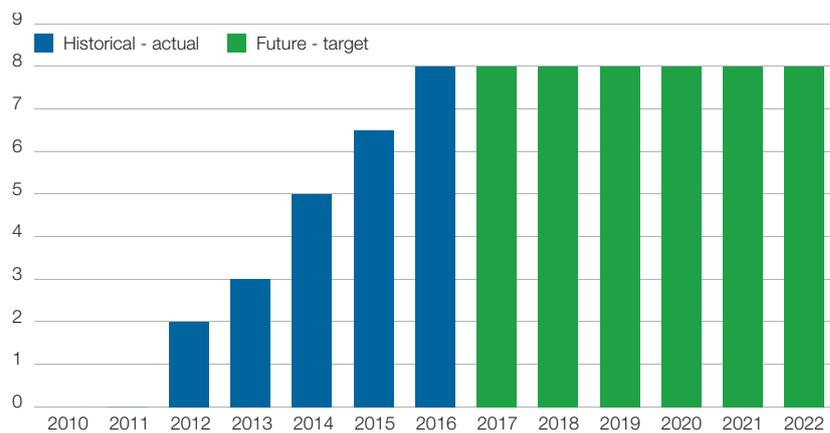
As disclosed in the Annual Report for the year ended 28 February 2017, the Directors anticipate a realistic target range for the next five years of 5.00p per ordinary share per annum and 8.00p per "C" share per annum. Given the issues with the "D" share fund's portfolio described above, the Directors have revised the target for the year ending 28 February 2018 to zero but the target for the following four years remains at 5.00p per "D" share per annum. It should be stressed that these are intentions only, and no forecasts are intended or should be inferred.

The charts below show historical annual dividends as well as target dividends for the next five years.

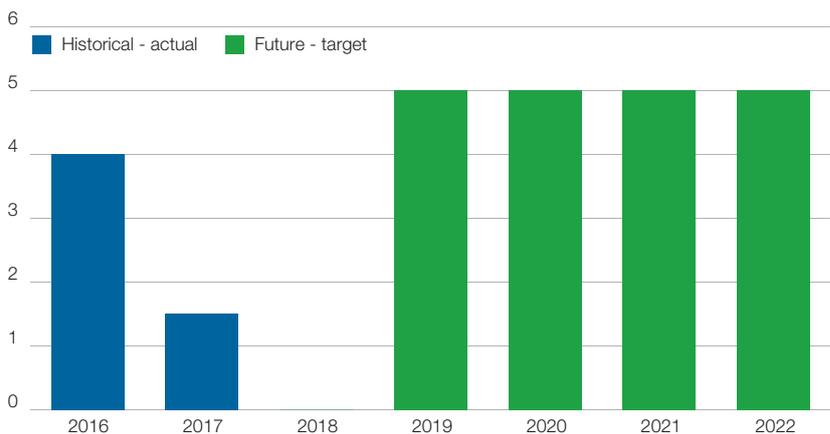
#### Annual Dividends Declared per Ordinary Share



#### Annual Dividends Declared per "C" Share



#### Annual Dividends Declared per "D" Share



# CHAIRMAN'S STATEMENT

Continued

## Key performance indicators

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 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's objectives are being pursued:

### For the six months ended 31 August 2017

	£000	Ordinary Shares Pence per share <sup>1</sup>	£000	"C" Shares Pence per share <sup>1</sup>	£000	"D" Shares Pence per share <sup>1</sup>	Total £000
Revenue profit attributable to equity shareholders	67	0.27	343	3.04	16	0.79	426
Capital gain/(loss) attributable to equity shareholders	(148)	(0.60)	354	3.14	(35)	(1.74)	171
Net gain attributable to equity shareholders	(81)	(0.33)	697	6.18	(19)	(0.95)	597
Dividends paid during the period	(610)	(2.50)	(508)	(4.50)	-	-	(1,118)
Total movement in equity shareholders' funds	(691)	(2.83)	189	1.68	(19)	(0.95)	(521)
		%		%		%	%
Ongoing charges ratio <sup>2</sup>		3.65%		3.00%		3.07%	3.35%

	£000	Ordinary Shares Pence per share <sup>3</sup>	£000	"C" Shares Pence per share <sup>3</sup>	£000	"D" Shares Pence per share <sup>3</sup>	Total £000
Net asset value	19,072	78.2	14,952	132.5	2,613	131.2	36,637
Total shareholder return <sup>4</sup>	26,393	112.7	18,624	165.0	2,723	136.7	47,740

### As at 31 August 2017

- 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.
- The on-going charges ratio represents the Company's total operating expenditure during the period (excluding the Investment Manager's performance fee) as a percentage of the NAV of the Company at the period end.  
The total annual running costs cap is set out in Note 3 to the financial statements.
- The "per share" value is determined in respect of the number of shares in issue at the period end, except in respect of the total shareholder return which includes dividends paid and is determined on the basis of the number of shares eligible to receive dividends at the time the dividends were paid.
- The total shareholder return represents the NAV at period end plus the cumulative dividends paid since incorporation.

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## Key Information

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	Ordinary Shares	C Shares	D Shares
Net asset value as at 31 August 2017	£19.1m	£15.0m	£2.6m
Net asset value per share as at 31 August 2017	78.2p	132.5p	131.3p
Mid-market share price as at market close on 31 August 2017	74.0p	119.0p	120.0p
Cumulative dividends per share paid to date	34.6p	32.5p	5.5p
Total Return per share (NAV plus cumulative dividends paid)	112.7p	165.0p	136.7p
<b>Target dividend per share for year ending 28 February 2018:</b>			
Tax-free dividend *	5.0p	8.0p	0.0p
Equivalent pre-tax dividend to Higher Rate taxpayer **	7.4p	11.9p	0.0p
Equivalent pre-tax dividend to Additional Rate taxpayer **	8.1p	12.9p	0.0p
<b>Target dividend yield for year ending 28 February 2018 based on mid-market share price as at market close on 31 August 2017:</b>			
After tax	6.8%	6.7%	0.0%
Equivalent pre-tax dividend to Higher Rate taxpayer	10.0%	10.0%	0.0%
Equivalent pre-tax dividend to Additional Rate taxpayer	10.9%	10.9%	0.0%

\* Dividend targets are intentions only. No forecasts are intended or should be inferred. For eligible VCT investors (i.e., UK Residents aged over 18 years), there is no liability to tax on dividends and no Capital Gains Tax on realised gains. An investment limit of £200,000 per person per tax year applies.

\*\* Equivalent pre-tax yields are computed assuming a shareholder receives dividends from other sources in excess of the £5,000 per year tax-free dividend allowance (effective from April 2016). From April 2016, Higher rate taxpayers pay tax on dividends in excess of the £5,000 tax-free allowance at the rate of 32.5% and Additional Rate taxpayers (taxable income in excess of £150,000) pay tax on dividends in excess of the £5,000 tax-free allowance at the rate of 38.1%.

## VCT Qualifying Status

The Company retains Philip Hare & Associates 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.

## Patient Capital Review

The Company closely monitors regulatory developments within both the VCT and renewable energy sectors. In particular, the Government has been undertaking its Patient Capital Review which includes investment funds such as VCTs. The Company awaits the outcome, expected shortly, and hopes that the Government, recognising the achievements of the VCT sector, will not undermine shareholder value and confidence in the sector.

## Alan Moore

Chairman

31 October 2017

# PRINCIPAL RISKS AND UNCERTAINTIES

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, the Directors are required to identify those principal 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.  
*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 which own and operate renewable projects. However, the Directors believe that existing renewable energy tariffs supporting the assets owned by investee companies are secure.*
- The financial returns to the Company are dependent on the price of electricity its investee companies are able to sell through power purchase agreements. The value of the Company's investments is dependent on projected wholesale electricity prices.  
*This risk is mitigated because investee companies have negotiated fixed or floor price mechanisms into the power purchase*

*agreements they have entered into for the sale of their generated output. However, in the longer term, beyond the period of these agreements, the Company is exposed to wholesale prices to a greater degree. The Investment Manager's Report includes information about the average remaining tenor of the fixed price contracts and the sensitivity of the value of the Company's investments to changes in energy prices.*

- The values of the Company's wind farm and hydro-electricity investments are dependent on expectations of the level of electricity export of each asset, which are driven by expectations of the long-term wind or rainfall conditions. It is possible that expectations of long-term climatic conditions may change over the life time of each investment. The Company's revenues and dividends to shareholders are dependent on actual wind and rainfall conditions.  
*The Investment Manager's Report includes information about the sensitivity of the values of the Company's investments to changes in electricity export assumptions. The Company's dividend targets are based on long-term average climatic conditions.*

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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 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.

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 Guidance 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 significant events of the first half of the year and the principal risks and uncertainties for the remaining six months of the year as set out on page 6; and
- (c) the condensed 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  
31 October 2017

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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.

The three share funds of the Company are fully invested in companies that own operating wind, hydroelectric or landfill gas projects. All development investments have either been completed, sold or written off.

With effect from 6 April 2016, investments made in all energy generation activities (including the export of electricity and the production of gas or other fuel) are not regarded as a qualifying trade under current VCT regulations.

Further changes to VCT regulations were introduced in the Finance Act 2016 which restrict VCTs to making only qualifying investments and certain limited investments for liquidity purposes. All other non-qualifying investments are prohibited.

As such, the Company is limited in its ability to make further investments in accordance with its investment policy and, therefore it, currently has no plans to make further investments. The VCT restrictions described above do not affect any of the Company's existing investments.

The ordinary share fund of the Company has investments in companies operating eight UK wind farms with an aggregate installed capacity of 69.35 megawatts. Five of these

investee companies are also owned in part by the "C" share fund and one such company is also owned in part by the "D" share fund. The ordinary share fund also has investments in three companies with hydroelectric projects with combined capacity of 4.79 megawatts.

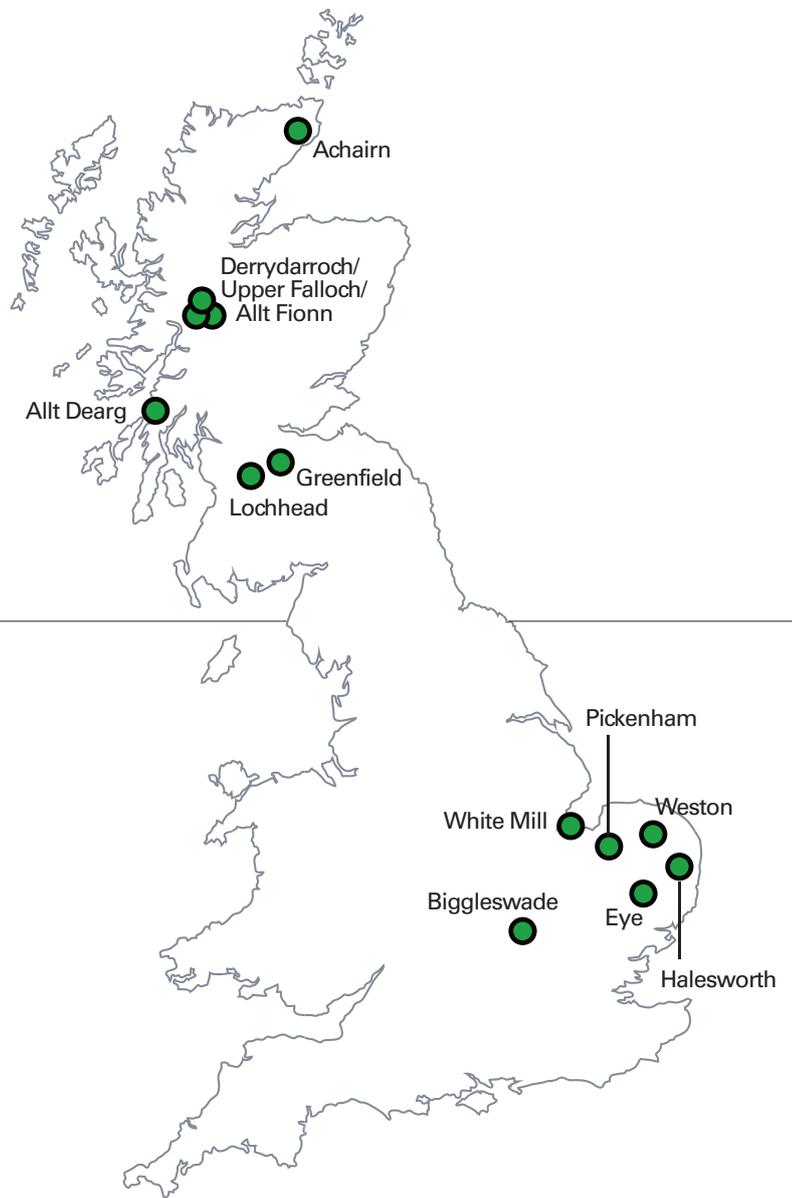
Two of those companies (Darroch Power Limited and Upper Falloch Power Limited) are also owned in part by the "C" share and "D" share funds. These projects were completed in December 2015 and are now operational.

Finally, the ordinary share fund has an investment in a company operating a landfill gas project with a capacity of 2.30 megawatts.

The "C" share fund has investments in companies operating seven UK wind farms with an aggregate installed capacity of 75.15 megawatts. Five of these seven companies are also owned in part by the ordinary share fund and one is also owned in part by the "D" share fund. The "C" share fund has also invested jointly with the ordinary and "D" shares in Darroch Power Limited and Upper Falloch Power Limited (2.80 megawatts combined).

The "D" share fund currently has three operational investments. Bernard Matthews Green Energy Halesworth Limited operates a 10.25 megawatt wind farm and is also owned in part by the ordinary and "C" share funds. The "D" share fund has also invested jointly with the ordinary and "C" shares in Darroch Power Limited and Upper Falloch Power Limited (2.80 megawatts combined).

Key  
 ● Operational



The following table shows key information about the renewable energy projects owned by the Company's investee companies:

	Capacity MW	Operational since	Location	Output as % of budget - 6 months ended 31 Aug 2017	Investment held by		
					Ordinary Share Fund	"C" Share Fund	"D" Share Fund
<b>Operational Wind</b>							
Achairn Energy Limited	6.00	May 2009	Caithness, Scotland	106.1%	●		
A7 Lochhead Limited	6.00	Jun 2009	Lanarkshire, Scotland	112.6%	●		
Greenfield Wind Farm Limited	12.30	Mar 2011	Lanarkshire, Scotland	122.2%	●	●	
Biggleswade Wind Farm Limited	20.00	Dec 2013	Bedfordshire	106.6%	●	●	
Eye Wind Power Limited	6.80	Apr 2014	Suffolk	104.2%	●		
BMGE Pickenham Ltd/ North Pickenham Energy Ltd	4.00	Apr 2014	Norfolk	114.4%	●	●	
BMGE Weston Ltd/ Weston Airfield Investments Ltd	4.00	Apr 2014	Norfolk	110.3%	●	●	
AD Wind Farmers Ltd (Allt Dearg Windfarmers LLP)	10.20	Dec 2012	Argyll and Bute, Scotland	100.8%		●	
White Mill Windfarm Limited	14.40	Aug 2012	Cambridgeshire	104.1%		●	
BMGE Halesworth Limited	10.25	Aug 2015	Suffolk	87.8%	●	●	●
<b>Operational Hydro</b>							
Osspower Limited (Allt Fionn)	1.99	Jul 2012	Near Loch Lomond, Scotland	121.8%	●		
Darroch Power Limited (Derrydarroch)	1.90	Dec 2015	Near Loch Lomond, Scotland	125.9%	●	●	●
Upper Falloch Power Limited	0.90	Dec 2015	Near Loch Lomond, Scotland	93.3%	●	●	●
<b>Operational Landfill Gas</b>							
Renewable Power Systems (Dargan Road) Limited	2.30	Aug 2009	Belfast, Northern Ireland*		●		

\* The revenues earned by Renewable Power Systems (Dargan Road) Limited consist primarily of generator availability payments and are not dependent on electricity output.

# INVESTMENT MANAGER'S REPORT

Continued

The performance of the assets owned by the investee companies was generally good during the period. Availability of the turbines and wind speeds have been good.

The hydro scheme operated by Upper Falloch Limited has performed below expectations predominantly because of a sizing issue with the water intake chamber. A solution was implemented in June 2016 to increase the water capture of the intake, after which time the performance has significantly improved. However, this has highlighted a further, smaller issue in relation to the level of pressure in the pipeline. Further analysis of the underlying data was undertaken to determine whether

generation levels could be improved because it is not yet operating satisfactorily. However, its value is not considered to be impaired. The consultant engineers have subsequently redesigned the intake. The work to improve the intake will be carried out in Summer 2018 which is the next period in which work is allowed to be carried out in the river. The company expects to receive compensation for the reduced revenue received as a result of the initial design but this has not been included in the valuation of the investment in Upper Falloch Power Limited, which remains valued at cost.

The Investment Manager is working actively to increase the value of the Company's portfolio through improvements in the operations of underlying assets and, when possible, the optimisation of the financial structure of investee companies.

Each of the investee companies with operational assets has been financed with senior debt. The percentage average loan-to-value and the average remaining tenor of the debt finance of the investee companies with operational assets is set out below for each share fund's portfolio:

	<b>Ordinary Share</b>	<b>"C" Share</b>	<b>"D" Share</b>
Percentage Loan-to-Value	51%	51%	60%
Average remaining tenor of loan (years)	11.6	11.9	13.8

## Ordinary share portfolio

A summary of the ordinary share fund's investment valuations as at 31 August 2017 and gains and losses during the six months ended 31 August 2017 is given below:

	Voting rights as at 31 August 2017 %	Investment value			Investment cost			Unrealised gain/(loss) six months to 31 August 2017 £000	Investment value Total as at 28 February 2017 £000	Investment cost Total as at 28 February 2017 £000
		Shares as at 31 August 2017 £000	Loans as at 31 August 2017 £000	Total as at 31 August 2017 £000	Shares as at 31 August 2017 £000	Loans as at 31 August 2017 £000	Total as at 31 August 2017 £000			
<b>Operational wind</b>										
Achairn Energy Limited*	q 40.40%	3,087	1,306	4,393	1,226	1,237	2,463	68	4,326	2,464
A7 Lochhead Limited*	q 20.00%	722	-	722	569	-	569	29	692	568
Greenfield Wind Farm Limited*	pq 16.65%	1,720	1,298	3,018	666	1,080	1,746	138	2,955	1,821
Biggleswade Wind Farm Limited*	q 3.50%	420	266	686	86	242	328	32	676	350
Eye Wind Power Limited**	q 35.38%	2,130	-	2,130	1,480	-	1,480	(53)	2,183	1,480
Bernard Matthews Green Energy Weston Limited*	q 50.00%	876	-	876	500	-	500	(10)	886	500
Bernard Matthews Green Energy Pickenham Limited*	q 50.00%	924	-	924	500	-	500	160	764	500
Bernard Matthews Green Energy Halesworth Limited**	q 10.09%	817	-	817	351	-	351	(11)	828	351
<b>Operational companies in the wind sector</b>										
Firefly Energy Limited*	q 50.00%	-	9	9	200	31	230	-	43	264
<b>Operational landfill gas</b>										
Renewable Power Systems (Dargan Road) Limited	q 50.00%	673	851	1,524	780	784	1,564	9	1,571	1,620
<b>Operational small hydro</b>										
Osspower Limited	50.00%	2,881	-	2,881	300	-	300	(338)	3,219	300
Darroch Power Limited*	q 11.46%	304	51	355	20	46	66	-	355	66
Upper Falloch Power Limited*	q 10.97%	69	31	100	8	31	39	-	100	39
<b>Realised investments</b>										
BEL Holdco Limited***	-	-	-	-	-	-	-	-	-	200
BEL Acquisition Limited***	-	-	-	-	-	-	-	-	-	9
Redeven Energy Limited*	50.00%	-	-	-	-	130	130	-	-	130
<b>Total</b>		<b>14,623</b>	<b>3,812</b>	<b>18,435</b>	<b>6,686</b>	<b>3,581</b>	<b>10,267</b>	<b>24</b>	<b>18,598</b>	<b>10,662</b>

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 Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund have also invested. The Company, Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund are managed by Temporis Capital Limited.

\*\*\* BEL Acquisition and BEL Holdco Limited were dissolved during the six month period ended 31 August 2017.

# INVESTMENT MANAGER'S REPORT

Continued

## "C" share portfolio

A summary of the "C" share fund's investment valuations as at 31 August 2017 and gains and losses during the six months ended 31 August 2017 is given below:

		Investment value			Investment cost			Unrealised gain/(loss) six months to 31 August 2017	Investment value Total as at 28 February 2017	Investment cost Total as at 28 February 2017	
		Voting rights as at 31 August 2017 %	Shares as at 31 August 2017	Loans as at 31 August 2017	Total as at 31 August 2017	Shares as at 31 August 2017	Loans as at 31 August 2017				Total as at 31 August 2017
<b>Operational wind</b>											
Greenfield Wind Farm Limited*	PQ	12.50%	1,291	975	2,266	500	811	1,311	105	2,217	1,367
White Mill Windfarm Limited*	PQ	25.00%	2,455	175	2,630	1,000	151	1,151	96	2,701	1,318
AD Wind Farmers Limited*	Q	50.00%	1,107	-	1,107	1,000	-	1,000	(28)	1,135	1,000
Biggleswade Wind Farm Limited*	Q	21.50%	2,578	1,635	4,213	527	1,487	2,014	194	4,154	2,149
Weston Airfield Investments Limited*	Q	50.00%	1,534	-	1,534	1,000	-	1,000	(177)	1,711	1,000
North Pickenham Energy Limited*	Q	50.00%	1,942	-	1,942	1,000	-	1,000	445	1,497	1,000
Bernard Matthews Green Energy Halesworth Limited**	Q	5.63%	457	-	457	300	-	300	(7)	464	300
<b>Operational small hydro</b>											
Darroch Power Limited*	Q	4.22%	112	146	258	52	133	185	-	258	185
Upper Falloch Power Limited*	Q	2.79%	17	90	107	17	90	107	-	107	107
<b>Realised investments</b>											
Iceni Renewables Limited*		50.00%	-	-	-	400	18	418	-	-	418
<b>Total</b>			<b>11,493</b>	<b>3,021</b>	<b>14,514</b>	<b>5,796</b>	<b>2,690</b>	<b>8,486</b>	<b>628</b>	<b>14,244</b>	<b>8,844</b>

**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 Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund have also invested. The Company, Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund are managed by Temporis Capital Limited.

## “D” share portfolio

A summary of the “D” share fund’s investment valuations as at 31 August 2017 and gains and losses during the six months ended 31 August 2017 is given below:

	Voting rights as at 31 August 2017 %	Investment value			Investment cost			Unrealised gain/(loss) six months to 31 August 2017 £000	Investment value Total as at 28 February 2017 £000	Investment cost Total as at 28 February 2017 £000
		Shares as at 31 August 2017 £000	Loans as at 31 August 2017 £000	Total as at 31 August 2017 £000	Shares as at 31 August 2017 £000	Loans as at 31 August 2017 £000	Total as at 31 August 2017 £000			
<b>Operational wind</b>										
Bernard Matthews Green										
Energy Halesworth Limited**	q 13.38%	1,084	-	1,084	712	-	712	(16)	1,100	712
<b>Operational small hydro</b>										
Darroch Power Limited*	q 25.50%	678	358	1,036	319	325	644	1	1,035	644
Upper Falloch Power Limited*	q 29.58%	185	189	374	185	189	374	-	374	374
<b>Total</b>		<b>1,947</b>	<b>547</b>	<b>2,494</b>	<b>1,216</b>	<b>514</b>	<b>1,730</b>	<b>(15)</b>	<b>2,509</b>	<b>1,730</b>

q 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 Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund have also invested. The Company, Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund are managed by Temporis Capital Limited.

## 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 Company has applied a discount rate to the unleveraged cash flows to determine the enterprise value of the investee company and then has subtracted the market value of any senior debt (including any prepayment fees and swap break costs) to calculate the value of the equity and/or mezzanine debt in the investee company. The discount rates used to value the unleveraged cash flows of investee companies range from 7.25% to 10.00%. Discount rates applied by the Company to the cash flows of operational wind investments have generally been in the range of 8.25% to 9.00% in prior periods. However, in this half-yearly report, the Company has reduced the discount rates generally applied to operational wind investments to between 8.00% and 8.75%. The change in discount rate assumption is in line with changes seen in the market recently

and has had a positive impact on the value of the Company’s operational wind investments.

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 are determined to be the price of investment subject to a periodic impairment review.

Assumptions about the length of the operating lives of the renewable energy assets have been made in determining the value of the investee companies. It has been assumed the operating life of a wind farm is 25 years from date of first operation (albeit with an assumed reduction in availability in the final five years of operation). An active market for the sale of renewable energy projects has developed and, as part of that, participants have generally adopted a 25 year operating life assumption in

valuing these assets. The assumed reduction in availability in the final five years of operation is to take into account the expected reduction in performance of an older asset.

The assumption for the operating lives of hydroelectric assets has not changed. The assumption used in the valuation models of the hydro investments is a rolling 25 year period from date of valuation. Hydro assets are generally considered to be longer-life than wind energy assets. However, there is very little consistency in the market as to the assumed operating life for hydro assets and electricity price projections beyond 25 years are very uncertain. For that reason, the Directors do not believe a change in assumption is supportable for the hydroelectric assets at the current time. The operating life assumptions for both wind energy and hydroelectric assets will be regularly reviewed in order that they may be kept in line with industry convention.

The landfill gas investment is valued based on the revenues it is expected to earn for the Company from providing generators to the landfill gas scheme over the period in which it is contracted.

**Sensitivity of Net Asset Value to Changes in Key Assumptions**

The charts below illustrate the sensitivity of the NAV of the Company's share funds to changes of certain key input assumptions applied to the unleveraged cash flows in the valuation models for the remaining assumed operating lifetime of the underlying assets.

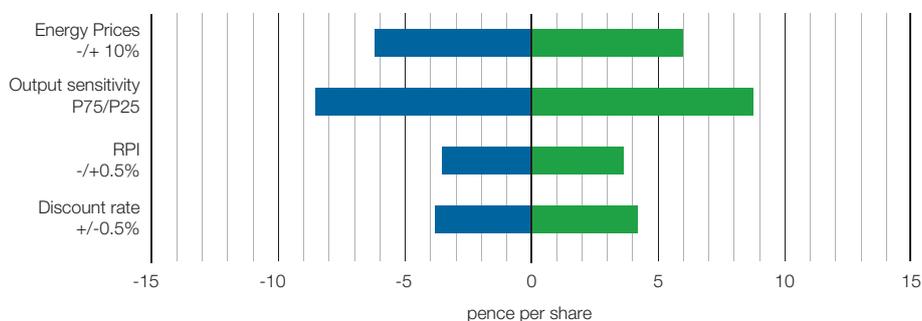
The price at which the output from the generating assets is sold is a factor of both wholesale electricity prices and Government subsidies. The selling price is often fixed in the medium term under power purchase agreements. For periods outside the terms of these agreements the assumed future prices are estimated using external third party forecasts which take the form of specialist consultancy reports. In respect of each share fund, the percentage of the investee companies with a fixed electricity price and the average remaining tenor of the fixed price is as follows:

	Ordinary Share	"C" Share	"D" Share
Percentage of investee companies with a fixed electricity price	92%	100%	100%
Average remaining tenor of the fixed electricity price (years)	2.7	2.9	0.1

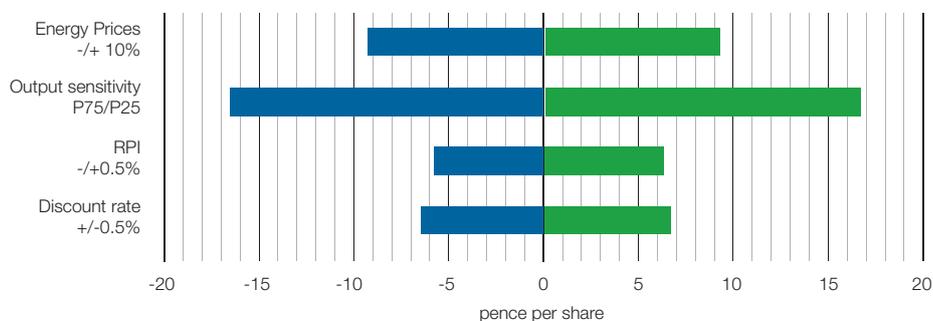
Specifically commissioned external consultant reports are used to estimate the expected generating output of the investee company's generating assets taking into account their type and location. The analysis set out below describes the sensitivity of each share fund's NAV to a higher (P75) or lower (P25) probability of exceedance of the forecast long term average output versus the base case (P50).

The discount factor and inflation rate applied to the cash flows are regularly reviewed by the Investment Committee of the Investment Manager to ensure they are set at the appropriate levels. The Investment Committee and the Board will also give consideration to the specific performance characteristics of the particular type of generating technology being used. The range of discount factors which form the base case in the sensitivity analysis is set out in the section above. The base case inflation rate (RPI) used in the sensitivity analysis is 2.5%.

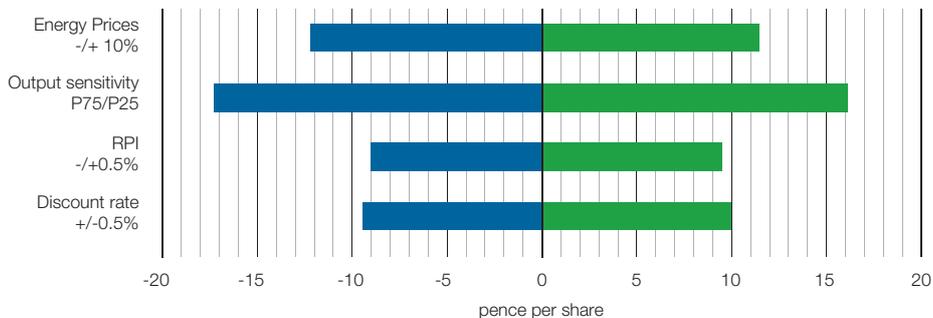
**Sensitivity of the NAV of Ordinary share fund to changes in key input assumptions**



**Sensitivity of the NAV of "C" share fund to changes in key input assumptions**



**Sensitivity of the NAV of "D" share fund to changes in key input assumptions**



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## Investment Policy

The Company has focused on investing in companies developing renewable energy projects with installed capacities of up to 20 megawatts. Investments are generally in companies which own and operate 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 has allocated the Company's investments in equity securities and loan stock of companies owning renewable energy projects, primarily wind energy and hydroelectric.

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 Limited, 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. 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.

### 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 in a range of companies with small-scale projects so project risk is not concentrated in only a few schemes. All projects contained within the portfolio are now operational. Investments were made via subscriptions for new 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 has not borrowed funds for investment purposes. However the Company is exposed to gearing through its investee companies which have typically funded 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 is 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.

**Temporis Capital Limited**  
Investment Manager

31 October 2017

# DIRECTORS AND ADVISERS

## Directors

Alan Moore OBE (Chairman)  
Paul Thomas  
Colin Wood

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## Investment Manager and Registered Office

Temporis Capital Limited  
Berger House  
36-38 Berkeley Square  
London  
W1J 5AE

## Company Secretary

The City Partnership (UK) Limited  
110 George Street  
Edinburgh  
EH2 4LH

## Principal Banker

Barclays Bank plc  
1 Churchill Place  
London  
E14 5HP

## Auditor

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## VCT Taxation Adviser

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Suite C- First Floor  
4-6 Staple Inn  
London  
WC1V 7QH

## Solicitors

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No. 1 London Bridge  
London  
SE1 9BG

## Broker

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One New Change  
London  
EC4M 9AF

## Registrars

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

## Internal Auditor

Roffe Swayne  
Ashcombe Court  
Godalming  
Surrey  
GU7 1LQ

CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
for the six month period ended 31 August 2017

	Note	Ordinary Shares			"C" Shares			"D" Shares			Total		
		Revenue £000	Capital £000	Total £000									
Net unrealised gain/(loss) on investments	6	-	24	24	-	628	628	-	(15)	(15)	-	637	637
Income from Investments		241	-	241	494	-	494	35	-	35	770	-	770
Investment management fees	3	(61)	(184)	(245)	(96)	(288)	(384)	(8)	(24)	(32)	(165)	(496)	(661)
Other expenses		(101)	-	(101)	(46)	5	(41)	(7)	-	(7)	(154)	5	(149)
<b>Profit/(loss) before taxation</b>		79	(160)	(81)	352	345	697	20	(39)	(19)	451	146	597
Taxation	4	(12)	12	-	(9)	9	-	(4)	4	-	(25)	25	-
<b>Profit/(loss) and total comprehensive income attributable to equity shareholders</b>		67	(148)	(81)	343	354	697	16	(35)	(19)	426	171	597
<b>Earnings per share</b>													
Basic and diluted earnings per share (p)	5	<b>0.27</b>	<b>(0.60)</b>	<b>(0.33)</b>	<b>3.04</b>	<b>3.14</b>	<b>6.18</b>	<b>0.79</b>	<b>(1.74)</b>	<b>(0.95)</b>			

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 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" 2014 ("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 2016

	Note	Ordinary Shares			"C" Shares			"D" Shares			Total		
		Revenue £000	Capital £000	Total £000									
Realised gain on investments	6	-	1	1	-	-	-	-	-	-	-	1	1
Net unrealised gain/(loss) on investments	6	-	598	598	-	375	375	-	(60)	(60)	-	913	913
Income from Investments		327	-	327	602	-	602	30	-	30	959	-	959
Investment management fees	3	(61)	(184)	(245)	(44)	(131)	(175)	(7)	(22)	(29)	(112)	(337)	(449)
Other expenses		(112)	-	(112)	(51)	-	(51)	(11)	-	(11)	(174)	-	(174)
<b>Profit/(loss) before taxation</b>		154	415	569	507	244	751	12	(82)	(70)	673	577	1,250
Taxation	4	(14)	14	-	(21)	21	-	(2)	2	-	(37)	37	-
<b>Profit/(loss) and total comprehensive income attributable to equity shareholders</b>		140	429	569	486	265	751	10	(80)	(70)	636	614	1,250
<b>Earnings per share</b>													
Basic and diluted earnings per share (p)	5	<b>0.57</b>	<b>1.75</b>	<b>2.32</b>	<b>4.30</b>	<b>2.35</b>	<b>6.65</b>	<b>0.49</b>	<b>(4.01)</b>	<b>(3.52)</b>			

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 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" 2014 ("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 2017

	Note	As at 31 August 2017				As at 28 February 2017 (audited)			
		Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
<b>Non-current assets</b>									
Investments	6	18,435	14,514	2,494	35,443	18,598	14,244	2,509	35,351
		18,435	14,514	2,494	35,443	18,598	14,244	2,509	35,351
<b>Current assets</b>									
Trade and other receivables		265	125	151	541	372	340	115	827
Cash and cash equivalents		468	602	14	1,084	877	225	14	1,116
		733	727	165	1,625	1,249	564	129	1,943
Total assets		19,168	15,241	2,659	37,068	19,847	14,809	2,638	37,294
<b>Current liabilities</b>									
Trade and other payables		(96)	(290)	(46)	(432)	(84)	(47)	(6)	(137)
<b>Net current assets</b>		637	437	119	1,193	1,165	518	123	1,806
<b>Net assets</b>		19,072	14,951	2,613	36,636	19,763	14,762	2,632	37,157
<b>Equity attributable to equity holders</b>									
Share capital		6,097	2,832	498	9,427	6,097	2,832	498	9,427
Capital redemption reserve		2,105	-	-	2,105	2,105	-	-	2,105
Share premium		-	-	1,433	1,433	-	-	1,433	1,433
Special reserve		12,913	7,725	-	20,638	13,458	7,725	-	21,183
Capital reserve – realised		(10,978)	(2,245)	(128)	(13,351)	(10,806)	(1,971)	(108)	(12,885)
Capital reserve – unrealised		8,933	6,509	764	16,206	8,909	5,881	779	15,569
Revenue reserve		2	130	46	178	-	295	30	325
<b>Total equity</b>		19,072	14,951	2,613	36,636	19,763	14,762	2,632	37,157
<b>Basic and diluted net asset value per share (p)</b>	7	<b>78.2</b>	<b>132.5</b>	<b>131.2</b>		<b>81.0</b>	<b>130.8</b>	<b>132.2</b>	

Approved by the Board and authorised for issue on 31 October 2017.

## Alan Moore

Chairman

The accompanying notes on pages 23 to 28 form an integral part of these Financial Statements.

Ventus 2 VCT plc. Registered No: 05667210

# CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six month period ended 31 August 2017

	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 2017</b>	6,097	2,105	-	13,458	(10,806)	8,909	-	19,763
Transfer of special reserve to revenue reserve	-	-	-	(545)	-	-	545	-
(Loss)/profit and total comprehensive income for the period	-	-	-	-	(172)	24	67	(81)
Dividends paid in the period	-	-	-	-	-	-	(610)	(610)
<b>At 31 August 2017</b>	6,097	2,105	-	12,913	(10,978)	8,933	2	19,072

<b>"C" Shares</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2017</b>	2,832	-	-	7,725	(1,971)	5,881	295	14,762
Profit/(loss) and total comprehensive income for the period	-	-	-	-	(274)	628	343	697
Dividends paid in the period	-	-	-	-	-	-	(508)	(508)
<b>At 31 August 2017</b>	2,832	-	-	7,725	(2,245)	6,509	130	14,951

<b>"D" Shares</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2017</b>	498	-	1,433	-	(108)	779	30	2,632
(Loss)/profit and total comprehensive income for the period	-	-	-	-	(20)	(15)	16	(19)
Dividends paid in the period	-	-	-	-	-	-	-	-
<b>At 31 August 2017</b>	498	-	1,433	-	(128)	764	46	2,613

<b>Total</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2017</b>	9,427	2,105	1,433	21,183	(12,885)	15,569	325	37,157
Transfer of special reserve to revenue reserve	-	-	-	(545)	-	-	545	-
Profit/(loss) and total comprehensive income for the period	-	-	-	-	(466)	637	426	597
Dividends paid in the period	-	-	-	-	-	-	(1,118)	(1,118)
<b>At 31 August 2017</b>	9,427	2,105	1,433	20,638	(13,351)	16,206	178	36,636

All amounts presented in the Statement of Changes in Equity are attributable to equity holders.

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

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 2016

	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 2016</b>	6,097	2,105	-	13,472	(10,477)	7,353	626	19,176
Profit/(loss) and total comprehensive income for the period	-	-	-	-	(169)	598	140	569
Dividends paid in the period	-	-	-	-	-	-	(671)	(671)
<b>At 31 August 2016</b>	6,097	2,105	-	13,472	(10,646)	7,951	95	19,074
<b>"C" Shares</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2016</b>	2,832	-	-	7,725	(1,753)	4,653	411	13,868
Profit/(loss) and total comprehensive income for the period	-	-	-	-	(110)	375	486	751
Dividends paid in the period	-	-	-	-	-	-	(508)	(508)
<b>At 31 August 2016</b>	2,832	-	-	7,725	(1,863)	5,028	389	14,111
<b>"D" Shares</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2016</b>	498	-	1,433	-	(68)	629	73	2,565
(Loss)/profit and total comprehensive income for the period	-	-	-	-	(20)	(60)	10	(70)
Dividends paid in the period	-	-	-	-	-	-	(40)	(40)
<b>At 31 August 2016</b>	498	-	1,433	-	(88)	569	43	2,455
<b>Total</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2016</b>	9,427	2,105	1,433	21,197	(12,298)	12,635	1,110	35,609
Profit/(loss) and total comprehensive income for the period	-	-	-	-	(299)	913	636	1,250
Dividends paid in the period	-	-	-	-	-	-	(1,219)	(1,219)
<b>At 31 August 2016</b>	9,427	2,105	1,433	21,197	(12,597)	13,548	527	35,640

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 2017

	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Six months ended 31 August 2017 Total £000	Six months ended 31 August 2016 Total £000
<b>Cash flows from operating activities</b>					
Investment income received	402	710	-	1,112	1,516
Deposit interest received	-	-	-	-	2
Investment management fees paid	(246)	(183)	-	(429)	(451)
Other cash payments	(142)	-	-	(142)	(119)
<b>Net cash inflow from operating activities</b>	14	527	-	541	948
<b>Cash flows from investing activities</b>					
Disposal of investments	-	-	-	-	817
Proceeds from investments	187	358	-	545	93
<b>Net cash inflow from investing activities</b>	187	358	-	545	910
<b>Cash flows from financing activities</b>					
Dividends paid	(610)	(508)	-	(1,118)	(1,219)
<b>Net cash outflow from financing activities</b>	(610)	(508)	-	(1,118)	(1,219)
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(409)	377	-	(32)	639
<b>Cash and cash equivalents at the beginning of the period</b>	877	225	14	1,116	954
<b>Cash and cash equivalents at the end of the period</b>	468	602	14	1,084	1,593

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 2017

## 1. Accounting convention and policies

The half-yearly results which cover the six month period ended 31 August 2017 have been prepared on the basis of accounting policies set out in the statutory accounts of the Company for the year ended 28 February 2017. 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 Directors do not expect the accounting policies to change over the current financial year.

## 2. Publication of non-statutory accounts

The financial information for the year ended 28 February 2017 contained in the Half-yearly Financial Report does not constitute the Company's statutory accounts for the period but has been derived from the statutory accounts.

Statutory accounts in respect of the year ended 28 February 2017 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.

## 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 any performance fees, irrecoverable VAT and investment costs if applicable), with any excess being borne by the Investment Manager.

The Investment Manager will receive a performance-related incentive fee subject to the Company achieving certain defined targets. No incentive fee will be payable until the Company has provided a cumulative return to investors in the forms of growth in NAV plus payment of dividends ("the Return") of 60p per share. Thereafter, the incentive fee, which is payable in cash, is calculated as 20% of the amount by which the Return in any accounting period exceeds 7p per share. The incentive fee is exclusive of VAT.

The management fee paid to the Investment Manager for the six month period ended 31 August 2017 in respect of net asset value attributable to ordinary shareholders was £245,000 (six month period ended 31 August 2016: £245,000). The management fee paid to the Investment Manager for the six month period ended 31 August 2017 in respect of the net assets attributable to the "C" shareholders was £384,000 which included a performance-related incentive fee of £201,000 (six month period ended 31 August 2016: £175,000). The management fee paid to the Investment Manager for the six month period ended 31 August 2017 in respect of the net assets attributable to the "D" shareholders was £32,000 (six month period ended 31 August 2016: £29,000).

## 4. Taxation

The Company has accrued £nil tax charge for the six month period ended 31 August 2017 in the ordinary share fund (six month period ended 31 August 2016: £nil tax charge), £nil tax charge for the six month period ended 31 August 2017 in the "C" share fund (six month period ended 31 August 2016: £nil tax charge), £nil tax charge for the six month period ended 31 August 2017 in the "D" share fund (six month period ended 31 August 2016: £nil tax charge).

The tax charges are accrued using an effective tax rate of 19% for the 2017/18 tax year and 20% for the 2016/17 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.

No provision for deferred taxation has been made on potential capital gains due to the Company's current status as a VCT under section 274 of the ITA and the Directors' intention to maintain that status. The Company intends to continue to meet the conditions required to maintain its status as a VCT for the foreseeable future.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Continued

## 5. Basic and diluted earnings per share

		Ordinary Shares	"C" Shares	"D" Shares
<b>For the six month period ended 31 August 2017</b>				
Revenue return for the period	<i>p per share*</i>	0.27	3.04	0.79
<i>Based on:</i>				
Revenue return for the period	<i>£000</i>	67	343	16
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Capital gain/(loss) for the period	<i>p per share*</i>	(0.60)	3.14	(1.74)
<i>Based on:</i>				
Capital gain/(loss) for the period	<i>£000</i>	(148)	354	(35)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Net profit/(loss) for the period	<i>p per share*</i>	(0.33)	6.18	(0.95)
<i>Based on:</i>				
Net profit/(loss) for the period	<i>£000</i>	(81)	697	(19)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
<b>For the six month period ended 31 August 2016</b>				
Revenue return for the period	<i>p per share*</i>	0.57	4.30	0.49
<i>Based on:</i>				
Revenue return for the period	<i>£000</i>	140	486	10
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Capital gain/(loss) for the period	<i>p per share*</i>	1.75	2.35	(4.01)
<i>Based on:</i>				
Capital gain/(loss) for the period	<i>£000</i>	429	265	(80)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Net profit/(loss) for the period	<i>p per share*</i>	2.32	6.65	(3.52)
<i>Based on:</i>				
Net profit/(loss) for the period	<i>£000</i>	569	751	(70)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767

\* The value per share may differ on recalculation due to rounding differences.

There is no difference between the basic return per ordinary share and the diluted return per ordinary share, between the basic return per "C" share and the diluted return per "C" share or between the basic return per "D" share and the diluted return per "D" share because no dilutive financial instruments have been issued.

## 6. Investments

For the six months ended 31 August 2017	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	6,894	3,768	10,662	5,796	3,048	8,844	1,216	514	1,730	13,906	7,330	21,236
Closing realised losses	(651)	(229)	(880)	(464)	(17)	(481)	-	-	-	(1,115)	(246)	(1,361)
Opening unrealised gains	8,446	370	8,816	5,588	293	5,881	746	33	779	14,780	696	15,476
Opening fair value	14,689	3,909	18,598	10,920	3,324	14,244	1,962	547	2,509	27,571	7,780	35,351
<b>During the period</b>												
Investment proceeds	-	(187)	(187)	-	(358)	(358)	-	-	-	-	(545)	(545)
Unrealised gains/(losses)	(66)	90	24	573	55	628	(15)	-	(15)	492	145	637
Closing fair value	14,623	3,812	18,435	11,493	3,021	14,514	1,947	547	2,494	28,063	7,380	35,443
<b>Closing position</b>												
Closing cost	6,896	3,581	10,267	5,796	2,690	8,486	1,216	514	1,730	13,698	6,785	20,483
Closing realised losses	(443)	(229)	(672)	(464)	(17)	(481)	-	-	-	(907)	(246)	(1,153)
Closing unrealised gains	8,380	460	8,840	6,161	348	6,509	731	33	764	15,272	841	16,113
Closing fair value	14,623	3,812	18,435	11,493	3,021	14,514	1,947	547	2,494	28,063	7,380	35,443

During the six month period ended 31 August 2017 BEL Holdco Limited and BEL Acquisition Limited were dissolved after having been placed in voluntary liquidation. The value of the investments had been written off in a prior period but the cost of the investments, £208,000, has been derecognised during the six month period ended 31 August 2017.

Year ended 28 February 2017	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	8,692	4,997	13,689	5,796	3,074	8,870	1,216	514	1,730	15,704	8,585	24,289
Closing realised losses	(2,449)	(1,228)	(3,677)	(464)	(17)	(481)	-	-	-	(2,913)	(1,245)	(4,158)
Opening unrealised gains	6,894	366	7,260	4,357	296	4,653	596	33	629	11,847	695	12,542
Opening fair value	13,137	4,135	17,272	9,689	3,353	13,042	1,812	547	2,359	24,638	8,035	32,673
<b>During the year</b>												
Investment proceeds	(1)	(230)	(231)	-	(26)	(26)	-	-	-	(1)	(256)	(257)
Realised gains	1	-	1	-	-	-	-	-	-	1	-	1
Unrealised gains/(losses)	1,552	4	1,556	1,231	(3)	1,228	150	-	150	2,933	1	2,934
Closing fair value	14,689	3,909	18,598	10,920	3,324	14,244	1,962	547	2,509	27,571	7,780	35,351
<b>Closing position</b>												
Closing cost	6,894	3,768	10,662	5,796	3,048	8,844	1,216	514	1,730	13,906	7,330	21,236
Closing realised losses	(651)	(229)	(880)	(464)	(17)	(481)	-	-	-	(1,115)	(246)	(1,361)
Closing unrealised gains	8,446	370	8,816	5,588	293	5,881	746	33	779	14,780	696	15,476
Closing fair value	14,689	3,909	18,598	10,920	3,324	14,244	1,962	547	2,509	27,571	7,780	35,351

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. The investments acquired and disposed of during the period are detailed in the Investment Manager's Report.

**6. Investments (continued)**

In order to determine the valuations of the investee companies as at 31 August 2017 (and 28 February 2017), the Company has applied a discount rate to the unleveraged cash flows to calculate the enterprise value of each of the investee company and has then subtracted the market value of any senior debt (including any prepayment fees and swap break costs) to calculate the value of the equity and/or mezzanine debt in the investee company. The market value of senior debt in an investee company is its liquidation cost, i.e., the principal balance plus unpaid accrued interest, early repayment fees and swap break cost (if applicable). The market value of the mezzanine debt is determined by discounting the future principal and interest cash flows at a discount rate 9% with a cap on its value equal to 110% of face value.

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 2017, 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.

**As at 31 August 2017**

	Carrying amount £000	Quoted prices in active markets for identical instruments Level 1 £000	Significant other observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000
Shares	28,063	-	-	28,063
Loan stock	7,380	-	-	7,380
<b>Total</b>	<b>35,443</b>	<b>-</b>	<b>-</b>	<b>35,443</b>

The following economic assumptions were used in the discounted cash flow valuations at:

Key assumptions used in the valuation models:

	31 August 2017	28 February 2017
UK inflation rate	2.50%	2.50%
UK corporation tax rate	19% reducing to 17% from 1 April 2020	20% reducing to 19% from 1 April 2017 and reducing to 17% from 1 April 2020
Euro/sterling exchange rate	1.10	1.20
Energy yield assumptions	P50 case	P50 case
Operating life wind energy assets	25 years from date of first operation	25 years from date of first operation
Operating life hydro projects	25 years from valuation date	25 years from valuation date
Discount rates	range from 7.25% to 10%	range from 7.25% to 10%

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 7.25% to 10%), the price at which power and associated benefits may be sold and the levels of electricity the investee companies' generating assets are likely to produce (which are taken from specialist consultant reports).

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 0.5% 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 following table demonstrates the impact of the application of the upside and downside alternative discount factors to the net asset value of each share fund:

	Discount Factor +0.5% £000	Net Asset Value £000	Discount Factor -0.5% £000
Ordinary shares	18,164	19,072	20,026
"C" shares	14,240	14,952	15,700
"D" shares	2,489	2,613	2,744

Further sensitivity analysis is provided in the Investment Manager's Report.

## 7. Basic and diluted net asset value per share As at 31 August 2017

		Ordinary Shares	"C" Shares	"D" Shares
Net asset value per share	<i>p per share</i>	78.2	132.5	131.2
<i>Based on:</i>				
Net asset value	<i>£000</i>	19,072	14,951	2,613
Number of shares	<i>number of shares</i>	24,392,655	11,283,207	1,990,767

## As at 28 February 2017 (audited)

		Ordinary Shares	"C" Shares	"D" Shares
Net asset value per share	<i>p per share</i>	81.0	130.8	132.2
<i>Based on:</i>				
Net asset value	<i>£000</i>	19,763	14,762	2,632
Number of shares	<i>number of shares</i>	24,392,655	11,283,207	1,990,767

\* The value per share may differ on recalculation due to rounding differences

## 8. Dividends

A final dividend for the year ended 28 February 2017 of 2.50p per ordinary share was paid to ordinary shareholders on 9 August 2017.

An interim dividend of 2.50p per ordinary share has been declared for the six month period ended 31 August 2017 which will be paid on 17 January 2018 to all ordinary shareholders on the register as at close of business on 15 December 2017.

A final dividend for the year ended 28 February 2017 of 4.50p per "C" share was paid to "C" shareholders on 9 August 2017.

An interim dividend of 3.50p per "C" share has been declared for the six month period ended 31 August 2017 which will be paid on 17 January 2018 to all "C" shareholders on the register as at close of business on 15 December 2017.

No final dividend for the year ended 28 February 2017 was paid to "D" shareholders. No interim dividend has been declared in respect of the "D" shares for the six month period ended 31 August 2017.

## 9. 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 2017. All the guarantees disclosed therein remain in force except for the following change:

On 4 July 2017, the company registered a charge over its shares in Eye Wind Power Limited to Bayerische Landesbank as security for a senior loan facility of £6.1 million. The liability of the Company under this charge of shares is limited to the value of the Company's investment in Eye Wind Power Limited.

The charge held by GCP Onshore Wind 1 Limited over the Company's shares in Eye Wind Power Limited was satisfied on 10 July 2017.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Continued

## 10. Related party transactions

The investee companies in which the Company has a shareholding of 20% or more, as identified in the Investment Manager's Report, are related parties. The aggregate balances at the date of the Statement of Financial Position and transactions with these companies during the year are summarised below.

	Ordinary Shares £000	"C" shares £000	"D" shares £000	Total £000
<b>Balances as at 31 August 2017</b>				
Investments - shares	14,623	11,493	1,947	28,063
Investments - loan stock	3,812	3,021	547	7,380
Accrued interest income	180	119	150	449
<b>Transactions in the six months ended 31 August 2017</b>				
Loan stock interest income	225	190	35	450
Dividend income	16	304	-	320

	Ordinary Shares £000	"C" shares £000	"D" shares £000	Total £000
<b>Balances as at 31 August 2016</b>				
Investments - shares	13,712	10,064	1,752	25,528
Investments - loan stock	4,066	3,353	547	7,966
Accrued interest income	273	281	82	636
<b>Transactions in the six months ended 31 August 2016</b>				
Loan stock interest income	244	201	30	475
Dividend income	81	401	-	482

	Ordinary Shares £000	"C" shares £000	"D" shares £000	Total £000
<b>Balances as at 28 February 2017 (audited)</b>				
Investments - shares	14,689	10,920	1,962	27,571
Investments - loan stock	3,909	3,325	547	7,781
Accrued interest income	275	295	115	685
Accrued dividends	64	39	-	103
<b>Transactions in the year ended 28 February 2017 (audited)</b>				
Loan stock interest income	484	402	64	950
Dividend income	514	613	-	1,127

## 11. 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 Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.



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