

Ventus 2 VCT plc

Report and Financial Statements

For the period ended 28 February 2007



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Registered No: 5667210

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Directors and advisers

Directors

D Pinckney (Chairman)
A Moore
P Thomas
C Wood

Secretary and registered office

Capita Company Secretarial Services Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Auditors

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London
WC1B 3ST

Bankers

HSBC Bank Plc
27-32 Poultry
London
EC2P 2BX

Investment Manager

Climate Change Capital Limited
49 Grosvenor Street
London
W1K 3HP

Registrars

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

Broker

Brewin Dolphin Securities Limited
34 Lisbon Street
Leeds
LS1 4LX

Taxation advisers

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Solicitors

Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London
EC4R 9HA

Chairman's statement

I am pleased to present the first Annual Report and Financial Statements for Ventus 2 VCT plc (the "Company") for the period from incorporation to 28 February 2007.

The Company was incorporated on 5 January 2006 and its shares were listed on the London Stock Exchange on 10 March 2006. The share offer, which closed on 9 June 2006, raised £11.2 million before expenses.

Net Asset Value and Results

Revenue attributable to shareholders for the period was £222,200 or 2.13 pence per share. The capital loss attributable to shareholders for the period was £172,718 or 1.65 pence per share, resulting in a total return to shareholders for the period of £49,482 or 0.47 pence per share. The main source of revenue was interest earned on UK treasury bills and cash deposits. Running costs of the Company (before irrecoverable VAT) were less than 3.6% of Net Asset Value ("NAV") in accordance with the Investment Management Agreement.

The Company declared a dividend for the period to 31 August 2006 of 0.75 pence per share and proposes to declare a further dividend of 0.75 pence for the six months to 28 February 2007, resulting in a total dividend of 1.50 pence per share for the period.

At 28 February 2007, the Company's NAV stood at £10.6 million or 94.5 pence per share.

Investments

The Company's Investment Manager, Climate Change Capital Limited, continues to be actively engaged in identifying and negotiating potential investment opportunities.

As at 28 February 2007, the Company had made one qualifying investment of £169,013. This was an investment in mezzanine loan stock and ordinary shares of Craig Wind Farm Limited, a company developing a 10 megawatt wind farm in the Scottish Borders.

The Company has now completed its investment in Craig Wind Farm Limited by investing a further £179,809 in ordinary shares, bringing its total investment in the company to £348,822.

After the period end, the Company invested £30,000 in ordinary shares of Achairn Energy Limited, a company developing a 6 megawatt wind farm in Caithness, Scotland. The Company also continues to hold one other long term exclusivity with A7 Energy Limited in respect of a consented 6 megawatt site in Lanarkshire, Scotland.

As at the date of this report the Company has therefore made investments and/or agreed terms and/or entered into exclusivity agreements with a total of three companies representing total funds invested and committed of £378,822 and potential further investments of £670,000.

The Investment Manager's Report on page 3 provides details of the investments made as at 28 February 2007, the investments made as at the date of this report and the amounts committed and/or under exclusivity agreements as at the date of this report. All investments to date have been structured so as to be treated as qualifying holdings for the purposes of VCT regulations.

Venture Capital Trust ("VCT") Qualifying Status

The Company has appointed PricewaterhouseCoopers to review its compliance with VCT regulations. PricewaterhouseCoopers has confirmed that the Company has been in compliance with the required conditions throughout the period.

David Pinckney

Chairman

30 May 2007

Investment Manager's report

Climate Change Capital Limited (the "Investment Manager") is pleased to present a review of investment activities of the Company since the last Interim Statement.

Summary of Investments

As at the date of this report, the Company has made investments and/or agreed terms and/or entered into exclusivity agreements with three companies representing total funds invested and committed of £378,822 and potential further investments of £670,000.

The following table total shows investments made as at 28 February 2007, total investments made as at the date of this report and the total amount committed or under exclusivity agreements as at the date of this report. All investments to date have been structured so as to be treated as qualifying holdings for the purposes of VCT regulations.

<i>Company Name</i>	<i>Details</i>	<i>Investments as at 28 February 2007 £000</i>	<i>Investments as at 30 May 2007 £000</i>	<i>Invested, Committed and Under Exclusivity as at 30 May 2007 £000</i>
Craig Wind Farm Limited	10 megawatt wind farm	169	349	349
A7 Lochhead Limited	6 megawatt wind farm	–	–	350
Achairn Energy Limited	6 megawatt wind farm	–	30	350
Total		169	379	1,049

Craig Wind Farm Limited

The Company has completed its investment of £348,822 in Craig Wind Farm Limited, a company developing a 10 megawatt wind farm in the Scottish Borders. As at 28 February 2007 a total of £169,013 had been invested, and under the terms of the shareholders agreement a further £179,809 subscription for ordinary shares took place in March 2007.

Construction works on the site are at an advanced stage and turbines are being delivered to site and erected in June 2007. The site is expected to be fully operational in August 2007.

A7 Lochhead Limited

The Company has entered into a long-term exclusivity agreement with A7 Energy Limited in respect of the 6 megawatt Lochhead wind farm development in Lanarkshire, Scotland. A7 Energy Limited has secured planning consent for this wind farm and has accepted an offer for connection to the grid.

The developer and its consultants are working to secure the necessary contracts to commence construction of the wind farm. The wind farm is expected to start generating in 2008. We believe that this project will lead to an investment of approximately £350,000 for the Company.

Achairn Energy Limited

After the period end, the Company entered into an exclusivity agreement and made an initial equity investment of £30,000 in ordinary shares of Achairn Energy Limited, a company developing a 6 megawatt wind farm in Caithness, Scotland.

Investment Manager's report *(continued)*

The site has full planning consent and has accepted an offer for a grid connection. The developer and its consultants are working to secure the contracts necessary to commence construction. The initial investment has been used to secure the grid connection offer. The wind farm is expected to become operational in 2008. We believe that this project will lead to a total investment of approximately £350,000 for the Company and following the completion of the initial share subscription the Company is in a strong position to complete the full investment.

Investment Pipeline

We are actively assessing investment opportunities in a number of companies developing in excess of 250 megawatts of generating capacity. The Company's investment strategy includes pursuing opportunities with companies developing non-wind technologies such as landfill gas and small scale hydro-electric schemes as well as with companies owning existing operational assets.

On the basis of the current rate of investment and an assessment of the potential investments in the pipeline, we are satisfied that sufficient projects are available to fully invest the funds in accordance with the investment strategy and the time period required to satisfy HM Revenue and Customs requirements in respect of maintaining the Company's VCT status.

Investment Management Team

The investment management team has recently been strengthened through the addition of Ashley Turner, who joined the Investment Manager at the beginning of May 2007.

Ashley has extensive UK renewable energy market experience, having spent sixteen years at Shell in a range of front line marketing roles, nine years at Eastern Electricity (latterly TXU) where he led the commercial development team managing the emerging renewable energy portfolio, and two years at Smartest Energy where he headed the front office including energy and ROC trading operations. For the last two years Ashley has been a director at Geotrupes Energy plc, providing specialist power purchase agreements for the independent UK onshore renewable energy market. Ashley will be primarily responsible for new business development and identifying potential investment opportunities, working alongside the existing members of the investment management team.

Market Overview

As at the date of this report, the British Wind Energy Association database showed the following information about all UK onshore wind projects which are under construction, have planning consent or have been submitted for planning consent:

	<i>Under construction</i>	<i>Consented but not yet under construction</i>	<i>Awaiting planning decision</i>	<i>Total</i>
Number of projects	33	84	230	347
Total megawatts	792	1,602	8,247	10,641

Outlook

The Government's Department for Trade and Industry published its long awaited Energy White Paper on 23 May 2007. The publication of the White Paper follows an extensive two year consultation which has reviewed the whole spectrum of UK energy policy. As was widely expected, the White Paper contains a number of proposed measures to support the continued deployment of renewable energy projects in the UK. The Government's intention is broadly to maintain the support framework for onshore wind, whilst introducing a price support mechanism through the Renewables Obligation for emerging technologies such as biomass and offshore generation.

Investment Manager's report *(continued)*

In February 2007, the UK became only the seventh country to have installed over 2,000 megawatts of wind power. This industry landmark demonstrates the rapid progress of onshore wind in its own right. It took fourteen years to achieve the UK's first 1,000 megawatts of installed generating capacity and less than two years to reach the 2,000 megawatt milestone. The UK now has 137 operational onshore wind projects.

Whilst the amount of installed onshore wind capacity has increased rapidly in recent years, the rate of progress through the planning system for many projects has become increasingly slowed and costly as the level of statutory consultation has increased. The Government's own 2010 target for 10% of electricity supplies from renewable energy is now less than three years away and 2007 is seen by many as a critical year for the UK wind industry.

New capacity of 792 megawatts is already under construction, however a potential 8,000 megawatts of onshore wind projects alone are in a planning system, which is increasingly struggling to cope with the volume of planning applications. This has been recognised by both industry and Government as an issue that needs to be resolved rapidly and a number of consultations and initiatives, such as the Barker Review of the UK planning system, are in taking place which will have a direct impact on this situation.

Climate Change Capital Limited

Investment Manager

30 May 2007

Directors' report

The Directors present their Annual Report and the audited Financial Statements for the period ended 28 February 2007.

The Company was incorporated on 5 January 2006 and its shares were listed on the London Stock Exchange on 10 March 2006. The share offer, which closed on 9 June 2006, raised £11.2 million before expenses.

Business review

Principal activities and status

The Company is an investment company as defined in Section 266 of the Companies Act 1985 and has received provisional approval as a Venture Capital Trust from HM Revenue & Customs. The Directors consider that the Company has conducted its affairs in a manner to enable it to comply with Section 842AA of the Income and Corporation Taxes Act 1988.

The Company has no employees other than the Directors.

The Company's business during the period and future developments are reviewed in the Chairman's statement and the Investment Manager's report.

Key performance indicators

Results and dividends

For the period ended 28 February 2007

	£000	Pence per share
Revenue return attributable to equity shareholders	222	2.13p*
Capital loss attributable to equity shareholders	(173)	(1.65p)*
Total return attributable to equity shareholders	49	0.47p*
Dividend paid during the period	(84)	(0.75p)**
Total movement in equity shareholders' funds	(35)	(0.27p)*

*These figures are calculated using the weighted average number of shares in issue during the period of 10,444,605.

**This figure is calculated using the total number of shares in issue when the dividend was paid of 11,173,337.

The performance of the Company against VCT regulation targets is reviewed in the Investment Manager's Report.

Issue of ordinary shares

The following allotments of ordinary shares of 25p took place during the period:

5 January 2006	2
10 March 2006	2,338,337
21 March 2006	1,672,709
5 April 2006	6,330,282
9 June 2006	832,007

After issue costs, £10,596,352 was raised from these share issues. The shares of the Company were admitted to the Official List of the London Stock Exchange on 10 March 2006.

Directors' report *(continued)*

Principal risks

The risks described below are those which the Directors consider to be material:

- Failure to meet the investment requirements for compliance with HM Revenue and Customs VCT regulations
The Board mitigates this risk by regularly reviewing investment management activity and by requiring that the Investment Manager obtain pre-approval from HM Revenue and Customs for each investment.
- Inadequate control environment at service providers
The Board mitigates this risk 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.
- Non-compliance with UK Listing Authority Rules, Companies Act Legislation, HM Revenue and Corporate VCT regulations and other applicable regulations
The Board mitigates this risk by employing external advisers fully conversant with applicable statutory and regulatory requirements who report regularly to the Board on the Company's compliance.

Directors and their interests

The Directors who held office during the period and their interests in the Company were as follows:

	28 February 2007
	Ordinary Shares
D Pinckney (Chairman) <i>(appointed 10 January 2006)</i>	5,150
A Moore <i>(appointed 10 January 2006)</i>	5,150
P Thomas <i>(appointed 10 January 2006)</i>	5,150
C Wood <i>(appointed 10 January 2006)</i>	5,150

All the Directors are non-executives and all are independent except Paul Thomas, who is Chairman of the Investment Committee of the Investment Manager.

In accordance with the Company's Articles of Association and the Financial Reporting Council's (FRC) 2003 Combined Code, all the Directors are required to retire from office at the first Annual General Meeting. Therefore all four Directors retire and offer themselves to be elected by the shareholders for the first time. In future years one-third of the Directors must retire by rotation at each Annual General Meeting. Biographical information on the Directors is shown on page 16.

The Directors appointed at incorporation on 5 January 2006 were Instant Companies Limited, Swift Incorporations Limited, Murdoch Currie and Geraint Lloyd. They all resigned as Directors on 10 January 2006.

Investment management, administration and performance fees

Climate Change Capital Limited, a subsidiary of Climate Change Holdings Limited, is the Investment Manager of the Company and provides management and other administrative services. The principal terms of the investment management agreement are set out in note 3 of the accounts.

VCT monitoring status

The Company retains PricewaterhouseCoopers to advise on its compliance with the taxation requirements relating to VCTs.

Directors' report *(continued)*

Financial instruments

The Company's financial instruments comprise investments in unquoted companies, Government securities and cash. Further details are set out in note 16 of the accounts.

Directors' and officers' liability insurance

The Company has, as permitted by S310(3) of the Companies Act 1985, maintained insurance cover on behalf of the Directors indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Creditor payment policy

The Company's payment policy is to agree terms of payment before business is transacted and to settle accounts in accordance with those terms. The Company does not follow any code or standard with regard to creditor payment practice.

There was £47 owing to trade creditors at 28 February 2007. This amount is included within other creditors in note 11 of the accounts.

Annual General Meeting

The Annual General Meeting (AGM) will be held at 49 Grosvenor Street, London, W1K 3HP, at 12.30pm on Monday, 2 July 2007. The Notice of the Annual General Meeting and Form of Proxy are at the end of this document.

Special business of the Annual General Meeting

Four items of Special Business are proposed in the Notice of the Annual General Meeting on pages 31 to 33. The first and second will be proposed as ordinary resolutions, while the third and fourth will be proposed as special resolutions.

The Special Business is described below:

- i) The Directors are seeking general authority, for the purposes of Section 80 of the Companies Act 1985, to allot relevant securities up to an aggregate nominal amount of £931,111 (3,724,446 shares at 25p each), being one-third of the issued ordinary share capital of the Company as at the date of this Report.
- ii) The Directors are seeking general authority to authorise website communication by the Company; if this resolution is approved the Company will not only have the general ability to communicate through its website with shareholders or other people who are nominated by shareholders to receive information from the Company but it will also be able to take advantage of the deemed consent procedure introduced by the Companies Act 2006.

The deemed consent procedure will allow the Company to ask an individual whether he consents to the Company communicating with him through publishing information on its website and, if that individual does not respond within 28 days of the request being sent, he will be deemed to have consented to the Company using its website for the purposes of all communications with him in the future.

Shareholders who consent, or are deemed to have consented, to communications by way of the Company's website will receive notifications alerting them whenever information is posted on the Company's website and these notifications will continue to be sent by post to shareholders who have not also expressly agreed to the receipt of communications by email. Shareholders will also continue to have the right to change to communications by post at any time or to request a hard copy of a particular document which has been published on the Company's website.

Directors' report *(continued)*

- iii) By virtue of section 89 of the Companies Act 1985 ("The Act") any issue by the Company of equity capital for cash made otherwise than to existing shareholders on a proportional basis requires the consent of shareholders of the Company unless the Company has obtained the authority of the shareholders under section 95 of the Act. The resolution numbered 12 is for this purpose. It authorises the Directors to allot shares by way of rights or pursuant to an open offer or otherwise than strictly pro rata when the Directors consider that it is expedient to do so and allows them to issue for cash up to 750,008 shares (representing approximately 5% of the issued share capital of the Company as at the date of this report) other than on a pre-emptive basis.
- iv) The Directors are seeking general authority to repurchase up to 14.99% of the ordinary shares in issue. If approved, this authority will remain in force until the conclusion of the next AGM unless renewed at that AGM in 2008. Repurchases of ordinary shares will be made at the discretion of the Board and will only be made in the market at prices below the prevailing net asset value ("NAV") per share as and when market conditions are appropriate. Any ordinary shares which are repurchased will be cancelled or held in treasury, as determined by the Board. The Directors consider that this authority is in the interests of shareholders as a whole, as the repurchase of ordinary shares at a discount to the underlying NAV enhances the NAV of the remaining ordinary shares. The Directors are aware that the secondary market for the shares of VCT companies can be illiquid and that ordinary shares may trade at a discount to their NAV. The Company has established a special reserve out of which it will fund share buy-backs.

Substantial interests

As at 28 February 2007 and the date of this report, the Company was not aware of any beneficial interest exceeding 3 per cent of the issued ordinary share capital.

Directors' statement as to disclosure of information to auditors

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. All of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Auditors

The Directors, having been notified of the cessation of the partnership known as Baker Tilly, have resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office. A resolution proposing their appointment will be submitted at the AGM.

By order of the board

Capita Company Secretarial Services Ltd
Secretary

30 May 2007

Directors' remuneration report

This report has been prepared by the Directors in accordance with the requirements of Schedule 7A to the Companies Act 1985. A resolution to approve the report will be proposed at the Annual General Meeting to be held on Monday, 2 July 2007.

Remuneration policy

The Board comprises four Directors, all of whom are non-executive. The Board does not have a separate remuneration committee, as the Company has no employees or executive Directors.

The Board considers that Directors' fees should reflect the time commitment required and the high level of responsibility borne by Directors and should be broadly comparable to those paid by similar companies. It is not considered appropriate that Directors' remuneration should be performance-related, and none of the Directors are eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits in respect of their services as non-executive Directors of the Company.

The total remuneration of non-executive Directors has not exceeded the £100,000 per annum limit set in the Articles of Association of the Company.

The Articles of Association provide that Directors shall retire and offer themselves for re-election at the first Annual General Meeting after their appointment and at least every three years thereafter. A Director's appointment will continue unless terminated by the Company by giving three months written notice; it may also be terminated in certain other circumstances.

Directors' fees (audited information)

The following fees were paid to individual Directors in respect of the period ended 28 February 2007:

	£
D Pinckney (Chairman)	9,755
A Moore	7,317
P Thomas	7,317
C Wood	7,317
	<u>31,706</u>

Expected Directors' fees for the financial year ending 28 February 2008 are detailed below (*unaudited*).

	£
D Pinckney (Chairman)	10,000
A Moore	7,500
P Thomas	7,500
C Wood	7,500
	<u>32,500</u>

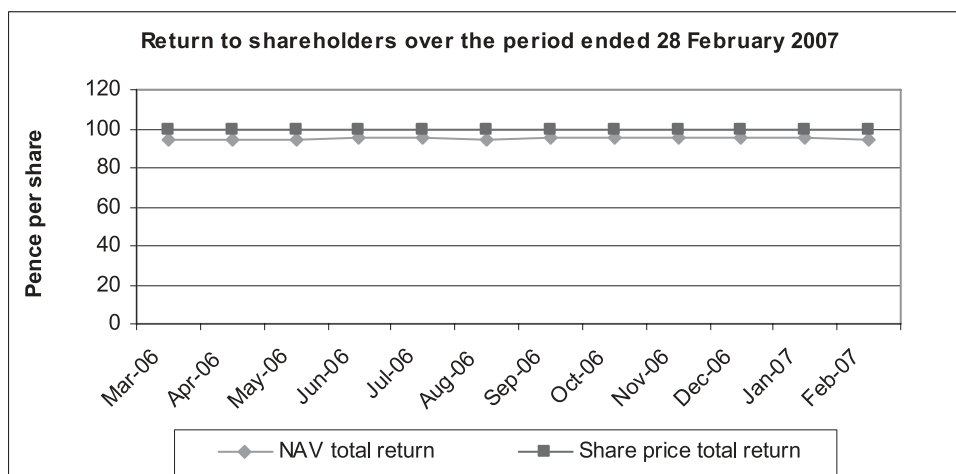
Directors' remuneration report *(continued)*

Company performance

Total shareholder return is represented by the graph below showing NAV per share and price per share over the period.

Due to the positioning of the Company in the market as a specialist VCT investing in companies that will develop, construct and operate small on-shore UK renewable energy projects, the Director's consider that there is no suitable company or index that can be identified for comparison.

The graph shows that since the most recent allotment of shares on 9 June 2006, there have been no significant changes in the Company's NAV per share or price per share and therefore there have been no significant changes in shareholder value.



By order of the Board
Capita IRG Trustees Ltd
 Secretary

30 May 2007

Corporate governance statement

The Board is accountable to shareholders for the governance of the Company's affairs and is committed to maintaining the highest standards of corporate governance. The Board has adopted the 2003 FRC Combined Code ("the Code") in respect of the period ended 28 February 2007. It has considered the principles detailed in the Code and believes that, insofar as they are relevant to the size and structure of the Company's business, the Company has complied or explained non-compliance with the provisions of the Code throughout the period to 28 February 2007, as detailed below.

Board of Directors

Throughout the period ended 28 February 2007 the Board consisted of four Directors, all of whom are non-executive. The Board ensures that it has the appropriate balance of skills, experience and age amongst its Directors. Biographical information on the Directors is shown on page 16.

Independence

In accordance with the Listing Rules, the Board has reviewed the independent status of each Director and of the Board as a whole. Directors withdrew from discussions concerning their individual status.

Each Board member is also a Director of Ventus VCT plc and Ventus 3 VCT plc. These companies have appointed Climate Change Capital Limited as the Investment Manager. The Board believes that each Director has demonstrated that he is independent in character and judgement and independent of the Investment Manager and therefore that Mr Pinckney, Mr Moore and Mr Wood are each considered independent. Mr Thomas is also the Chairman of the Investment Committee of the Investment Manager, so he is not deemed to be independent.

The Board meets at least quarterly and is in regular contact with the Investment Manager between these meetings. The Board held eleven meetings during the period. Five of these meetings related solely to the allotment of shares and one related to the approval of the interim accounts at which not all Directors were required to be present. The number of meetings of the Board and the Audit Committee held during the period and the attendance of the Directors is shown in the table below:

	<i>Board Meeting Attendance</i>	<i>Audit Committee Attendance</i>
D Pinckney (Chairman)	10 (10)	1 (1)
A Moore	9 (9)	–
P Thomas	5 (5)	1 (1)
C Wood	8 (8)	1 (1)

The figure in brackets indicates the total number of meetings at which the Director was expected to attend.

All the Directors are equally responsible under the law for the proper conduct of the Company's affairs. In addition, the Directors are responsible for ensuring that the policies and operations are in the best interests of all the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered.

The Board has agreed a schedule of matters reserved to it, which includes the general investment strategy of the Company and the performance of the Company. The terms and conditions of appointment of non-executive Directors are available upon written application to the Company Secretary.

All Directors have direct access to the Company Secretary and independent advisers at the Company's expense provided prior clearance has been obtained from the Board. The Company Secretary is responsible to the Board for ensuring that Board and Committee procedures are followed and for compliance with applicable rules and regulations. The Company Secretary is also responsible to the Board for ensuring the timely delivery of information and reports and that the statutory obligations of the Company are met.

Corporate governance statement *(continued)*

When Directors have concerns that cannot be resolved about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns is encouraged to provide a written statement to the Chairman, for circulation to the Board.

At each Annual General Meeting of the Company one third of the Directors shall retire from office. The Directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot. Although the Company's Articles of Association do not preclude a Director from continuing in office after having attained the age of 70, the Directors consider that, in accordance with the Code, any Director over the age of 70 wishing to continue in office should be required to submit themselves for re-appointment annually.

Upon joining the Board, new Directors receive a full, formal and tailored induction. As the Company has no major shareholders, it is considered unnecessary to provide shareholders with the opportunity to meet new non-executive Directors at a specific meeting other than the Annual General Meeting.

Due to the size and structure of the Board together with the nature of the Company's business, a formal performance evaluation of the Board, its committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise.

Audit Committee

The Audit Committee comprises David Pinckney (Chairman), Colin Wood and Paul Thomas. The committee meets twice a year to review the interim and annual financial statements before submission to the Board. Regarding the period to 28 February 2007, the committee met once to review the interim financial statements and a second time, after the period-end, to review the annual financial statements. The roles and responsibilities of the Audit Committee are set out in written terms of reference. These are available upon written application to the Company Secretary. The Audit Committee has primary responsibility for making recommendation on the appointment, reappointment and removal of the external auditors.

The Company's external auditors also provided risk management advice and corporation tax services. The Board is satisfied that the fees charged and work undertaken did not affect the auditors' objectivity.

Nomination and Remuneration Committees

To date no Nomination or Remuneration Committees have been established. The establishment of a Nomination Committee is not anticipated as there are no current proposals to appoint any new Directors. Matters relating to remuneration for the non-executive Directors are considered by the Board.

Internal control

The Board acknowledges that it is responsible for the Company's system of internal control. Internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Board has delegated, contractually to third parties, the management of the investment portfolio, the custodial services (which include safeguarding the Company's assets), the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which has been in place for the period under review and up to the date of approval of the accounts. This process is regularly reviewed by the Board. Having considered the need for an internal audit function, the Board has decided that the structure of the Company does not justify it.

Corporate governance statement *(continued)*

The Company engaged Baker Tilly UK Tax and Advisory Services LLP to independently review its risk management process in the period. The review identified a number of improvements that would benefit the process as well as highlighting certain minor risks that were not already under consideration by the Board. The Board will continue to monitor and review the risk management process on a regular basis.

Going concern

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

Relations with shareholders

The Company communicates with shareholders and solicits their views where it is appropriate to do so. All shareholders are welcome at the Annual General Meeting which provides a forum for shareholders to ask questions of the Directors and to discuss with them issues affecting the Company. The Board as a whole approves the Chairman's statements which form part of the Annual and Interim Reports to shareholders in order to ensure that they present a balanced and understandable assessment of the Company's position and future prospects. Notice of the Annual General Meeting accompanies this Annual Report, which is sent to shareholders a minimum of 20 working days before the meeting.

A separate resolution is proposed at the Annual General Meeting (AGM) on each substantially separate issue. The Registrars collate proxy votes, and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the Combined Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the next AGM and proxy form can be found at the end of these financial statements.

Compliance statement

The Directors acknowledge that the Company did not comply with the following provisions of the Combined Code in the period ended 28 February 2007:

Provision

- A.2.1 Due to the structure of the Company, the Directors do not feel it necessary to appoint a Chief Executive Director.
- A.3.3 Due to the size and structure of the Company and the Board, the Directors do not feel it necessary to appoint a senior independent Director.
- A.4.1 No nomination committee has been established as no new appointments are anticipated.
- A.5.1 As the Company has no major shareholders, it is considered unnecessary to provide shareholders with the opportunity to meet new non-executive Directors at a specific meeting other than the Annual General Meeting.
- A.6.1 Due to the size and structure of the Board together with the nature of the Company's business, a formal performance evaluation of the Board, its committees, the individual Directors and the Chairman has not been undertaken.
- A.7.2 The non-executive Directors have not been appointed for specified terms. Subject to re-election, a Director's appointment will continue unless terminated by the Company by giving three months written notice; it may also be terminated in certain other circumstances.
- B.2.1 No remuneration committee has been established as matters relating to remuneration for the non-executive Directors are considered by the Board.
- B.2.2 As there is no remuneration committee, responsibility for setting remuneration of the Chairman has not been delegated.

Corporate governance statement *(continued)*

- C.2.1 The system of internal controls is has not been reviewed annually as required by the Combined Code. A full review was undertaken in Spring 2007 and will be carried out annually going forward.
- C.3.1 Paul Thomas is the only member of the Audit Committee not to be an independent Director as he is also the Chairman of the Investment Committee of the Investment Manager.
- C.3.4 As the only employees of the Company are the Directors, no arrangements have been made for staff to raise concerns about possible improprieties in matters of financial reporting or otherwise.

Directors' information

The Board of the Company comprises four Directors, three of whom are independent of the Investment Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Company. The Board has wide experience of investment in both smaller growing companies and larger quoted companies. In addition, Alan Moore has specific investment experience in the UK wind industry.

David Pinckney, FCA, MA – Chairman (aged 66)

David Pinckney was, until December 2003, the Vice Chairman of AXA Investment Managers SA, the investment management arm of the AXA Group with over US\$500 billion under management. He was a member of the Executive and Audit Committees. From 1987 to 1997, he was Group Finance Director and Joint Managing Director of The Thornton Group (a subsidiary of Dresdner Bank), which specialised in equity investment management, in particular in the Asia/Pacific region. From 1984 to 1986, he was Managing Director of Wrightson Wood Financial Services Limited, a company specialising in international corporate finance and venture capital. From 1963 to 1983, he was with Peat, Marwick Mitchell (now KPMG), where in his last six years he was Senior Audit Partner for France and French-speaking Africa. He was Non-executive Chairman of the AIM-quoted Park Row Group PLC from 2002 to 2003, when the Group was successfully sold. He is a Director of Close Brothers Development VCT PLC, Chairman of Syndicate Asset Management PLC and Chairman of Rutley European Property Limited. He is a Chartered Accountant and an "Expert Comptable" (a French Accountant).

Alan Moore (aged 58)

Alan Moore has more than 35 years experience in the UK electricity industry, beginning his career with the Central Electricity Generating Board. From 1998 to May 2004, he was the Managing Director of National Wind Power (now npower Renewables), one of the largest developers and owners of wind generation assets in the UK. He is on the Board of the British Wind Energy Association, Co-Chairman of the DTI's Renewables Advisory Board, Chairman of Cowrie Limited, a fund which invests in offshore environmental research projects, and he is also a non-executive director of Partnerships for Renewables Limited.

Paul Thomas (aged 49)

Paul Thomas is Managing Director of Pi Capital Limited, the London-based independent private equity firm that invests in transactions of up to £5 million in growing, unquoted UK businesses. He has over 23 years of private equity experience, including 19 years with ECI Partners LLP, the London based mid-market buy-out house, where he was Managing Director until retiring in 2003. During his time with ECI, the firm made over 100 equity investments in transactions ranging in size from £500,000 to £25 million, deploying capital of more than £200 million. Previously, he was with Price Waterhouse for 6 years, latterly in corporate finance. He is a physics graduate and a Chartered Accountant.

Paul Thomas is also Chairman of the Investment Committee of the Investment Manager.

Colin Wood (aged 60)

Colin Wood spent 27 years as a civil servant in the Scottish Office before retiring from a senior position in the Scottish Executive in 2001. From 1993 to 1998, he was Senior Economic Advisor and Head of the Economics and Statistics Unit at the Scottish Office Industry Department, where he was responsible for providing economic advice on a range of issues including energy markets and the environment. He is the Chairman of the Century Building Society in Edinburgh.

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' report and other information included in the Annual Report are prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Services Authority.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of Ventus 2 VCT plc

We have audited the financial statements on pages 20 to 30. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and that part of the Directors' Remuneration Report that is described as having been audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, and whether the financial statements and the part of the Directors' remuneration report that is described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Chairman's statement and Investment Manager's report that is cross referenced from the Business review section of the Directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report, the unaudited part of the Directors' remuneration report, the Chairman's statement, the Investment Manager's report, the Director's information, the Statement of Directors' responsibilities in respect of the financial statements and the Corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

Independent auditors' report *(continued)* **to the members of Ventus 2 VCT plc**

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report that is described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report that is described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 28 February 2007 and of its return for the period then ended;
- the financial statements and the part of the Directors' remuneration report that is described as having been audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

30 May 2007

Income statement

for the period ended 28 February 2007

	Notes	Revenue £000	Capital £000	Total £000
Income	2	453	–	453
		<u>453</u>	<u>–</u>	<u>453</u>
Expenditure				
Management fees	3	71	214	285
Other expenses	4	106	–	106
		<u>177</u>	<u>214</u>	<u>391</u>
Return on ordinary activities before taxation		276	(214)	62
Tax on ordinary activities	6	(54)	41	(13)
		<u>222</u>	<u>(173)</u>	<u>49</u>
Return attributable to equity shareholders				
Basic and diluted return per ordinary share (p)	8	2.13	(1.65)	0.47

All revenue and capital items in the above statement derive from continuing operations.

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

The total column of this statement is the profit and loss account of the Company. The supplementary revenue return and capital return columns have been prepared under guidance published by the Association of Investment Companies.

There were no recognised gains and losses for the period other than those shown above.

The accompanying accounting policies and notes form an integral part of these financial statements.

Balance sheet

as at 28 February 2007

	Notes	£000
Fixed assets		
Investments	9	169
		<u>169</u>
Current assets		
Debtors	10	15
Short term investments in UK treasury bills	9	10,149
Cash at bank		<u>267</u>
		10,431
Creditors: amounts falling due within one year	11	<u>(39)</u>
Net current assets		<u>10,392</u>
Net assets		<u>10,561</u>
Share Capital and Reserves		
Ordinary share capital	12	2,793
Special reserve	14	7,803
Capital reserve – realised	14	(173)
Revenue reserve	14	<u>138</u>
Shareholders' funds		<u>10,561</u>
Net asset value per ordinary share (p)	13	94.5

Approved by the Board and authorised for issue on 30 May 2007

D Pinckney
Director

P Thomas
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Cash flow statement

for the period ended 28 February 2007

	£000
Net cash inflow from operating activities and returns on investments	39
Capital expenditure	
Purchase of venture capital investments	(169)
Equity dividends paid	(84)
Management of liquid resources	
Purchase of treasury bills	(10,115)
Net cash outflow before financing	<u>(10,329)</u>
Financing	
Shares issued	11,173
Issue costs	(577)
Net cash inflow from financing	<u>10,596</u>
Increase in cash	<u>267</u>
Analysis of net funds	
At the beginning of the period	–
Net cash inflow for the period	267
At the end of the period	<u>267</u>
Net cash inflow from operating activities and returns on investments	
Total return before taxation	62
Increase in debtors	(15)
Increase in creditors	26
Net gain on short term investments	(34)
Net cash inflow from operating activities	<u>39</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

Reconciliation of movements in shareholders' funds

for the period ended 28 February 2007

	£000
<i>Equity shareholders' funds at beginning of period</i>	–
Return on ordinary activities after tax	49
Dividends paid in the period	(84)
Net proceeds of share issues	10,596
<i>Equity shareholders' funds at end of period</i>	<u>10,561</u>

Notes to the financial statements

for the period ended 28 February 2007

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of fixed asset investments, and in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial statements of investment trust companies' issued in January 2003 and revised in December 2005.

Income and expenses

Income on current asset investments is stated on an accruals basis. Interest receivable on cash and non-equity investments is accrued to the end of the period. No tax was withheld at source on income.

The Company has adopted the policy of allocating investment management fees associated with venture capital investments 75% to capital reserve (realised) and 25% to the revenue account.

Investments

All investments are designated as 'fair value through profit or loss' assets and are initially measured at cost. Thereafter the investments are measured at subsequent reporting dates at fair value.

Investments in unquoted companies are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines. Under these guidelines, the investments are valued at fair value at the reporting date, except in situations where fair values cannot be measured reliably. In such situations the investments are reported at the carrying value at the reporting date, unless there is evidence that the investment has since been impaired.

When an investee company has gone into receivership or liquidation, the investment, although physically not disposed of, is treated as being realised. It is not the Company's policy to exercise either significant or controlling influence over investee companies. Therefore the results of these investee companies are not consolidated.

The majority of monies held pending investment is invested in financial instruments with same day or two-day access and as such are treated as current investments. These are valued at middle market prices as at 28 February 2007. Under FRS 26 investments should be valued at bid prices. There is no material difference between the valuation at bid prices and the valuation at middle market prices.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. The tax charge for the period is allocated between revenue return and capital return on the "marginal basis" as recommended in the Statement of Recommended Practice.

Dividends payable

Dividends payable are recognised as distributions in the financial statements when the Company's liability to make payment has been established.

Notes to the financial statements *(continued)**for the period ended 28 February 2007***2. Income**

	<i>Period ended 28 February 2007 £000</i>
Income from investments	
Mezzanine loan stock interest income	13
	<u>13</u>
Other income	
UK treasury bill income	376
Bank deposit interest	64
	<u>453</u>

3. Investment management fees

	<i>Period ended 28 February 2007 £000</i>
Investment management fees	<u>285</u>

The Investment Manager is entitled to an annual fee equal to 2.5% of NAV. This fee is exclusive of VAT and is paid quarterly in advance. The fee covers the provision by the Investment Manager of investment management services as well as all accounting and administrative services together with the additional annual trail commission payable to authorised financial intermediaries. Total annual running costs will in aggregate be capped at 3.6% of NAV (excluding the Investment Manager's performance-related incentive fee and any irrecoverable VAT), with any excess being borne by the Investment Manager.

The Investment Manager will receive a performance related incentive fee subject to the Company achieving certain defined targets. No incentive fee will be payable until the Company has provided a cumulative return to investors in the form of growth in Net Asset Value plus payment of dividends ("the Return") of 60p per ordinary 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 agreement may be terminated on 12 months' notice, given at any time after four years from 10 March 2006.

Notes to the financial statements *(continued)**for the period ended 28 February 2007***4. Other expenses**

	<i>Period ended 28 February 2007 £000</i>
Directors' remuneration	32
Auditors' remuneration – for statutory audit services	8
– for taxation services	2
– for non-audit services	2
Legal and professional fees	7
Other expenses	55
	<u>106</u>

Taxation services provided by the Company's auditors related to the provision of corporation tax advice.

Non-audit services provided by the Company's auditors related to their review of the interim statements.

5. Directors' remuneration

	<i>Period ended 28 February 2007 £000</i>
D Pinckney	10
A Moore	7
P Thomas	7
C Wood	8
	<u>32</u>

Further details regarding Directors' remuneration are disclosed in the Directors' remuneration report on page 10.

6. Tax on ordinary activities

	<i>Period ended 28 February 2007 £000</i>
(a) Tax charge for period	
UK corporation tax	
Charged to revenue reserve	54
Credited to capital reserve	(41)
	<u>13</u>
Charge for the period	<u>13</u>
(b) Factors affecting the tax charge for the period	
Revenue return on ordinary activities before taxation	276
	<u>276</u>
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 19%	52
Effects of capital expenses	(41)
Disallowable expenses	2
	<u>13</u>

Notes to the financial statements *(continued)*

for the period ended 28 February 2007

7. Dividends

	<i>Period ended 28 February 2007 £000</i>
Interim dividend paid – 0.75p per ordinary shares	<u>84</u>

The Directors recommend a final revenue dividend of 0.75p per share to be paid on 6 August 2007 to all shareholders on the register as at the close of business on 13 July 2007.

8. Return per ordinary share

The total return per ordinary share is based on the net revenue after taxation of £49,482 and the weighted average number of shares in issue during the period of 10,444,605.

The basic revenue return per ordinary share is based on the net revenue from ordinary activities after taxation of £222,200 and the weighted average number of shares in issue during the period of 10,444,605.

The net capital loss per ordinary share is based on the net loss from ordinary activities after taxation of £172,718 and the weighted average number of shares in issue during the period of 10,444,605.

The weighted average number of shares in issue is calculated over the period from 10 March 2006, when the shares were listed on the London Stock Exchange, to 28 February 2007.

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

9. Investments

	Venture capital investments			Current assets
	<i>Ordinary shares</i> £000	<i>Mezzanine loan stock</i> £000	Total £000	<i>T-Bills</i> £000
Additions	–	169	169	10,115
Revaluations	<u>–</u>	<u>–</u>	<u>–</u>	<u>34</u>
As at 28 February 2007	<u>–</u>	<u>169</u>	<u>169</u>	<u>10,149</u>

Venture capital investments		£000
Craig Wind Farm Limited	Ordinary shares	<u>–</u>
		<u>–</u>
Craig Wind Farm Limited	Mezzanine loan stock	<u>169</u>
		<u>169</u>

The investment in Craig Wind Farm Limited represents an ordinary shareholding of 4%. This investment in 13 ordinary shares is held at cost which was £13 as at 28 February 2007. After the period end a further investment was made which increased the Company's shareholding to 6%.

Notes to the financial statements *(continued)**for the period ended 28 February 2007***10. Debtors**

	2007 £000
Accrued interest income	13
Prepayments	2
	<u>15</u>

Included in accrued interest income is mezzanine loan stock interest totalling £12,757 which is due after more than one year.

11. Creditors: amounts falling due within one year

	2007 £000
Corporation tax	13
Other creditors	6
Accruals and deferred income	20
	<u>39</u>

12. Share capital

	2007 £000
Authorised	
29,800,000 ordinary shares of 25p each	7,450
50,000 redeemable preference shares of £1.00 each	50
	<u>7,500</u>
Allotted, called up and fully paid	£000
11,173,337 ordinary shares of 25p each	2,793
	<u>2,793</u>

The following allotments of ordinary shares of 25p took place during the period:

5 January 2006	2
10 March 2006	2,338,337
21 March 2006	1,672,709
5 April 2006	6,330,282
9 June 2006	832,007

After issue costs, £10,596,352 was raised from these share issues. The shares of the Company were admitted to the Official List of the London Stock Exchange on 10 March 2006.

The 50,000 redeemable preference shares of £1 each were issued on 10 January 2006 and were redeemed at par on 31 March 2006.

13. Net asset value per share

The calculation of net asset value per share as at 28 February 2007 is based on net assets of £10,562,034 divided by the 11,173,337 ordinary shares in issue at that date.

Notes to the financial statements *(continued)*

for the period ended 28 February 2007

14. Reserves

	<i>Share Premium</i>	<i>Special Reserve</i>	<i>Capital Reserve (realised)</i>	<i>Revenue Reserve</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Premium on issue of shares	8,380	–	–	–
Share issue expenses	(577)	–	–	–
Transfer to special reserve	(7,803)	7,803	–	–
Return on ordinary activities after tax	–	–	(173)	222
Dividends paid in the year	–	–	–	(84)
As at 28 February 2007	<u>–</u>	<u>7,803</u>	<u>(173)</u>	<u>138</u>

In line with the special resolution passed on 10 January 2006 at an EGM of the Company, the share premium account has been cancelled with effect from 23 August 2006, the date of registration of the court-approved order. The cancellation of the share premium account has provided the Company with a special reserve out of which it can fund buy-backs of ordinary shares as and when it is considered by the Board to be in the interests of the shareholders.

The realised capital reserve, revenue reserve and special reserve are distributable reserves.

15. Post balance sheet events

After the period end, the Company has invested a further £179,809 in Craig Wind Farm Limited and £30,000 in Achairn Energy Limited. For further details, see the Investment Manager's report.

16. Financial instruments

The Company's financial instruments comprise investments in unquoted companies, government securities and cash. All are designated as 'fair value through profit or loss'. The main purpose of these financial instruments is to generate revenue and capital appreciation for the Company's operations.

The Company has not entered into any derivative transactions and has no financial asset or liability for which hedge accounting has been used.

The main risks arising from the Company's financial instruments are interest rate and investment risk. The Board reviews and agrees policies for managing each of these risks, and they are summarised below. These policies have remained unchanged since the beginning of the financial period.

Interest rate risk profile of financial assets and financial liabilities

Financial assets

Fixed asset investments are carried in the accounts at fair value.

	<i>£000</i>	<i>Interest rate</i>	<i>Weighted average interest rate</i>	<i>Weighted average period to maturity</i>
Ordinary shares	–	–	–	–
Mezzanine loan stock	169	12.50%	12.50%	15.4 years
UK treasury bills	10,149	5.20%	5.20%	101 days

- The interest rate described for the UK treasury bills is the predetermined yield.
- The mezzanine loan stock bears interest at a fixed rate of 12.5% per annum.
- Ordinary share capital investments have no interest rate attached to them.

Notes to the financial statements *(continued)*

for the period ended 28 February 2007

16. Financial instruments *(continued)*

Financial liabilities

The Company has no guarantees or financial liabilities other than short term creditors.

Currency exposure

All financial assets are held in sterling, hence there is no foreign currency exchange rate exposure.

Borrowing facilities

The Company has no committed borrowing facilities as at 28 February 2007.

Investment risk

As a VCT, it is the Company's specific business to evaluate and control the investment risk in its portfolio of unquoted companies, the details of which are discussed in the Investment Manager's report.

Liquidity risk

Due to the nature of the Company's qualifying investments, it is not possible to liquidate easily investments in ordinary shares, preference shares and mezzanine loan stock. The Company's investments in UK treasury bills can be liquidated at two days' notice.

17. Contingencies, guarantees and financial commitments

On 31 July 2006, the Company registered a charge over its shares in Craig Wind Farm Limited to Alliance and Leicester Commercial Bank plc as security for a senior loan facility of £7.6 million raised by Craig Wind Farm Limited to finance the construction costs of the wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Craig Wind Farm Limited.

18. Related party transactions

The Company retains as its Investment Manager Climate Change Capital Limited, a subsidiary of Climate Change Holdings Limited. Details of the agreement with the Investment Manager are set out in note 3 of the accounts. During the period, £284,309 was paid to the Investment Manager, inclusive of irrecoverable VAT. At the period end, a balance of £nil was due from the Investment Manager.

19. Controlling party

In the opinion of the Directors there is no immediate or ultimate controlling party.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Ventus 2 VCT plc will be held at 12.30pm on Monday, 2 July 2007 at 49 Grosvenor Street, London W1K 3HP for the purpose of transacting the following business:

Ordinary Business

1. To receive and consider the audited Financial Statements and the Report of the Directors for the period ended 28 February 2007.
2. To declare a final dividend of 0.75 pence per share in respect of the period ended 28 February 2007.
3. To approve the Directors' remuneration report for the period ended 28 February 2007.
4. To re-elect Mr Alan Moore, a Director who retires from the Board in accordance with the Company's Articles of Association.
5. To re-elect Mr David Pinckney, a Director who retires from the Board in accordance with the Company's Articles of Association.
6. To re-elect Mr Paul Thomas, a Director who retires from the Board in accordance with the Company's Articles of Association.
7. To re-elect Mr Colin Wood, a Director who retires from the Board in accordance with the Company's Articles of Association.
8. To appoint Baker Tilly UK Audit LLP as auditors of the Company until the conclusion of the next general meeting at which accounts are laid before the Company
9. To authorise the Directors to determine the auditors' remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions, as to which resolutions 10 and 11 shall be proposed as ordinary resolutions and resolutions 12 and 13 shall be proposed as special resolutions:

10. THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80(1) of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to an aggregate nominal amount of £931,111 provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the Directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the Directors to allot relevant securities be and are hereby revoked.
11. THAT subject to and in accordance with the Companies Act 2006, as in force or as amended and re-enacted from time to time:

Notice of Annual General Meeting *(continued)*

- (i) the Company may send or supply documents or information to members, or persons nominated by members, by making them available on a website; and
- (ii) a person in relation to whom the following conditions are met is taken to have agreed that the Company may send or supply documents or information to him in that manner if:
 - (a) the person has been asked individually by the Company to agree that the Company may send or supply documents or information generally, or the documents or information in question, to him by means of a website, and
 - (b) the Company has not received a response within the period of 28 days beginning with the date on which the Company's request was sent.

12. THAT the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined by Section 94(2) of the Act) for cash, pursuant to the authority conferred by resolution 10 above as if Section 89(1) of that Act did not apply to any such allotment, provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date(s) as the Directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date(s), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
- (ii) the allotment (otherwise than pursuant to sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £139,667

The authority contained in this resolution shall expire on the conclusion of the next Annual General Meeting of the company or, if earlier, on the expiry of fifteen months from the passing of this resolution, save that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the powers and authorities hereby conferred had not expired.

13. THAT the Company be generally and subject as hereinafter appears unconditionally authorised in accordance with Section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of its issued ordinary shares of 1p each in the capital of the Company ("ordinary shares"), provided always that:

- (i) the maximum number of ordinary shares hereby authorised to be purchased shall be 1,674,883 or, if less, that number of ordinary shares which is equal to 14.99% of the Company's issued share capital as at the date of the passing of this Resolution;
- (ii) the minimum price which may be paid for an ordinary share shall be 1p;
- (iii) the maximum price which may be paid for an Ordinary Share shall be an amount equal to the highest of (a) 105% of the average of the middle market quotations for an ordinary share taken from and calculated by reference to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; or (b) the price of the last independent trade; or (c) the highest current independent bid;
- (iv) any purchase of ordinary shares will be made in the market for cash at prices below the prevailing net asset value per ordinary share (as determined by the Directors);
- (v) the authority hereby conferred shall expire on the conclusion of the next Annual General Meeting of the Company or, if earlier, on the expiry of fifteen months from the passing of this

Notice of Annual General Meeting *(continued)*

resolution unless the authority is renewed at the Company's Annual General Meeting in 2008 or at any other general meeting prior to such time; and

- (vi) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of ordinary shares pursuant to any such contract notwithstanding such expiry.

By Order of the Board
Capita Company Secretarial Services Limited
Company Secretary

30 May 2007

Registered Office:
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

NOTES

- (1) A member entitled to attend and vote at the Annual General Meeting ("AGM") may appoint a proxy (who need not be a member of the Company) to attend and, on a poll, to vote on his or her behalf. In order to be valid an appointment of proxy must be delivered in hard copy form by post, by courier or by hand to Capita Registrars, Proxy Processing Centre, Telford Road, Bicester, OX26 4LD and must be received by the Company not less than 48 hours before the time of the meeting.
- (2) The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the Register of Members of the Company as at 6pm on 29 June 2007 shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their names at that time. Changes in the entries in the relevant register of securities after 6pm on 29 June 2007 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (3) A Form of Proxy is enclosed for use by shareholders. The appointment of a proxy does not preclude a shareholder from attending the AGM and voting in person.
- (4) Copies of the register of interests of the Directors in the share capital of the Company are available for inspection at the registered office of the Company during usual business hours (Saturday, Sundays and public holidays excepted) and will be available at the place of the AGM from 15 minutes prior to and during the AGM.
- (5) There are no service contracts between Directors and the Company.

Form of Proxy

I/We, (full name*)
of (address*)
being a member/members of the above-named Company, hereby appoint the Chairman of the Meeting
† as my/our proxy to vote in my/our name(s) and on my/our behalf
at the Annual General Meeting of the Company, to be held on 2 July 2007 at 12.30pm.

My/our proxy is to vote on the resolutions to be proposed at the Annual General Meeting as follows:

	RESOLUTIONS	FOR†	AGAINST‡	VOTE WITHHELD‡
	ORDINARY BUSINESS			
1.	To receive the accounts for the period ended 28 February 2007 together with the reports of the Directors and auditors thereon.			
2.	To declare a final dividend of 0.75 pence per share in respect of the period ended 28 February 2007.			
3.	To approve the Directors' remuneration report for the period ended 28 February 2007.			
4.	To re-elect Mr Alan Moore as a Director.			
5.	To re-elect Mr David Pinckney as a Director.			
6.	To re-elect Mr Paul Thomas as a Director.			
7.	To re-elect Mr Colin Wood as a Director.			
8.	To appoint Baker Tilly UK Audit LLP as auditors to the Company.			
9.	To authorise the Directors to determine the auditor's remuneration.			
	SPECIAL BUSINESS			
10.	To authorise the Directors to allot shares pursuant to Section 80(1) of the Companies Act 1985.			
11.	To approve electronic communications to shareholders.			
12.	To disapply statutory pre-emption rights pursuant to Section 95 of the Companies Act 1985.			
13.	To authorise the Company to make market purchases of its ordinary shares.			

The proxy may vote as he/she thinks fit (or abstain) on any resolutions where no specific direction is given or any other business which may properly come before this meeting.

Signature Date 2007

NOTE: To be valid this Form of Proxy must be deposited at the Company's Registrar not less than 48 hours before the time for holding the meeting.

* Please complete in block capitals with your full name and address.

† If you wish to appoint someone other than the Chairman of the Meeting, please cross out these words and insert the full name(s) of the person(s) you wish to appoint. A proxy need not be a member of the Company.

‡ Please indicate, by inserting a cross in the appropriate box, how you wish your votes to be cast on each Resolution. If you sign this Form of Proxy and return it without any specific directions, your proxy will vote or abstain at his discretion. This Form of Proxy will only be used in the event of a poll being directed or demanded.

Notes:

- 1 This Form of Proxy must be deposited at Capita Registrars, Proxy Processing Centre, Telford Road, Bicester, OX26 4LD, NOT LATER than 12 pm on 29 June 2007, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof. The completion and return of this Form of Proxy will not, however, preclude (a) holder(s) of ordinary shares from attending and voting at the meeting if they so wish.
- 2 Any alterations to this Form of Proxy should be initialled.
- 3 In the case of joint holders, the signature of one holder will be accepted, but the names of all joint holders should be given.
- 4 In the case of a corporation, this Form of Proxy should be either given under its common seal or signed on its behalf by an officer or attorney duly authorised.



Business Reply
Licence Number
RRHB-RSXJ-GKCY



Proxy Processing Centre
Telford Road
BICESTER
OX26 4LD



Investment Manager

Climate Change Capital Limited
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