

Ventus VCT plc

Interim Update

31 August 2016

Key Information

	Ordinary Shares	C Shares	D Shares
Net asset value as at 29 February 2016 (ex-dividend) *	£17.8m	£13.3m	£2.5m
Net asset value per share as at 29 February 2016 (ex-dividend) *	109.1p	117.5p	126.4p
Mid-market share price as at market close on 26 August 2016	102.0p	103.0p	106.0p
Cumulative dividends per share paid to date	53.8p	24.5p	4.0p
Total Return per share (NAV plus cumulative dividends paid)	162.9p	142.0p	130.4p
Target dividend per share for year ending 28 February 2017:			
Tax-free dividend **	8.0p	8.0p	5.0p
Equivalent pre-tax dividend to Higher Rate taxpayer ***	11.9p	11.9p	7.4p
Equivalent pre-tax dividend to Additional Rate taxpayer ***	12.9p	12.9p	8.1p
Target dividend yield for year ending 28 February 2017 based on mid-market share price as at market close on 26 August 2016:			
After tax	7.8%	7.8%	4.7%
Equivalent pre-tax dividend to Higher Rate taxpayer	11.6%	11.5%	7.0%
Equivalent pre-tax dividend to Additional Rate taxpayer	12.7%	12.5%	7.6%

Investment Objective

Ventus VCT plc (the “Company”) aims to provide stable tax-free dividends to shareholders through the ownership of renewable energy generating assets such as wind farms and hydroelectricity projects. Due to changes in legislation, the Company is not able to make further investments in companies which undertake energy generating activities. However, the Company has a fully invested portfolio of operational assets which are generating revenues. The Company’s strategy is to optimise the yield from its assets and pay a sustainable dividend to shareholders.

* Net asset value as at 29 February 2016 reduced by the amount of the dividend paid on 10 August 2016 to shareholders on the register at the close of business on 15 July 2016.

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

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

Highlights

- > The Company’s ordinary share fund paid a special dividend of 12p per ordinary share on 10 August 2016. This dividend was able to be made following the Company’s receipt of £2.5 million of deferred consideration resulting from the sale of Craig Wind Farm Limited. Dividends of 4.5p per C share and 2p per D share were also made on 10 August. The annual dividends declared and the dividend targets for the next five years are set out for each share fund in this report.
- > All wind assets and the hydro scheme at Derrydarroch have performed in line with expectations during the year to date; availability of the turbines has been good but, generally, wind speed and rainfall have been slightly below average.
- > The hydro scheme operated by Upper Falloch Power Limited, which has been operating since December 2015, experienced shortfalls in electricity export initially. This was due to a sizing issue with the water intake chamber. During the drier summer months the intake has been reengineered which should increase the water capture. However, this has yet to be fully tested in wetter conditions so the success of the works is yet to be validated.

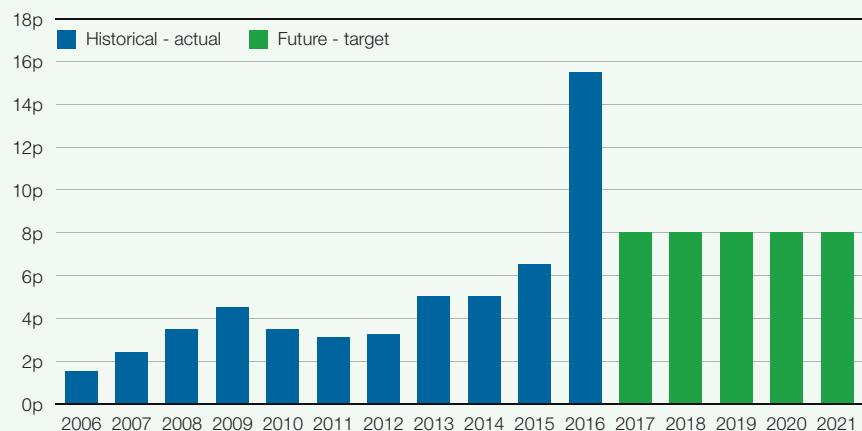
Ordinary Shares:

Dividends, Net Asset Value and Portfolio Sensitivities

Annual Dividends Declared per Ordinary Share

(year ended 28/29 February)

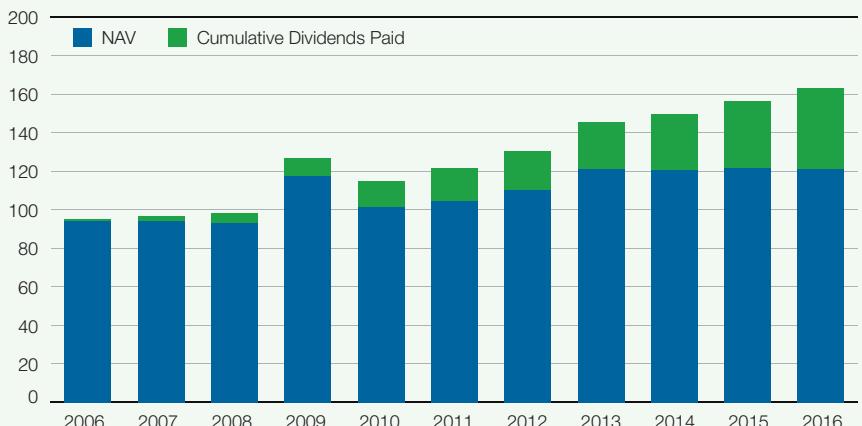
The chart shows historical dividend of the ordinary shares, as well as target dividends for the next five years. Dividend targets are intentions only. Cash flow models are based on assumptions that are subject to change. No forecasts are intended or should be inferred.



Total Return per Ordinary Share

(year ended 28/29 February)

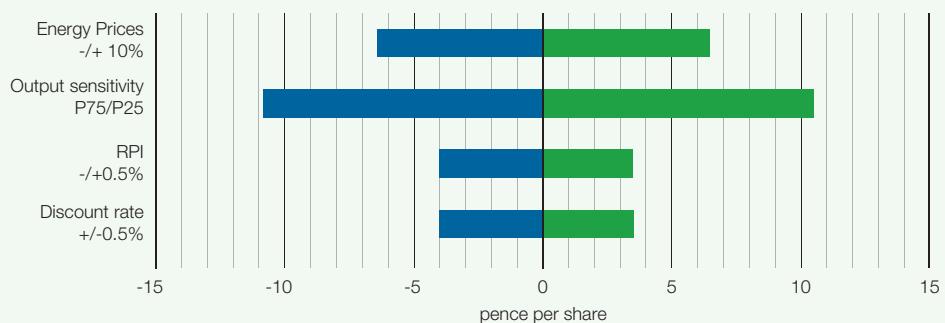
The valuation of investments in the portfolio is based on a discounted cash flow analysis of project revenues, based on a number of key assumptions such as energy yield and electricity prices. The chart shows the total return per ordinary share (NAV plus cumulative dividends paid) on a historical basis.



Sensitivity of NAV per Ordinary Share to changes in Key Input Assumptions

(as at 29 February 2016)

The chart illustrates the sensitivity of the ordinary share NAV as at 29 February 2016 to certain key input assumptions for the remaining assumed operating lifetime of the underlying assets: energy prices, generating output, inflation (RPI) and the discount rate applied to the cash flows in the discounted cash flow analysis.

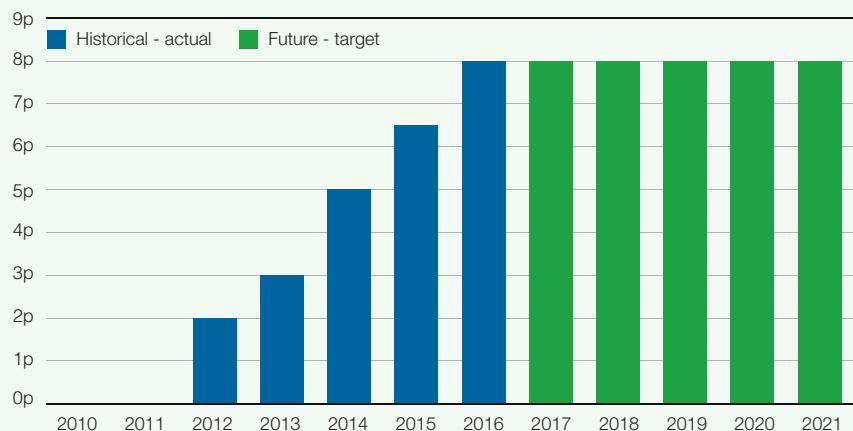


C Shares:

Dividends, Net Asset Value and Portfolio Sensitivities

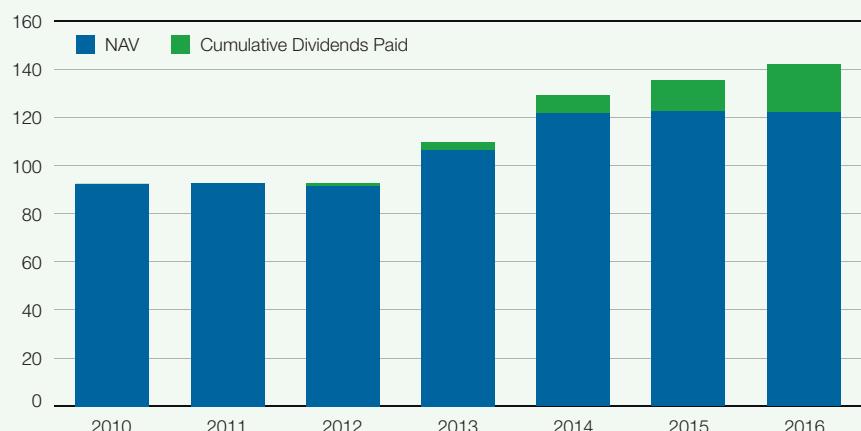
Annual Dividends Declared per C Share (year ended 28/29 February)

The chart shows historical dividend of the C shares, as well as target dividends for the next five years. Dividend targets are intentions only. Cash flow models are based on assumptions that are subject to change. No forecasts are intended or should be inferred.



Total Return per C Share (year ended 28/29 February)

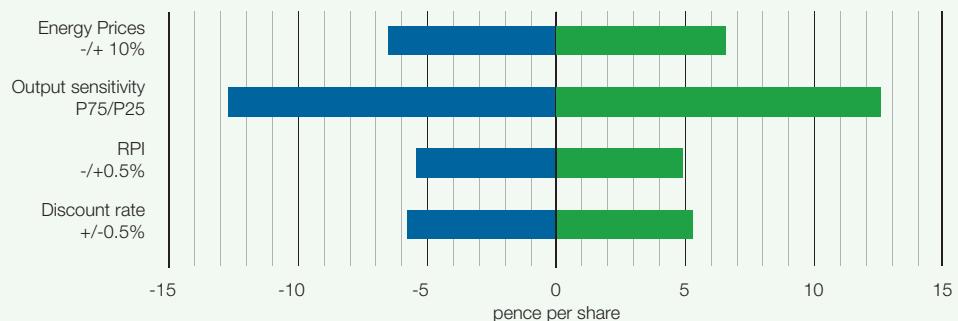
The valuation of investments in the portfolio is based on a discounted cash flow analysis of project revenues, based on a number of key assumptions such as energy yield and electricity prices. The chart shows the total return per C share (NAV plus cumulative dividends paid) on a historical basis.



Sensitivity of NAV per C Share to changes in Key Input Assumptions

(as at 29 February 2016)

The chart illustrates the sensitivity of the C share NAV as at 29 February 2016 to certain key input assumptions for the remaining assumed operating lifetime of the underlying assets: energy prices, generating output, inflation (RPI) and the discount rate applied to the cash flows in the discounted cash flow analysis.

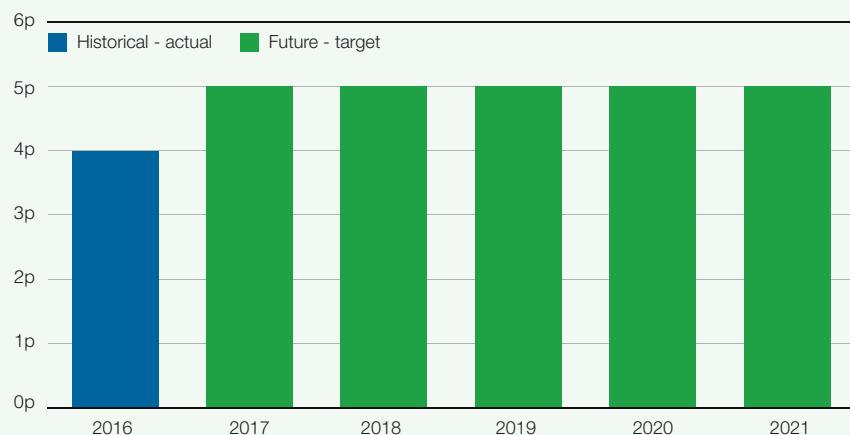


D Shares:

Dividends, Net Asset Value and Portfolio Sensitivities

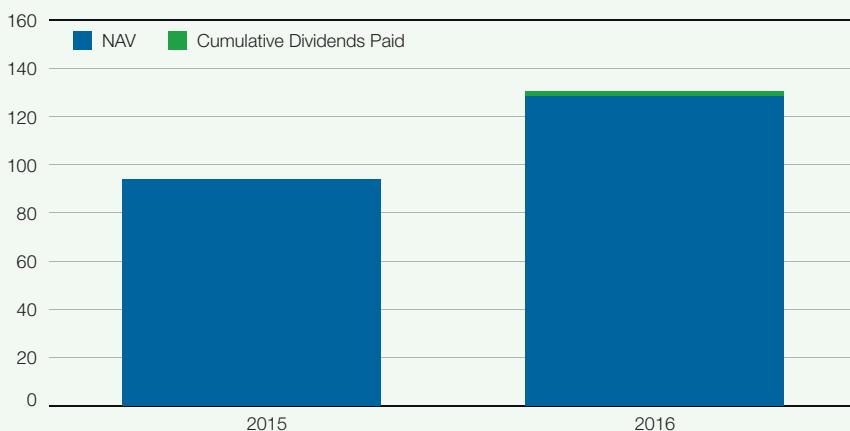
Annual Dividends Declared per D Share (year ended 28/29 February)

The chart shows historical dividend of the D shares, as well as target dividends for the next five years. Dividend targets are intentions only. Cash flow models are based on assumptions that are subject to change. No forecasts are intended or should be inferred.



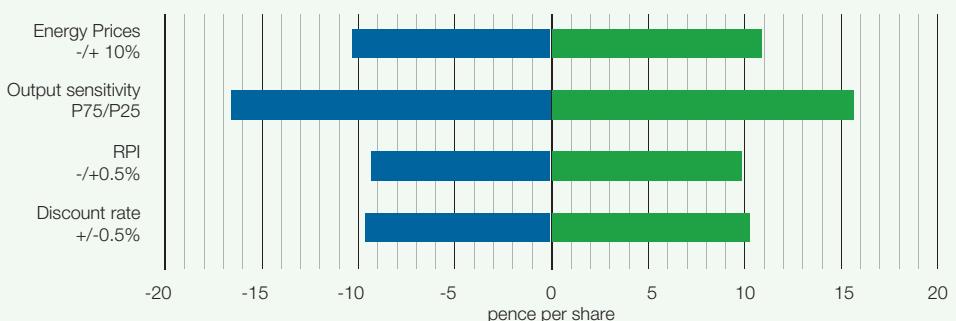
Total Return per D Share (year ended 28/29 February)

The valuation of investments in the portfolio is based on a discounted cash flow analysis of project revenues, based on a number of key assumptions such as energy yield and electricity prices. The chart shows the total return per D share (NAV plus cumulative dividends paid) on a historical basis.

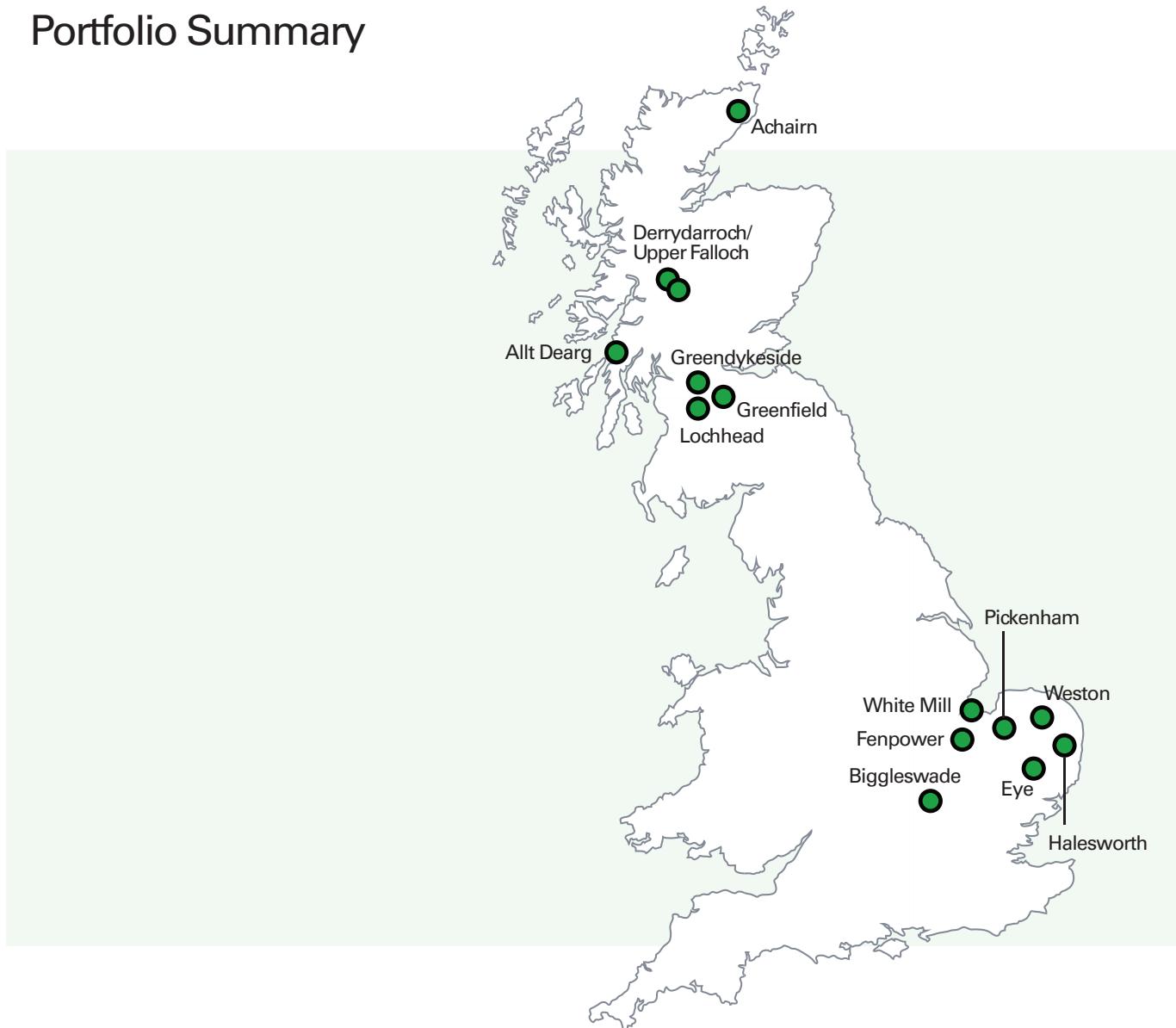


Sensitivity of NAV per D Share to changes in Key Input Assumptions (as at 29 February 2016)

The chart illustrates the sensitivity of the D share NAV as at 29 February 2016 to certain key input assumptions for the remaining assumed operating lifetime of the underlying assets: energy prices, generating output, inflation (RPI) and the discount rate applied to the cash flows in the discounted cash flow analysis.



Portfolio Summary

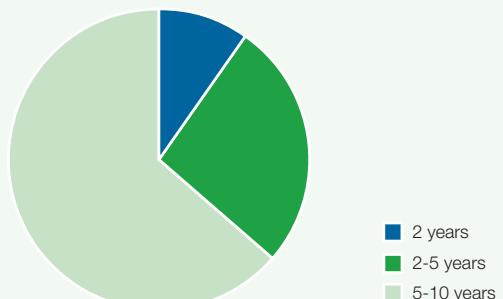


	Capacity Megawatts	Operational Since	Investment held by		
			Ord Share Fund	C Share Fund	D Share Fund
Operational Small Hydro					
Fenpower Limited	10.00	May 2007	•		
A7 Greendykeside Limited	4.00	Nov 2007	•		
Achairn Energy Limited	6.00	May 2009	•		
A7 Lochhead Limited	6.00	Jun 2009	•		
Greenfield Wind Farm Limited	12.30	Mar 2011	•	•	
Biggleswade Wind Farm Limited	20.00	Dec 2013	•	•	
Eye Wind Power Limited	6.80	Apr 2014	•		
BMGE Pickenham Ltd/North Pickenham Energy Ltd	4.00	Apr 2014	•	•	
BMGE Weston Ltd/Weston Airfield Investments Ltd	4.00	Apr 2014	•	•	
AD Wind Farmers Ltd (Allt Dearg Windfarmers LLP)	10.20	Dec 2012		•	
White Mill Windfarm Limited	14.40	Aug 2012		•	
BMGE Halesworth Limited	10.25	Aug 2015	•	•	•
Operational Hydro					
Darroch Power Limited (Derrydarroch)	1.90	Dec 2015	•	•	•
Upper Falloch Power Limited	0.90	Dec 2015	•	•	•

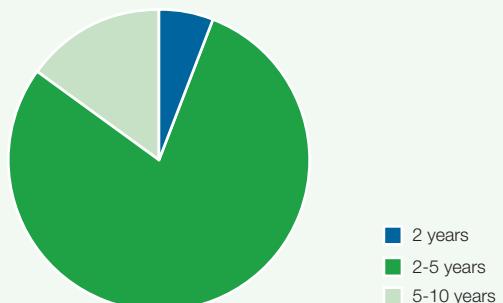
Portfolio Asset Age

The charts below illustrate the age of the renewable energy assets of the companies owned by each share fund by value as at 29 February 2016:

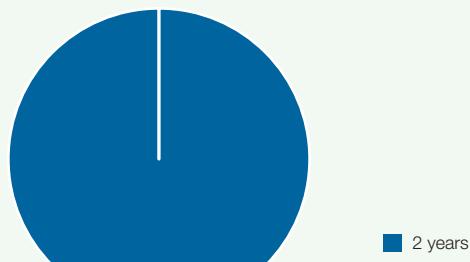
Ordinary Share Portfolio



C Share Portfolio



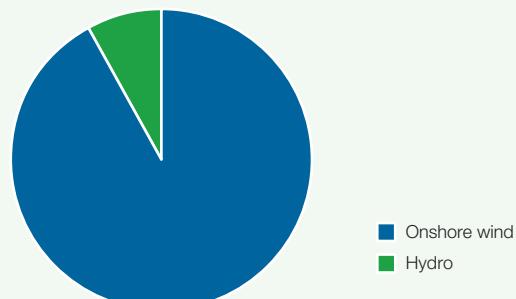
D Share Portfolio



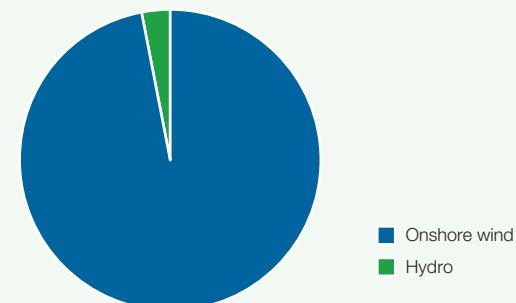
Portfolio Technology Type

The charts below illustrate the technology type of the renewable energy assets of the companies owned by each share fund by value as at 29 February 2016:

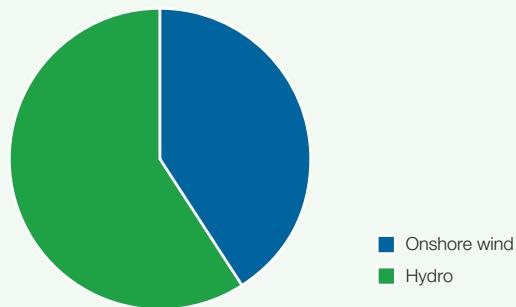
Ordinary Share Portfolio



C Share Portfolio



D Share Portfolio



Operational Portfolio

The Company has investments in companies operating 12 wind farms with installed capacity of 107.95 megawatts and two hydroelectricity schemes with installed capacity of 2.8 megawatts. The map shows the location of the projects owned by the investee companies of the Company.

Valuation

The investee companies held by the Company are valued using a discounted cash flow methodology assuming the investee companies are unleveraged. The discount rates used to value the unleveraged cash flows of the investee companies range from 7.5% to 9%, with discount rates applied to the cash flows of operating wind farms generally being in the range of 8.25% to 9%.

The key assumptions that have a significant impact on discounted cash flow valuations for these assets are the discount rate, the price at which the power and associated benefits can be sold, the amount of electricity the investee companies' generating assets are expected to produce and operating costs. The investments have been valued assuming an operating life of 20 years from the date of first operation for wind assets and an operating life of 25 years from the valuation date for hydroelectricity assets.

Revenues

The price at which the output from the generating assets is sold is a factor of both wholesale electricity prices and Government subsidies. The investee companies' wind assets are accredited for Renewable Obligation Certificates and the hydroelectricity assets are accredited for the Feed-in Tariff. These accreditations provide the investee companies with Government-backed, inflation-linked revenues for a period of 20 years from the date of first operation. These inflation-linked revenues protect the value of the investment as is demonstrated by the sensitivity analyses provided above. The electricity 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. Half of the operational investee companies owned by the ordinary share fund had a fixed price electricity contract in place as at the 29 February 2016. The average remaining tenor of these fixed price power purchase agreements ("PPAs") was 6.4 years. Of the operational investee companies owned by the "C" share fund 56% had a fixed price electricity contract in place as at 29 February 2016. The average remaining tenor of these PPAs was 6.7 years. The PPAs of the operational investee companies owned by the "D" share fund were all variable electricity price contracts. The hydroelectricity assets can opt into a floor price each year under the Feed-in Tariff arrangements, which gives these assets an attractive floor on the price of electricity sales.

Electricity Output

Specifically commissioned external consultant reports are used to estimate the expected generating output of each investee company's generating assets taking into account their type and

location. The sensitivity analyses set out above describe 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). Exceedance probability is a commonly used measure of how likely a site is to meet a given level of performance. P50 is the generation target at which a project has a 50% likelihood of producing in excess of that figure. A P75 assessment, therefore, would represent a lower generating output, indicating that the site has a 75% chance of meeting that output figure. Conversely, P25 would represent a higher generating output, implying a 25% chance of meeting that output figure.

Debt Financing

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 as at 29 February 2016 is set out below for each share fund's portfolio:

	Ordinary Share	"C" Share	"D" Share
Percentage Loan-to-Value	48%	54%	61%
Average remaining tenor (years)	11.5	13.2	15.3

As the debt finance is repaid by the investee companies over the term of the loans, assuming all other things remain equal, the amount of free cash available for distribution to the investee companies' shareholders should increase.

Maturity of the Renewable Energy Assets

Assets which have been operating for a number of years and have had time to demonstrate the wind or hydro resource available to them are valued more highly than less mature assets. The valuations of the less mature assets take into account the higher level of uncertainty in respect of the long term yield associated with assets which have only operated for a short period of time because the typical wind or water resource available to them has not been established to the same degree of certainty as more mature assets.

Assumptions about the length of the operating lives of the renewable energy assets have been made in determining the value of the investee companies, as discussed above. However there is as yet no end-of-life experience with large modern wind turbines and hence considerable debate within the industry as to how long these assets may run in practice. The hydro assets are considered to be longer-life assets as is reflected in the operating life assumption of 25 years from date of valuation. The operating life assumptions used in valuing assets will be regularly reviewed in order that they may be kept in line with industry convention.

Half-yearly Financial Report

The Half-yearly Financial Report for the six month period ending 31 August 2016 will be issued at the end of October 2016.

Further information

Further information, including past reports, is available from:
www.ventusvct.com

For shareholder queries, please contact:
[Capita Registrars Shareholder Helpline on 0371 664 0324.](#)

For IFA queries, please contact:
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