

# Ventus 2 VCT plc

**Half-yearly Financial Report (unaudited)  
including a Capital Allocation Review**  
for the six month period ended 31 August 2019



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

I am pleased to present the unaudited financial report of Ventus 2 VCT plc (the "Company") for the six month period ended 31 August 2019, which demonstrates continuing good performance.

As has been the case since 2015, 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 new energy projects.

Against this consistent backdrop, and as detailed in the 28 February 2019 Annual Report, the Board and Investment Manager have undertaken a number of initiatives over the previous 18 months which will serve to increase or bring forward cashflow from investee companies both now and in the coming years. The rest of this Chairman's Statement updates shareholders on these initiatives and on the Company's performance as a whole.

### **Strategic Objectives and Capital Allocation Review**

The Company's key strategic objectives were described in the Annual Report for the year ended 28 February 2019 and remain unchanged. These 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.

To supplement and expand on the above objectives, as proposed in the 28 February 2019 Annual Report, the Board has conducted a detailed Capital Allocation Review, which follows this Chairman's Statement.

This comprehensive review covers the Board's approach to, assessment of and conclusions on future dividend policy, share buybacks and opportunities to reinvest capital.

As stated in the Annual Report, this Capital Allocation Review is a key first step in actively enhancing shareholder communication by giving clear information to allow shareholders to appraise the Company's shares as an investment in the run up to the continuation vote at the 2020 AGM, at which shareholders will be asked to consider whether or not the Company should continue as a VCT.

### **Shareholder Actions at the 2019 Annual General Meeting**

Shareholders will be aware that a group of shareholders in the Company requisitioned a number of resolutions at the 2019 Annual General Meeting ("AGM") promoting the removal of the incumbent Board and replacing it with an entirely new Board.

The Board believed that these resolutions were not in the best interests of shareholders, and therefore urged shareholders to vote against them, only one of which was passed. However, the Board acknowledges that the level of opposition was substantial and that changes both to Board composition and the level of shareholder engagement had to be reviewed in light of the AGM and the events leading up to it.

The Board recognises the concerns and issues expressed in the lead up to the AGM and has actively sought to engage in a dialogue with significant shareholders (both shareholders who requisitioned resolutions and others) in order to better understand their voting decisions.

It is the Board's sincere hope that this continued engagement, coupled with the changes in Board composition outlined below and the detailed information disclosed in the Capital Allocation Review will allow the Company to move forward positively with the task at hand, namely the ongoing delivery of the Company's strategic objectives outlined above.

### **Board Composition**

At Board level, there have been a number of changes since the 2019 AGM and further changes planned in the near future.

Colin Wood stepped down at the AGM to be replaced by Jane Tozer, and I would like to formally welcome Jane to the Board and thank Colin for his most valuable contributions and advice since the formation of the Company. Jane will take Colin's role as chair of the Audit Committee. I am sure that her distinguished career as a non-executive Director across a number of industries will be of great benefit to the Board and the Company during this crucial time in its lifecycle.

Paul Thomas, who served as a Director for 13 years and was instrumental in the initial launch of the Company, was removed from the Board at the AGM. I would like to take this opportunity to thank Paul for his many years of service, his investment management advice and invaluable attention to detail.

Lloyd Chamberlain and Chris Zeal joined the Board of Directors on 1 October 2019 after simultaneously resigning from the Board of Ventus VCT plc as part of a wider re-organisation. This re-organisation was undertaken to ensure that each Board continued to hold the right balance of skills across renewables, investment management and the capital markets as well as shareholder representation.

These additions mean that currently there are four Company Directors. The current fee cap does not allow for this to endure over more than a relatively short period of time and I have therefore taken the decision to stand down as Chairman and resign from the Board before the end of this calendar year and not after the 2020 AGM as previously stated. Lloyd Chamberlain will be replacing me as the Chairman of the Company and I welcome him to that role as a substantial shareholder and professional within the investment management sector.

## Performance and Active Portfolio Management

### *Overall Asset Performance*

The last 6 months have delivered energy generation broadly in line with expectations across the wind and hydro sites in the Company's portfolio. Turbine availability was generally strong except at Achairn, where the turbine manufacturer Senvion's insolvency has hampered procurement of replacement parts. This issue is not expected to have a material effect on income received by the Company as the investee company has comprehensive insurance in place.

The industry standard power price forecast used in the valuation of the assets has fallen since 28 February 2019, and the wholesale market price for power also underperformed this forecast between March and August 2019. However, during the period ended 31 August 2019, 100% of the portfolio benefited from either historical fixed price power purchase agreements or from the annual fixes secured in September 2018 which were significantly above the prevailing wholesale price.

### *Debt Refinancing and Renegotiation*

The refinancing of Osspower Limited completed during the period ended 31 August 2019. This refinancing has secured a reduction in the cost of debt to Osspower Limited to 2.97%. This refinancing will serve to improve cashflow to ordinary shareholders by way of enhanced dividends over the coming years.

The debt renegotiations of three investee companies (Muirhall Windfarm Limited (wholly owned subsidiary of Greenfield Wind Farm Limited), Biggleswade Wind Farm Limited and White Mill Windfarm Limited) have now completed. This will deliver meaningful savings to the relevant investee companies enhancing dividends over the coming years as well as bringing forward the release of the debt service reserve bank accounts (where the investee companies deposit the following 6 months debt service in cash until the expiry of the debt term).

### *Performance Enhancements*

The Investment Manager has progressed the roll out of hardware and software upgrades across the portfolio of wind turbines, with the vast majority of the investee companies having completed these works. It is expected that, as these upgrades are rolled out, they will be accretive to electricity generation levels for a given level of wind resource and as such deliver additional free cash flow to the Company in the near term and over the remaining project life.

Further detail on these performance enhancements is included as part of the Capital Allocation Review.

### **Share Class Merger**

The Board has previously noted that it would reassess the possibility of the share class merger as part of the Capital Allocation Review, with the expectation that the merger would be completed within the next year. Clearly, this is a complex undertaking which must be carried out in a manner that is fair and equitable to all share classes. However, it is now the Board's view that there is no benefit to shareholders in conducting this merger ahead of the continuation vote should shareholders vote to wind up the Company.

If the continuation vote is passed, the Board intends to proceed with the merger without delay.

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

At 31 August 2019, the NAV of the ordinary share fund of the Company attributable to equity shareholders stood at £20,194,000 or 82.8p per ordinary share (28 February 2019: £20,523,000 or 84.1p per ordinary share).

The value of investments held by the Company's ordinary share fund at 31 August 2019 was £19,703,000 compared to £19,727,000 at 28 February 2019. 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 2019 totalled £713,000, of which £173,000 was loan stock interest and £540,000 was from dividends. This compares to total income of £608,000 for the six months ended 31 August 2018.

The revenue profit attributable to ordinary shareholders for the six month period ended 31 August 2019 was £538,000 or 2.21p per ordinary share (six month period ended 31 August 2018: £449,000 or 1.84p per ordinary share). The capital loss attributable to ordinary shareholders for the period was £13,000 or 0.06p per ordinary share (six month period ended 31 August 2018: capital gain of £347,000 or 1.42p per ordinary share), resulting in a net profit to ordinary shareholders for the period of £525,000 or 2.15p per ordinary share (six month period ended 31 August 2018: £796,000 or 3.26p per ordinary share).

On 21 August 2019, the Company paid a final dividend of 3.50p per ordinary share in respect of the year ended 28 February 2019. The Company has declared an interim dividend of 2.50p per ordinary share which will be paid on 15 January 2020 to all ordinary shareholders on the register as at the close of business on 13 December 2019.

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

At the period end, the NAV per "C" share of the Company stood at £15,652,000 or 138.7p per "C" share (28 February 2019: £15,804,000 or 140.1p per "C" share).

The value of investments held at 31 August 2019 by the "C" share fund was £15,465,000 compared to £15,183,000 at 28 February 2019.

The total income of the "C" share fund for the six months ended 31 August 2019 was £233,000, of which £127,000 was loan stock interest and £106,000 was from dividends. This compares with income generated by the "C" share fund of £176,000 in the six months ended 31 August 2018.

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The revenue profit attributable to “C” shareholders for the period was £105,000 or 0.93p per “C” share (six month period ended 31 August 2018: £55,000 or 0.50p per “C” share). The capital gain attributable to “C” shareholders for the period was £307,000 or 2.72p per “C” share (six month period ended 31 August 2018: capital gain of £255,000 or 2.26p per “C” share), resulting in a net profit attributable to “C” shareholders for the six month period ended 31 August 2019 of £412,000 or 3.65p per “C” share (six month period ended 31 August 2018: £310,000 or 2.76p per “C” share).

On 21 August 2019, the Company paid a final dividend of 5.00p per “C” share in respect of the year ended 28 February 2019. The Company has declared an interim dividend of 4.00p per “C” share which will be paid on 15 January 2020 to all “C” shareholders on the register as at the close of business on 13 December 2019.

The Investment Manager is entitled to a performance-related incentive fee of £174,000 in respect of the Return attributable to the “C” share fund for the year ended 28 February 2019, of which £61,000 was accrued as at 28 February 2019 and £113,000 has accrued since the year end given that it was contingent on the approval of the final dividend by the shareholders at the AGM on 8 August 2019. 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 £2,997,000 or 150.50p per “D” share (28 February 2019: £2,931,000 or 147.2p per “D” share).

The value of investments held at 31 August 2019 in the “D” share fund was £2,754,000 compared to £2,770,000 at 28 February 2019.

The total income of the “D” share fund for the six months ended 31 August 2019 was £172,000, of £38,000 which was loan stock interest and £134,000 was dividend income. This compares with income generated by the “D” share fund of £79,000 in the six months ended 31 August 2018.

The revenue profit attributable to “D” shareholders for the period was £151,000 or 7.63p per “D” share (six month period ended 31 August 2018: £61,000 or 3.07p per “D” share). The capital loss attributable to “D” shareholders for the period was £35,000 or 1.78p per “D” share (six month period ended 31 August 2018: £10,000 or 0.48p per “D” share), resulting in a net profit attributable to “D” shareholders for the six month period ended 31 August 2019 of £116,000 or 5.85p per “D” share (six month period ended 31 August 2018: £51,000 or 2.59p per “D” share).

On 21 August 2019, the Company paid a final dividend of 2.50p per “D” share in respect of the year ended 28 February 2019. The Company has declared an interim dividend of 2.50p per “D” share which will be paid on 15 January 2020 to all “D” shareholders on the register as at the close of business on 13 December 2019.

### **Dividend policy**

The dividend policy has been reviewed and revised as part of the Capital Allocation Review which follows this Chairman’s Statement.

# 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:

|   | 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>For the six month period ended 31 August 2019</b>    |                 |                              |            |                              |            |                              |         |
| Revenue profit attributable to equity shareholders      | 538             | 2.21                         | 105        | 0.93                         | 151        | 7.63                         | 794     |
| Capital gain/(loss) attributable to equity shareholders | (13)            | (0.06)                       | 307        | 2.72                         | (35)       | (1.78)                       | 259     |
| Net gain attributable to equity shareholders            | 525             | 2.15                         | 412        | 3.65                         | 116        | 5.85                         | 1,053   |
| Dividends paid during the year                          | (854)           | (3.50)                       | (564)      | (5.00)                       | (50)       | (2.50)                       | (1,468) |
| Total movement in equity shareholders' funds            | (329)           | (1.35)                       | (152)      | (1.35)                       | 66         | 3.35                         | (415)   |
|   |                 | %                            |            | %                            |            | %                            | %       |
| Ongoing charges ratio <sup>2</sup>                      |                 | 3.40%                        |            | 2.94%                        |            | 2.69%                        | 3.16%   |

|                                       | Ordinary Shares |                              | "C" Shares |                              | "D" Shares |                              | Total  |
|---------------------------------------|-----------------|------------------------------|------------|------------------------------|------------|------------------------------|--------|
|                                       | £000            | Pence per share <sup>3</sup> | £000       | Pence per share <sup>3</sup> | £000       | Pence per share <sup>3</sup> | £000   |
| <b>As at 31 August 2019</b>           |                 |                              |            |                              |            |                              |        |
| Net asset value                       | 20,194          | 82.8                         | 15,652     | 138.7                        | 2,997      | 150.5                        | 38,843 |
| Total shareholder return <sup>4</sup> | 30,199          | 128.3                        | 21,241     | 187.7                        | 3,157      | 158.5                        | 54,597 |

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 ongoing 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.

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 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.

4 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<br>Shares | C<br>Shares | D<br>Shares |
|---|--------------------|-------------|-------------|
| Net asset value as at 31 August 2019  | £20.2m             | £15.7m      | £3.0m       |
| Net asset value per share as at 31 August 2019  | 82.8p              | 138.7p      | 150.5p      |
| Mid-market share price as at market close on 31 August 2019   | 75.5p              | 127.0p      | 127.0p      |
| <b>Target dividend per share for year ending 29 February 2020:</b>  |                    |             |             |
| Tax-free dividend *   | 5.0p               | 8.0p        | 5.0p        |
| Equivalent pre-tax dividend to Higher Rate taxpayer **  | 7.4p               | 11.9p       | 7.4p        |
| Equivalent pre-tax dividend to Additional Rate taxpayer **  | 8.1p               | 12.9p       | 8.1p        |
| <b>Target dividend yield for year ending 29 February 2020 based on mid-market share price as at market close on 31 August 2019:</b> |                    |             |             |
| After tax   | 6.6%               | 6.3%        | 3.9%        |
| Equivalent pre-tax dividend to Higher Rate taxpayer   | 9.8%               | 9.3%        | 5.8%        |
| Equivalent pre-tax dividend to Additional Rate taxpayer   | 10.7%              | 10.2%       | 6.4%        |

\* 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 £2,000 per year tax-free dividend allowance (effective in tax year 2019/20). Higher rate taxpayers pay tax on dividends in excess of the £2,000 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 £2,000 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.

## Alan Moore

Chairman

15 November 2019

In this Capital Allocation Review, the Board has considered the options available for the cash that the Company will generate in the coming years. This review is timely for several reasons:

Firstly, as a result of the initiatives announced in the 28 February 2019 Annual Report, the Company is expected to generate more cash than was previously forecast. This includes a one-off increase in the cash available in the current financial year following the renegotiation of senior debt terms and the release of the debt service reserve accounts held by a number of investee companies.

It also includes an increase in the future cashflows following the reduction in investment management fees, the agreement of terms to reduce the cost of the debt held by five of the Company's investee companies and the resolution of technical issues at the Upper Falloch hydro scheme.

Secondly, as the assets age and the investee company loans are repaid, the amount of cash available for distribution typically is expected to increase for the final years of the subsidy period. However, it is important to note that these increases in distributable cash do not create additional shareholder value. As the assets age, the subsidies end and without re-investment, the Company's Net Asset Value ("NAV") will inevitably fall as NAV represents the net present value of the cash flows over the remaining life of the assets.

Thirdly, this review is part of a broader programme of work that the Board is undertaking with the Investment Manager in advance of the 2020 continuation vote in order to fully address the issues for shareholders at that time.

## Objectives

The review followed these three steps:

1. Review the potential cashflows available within the medium term
2. Identify and analyse the options for the application of this cashflow
3. Draw conclusions

## 1. Potential cashflows available within the medium term

The Board has reviewed detailed cashflow forecasts based on the valuation model that is maintained by the Investment Manager. This model was audited by the Company's auditor as part of the preparation of the year end accounts. These cashflows are based on a number of valuation assumptions, any changes to which will change the amount and shape of cash forecast to be received.

Additionally, the Board has reviewed the cash retention approach to identify the potential cashflows that are available within the medium term. The cashflows available to the Company consist of interest from, and capital repayment of, mezzanine loans and the payment of dividends from the investee companies. Each investee company has to retain sufficient cash for basic operations (working capital) and a margin of safety to allow for one-off events or a period of poor energy yield resulting from lower than expected wind speeds or rainfall. Subsequent to the VCT rule change in 2016 disallowing new investments in energy generation, it would not be possible for the Company to make new investments (via debt or equity) into an investee company if it became financially distressed, therefore requiring a conservative cash retention policy.

## 2. Options for the application of cashflow Dividends

The Board has considered several different approaches to paying dividends:

1. Providing an increased, but fixed annual dividend target for the medium term. This would require the Company to retain higher levels of cash in order to meet the potential shortfall in certain years.
2. Paying a variable annual dividend, dependent on the cash generated within that specific year.
3. Providing the current fixed annual dividend target for the medium term with an additional special dividend paid annually (as available) dependent on the surplus cash generated within that year.

The Board has concluded that the last option is preferable as it both provides clarity over the level of target dividends for shareholders for whom the recurring, reasonably predictable nature of the dividend is an important feature of their investment and it enables the Company to return additional cash to shareholders as it becomes available. This reduces the need to hold back significant amounts of cash to smooth a higher target level of dividend over the medium term and allows for variances in energy yield, energy prices, inflation and one-off events.

## Share buybacks

The Company can perform share buybacks by purchasing shares on an ad-hoc basis in the open market or through a tender offer. The Company was granted the authority at the 2019 AGM to buy up to 14.99% of each share class on the terms set out in resolution 17 passed at the AGM held on 8 August 2019.

## Open Market Purchases

Across all share classes the Company's shares have very limited liquidity and it is not possible to trade them electronically; any customer (or their broker) must go through the Company's market maker, Panmure Gordon. The shares trade infrequently, and sometimes at a significant spread between the bid price (i.e. price to sell) and the offer price (i.e. price to buy). This spread represents a cost for both buyer and seller. Additionally, any shareholder wishing to sell the shares must hold a share dealing account. The Company must also consider the restrictions within the Market Abuse Regulations. The Board therefore considers that the volume of share buybacks it could undertake is limited.

The calendar year to 23 October 2019 traded volumes are shown below:

| Share class     | Traded volume<br>1 January 2019 –<br>23 October 2019 | % of<br>Outstanding<br>Shares | Value traded<br>using 23 October<br>2019 mid-price |
|-----------------|--|-------------------------------|--|
| Ordinary shares | 1,023,173  | 4.19%                         | £762,264   |
| "C" shares      | 180,727  | 1.60%                         | £229,523   |
| "D" shares      | 35,887   | 1.80%                         | £45,576  |

#### Tender Offers

A tender offer requires a circular to be sent to all shareholders, giving the option for shareholders to sell shares to the Company at a fixed price, dependent on how many shareholders wish to sell. This is an equitable way of returning cash and would facilitate an exit to some shareholders who are willing sellers but for whom lack of liquidity in the market poses a significant barrier.

The downside of a tender offer is that it has an estimated cost to the Company of at least £30,000 which includes legal advice and sponsorship of the circular, tax advice, printing and offer administration costs. However, unlike an open market trade, the shares are purchased with no spread between the buyer and seller.

#### Analysis of Share Buyback Benefits

**Discount to NAV:** As at 31 August 2019 the ordinary shares traded at a discount of 6.3%, with the "C" shares trading at a discount of 6.0% and the "D" shares trading at a discount of 12.2% at that date. Share buybacks can help to reduce this discount.

**Higher future dividends:** If the number of shares is reduced through buybacks (and the subsequent cancellation of these shares), the future dividends per share could be increased.

**Higher earnings:** If shares are purchased at a discount to NAV and subsequently cancelled, there is an addition to earnings that increases NAV per share for the remaining shares.

The Company's investee companies will have a significant amount of surplus cash in the year ending 29 February 2020 and it would be challenging to return this through open market purchases. Equally, the Board considers it

probable that there will be some shareholders who wish to sell if the resolution to continue as a VCT is passed. The Board has therefore concluded that if the vote is to continue as a VCT there is likely to be a tender offer to offer liquidity to those shareholders who wish to exit.

Thereafter there is expected to be a programme of open market purchases when the discount to NAV is greater than 5% in normal market circumstances and subject to surplus cash being available.

#### Further Investment

The investment restrictions that have been imposed on Venture Capital Trusts by the Government since 2013 have significantly changed the investment horizon in comparison to when the Company was set up as a permanent capital vehicle. These restrictions have ended the ability of the Company to invest in new energy generation assets.

2014: Government removes energy generated by wind from "qualifying trade" definition.

2016: All energy generation becomes "non-qualifying".

2019: The "70% qualifying test" becomes 80% retrospectively.

Any single new non-qualifying investment would disqualify the VCT status of the Company and eliminate the associated tax benefits. Therefore, the Board is clear that it is not possible for the Company to undertake any new investments into either existing or new investee companies (either as equity or debt) that undertake energy generation.

There are possibilities for the investee companies to retain cash and reinvest, in lieu of paying dividends to the Company for onwards distribution to shareholders. These broadly fall into two categories:

1. Improving and optimising existing assets
2. Investing in entirely new generation assets

#### Investing in improving and optimising existing assets within investee companies

The Board and Temporis have implemented a continuous programme to invest in the Company's existing assets.

The Company has an ongoing comprehensive programme of optimisation including hardware and software upgrades for the wind and hydro turbines. However, this is a relatively small capital expenditure across the portfolio. Examples of these optimisations include;

- > Turbine manufacturer upgrades to software and hardware to deliver additional generation through lower cut-in speeds or faster and more accurate alignment to the prevailing wind direction in changing conditions;
- > Physical aerodynamic additions to the root-end of blades to reduce turbulent airflow; and
- > Third party measurement programmes using specialised equipment to optimise yaw and pitch alignment.

The investee companies have spent £250,000 in total on these upgrades to date, and the Investment Manager has identified the potential for further accretive improvement investments totalling £490,000 over the next 12 months. The Company's share of this future identified spend is £123,000 due to the Company's investee company ownership stakes.

The Investment Manager has continuous dialogue with the turbine manufacturers to understand the options available. Many of the upgrades above are fitted as standard on newer machines. Further expenditure will be dependent on the release of new upgrades which have historically taken several years to come to market. The return on invested capital is typically high and therefore straightforward to recommend.

The Company currently assumes an operational life of 25 years from the start of operations for wind assets and a rolling 25 years for hydro assets. The Board has directed the Investment Manager to ensure that the Company is preserving optionality to extend operational life. To achieve this, the Investment Manager invests considerable time working with the turbine suppliers and third parties to manage the programmes of preventative maintenance. This includes inspections of blades, foundations, gearboxes and other major components and installing condition monitoring systems to give early fault warnings before damage becomes extensive.

#### *Investing in new assets within investee companies*

The Board has undertaken a detailed site by site analysis of all the investee company assets and has concluded that there are currently no viable opportunities. This is not expected to change in the foreseeable future without significant changes to the cost of the equipment, energy prices or government subsidies.

There are currently no government subsidies, grants or preferential tariffs for any onshore renewable energy generation in the UK. The assessment below has therefore looked at subsidy free extensions to existing wind sites and co-locating solar and batteries.

New wind development involves spending significant sums on a speculative planning and development process. Furthermore, the economics of subsidy free wind projects generally require relatively high average wind speeds (which drives generation and therefore revenue) and also much larger turbines. Larger turbines increase the planning risk due to the greater visual impact, additional noise emissions and shadow flicker effects. A large proportion of the East of England sites in the portfolio are low wind speed sites and are close to dwellings and are visible from nearby towns. Many of these sites were initially refused planning or were subject to local objections.

The benefit of co-location of solar and batteries at existing wind or hydro sites is that existing scarce grid infrastructure can be used. Although existing schemes have grid connections sized for existing capacity, statistical studies of co-location indicate there are only limited times when there would be a level of generation from both the wind and solar assets that would be constrained by the capacity of the grid connection.

However, under current market conditions co-location of an unsubsidised solar development would be dilutive to shareholder returns even in the sunniest parts of the UK. Reductions in installation costs or the reintroduction of government tariffs could change this assessment. Furthermore, even if such investment made economic sense in the future, it is important to note that a large proportion of the investee companies are located in Scotland (with lower solar yields), and three of the East of England investee companies' assets are already co-located with third party solar sites.

Co-location of battery storage is also not currently a viable investment option in the Board's view. Windfarm electricity output is typically intermittent, consisting of several days of strong generation, followed by several days of relatively low output. This generation pattern only allows for limited charge and discharge cycles over a given period, in contrast to solar which has a predictable 24-hour cycle. Additionally, the high costs of installation and the lack of any long-term capacity support mechanism creates a higher risk profile.

A full site repowering (i.e. removing the current turbines to replace them with larger, more efficient machines on a subsidy free basis) is not a viable option until the end of the ROC ("Renewable Obligation Certificate") subsidy period (a period of 20 years from first generation) as the equipment change would cancel the original ROC certification. The ROCs for the oldest assets in the Company's portfolio have 8 years until expiry and this subsidy accounts for approximately 50% of investee company revenues.

#### *Investment within investee companies – other considerations*

Investment in new assets within the investee companies also needs to consider the following factors:

*Development risk:* All of the Company's prospectuses in respect of each share offer except the "D" share prospectus allowed for up to 10% of net proceeds (slightly less than 10p per share) to be invested in development risk. However, this was development risk in projects that benefited from government backed subsidies. To invest in subsidy-free developments carries a higher risk profile. Additionally, the returns currently available are much lower than when the Company was set up.

*Shareholder risk appetite:* The Company is well understood by shareholders as a stable tax-free dividend yielding investment. Any new development expenditure (to include planning, environmental and technical surveying, grid deposits and lease negotiations) would be speculative, and would change this risk profile.

*Cash availability:* If attractive investments were identified, cash would need to be accumulated within the relevant investee company. This would reduce the dividends available to shareholders.

*Negotiating complexity:* 12 out of 14 of the investee companies have joint venture partners who would need to agree to the strategy and re-investment proposed by the Company and the Investment Manager. The Investment Manager considers it unlikely that the joint venture partners within the investee companies would agree to retain cash for speculative development at the returns currently available.

### 3. Conclusions

After this detailed review, the Board has reached the following conclusions for the use of cash in descending priority:

1. To confirm and pay the current annual dividend targets.
2. To continue to make incremental investments wherever possible in the existing assets for performance enhancement and preserving life extension optionality.

If the continuation vote is passed:

3. To undertake a tender offer to provide an opportunity for shareholders who wish to exit in an orderly and cost-effective way.
4. To undertake open market share purchases when the discount to NAV is greater than 5% subject to the availability of excess cash.
5. To pay excess cash as special dividends annually (as available).

The following table summarises the target dividends and the estimated excess cash available to use for the proposed tender offer, open market purchases and special dividends:

| Share Class     | Target Dividend<br>(p / share) | Estimated excess<br>cash – Year ending<br>29 February 2020<br>(p / share) |
|-----------------|--------------------------------|---|
| Ordinary shares | 5.00p                          | 0p to 2p  |
| “C” shares      | 8.00p                          | 6p to 8p  |
| “D” shares      | 5.00p                          | 6p to 8p  |

Notes: These estimates are based on the 31 August 2019 valuations, including, amongst other assumptions, future assumptions around energy generation levels and power prices. These valuations have not been audited. It should be stressed that the above illustrates intentions only, and no forecasts of actual dividends to be paid are intended or should be inferred.

# 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 with appropriately qualified advisers.*

- > 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.*

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 18 months following the period end, 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 10; 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**  
Director

15 November 2019

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 aim 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, all new 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.

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 the Investment Policy and, as set out in the Capital Allocation Review, has no plans to make further direct investments. The VCT restrictions described above do not affect the Company's existing investments.

However, the Investment Manager continues to explore financial and operational optimisation strategies to enhance shareholder value and deliver additional cash flows as well as exploiting ad-hoc opportunities which arise through connectivity with the Company's joint venture partners and the wider renewable infrastructure economy.

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 since the rebuilding of the Upper Falloch Power Limited intake completed in October 2018. 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).



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

|  | Capacity<br>MW | Operational<br>since | Location                   | Output as %<br>of budget -<br>6 months<br>ended 31 Aug 2019 | Investment held by<br>Ordinary<br>Share<br>Fund | "C"<br>Share<br>Fund | "D"<br>Share<br>Fund |
|--|----------------|----------------------|----------------------------|---|---|----------------------|----------------------|
| <b>Operational Wind</b>  |                |                      |                            |   |   |                      |                      |
| Achair Energy Limited  | 6.00           | May 2009             | Caithness, Scotland        | 60.4%   | ●   |                      |                      |
| A7 Lochhead Limited  | 6.00           | Jun 2009             | Lanarkshire, Scotland      | 99.5%   | ●   |                      |                      |
| Greenfield Wind Farm Limited   | 12.30          | Mar 2011             | Lanarkshire, Scotland      | 105.5%  | ●   | ●                    |                      |
| Biggleswade Wind Farm Limited  | 20.00          | Dec 2013             | Bedfordshire               | 106.3%  | ●   | ●                    |                      |
| Eye Wind Power Limited   | 6.80           | Apr 2014             | Suffolk                    | 98.0%   | ●   |                      |                      |
| Bernard Matthews Green Energy<br>Pickenham Ltd/North Pickenham<br>Energy Ltd   | 4.00           | Apr 2014             | Norfolk                    | 112.0%  | ●   | ●                    |                      |
| Bernard Matthews Green<br>Energy Weston Ltd/Weston<br>Airfield Investments Ltd | 4.00           | Apr 2014             | Norfolk                    | 100.7%  | ●   | ●                    |                      |
| AD Wind Farmers Ltd<br>(Allt Dearg Windfarmers LLP)                            | 10.20          | Dec 2012             | Argyll and Bute, Scotland  | 102.0%  |   | ●                    |                      |
| White Mill Windfarm Limited  | 14.40          | Aug 2012             | Cambridgeshire             | 103.7%  |   | ●                    |                      |
| Bernard Matthews Green<br>Energy Halesworth Limited                            | 10.25          | Aug 2015             | Suffolk                    | 101.9%  | ●   | ●                    | ●                    |
| <b>Operational Hydro</b>   |                |                      |                            |   |   |                      |                      |
| Osspower Limited (Allt Fionn)  | 1.99           | Jul 2012             | Near Loch Lomond, Scotland | 94.1%   | ●   |                      |                      |
| Darroch Power Limited (Derrydarroch)   | 1.90           | Dec 2015             | Near Loch Lomond, Scotland | 98.7%   | ●   | ●                    | ●                    |
| Upper Falloch Power Limited  | 0.90           | Dec 2015             | Near Loch Lomond, Scotland | 89.3%   | ●   | ●                    | ●                    |
| <b>Operational Landfill Gas</b>  |                |                      |                            |   |   |                      |                      |
| Renewable Power Systems<br>(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.

1 Budget represents the most recently adopted long term energy yield assessment for the site.

# INVESTMENT MANAGER'S REPORT

Continued

The performance of the wind assets owned by the investee companies was generally good during the period, with most achieving budgeted generation levels. The hydro sites have underperformed budget for the period due to below average rainfall over the period.

Availability of the turbines has been good apart from Achairn where the insolvency of the turbine manufacturer Senvion has hampered procurement of replacement parts. The turbine is close to becoming operational again and the investee company has comprehensive insurance to cover both capital costs and business interruption.

As detailed in the Chairman's Statement and the Capital Allocation Review 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:

|   | Ordinary Share | "C" Share | "D" Share |
|---|----------------|-----------|-----------|
| <b>As at 31 August 2019</b>             |                |           |           |
| Percentage Loan-to-Value                | 47%            | 48%       | 56%       |
| Average remaining tenor of loan (years) | 9.4            | 10.7      | 13.5      |
| <b>As at 28 February 2019</b>           |                |           |           |
| Percentage Loan-to-Value                | 47%            | 49%       | 55%       |
| Average remaining tenor of loan (years) | 10.1           | 10.4      | 12.3      |

## Ordinary share portfolio

A summary of the ordinary share fund's investment valuations as at 31 August 2019 and gains and losses during the six months ended 31 August 2019 is given below:

|   | Voting rights as at 31 August 2019 % | Investment value                 |                                 |                                 | Investment cost                  |                                 |                                 | Unrealised gain/(loss) six months to 31 August 2019 £000 | Investment value Total as at 28 February 2019 £000 | Investment cost Total as at 28 February 2019 £000 |
|---|--------------------------------------|----------------------------------|---------------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------------------|--|--|---|
|   |                                      | Shares as at 31 August 2019 £000 | Loans as at 31 August 2019 £000 | Total as at 31 August 2019 £000 | Shares as at 31 August 2019 £000 | Loans as at 31 August 2019 £000 | Total as at 31 August 2019 £000 |  |  |   |
| <b>Operational wind</b>   |                                      |                                  |                                 |                                 |                                  |                                 |                                 |  |  |   |
| Achairn Energy Limited <sup>1,2</sup>                           | q 40.40%                             | 4,206                            | 864                             | 5,070                           | 1,225                            | 877                             | 2,102                           | (28)   | 5,141  | 2,145   |
| A7 Lochhead Limited <sup>1</sup>                                | q 20.00%                             | 960                              | -                               | 960                             | 569                              | -                               | 569                             | 24   | 936  | 569   |
| Greenfield Wind Farm Limited <sup>1</sup>                       | pq 16.65%                            | 2,400                            | 1,044                           | 3,444                           | 666                              | 949                             | 1,615                           | 190  | 3,301  | 1,662   |
| Biggleswade Wind Farm Limited <sup>1,2</sup>                    | q 3.50%                              | 549                              | 117                             | 666                             | 86                               | 121                             | 207                             | (6)  | 706  | 241   |
| Eye Wind Power Limited <sup>1,2</sup>                           | q 35.38%                             | 2,061                            | -                               | 2,061                           | 1,480                            | -                               | 1,480                           | (18)   | 2,079  | 1,480   |
| Bernard Matthews Green Energy Weston Limited <sup>1</sup>       | q 50.00%                             | 1,065                            | -                               | 1,065                           | 500                              | -                               | 500                             | 205  | 860  | 500   |
| Bernard Matthews Green Energy Pickenham Limited <sup>1</sup>    | q 50.00%                             | 664                              | -                               | 664                             | 500                              | -                               | 500                             | (142)  | 806  | 500   |
| Bernard Matthews Green Energy Halesworth Limited <sup>1,2</sup> | q 10.09%                             | 672                              | -                               | 672                             | 351                              | -                               | 351                             | (126)  | 798  | 351   |
| <b>Operational companies in the wind sector</b>                 |                                      |                                  |                                 |                                 |                                  |                                 |                                 |  |  |   |
| Firefly Energy Limited <sup>1</sup>                             | q 50.00%                             | -                                | 12                              | 12                              | 200                              | 30                              | 230                             | 2  | 10   | 230   |
| <b>Operational landfill gas</b>                                 |                                      |                                  |                                 |                                 |                                  |                                 |                                 |  |  |   |
| Renewable Power Systems (Dargan Road) Limited                   | q 50.00%                             | 805                              | 593                             | 1,398                           | 780                              | 560                             | 1,340                           | (6)  | 1,460  | 1,396   |
| <b>Operational small hydro</b>                                  |                                      |                                  |                                 |                                 |                                  |                                 |                                 |  |  |   |
| Osspower Limited  | q 50.00%                             | 3,052                            | -                               | 3,052                           | 300                              | -                               | 300                             | (2)  | 3,054  | 300   |
| Darroch Power Limited <sup>1</sup>                              | q 11.46%                             | 395                              | 49                              | 444                             | 20                               | 46                              | 66                              | 40   | 404  | 66  |
| Upper Falloch Power Limited <sup>1</sup>                        | q 10.97%                             | 162                              | 33                              | 195                             | 8                                | 31                              | 39                              | 23   | 172  | 39  |
| <b>Realised investments</b>                                     |                                      |                                  |                                 |                                 |                                  |                                 |                                 |  |  |   |
| Redeven Energy Limited <sup>1</sup>                             | 50.00%                               | -                                | -                               | -                               | -                                | 130                             | 130                             | -  | -  | 130   |
| <b>Total</b>  |                                      | <b>16,991</b>                    | <b>2,712</b>                    | <b>19,703</b>                   | <b>6,685</b>                     | <b>2,744</b>                    | <b>9,429</b>                    | <b>156</b>   | <b>19,727</b>                                      | <b>9,609</b>                                      |

q Investment complies with VCT regulations on qualifying holdings.

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

1 An investee company in which Ventus VCT plc has also invested. The Company and Ventus VCT plc are managed by Temporis Capital Limited.

2 An investee company in which Temporis Operational Renewable Energy Strategy LP has also invested. Temporis Operational Renewable Energy Strategy LP is advised by Temporis Capital Limited.

# INVESTMENT MANAGER'S REPORT

Continued

## "C" share portfolio

A summary of the "C" share fund's investment valuations as at 31 August 2019 and gains and losses during the six months ended 31 August 2019 is given below:

|   |    | Voting rights as at 31 August 2019 % | Investment value                 |                                 |                                 | Investment cost                  |                                 |                                 | Unrealised gain/(loss) six months to 31 August 2019 £000 | Investment value Total as at 28 February 2019 £000 | Investment cost Total as at 28 February 2019 £000 |
|---|----|--------------------------------------|----------------------------------|---------------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------------------|--|--|---|
|   |    |                                      | Shares as at 31 August 2019 £000 | Loans as at 31 August 2019 £000 | Total as at 31 August 2019 £000 | Shares as at 31 August 2019 £000 | Loans as at 31 August 2019 £000 | Total as at 31 August 2019 £000 |  |  |   |
| <b>Operational wind</b>   |    |                                      |                                  |                                 |                                 |                                  |                                 |                                 |  |  |   |
| Greenfield Wind Farm Limited <sup>1</sup>                       | PQ | 12.50%                               | 1,802                            | 784                             | 2,586                           | 500                              | 713                             | 1,213                           | 142  | 2,479  | 1,248   |
| White Mill Windfarm Limited <sup>1,2</sup>                      | PQ | 25.00%                               | 3,456                            | -                               | 3,456                           | 1,000                            | -                               | 1,000                           | 431  | 3,025  | 1,000   |
| AD Wind Farmers Limited <sup>1</sup>                            | Q  | 50.00%                               | 1,085                            | -                               | 1,085                           | 1,000                            | -                               | 1,000                           | 37   | 1,048  | 1,000   |
| Biggleswade Wind Farm Limited <sup>1</sup>                      | Q  | 21.50%                               | 3,370                            | 717                             | 4,087                           | 526                              | 744                             | 1,270                           | (42)   | 4,335  | 1,476   |
| Weston Airfield Investments Limited <sup>1</sup>                | Q  | 50.00%                               | 1,989                            | -                               | 1,989                           | 1,000                            | -                               | 1,000                           | (3)  | 1,992  | 1,000   |
| North Pickenham Energy Limited <sup>1</sup>                     | Q  | 50.00%                               | 1,462                            | -                               | 1,462                           | 1,000                            | -                               | 1,000                           | 7  | 1,455  | 1,000   |
| Bernard Matthews Green Energy Halesworth Limited <sup>1,2</sup> | Q  | 5.63%                                | 376                              | -                               | 376                             | 300                              | -                               | 300                             | (71)   | 447  | 300   |
| <b>Operational small hydro</b>                                  |    |                                      |                                  |                                 |                                 |                                  |                                 |                                 |  |  |   |
| Darroch Power Limited <sup>1</sup>                              | Q  | 4.22%                                | 146                              | 143                             | 289                             | 53                               | 132                             | 185                             | 16   | 273  | 185   |
| Upper Falloch Power Limited <sup>1</sup>                        | Q  | 2.79%                                | 41                               | 94                              | 135                             | 17                               | 90                              | 107                             | 6  | 129  | 107   |
| <b>Realised investments</b>                                     |    |                                      |                                  |                                 |                                 |                                  |                                 |                                 |  |  |   |
| Iceni Renewables Limited <sup>1</sup>                           |    | 50.00%                               | -                                | -                               | -                               | 400                              | 18                              | 418                             | -  | -  | 418   |
| <b>Total</b>  |    |                                      | <b>13,727</b>                    | <b>1,738</b>                    | <b>15,465</b>                   | <b>5,796</b>                     | <b>1,697</b>                    | <b>7,493</b>                    | <b>523</b>   | <b>15,183</b>                                      | <b>7,734</b>                                      |

Q Investment complies with VCT regulations on qualifying holdings.

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

1 An investee company in which Ventus VCT plc has also invested. The Company and Ventus VCT plc are managed by Temporis Capital Limited.

2 An investee company in which Temporis Operational Renewable Energy Strategy LP has also invested. Temporis Operational Renewable Energy Strategy LP is advised by Temporis Capital Limited.

## “D” share portfolio

A summary of the “D” share fund’s investment valuations as at 31 August 2019 and gains and losses during the six months ended 31 August 2019 is given below:

|   | Voting rights as at 31 August 2019 % | Investment value                 |                                 |                                 | Investment cost                  |                                 |                                 | Unrealised gain/(loss) six months to 31 August 2019 £000 | Investment value Total as at 28 February 2019 £000 | Investment cost Total as at 28 February 2019 £000 |
|---|--------------------------------------|----------------------------------|---------------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------------------|--|--|---|
|   |                                      | Shares as at 31 August 2019 £000 | Loans as at 31 August 2019 £000 | Total as at 31 August 2019 £000 | Shares as at 31 August 2019 £000 | Loans as at 31 August 2019 £000 | Total as at 31 August 2019 £000 |  |  |   |
| <b>Operational wind</b>   |                                      |                                  |                                 |                                 |                                  |                                 |                                 |  |  |   |
| Bernard Matthews Green Energy Halesworth Limited <sup>1,2</sup> | q 13.38%                             | 892                              | -                               | 892                             | 712                              | -                               | 712                             | (167)  | 1,059  | 712   |
| <b>Operational small hydro</b>                                  |                                      |                                  |                                 |                                 |                                  |                                 |                                 |  |  |   |
| Darroch Power Limited <sup>1</sup>                              | q 25.50%                             | 880                              | 349                             | 1,229                           | 319                              | 325                             | 644                             | 91   | 1,138  | 644   |
| Upper Falloch Power Limited <sup>1</sup>                        | q 29.58%                             | 436                              | 197                             | 633                             | 185                              | 189                             | 374                             | 60   | 573  | 374   |
| <b>Total</b>  |                                      | <b>2,208</b>                     | <b>546</b>                      | <b>2,754</b>                    | <b>1,216</b>                     | <b>514</b>                      | <b>1,730</b>                    | <b>(16)</b>  | <b>2,770</b>                                       | <b>1,730</b>                                      |

q Investment complies with VCT regulations on qualifying holdings.

1 An investee company in which Ventus VCT plc has also invested. The Company and Ventus VCT plc are managed by Temporis Capital Limited.

2 An investee company in which Temporis Operational Renewable Energy Strategy LP has also invested. Temporis Operational Renewable Energy Strategy LP is advised 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 6.75% to 10.00% with discount rates applied to the cash flows of operating wind farms of 7.5% as at 31 August 2019.

The key assumptions that have a significant impact on discounted cash flow valuations for these assets are the discount rate, the inflation 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, the length of the operating life of the assets and operating costs.

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, previously with an assumed reduction in availability in the final five years of operation. However, to keep in line with the market, for the valuations as at 31 August 2019 it has been assumed that the availability will remain the same over the whole life of the asset. 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 with consistent availability throughout the life of the 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.

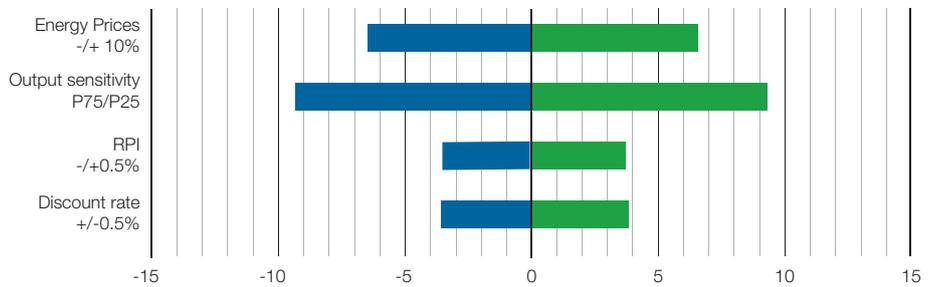
The price at which the output from the generating assets is sold is a factor of both wholesale electricity prices and Government subsidies. The selling price is often fixed in the medium term under power purchase agreements. For periods outside the terms of these agreements the assumed future prices are estimated using external third party forecasts which take the form of specialist consultancy reports.

Over the last several years, and also specifically between 28 February 2019 and 31 August 2019, the industry standard forecast electricity prices have fallen in both the near and the long term, therefore a number of assets in each of the share classes have benefited from holding long term fixed price contracts. The sensitivity of the value of each share fund's assets to changes in projected electricity prices will be affected by the proportion of investee companies with fixed price contracts and the tenor of those contracts.

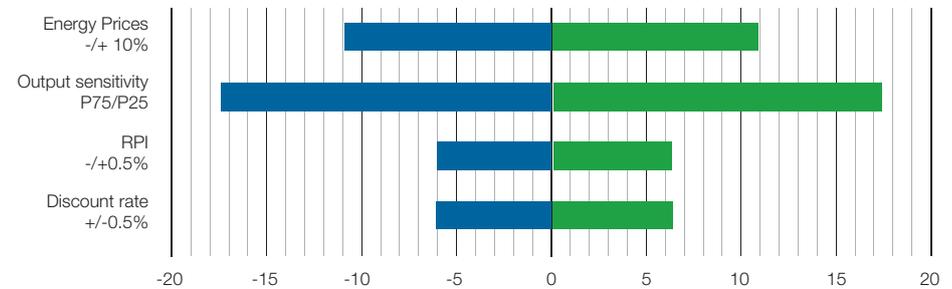
Specifically commissioned external consultant reports are used to estimate the expected generating output of the investee company's generating assets taking into account their type and location. The analysis set out below describes the sensitivity of each share fund's NAV to a higher (P75) or lower (P25) 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 discount factor which form the base case in the sensitivity analysis is 7.50%. The base case inflation rate (RPI) used in the sensitivity analysis is 2.75%.

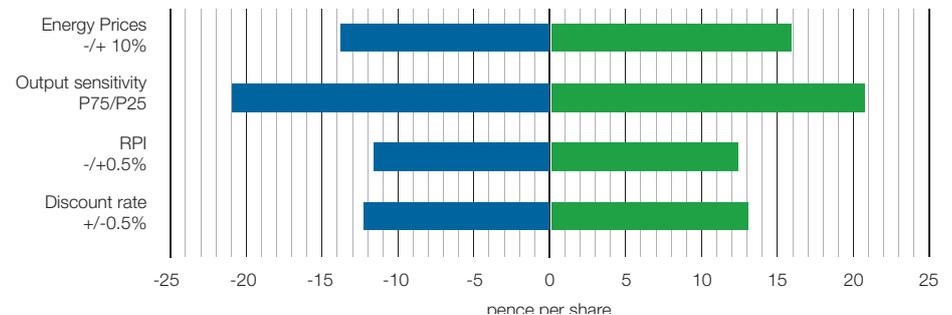
**Sensitivity of the NAV of Ordinary share fund to changes in key input assumptions**



**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 (80% for accounting period beginning after 5 April 2019, so from 1 March 2020 for the Company).

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.

### 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 was involved in assisting investee companies in negotiating the terms of this finance to ensure competitive terms were 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 (80% for accounting period beginning after 5 April 2019, so from 1 March 2020 for the Company). 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

15 November 2019

# DIRECTORS AND ADVISERS

## Directors

Alan Moore OBE (Chairman)  
Jane Tozer MBE OBE (appointed 8 August 2019)  
Lloyd Chamberlain (appointed 1 October 2019)  
Chris Zeal (appointed 1 October 2019)

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## Investment Manager and Registered Office

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

## Website

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

## 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

Philip Hare & Associates LLP  
Suite C- First Floor  
4-6 Staple Inn  
London  
WC1V 7QH

## Solicitors

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

## Broker

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

## Registrars

The City Partnership (UK) Limited  
Suite 2 Park Valley House  
Park Valley Mills  
Meltham Road  
Huddersfield  
HD4 7BH

## Internal Auditor

Roffe Swayne  
Ashcombe Court  
Godalming  
Surrey  
GU7 1LQ

## Depository

Estera Depository (UK) Limited  
The Innovation Centre  
Northern Ireland Science Park  
Queen's Road  
Belfast  
BT3 9DT

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)  
for the six month period ended 31 August 2019

|   | Note | Ordinary Shares |                 |               | "C" Shares      |                 |               | "D" Shares      |                 |               | Total           |                 |               |
|---|------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
|   |      | Revenue<br>£000 | Capital<br>£000 | Total<br>£000 |
| Net unrealised gain/(loss) on investments   | 6    | -               | 156             | 156           | -               | 523             | 523           | -               | (16)            | (16)          | -               | 663             | 663           |
| Income from Investments   |      | 713             | -               | 713           | 233             | -               | 233           | 172             | -               | 172           | 1,118           | -               | 1,118         |
| Investment management fees  | 3    | (56)            | (169)           | (225)         | (72)            | (216)           | (288)         | (8)             | (23)            | (31)          | (136)           | (408)           | (544)         |
| Other expenses  |      | (119)           | -               | (119)         | (56)            | -               | (56)          | (9)             | -               | (9)           | (184)           | -               | (184)         |
| <b>Profit/(loss) before taxation</b>  |      | 538             | (13)            | 525           | 105             | 307             | 412           | 155             | (39)            | 116           | 798             | 255             | 1,053         |
| Taxation  | 4    | -               | -               | -             | -               | -               | -             | (4)             | 4               | -             | (4)             | 4               | -             |
| <b>Profit/(loss) and total comprehensive income attributable to equity shareholders</b> |      | 538             | (13)            | 525           | 105             | 307             | 412           | 151             | (35)            | 116           | 794             | 259             | 1,053         |
| <b>Earnings per share</b>   |      |                 |                 |               |                 |                 |               |                 |                 |               |                 |                 |               |
| Basic and diluted earnings per share (p)  | 5    | <b>2.21</b>     | <b>(0.06)</b>   | <b>2.15</b>   | <b>0.93</b>     | <b>2.72</b>     | <b>3.65</b>   | <b>7.63</b>     | <b>(1.78)</b>   | <b>5.85</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 27 to 32 form an integral part of these Financial Statements.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)  
for the six month period ended 31 August 2018

|   | Note | Ordinary Shares |                 |               | "C" Shares      |                 |               | "D" Shares      |                 |               | Total           |                 |               |
|---|------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|
|   |      | Revenue<br>£000 | Capital<br>£000 | Total<br>£000 |
| Net unrealised gains on investments   | 6    | -               | 499             | 499           | -               | 448             | 448           | -               | 8               | 8             | -               | 955             | 955           |
| Income from Investments   |      | 608             | -               | 608           | 176             | -               | 176           | 79              | -               | 79            | 863             | -               | 863           |
| Investment management fees  | 3    | (54)            | (162)           | (216)         | (68)            | (202)           | (270)         | (7)             | (22)            | (29)          | (129)           | (386)           | (515)         |
| Other expenses  |      | (95)            | -               | (95)          | (44)            | -               | (44)          | (7)             | -               | (7)           | (146)           | -               | (146)         |
| <b>Profit/(loss) before taxation</b>  |      | 459             | 337             | 796           | 64              | 246             | 310           | 65              | (14)            | 51            | 588             | 569             | 1,157         |
| Taxation  | 4    | (10)            | 10              | -             | (9)             | 9               | -             | (4)             | 4               | -             | (23)            | 23              | -             |
| <b>Profit/(loss) and total comprehensive income attributable to equity shareholders</b> |      | 449             | 347             | 796           | 55              | 255             | 310           | 61              | (10)            | 51            | 565             | 592             | 1,157         |
| <b>Earnings per share</b>   |      |                 |                 |               |                 |                 |               |                 |                 |               |                 |                 |               |
| Basic and diluted earnings per share (p)  | 5    | <b>1.84</b>     | <b>1.42</b>     | <b>3.26</b>   | <b>0.50</b>     | <b>2.26</b>     | <b>2.76</b>   | <b>3.07</b>     | <b>(0.48)</b>   | <b>2.59</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 27 to 32 form an integral part of these Financial Statements.

# CONDENSED STATEMENT OF FINANCIAL POSITION (unaudited)

as at 31 August 2019

|  | Note | As at 31 August 2019       |                       |                       |               | As at 28 February 2019<br>(audited) |                       |                       |               |
|--|------|----------------------------|-----------------------|-----------------------|---------------|-------------------------------------|-----------------------|-----------------------|---------------|
|  |      | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | "D"<br>Shares<br>£000 | Total<br>£000 | Ordinary<br>Shares<br>£000          | "C"<br>Shares<br>£000 | "D"<br>Shares<br>£000 | Total<br>£000 |
| <b>Non-current assets</b>                              |      |                            |                       |                       |               |                                     |                       |                       |               |
| Investments  | 6    | 19,703                     | 15,465                | 2,754                 | 37,922        | 19,727                              | 15,183                | 2,770                 | 37,680        |
|  |      | 19,703                     | 15,465                | 2,754                 | 37,922        | 19,727                              | 15,183                | 2,770                 | 37,680        |
| <b>Current assets</b>                                  |      |                            |                       |                       |               |                                     |                       |                       |               |
| Trade and other receivables                            |      | 261                        | 233                   | 182                   | 676           | 251                                 | 248                   | 197                   | 696           |
| Cash and cash equivalents                              |      | 323                        | 193                   | 191                   | 707           | 614                                 | 482                   | 60                    | 1,156         |
|  |      | 584                        | 426                   | 373                   | 1,383         | 865                                 | 730                   | 257                   | 1,852         |
| <b>Total assets</b>                                    |      | 20,287                     | 15,891                | 3,127                 | 39,305        | 20,592                              | 15,913                | 3,027                 | 39,532        |
| <b>Current liabilities</b>                             |      |                            |                       |                       |               |                                     |                       |                       |               |
| Trade and other payables                               |      | (93)                       | (239)                 | (130)                 | (462)         | (69)                                | (109)                 | (96)                  | (274)         |
| <b>Net current assets</b>                              |      | 491                        | 187                   | 243                   | 921           | 796                                 | 621                   | 161                   | 1,578         |
| <b>Net assets</b>                                      |      | 20,194                     | 15,652                | 2,997                 | 38,843        | 20,523                              | 15,804                | 2,931                 | 39,258        |
| <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  |      | 12,543                     | 7,292                 | -                     | 19,835        | 12,543                              | 7,725                 | -                     | 20,268        |
| Capital reserve – realised                             |      | (11,649)                   | (2,932)               | (201)                 | (14,782)      | (11,480)                            | (2,716)               | (182)                 | (14,378)      |
| Capital reserve – unrealised                           |      | 11,066                     | 8,452                 | 1,024                 | 20,542        | 10,910                              | 7,929                 | 1,040                 | 19,879        |
| Revenue reserve  |      | 32                         | 8                     | 243                   | 283           | 348                                 | 34                    | 142                   | 524           |
| <b>Total equity</b>                                    |      | 20,194                     | 15,652                | 2,997                 | 38,843        | 20,523                              | 15,804                | 2,931                 | 39,258        |
| <b>Basic and diluted net asset value per share (p)</b> | 7    | <b>82.8</b>                | <b>138.7</b>          | <b>150.5</b>          |               | <b>84.1</b>                         | <b>140.1</b>          | <b>147.2</b>          |               |

Approved by the Board and authorised for issue on 15 November 2019.

**Alan Moore**  
Director

The accompanying notes on pages 27 to 32 form an integral part of these Financial Statements.

Ventus 2 VCT plc. Registered No: 05667210

# CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)

For the six month period ended 31 August 2019

|   | Share capital<br>£000 | Capital redemption reserve<br>£000 | Share premium<br>£000 | Special reserve<br>£000 | Capital reserve realised<br>£000 | Capital reserve unrealised<br>£000 | Revenue reserve<br>£000 | Total<br>£000 |
|---|-----------------------|------------------------------------|-----------------------|-------------------------|----------------------------------|------------------------------------|-------------------------|---------------|
| <b>Ordinary Shares</b>                                      |                       |                                    |                       |                         |                                  |                                    |                         |               |
| <b>At 1 March 2019</b>                                      | 6,097                 | 2,105                              | -                     | 12,543                  | (11,480)                         | 10,910                             | 348                     | 20,523        |
| Profit/(loss) and total comprehensive income for the period | -                     | -                                  | -                     | -                       | (169)                            | 156                                | 538                     | 525           |
| Dividends paid in the period                                | -                     | -                                  | -                     | -                       | -                                | -                                  | (854)                   | (854)         |
| <b>At 31 August 2019</b>                                    | 6,097                 | 2,105                              | -                     | 12,543                  | (11,649)                         | 11,066                             | 32                      | 20,194        |
| <b>"C" Shares</b>   | £000                  | £000                               | £000                  | £000                    | £000                             | £000                               | £000                    | £000          |
| <b>At 1 March 2019</b>                                      | 2,832                 | -                                  | -                     | 7,725                   | (2,716)                          | 7,929                              | 34                      | 15,804        |
| Transfer of special reserve to revenue reserve              | -                     | -                                  | -                     | (433)                   | -                                | -                                  | 433                     | -             |
| Profit/(loss) and total comprehensive income for the period | -                     | -                                  | -                     | -                       | (216)                            | 523                                | 105                     | 412           |
| Dividends paid in the period                                | -                     | -                                  | -                     | -                       | -                                | -                                  | (564)                   | (564)         |
| <b>At 31 August 2019</b>                                    | 2,832                 | -                                  | -                     | 7,292                   | (2,932)                          | 8,452                              | 8                       | 15,652        |
| <b>"D" Shares</b>   | £000                  | £000                               | £000                  | £000                    | £000                             | £000                               | £000                    | £000          |
| <b>At 1 March 2019</b>                                      | 498                   | -                                  | 1,433                 | -                       | (182)                            | 1,040                              | 142                     | 2,931         |
| Profit/(loss) and total comprehensive income for the period | -                     | -                                  | -                     | -                       | (19)                             | (16)                               | 151                     | 116           |
| Dividends paid in the period                                | -                     | -                                  | -                     | -                       | -                                | -                                  | (50)                    | (50)          |
| <b>At 31 August 2019</b>                                    | 498                   | -                                  | 1,433                 | -                       | (201)                            | 1,024                              | 243                     | 2,997         |
| <b>Total</b>  | £000                  | £000                               | £000                  | £000                    | £000                             | £000                               | £000                    | £000          |
| <b>At 1 March 2019</b>                                      | 9,427                 | 2,105                              | 1,433                 | 20,268                  | (14,378)                         | 19,879                             | 524                     | 39,258        |
| Transfer of special reserve to revenue reserve              | -                     | -                                  | -                     | (433)                   | -                                | -                                  | 433                     | -             |
| Profit/(loss) and total comprehensive income for the period | -                     | -                                  | -                     | -                       | (404)                            | 663                                | 794                     | 1,053         |
| Dividends paid in the period                                | -                     | -                                  | -                     | -                       | -                                | -                                  | (1,468)                 | (1,468)       |
| <b>At 31 August 2019</b>                                    | 9,427                 | 2,105                              | 1,433                 | 19,835                  | (14,782)                         | 20,542                             | 283                     | 38,843        |

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 27 to 32 form an integral part of these Financial Statements.

# CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)

For the six month period ended 31 August 2018

|   | Share capital<br>£000 | Capital redemption reserve<br>£000 | Share premium<br>£000 | Special reserve<br>£000 | Capital reserve realised<br>£000 | Capital reserve unrealised<br>£000 | Revenue reserve<br>£000 | Total<br>£000 |
|---|-----------------------|------------------------------------|-----------------------|-------------------------|----------------------------------|------------------------------------|-------------------------|---------------|
| <b>Ordinary Shares</b>                                      |                       |                                    |                       |                         |                                  |                                    |                         |               |
| <b>At 1 March 2018</b>                                      | 6,097                 | 2,105                              | -                     | 12,703                  | (11,140)                         | 9,309                              | -                       | 19,074        |
| Transfer of special reserve to revenue reserve              | -                     | -                                  | -                     | (161)                   | -                                | -                                  | 161                     | -             |
| Profit/(loss) and total comprehensive income for the period | -                     | -                                  | -                     | -                       | (152)                            | 499                                | 449                     | 796           |
| Dividends paid in the period                                | -                     | -                                  | -                     | -                       | -                                | -                                  | (610)                   | (610)         |
| <b>At 31 August 2018</b>                                    | 6,097                 | 2,105                              | -                     | 12,542                  | (11,292)                         | 9,808                              | -                       | 19,260        |
| <b>"C" Shares</b>   | £000                  | £000                               | £000                  | £000                    | £000                             | £000                               | £000                    | £000          |
| <b>At 1 March 2018</b>                                      | 2,832                 | -                                  | -                     | 7,725                   | (2,359)                          | 6,691                              | 258                     | 15,147        |
| Transfer of special reserve to revenue reserve              | -                     | -                                  | -                     | (196)                   | -                                | -                                  | 196                     | -             |
| Profit/(loss) and total comprehensive income for the period | -                     | -                                  | -                     | -                       | (193)                            | 448                                | 55                      | 310           |
| Dividends paid in the period                                | -                     | -                                  | -                     | -                       | -                                | -                                  | (508)                   | (508)         |
| <b>At 31 August 2018</b>                                    | 2,832                 | -                                  | -                     | 7,529                   | (2,552)                          | 7,139                              | 1                       | 14,949        |
| <b>"D" Shares</b>   | £000                  | £000                               | £000                  | £000                    | £000                             | £000                               | £000                    | £000          |
| <b>At 1 March 2018</b>                                      | 498                   | -                                  | 1,433                 | -                       | (147)                            | 667                                | 62                      | 2,513         |
| Profit/(loss) and total comprehensive income for the period | -                     | -                                  | -                     | -                       | (18)                             | 8                                  | 61                      | 51            |
| <b>At 31 August 2018</b>                                    | 498                   | -                                  | 1,433                 | -                       | (165)                            | 675                                | 123                     | 2,564         |
| <b>Total</b>  | £000                  | £000                               | £000                  | £000                    | £000                             | £000                               | £000                    | £000          |
| <b>At 1 March 2018</b>                                      | 9,427                 | 2,105                              | 1,433                 | 20,428                  | (13,646)                         | 16,667                             | 320                     | 36,734        |
| Transfer of special reserve to revenue reserve              | -                     | -                                  | -                     | (357)                   | -                                | -                                  | 357                     | -             |
| Profit/(loss) and total comprehensive income for the period | -                     | -                                  | -                     | -                       | (363)                            | 955                                | 565                     | 1,157         |
| Dividends paid in the period                                | -                     | -                                  | -                     | -                       | -                                | -                                  | (1,118)                 | (1,118)       |
| <b>At 31 August 2018</b>                                    | 9,427                 | 2,105                              | 1,433                 | 20,071                  | (14,009)                         | 17,622                             | 124                     | 36,773        |

The accompanying notes on pages 27 to 32 form an integral part of these Financial Statements.

# CONDENSED STATEMENT OF CASH FLOWS (unaudited)

For the six month period ended 31 August 2019

|   | Ordinary<br>Shares<br>£000 | "C"<br>Shares<br>£000 | "D"<br>Shares<br>£000 | Six months<br>ended<br>31 August<br>2019<br>Total<br>£000 | Six months<br>ended<br>31 August<br>2018<br>Total<br>£000 |
|---|----------------------------|-----------------------|-----------------------|---|---|
| <b>Cash flows from operating activities</b>                     |                            |                       |                       |   |   |
| Investment income received                                      | 726                        | 251                   | 187                   | 1,164   | 858   |
| Investment management fees paid                                 | (225)                      | (175)                 | -                     | (400)   | (387)   |
| Other cash payments   | (118)                      | (42)                  | (6)                   | (166)   | (183)   |
| <b>Net cash inflow from operating activities</b>                | <b>383</b>                 | <b>34</b>             | <b>181</b>            | <b>598</b>  | <b>288</b>  |
| <b>Cash flows from investing activities</b>                     |                            |                       |                       |   |   |
| Proceeds from investments                                       | 180                        | 241                   | -                     | 421   | 564   |
| <b>Net cash inflow/ (outflow) from investing activities</b>     | <b>180</b>                 | <b>241</b>            | <b>-</b>              | <b>421</b>  | <b>564</b>  |
| <b>Cash flows from financing activities</b>                     |                            |                       |                       |   |   |
| Dividends paid  | (854)                      | (564)                 | (50)                  | (1,468)   | (1,118)   |
| <b>Net cash outflow from financing activities</b>               | <b>(854)</b>               | <b>(564)</b>          | <b>(50)</b>           | <b>(1,468)</b>  | <b>(1,118)</b>  |
| <b>Net increase/ (decrease) in cash and cash equivalents</b>    | <b>(291)</b>               | <b>(289)</b>          | <b>131</b>            | <b>(449)</b>  | <b>(266)</b>  |
| <b>Cash and cash equivalents at the beginning of the period</b> | <b>614</b>                 | <b>482</b>            | <b>60</b>             | <b>1,156</b>  | <b>878</b>  |
| <b>Cash and cash equivalents at the end of the period</b>       | <b>323</b>                 | <b>193</b>            | <b>191</b>            | <b>707</b>  | <b>612</b>  |

The accompanying notes on pages 27 to 32 form an integral part of these Financial Statements.

# EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six month period ended 31 August 2019

## 1. Accounting convention and policies

The half-yearly results which cover the six month period ended 31 August 2019 have been prepared on the basis of accounting policies set out in the statutory accounts of the Company for the year ended 28 February 2019. 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 2019 contained in the Half-yearly Financial Report does not constitute the Company's statutory accounts for that period but has been derived from the statutory accounts.

Statutory accounts in respect of the year ended 28 February 2019 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 2.25% 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 Company intends to enter into a new contract with the Investment Manager to reduce annual investment management fees to 2.00% of the Company's net asset value, effective from 9 August 2019.

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 payable to the Investment Manager for the six month period ended 31 August 2019 in respect of net asset value attributable to ordinary shareholders was £225,000 (six month period ended 31 August 2018: £216,000). The management fee payable to the Investment Manager for the six month period ended 31 August 2019 in respect of the net assets attributable to the "C" shareholders was £288,000 which included a performance-related incentive fee of £113,000 (six month period ended 31 August 2018: £270,000, which included a performance-related incentive fee of £99,000). The management fee payable to the Investment Manager for the six month period ended 31 August 2019 in respect of the net assets attributable to the "D" shareholders was £31,000 (six month period ended 31 August 2018: £29,000).

## 4. Taxation

The Company has accrued £nil tax charge for the six month period ended 31 August 2019 in the ordinary share fund (six month period ended 31 August 2018: £nil tax charge), £nil tax charge for the six month period ended 31 August 2019 in the "C" share fund (six month period ended 31 August 2018: £nil tax charge), £nil tax charge for the six month period ended 31 August 2019 in the "D" share fund (six month period ended 31 August 2018: £nil tax charge).

The tax charges are accrued using an effective tax rate of 19% for the 2019/20 tax year and 19% for the 2018/19 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

| <b>For the six month period ended 31 August 2019</b> |                         | <b>Ordinary<br/>Shares</b> | <b>"C"<br/>Shares</b> | <b>"D"<br/>Shares</b> |
|--|-------------------------|----------------------------|-----------------------|-----------------------|
| Revenue return for the period                        | <i>p per share*</i>     | 2.21                       | 0.93                  | 7.63                  |
| <i>Based on:</i>                                     |                         |                            |                       |                       |
| Revenue return for the period                        | <i>£000</i>             | 538                        | 105                   | 151                   |
| 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>     | (0.06)                     | 2.72                  | (1.78)                |
| <i>Based on:</i>                                     |                         |                            |                       |                       |
| Capital gain/(loss) for the period                   | <i>£000</i>             | (13)                       | 307                   | (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>     | 2.15                       | 3.65                  | 5.85                  |
| <i>Based on:</i>                                     |                         |                            |                       |                       |
| Net profit/(loss) for the period                     | <i>£000</i>             | 525                        | 412                   | 116                   |
| 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 2018</b> |                         | <b>Ordinary<br/>Shares</b> | <b>"C"<br/>Shares</b> | <b>"D"<br/>Shares</b> |
| Revenue return for the period                        | <i>p per share*</i>     | 1.84                       | 0.50                  | 3.07                  |
| <i>Based on:</i>                                     |                         |                            |                       |                       |
| Revenue return for the period                        | <i>£000</i>             | 449                        | 55                    | 61                    |
| 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>     | 1.42                       | 2.26                  | (0.48)                |
| <i>Based on:</i>                                     |                         |                            |                       |                       |
| Capital gain/(loss) for the period                   | <i>£000</i>             | 347                        | 255                   | (10)                  |
| Weighted average number of shares in issue           | <i>number of shares</i> | 24,392,655                 | 11,283,207            | 1,990,767             |
| Net profit for the period                            | <i>p per share*</i>     | 3.26                       | 2.76                  | 2.59                  |
| <i>Based on:</i>                                     |                         |                            |                       |                       |
| Net profit for the period                            | <i>£000</i>             | 796                        | 310                   | 51                    |
| 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

| Six months ended 31 August 2019              | Ordinary Shares |                       |               | "C" Shares     |                       |               | "D" Shares     |                       |               | Total          |                       |               |
|--|-----------------|-----------------------|---------------|----------------|-----------------------|---------------|----------------|-----------------------|---------------|----------------|-----------------------|---------------|
|  | Shares<br>£000  | Loan<br>Stock<br>£000 | Total<br>£000 | Shares<br>£000 | Loan<br>Stock<br>£000 | Total<br>£000 | Shares<br>£000 | Loan<br>Stock<br>£000 | Total<br>£000 | Shares<br>£000 | Loan<br>Stock<br>£000 | Total<br>£000 |
| <b>Opening position</b>                      |                 |                       |               |                |                       |               |                |                       |               |                |                       |               |
| Opening cost                                 | 6,685           | 2,924                 | 9,609         | 5,796          | 1,938                 | 7,734         | 1,216          | 514                   | 1,730         | 13,697         | 5,376                 | 19,073        |
| Closing realised losses                      | (442)           | (229)                 | (671)         | (464)          | (17)                  | (481)         | -              | -                     | -             | (906)          | (246)                 | (1,152)       |
| Opening unrealised gains                     | 10,512          | 277                   | 10,789        | 7,762          | 168                   | 7,930         | 1,006          | 34                    | 1,040         | 19,280         | 479                   | 19,759        |
| Opening fair value                           | 16,755          | 2,972                 | 19,727        | 13,094         | 2,089                 | 15,183        | 2,222          | 548                   | 2,770         | 32,071         | 5,609                 | 37,680        |
| <b>During the year</b>                       |                 |                       |               |                |                       |               |                |                       |               |                |                       |               |
| Disposal proceeds                            | -               | (180)                 | (180)         | -              | (241)                 | (241)         | -              | -                     | -             | -              | (421)                 | (421)         |
| Unrealised gains/(losses)                    | 236             | (80)                  | 156           | 633            | (110)                 | 523           | (14)           | (2)                   | (16)          | 855            | (192)                 | 663           |
| Closing fair value                           | 16,991          | 2,712                 | 19,703        | 13,727         | 1,738                 | 15,465        | 2,208          | 546                   | 2,754         | 32,926         | 4,996                 | 37,922        |
| <b>Closing position</b>                      |                 |                       |               |                |                       |               |                |                       |               |                |                       |               |
| Closing cost                                 | 6,685           | 2,744                 | 9,429         | 5,796          | 1,697                 | 7,493         | 1,216          | 514                   | 1,730         | 13,697         | 4,955                 | 18,652        |
| Closing realised losses                      | (442)           | (229)                 | (671)         | (464)          | (17)                  | (481)         | -              | -                     | -             | (906)          | (246)                 | (1,152)       |
| Closing unrealised gains                     | 10,748          | 197                   | 10,945        | 8,395          | 58                    | 8,453         | 992            | 32                    | 1,024         | 20,135         | 287                   | 20,422        |
| Closing fair value                           | 16,991          | 2,712                 | 19,703        | 13,727         | 1,738                 | 15,465        | 2,208          | 546                   | 2,754         | 32,926         | 4,996                 | 37,922        |
| <b>Year ended 28 February 2019 (audited)</b> |                 |                       |               |                |                       |               |                |                       |               |                |                       |               |
| Year ended 28 February 2019 (audited)        | Ordinary Shares |                       |               | "C" Shares     |                       |               | "D" Shares     |                       |               | Total          |                       |               |
|  | Shares<br>£000  | Loan<br>Stock<br>£000 | Total<br>£000 | Shares<br>£000 | Loan<br>Stock<br>£000 | Total<br>£000 | Shares<br>£000 | Loan<br>Stock<br>£000 | Total<br>£000 | Shares<br>£000 | Loan<br>Stock<br>£000 | Total<br>£000 |
| <b>Opening position</b>                      |                 |                       |               |                |                       |               |                |                       |               |                |                       |               |
| Opening cost                                 | 6,685           | 3,345                 | 10,030        | 5,796          | 2,507                 | 8,303         | 1,216          | 514                   | 1,730         | 13,697         | 6,366                 | 20,063        |
| Closing realised losses                      | (442)           | (229)                 | (671)         | (464)          | (17)                  | (481)         | -              | -                     | -             | (906)          | (246)                 | (1,152)       |
| Opening unrealised gains                     | 8,851           | 365                   | 9,216         | 6,444          | 248                   | 6,692         | 634            | 33                    | 667           | 15,929         | 646                   | 16,575        |
| Opening fair value                           | 15,094          | 3,481                 | 18,575        | 11,776         | 2,738                 | 14,514        | 1,850          | 547                   | 2,397         | 28,720         | 6,766                 | 35,486        |
| <b>During the year</b>                       |                 |                       |               |                |                       |               |                |                       |               |                |                       |               |
| Disposal proceeds                            | -               | (421)                 | (421)         | -              | (569)                 | (569)         | -              | -                     | -             | -              | (990)                 | (990)         |
| Unrealised gains/(losses)                    | 1,661           | (88)                  | 1,573         | 1,318          | (80)                  | 1,238         | 372            | 1                     | 373           | 3,351          | (167)                 | 3,184         |
| Closing fair value                           | 16,755          | 2,972                 | 19,727        | 13,094         | 2,089                 | 15,183        | 2,222          | 548                   | 2,770         | 32,071         | 5,609                 | 37,680        |
| <b>Closing position</b>                      |                 |                       |               |                |                       |               |                |                       |               |                |                       |               |
| Closing cost                                 | 6,685           | 2,924                 | 9,609         | 5,796          | 1,938                 | 7,734         | 1,216          | 514                   | 1,730         | 13,697         | 5,376                 | 19,073        |
| Closing realised losses                      | (442)           | (229)                 | (671)         | (464)          | (17)                  | (481)         | -              | -                     | -             | (906)          | (246)                 | (1,152)       |
| Closing unrealised gains                     | 10,512          | 277                   | 10,789        | 7,762          | 168                   | 7,930         | 1,006          | 34                    | 1,040         | 19,280         | 479                   | 19,759        |
| Closing fair value                           | 16,755          | 2,972                 | 19,727        | 13,094         | 2,089                 | 15,183        | 2,222          | 548                   | 2,770         | 32,071         | 5,609                 | 37,680        |

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 and the investments disposed of during the period.

**6. Investments (continued)**

In order to determine the valuations of the investee companies as at 31 August 2019 (and 28 February 2019), the Company has applied a discount rate to the unleveraged cash flows to calculate the enterprise value of each 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 2019, 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 2019**

|            | Carrying<br>amount<br>£000 | Quoted prices<br>in active<br>markets for<br>identical<br>instruments<br>Level 1<br>£000 | Significant<br>other observable<br>inputs<br>Level 2<br>£000 | Significant<br>unobservable<br>inputs<br>Level 3<br>£000 |
|------------|----------------------------|--|--|--|
| Shares     | 32,926                     | -  | -  | 32,926   |
| Loan stock | 4,996                      | -  | -  | 4,996  |
| Total      | 37,922                     | -  | -  | 37,922   |

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

**Key assumptions used in the valuation models:**

|                                   | 31 August 2019   | 28 February 2018  |
|-----------------------------------|--|---|
| UK inflation rate                 | 2.75%  | 2.75%   |
| UK corporation tax rate           | 19% reducing to<br>17% from 1 April 2020   | 19% reducing to<br>17% from 1 April 2020  |
| Euro/sterling exchange rate       | 1.13   | 1.13  |
| Energy yield assumptions          | P50 case   | P50 case  |
| Operating life wind energy assets | 25 years from date of<br>first operation with no<br>reduction in assumed<br>availability | 25 years from date of<br>first operation with assumed<br>reduction in availability<br>in final 5 years of operation |
| Operating life hydro projects     | 25 years from valuation date   | 25 years from valuation date  |
| Discount rates                    | Range from 6.75% to 10%  | Range from 6.75% 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 6.75% 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 businesses.

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<br>Factor<br>+0.5%<br>£000 | Net<br>Asset<br>Value<br>£000 | Discount<br>Factor<br>-0.5%<br>£000 |
|-----------------|-------------------------------------|-------------------------------|-------------------------------------|
| Ordinary shares | 19,297                              | 20,194                        | 21,138                              |
| "C" shares      | 14,964                              | 15,652                        | 16,377                              |
| "D" shares      | 2,752                               | 2,997                         | 3,256                               |

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

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

### As at 31 August 2019

|                           |                         | Ordinary<br>Shares | "C"<br>Shares | "D"<br>Shares |
|---------------------------|-------------------------|--------------------|---------------|---------------|
| Net asset value per share | <i>p per share*</i>     | 82.8               | 138.7         | 150.5         |
| <i>Based on:</i>          |                         |                    |               |               |
| Net asset value           | <i>£000</i>             | 20,194             | 15,652        | 2,997         |
| Number of shares          | <i>number of shares</i> | 24,392,655         | 11,283,207    | 1,990,767     |

### As at 28 February 2019 (audited)

|                           |                         | Ordinary<br>Shares | "C"<br>Shares | "D"<br>Shares |
|---------------------------|-------------------------|--------------------|---------------|---------------|
| Net asset value per share | <i>p per share*</i>     | 84.1               | 140.1         | 147.2         |
| <i>Based on:</i>          |                         |                    |               |               |
| Net asset value           | <i>£000</i>             | 20,523             | 15,804        | 2,931         |
| 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 2019 of 3.50p per ordinary share was paid to ordinary shareholders on 21 August 2019.

An interim dividend of 2.50p per ordinary share has been declared for the six month period ended 31 August 2019 which will be paid on 15 January 2020 to all ordinary shareholders on the register as at close of business on 13 December 2019.

A final dividend for the year ended 28 February 2019 of 5.00p per "C" share was paid to "C" shareholders on 21 August 2019.

An interim dividend of 4.00p per "C" share has been declared for the six month period ended 31 August 2019 which will be paid on 15 January 2020 to all "C" shareholders on the register as at close of business on 13 December 2019.

A final dividend for the year ended 28 February 2019 of 2.50p per "D" share was paid to "D" shareholders on 21 August 2019.

An interim dividend of 2.50p per "D" share has been declared for the six month period ended 31 August 2019 which will be paid on 15 January 2020 to all "D" shareholders on the register as at close of business on 13 December 2019.

## 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 2019 except on 16 July 2019 the Company registered a charge over its shares in Osspower Limited to Bayerische Landesbank. The charge previously held by GCP Hydro 1 Limited was satisfied. All the contingencies, guarantees and financial commitments disclosed therein remain in force.

# 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<br>Shares<br>£000 | "C"<br>shares<br>£000 | "D"<br>shares<br>£000 | Total<br>£000 |
|---|----------------------------|-----------------------|-----------------------|---------------|
| <b>Balances as at 31 August 2019</b>                              |                            |                       |                       |               |
| Investments- shares   | 16,991                     | 13,727                | 2,208                 | 32,926        |
| Investments- loan stock   | 2,712                      | 1,738                 | 546                   | 4,996         |
| Accrued interest income   | 198                        | 224                   | 181                   | 603           |
| <b>Transactions for the six months ended 31 August 2019</b>       |                            |                       |                       |               |
| Loan stock interest income  | 173                        | 127                   | 38                    | 338           |
| Dividend income   | 540                        | 106                   | 134                   | 780           |
| <b>Balances as at 31 August 2018</b>                              |                            |                       |                       |               |
| Investments- shares   | 15,608                     | 12,254                | 1,858                 | 29,720        |
| Investments- loan stock   | 3,265                      | 2,345                 | 547                   | 6,157         |
| Accrued interest income   | 154                        | 195                   | 157                   | 506           |
| <b>Transactions for the six months ended 31 August 2018</b>       |                            |                       |                       |               |
| Loan stock interest income  | 199                        | 158                   | 36                    | 393           |
| Dividend income   | 409                        | 18                    | 43                    | 470           |
| <b>Balances as at 28 February 2019</b>                            |                            |                       |                       |               |
| Investments- shares   | 16,755                     | 13,094                | 2,222                 | 32,071        |
| Investments- loan stock   | 2,972                      | 2,089                 | 548                   | 5,609         |
| Accrued interest income   | 211                        | 244                   | 195                   | 650           |
| <b>Transactions for the year ended 28 February 2019 (audited)</b> |                            |                       |                       |               |
| Loan stock interest income  | 252                        | 297                   | 74                    | 623           |
| Dividend income   | 839                        | 680                   | 43                    | 1,562         |

## 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, The City Partnership (UK) Limited, Suite 2 Park Valley House, Park Valley Mills, Melham Road, Huddersfield, HD4 7BH.



**The Ventus Funds**  
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