

# Ventus 2 VCT plc

## Half-yearly Financial Report

for the six month period ended 31 August 2015



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

I am pleased to present the financial report of Ventus 2 VCT plc (the "Company") for the six month period ended 31 August 2015.

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

During the period, construction was completed of the wind farm owned by Bernard Matthews Green Energy Halesworth Limited, a company in which all three share funds of the Company hold an equity investment. The wind farm operates five Senvion MM82 turbines and has a generating capacity of 10.25 megawatts.

The hydroelectric schemes on the Glenfalloch Estate owned by Darroch Power Limited and Upper Falloch Power Limited are in the late stages of construction. It is expected they will be operational by the end of the year. All three share funds hold equity investments in these companies and have provided mezzanine loans.

**Investment policy**

To achieve its objectives, the Company's strategy has been to focus on investing in companies developing or operating renewable energy projects with installed capacities of 2 to 20 megawatts. The opportunity for VCTs to make further investments in renewable energy projects is limited given new investments in companies benefiting from Renewable Obligation Certificates or Feed-in Tariffs will be excluded from the VCT scheme. The Company is focused on optimising the value of the investments it holds.

In accordance with the strategic objectives set by the Board, the Investment Manager has continued to focus the Company's activities on wind and hydroelectric investments generating stable long-term income with the objective of providing predictable dividends to shareholders. In order to improve stability of cash returns from investee companies and enhance the predictability of dividends to shareholders of the Company, more recent investments are, on average, structured with lighter leverage than earlier investments. Further information can be found in the Investment Manager's Report below.

The Investment Manager's Report provides a detailed analysis of the portfolio held by each of the ordinary, "C" and "D" share funds including a schedule which sets out the stage

of investment and the renewable energy technology type of the assets held by each investee company.

**Dividend policy**

As disclosed in the annual report and financial statements for the year ended 28 February 2015, the Directors anticipate a realistic target range in the medium term beyond 28 February 2015 of 4p to 6p per ordinary share per annum and 6p to 8p per "C" share per annum. The Company intends to pay a minimum of 5p per "D" share per annum starting in the year

ending 29 February 2016 with a target dividend 6p to 8p per "D" share from the year ending 28 February 2019 onwards. It should be stressed that these are intentions only, and no forecasts are intended or should be inferred.

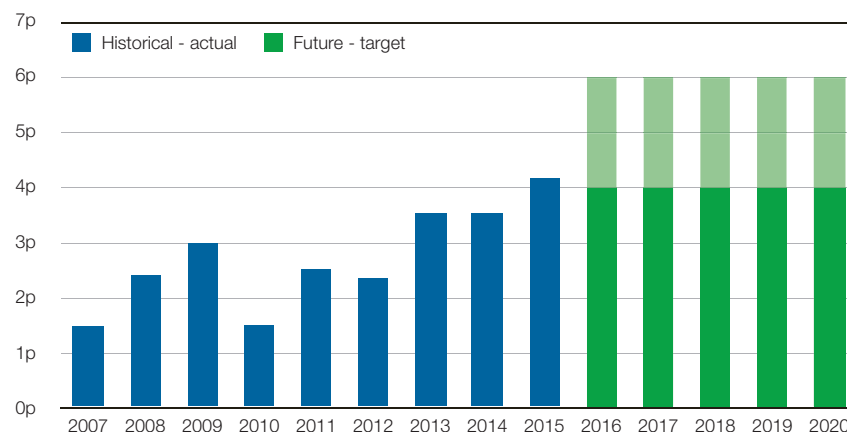
The charts below show historical annual dividends for ordinary and "C" shares, as well as target dividends for the next five years.

Dividend targets are intentions only. Valuation models are based on assumptions that are subject to change. No forecasts are intended or inferred.

The interim dividends for the current financial year are set out in the section below.

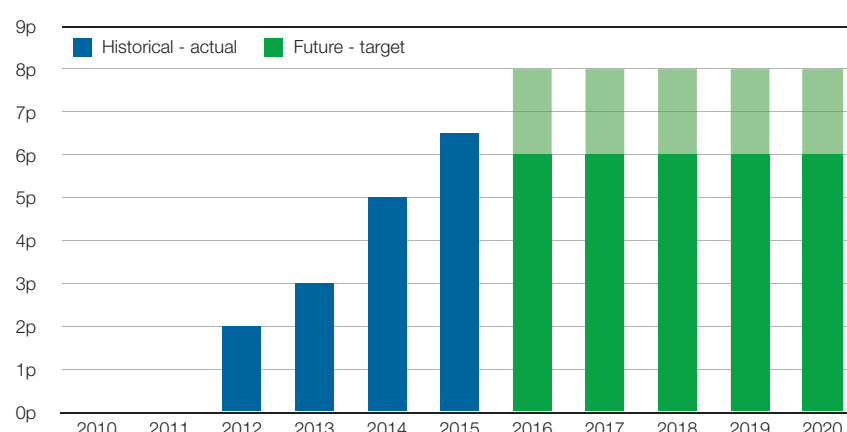
**Annual Dividends Declared per Ordinary Share**

(year ended 28 February)



**Annual Dividends Declared per "C" Share**

(year ended 28 February)



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

At 31 August 2015, the net asset value ("NAV") of the ordinary share fund of the Company attributable to equity shareholders stood at £19,302,000 or 79.1p per ordinary share.

The revenue profit attributable to ordinary shareholders for the six month period ended 31 August 2015 was £583,000 or 2.40p per ordinary share. The capital gain attributable to ordinary shareholders for the period was £751,000 or 3.07p per ordinary share, resulting in a net gain to ordinary shareholders for the period of £1,334,000 or 5.47p per ordinary share.

The value of investments held by the Company's ordinary share fund at 31 August 2015 was £17,763,000 compared to £16,975,000 at 28 February 2015. The Investment Manager's Report gives details of investments made and proceeds received during the period together with information about the valuation of all investee company holdings within the portfolio.

The Company has declared an interim dividend of 2.50p per ordinary share which will be paid on 13 January 2016 to all ordinary shareholders on the register as at the close of business on 11 December 2015.

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

At the period end, the NAV per "C" share of the Company stood at £13,639,000 or 120.9p per "C" share.

The revenue profit attributable to "C" shareholders for the period was £361,000 or 3.20p per "C" share. The capital loss

attributable to "C" shareholders for the period was £235,000 or 2.09p per "C" share, resulting in a net profit attributable to "C" shareholders for the six month period ended 31 August 2015 of £126,000 or 1.11p per "C" share.

The value of investments held at 31 August 2015 by the "C" share fund was £13,020,000 compared to £12,875,000 at 28 February 2015.

The Company has declared an interim dividend of 3.50p per "C" share which will be paid on 13 January 2016 to all "C" shareholders on the register as at the close of business on 11 December 2015.

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

At the period end, the NAV per "D" share of the Company stood at £2,129,000 or 106.9p per "D" share.

The revenue profit attributable to "D" shareholders for the period was £66,000 or 3.34p per "D" share. The capital gain attributable to "D" shareholders for the period was £188,000 or 9.41p per "D" share, resulting in a net gain attributable to "D" shareholders for the six month period ended 31 August 2015 of £254,000 or 12.75p per "D" share.

The value of investments held at 31 August 2015 in the "D" share fund was £1,933,000 compared to £712,000 at 28 February 2015.

The Company has declared an interim dividend of 2.00p per "D" share which will be paid on 13 January 2016 to all "D" shareholders on the register as at the close of business on 11 December 2015.

## **VCT Qualifying Status**

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

## Key Performance Indicators

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

### For the six months ended 31 August 2015 (unaudited)

	£000	Ordinary Shares Pence per share <sup>1</sup>	£000	"C" Shares Pence per share <sup>1</sup>	£000	"D" Shares Pence per share <sup>1</sup>	Total £000
Revenue profit attributable to equity shareholders	583	2.40	361	3.20	66	3.34	1,010
Capital gain/ (loss) attributable to equity shareholders	751	3.07	(235)	(2.09)	188	9.41	704
Net gain attributable to equity shareholders	1,334	5.47	126	1.11	254	12.75	1,714
Dividends paid during the year	(512)	(2.10)	(395)	(3.50)	-	-	(907)
Total movement in equity shareholders' funds	822	3.37	(269)	(2.39)	254	12.75	807
On-going ratio <sup>2</sup>		3.37%		3.22%		2.96%	3.29%

### As at 31 August 2015 (unaudited)

	£000	Ordinary Shares Pence per share	£000	"C" Shares Pence per share	£000	"D" Shares Pence per share	Total £000
Net asset value <sup>3</sup>	19,302	79.1	13,639	120.9	2,129	106.9	35,070
Total shareholder return <sup>4</sup>	24,122	103.4	15,505	137.4	2,129	106.9	41,756

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

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**Key Information as at 31 August 2015 (unaudited)**

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	Ordinary Shares	C Shares	D Shares
Net asset value as at 31 August 2015	£19.3m	£13.6m	£2.1m
Net asset value per share as at 31 August 2015	79.1p	120.9p	106.9p
Mid-market share price as at market close on 30 September 2015	66.0p	99.5p	100.0p
Cumulative dividends per share paid to date	24.30p	16.50p	-
Total Return per share (NAV plus cumulative dividends paid)	103.4p	137.4p	106.9p
<b>Target dividend per share for year ending 29 February 2016:</b>			
Tax-free dividend *	5.25p	8.0p	5.0p
Equivalent pre-tax dividend to Higher Rate taxpayer **	7.8p	11.9p	7.4p
Equivalent pre-tax dividend to Additional Rate taxpayer **	8.5p	12.9p	8.1p
<b>Target dividend yield for year ending 29 February 2016 based on mid-market share price as at market close on 30 September 2015:</b>			
After tax	8.0%	8.0%	5.0%
Equivalent pre-tax dividend to Higher Rate taxpayer	11.8%	11.9%	7.4%
Equivalent pre-tax dividend to Additional Rate taxpayer	12.9%	13.0%	8.1%

\* 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 (which will become effective from April 2016). From April 2016, Higher rate taxpayers will 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) will pay tax on dividends in excess of the £5,000 tax-free allowance at the rate of 38.1%.

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

**Alan Moore**

Chairman

29 October 2015

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

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

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

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

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

*undertaken by the Investment Manager on behalf of the Company.*

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

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

- > Reliance on the UK Government's continued support for the renewable energy sector and the risk of adverse changes in the application of government policies particularly in respect of the renewable energy sector and tax legislation.

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

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

Under changes to the UK Corporate Governance code, the Board is required to include a 'longer term' viability statement in the next annual report. This will detail the Board's reasonable expectation as to the Company's viability based on a robust assessment of its current position in respect to its principal risks. This will also state whether the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, which is expected to be a period significantly longer than 12 months. This viability statement will be included in the annual report for the year ending 29 February 2016.

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

- (a) the condensed financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting* and give a true and fair view of the assets, liabilities, financial position and the profit or loss of the Company as required by Disclosure and Transparency Rule ("DTR") 4.2.4R;
- (b) the interim management report, included within the Chairman's Statement and Investment Manager's Report, includes a fair review of the information required by DTR 4.2.7R, being the important events of the first half of the year and the principal risks and uncertainties for the remaining six months of the year as set out on page 5; and
- (c) the condensed financial statements include a fair review of related party transactions and changes thereto, as required by DTR 4.2.8R.

The Responsibility Statement has been approved by the Board.

**Paul Thomas**

Director

29 October 2015

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

The three share funds of the Company are now fully invested in companies that own wind, hydro and landfill gas projects. All development investments have either been developed out, sold or written off. During the period, the Company's investments in Blawearie Wind Limited, BEL Holdco Limited and BEL Acquisition Limited, which in the aggregate were immaterial, were written down to nil or nominal values.

Under the current VCT regulations, new investments in renewable energy companies that benefit from Renewable Obligation Certificates ("ROCs") or Feed-in Tariffs are excluded as qualifying investments for VCTs. As such, the Company is limited in its ability to make further investments in accordance with the Investment Policy and has no plans to make further investments. The VCT restrictions do not affect any of the Company's existing investments.

The ordinary share fund of the Company has investments in companies operating eight UK wind farms with an aggregate installed capacity of 69.35 megawatts. Five of these investee companies are also owned in part by the "C" share fund and one such company is also owned in part by the "D" share fund. The ordinary share fund also has investments in three companies with hydroelectric projects with combined capacity of 4.79 megawatts.

Two of those companies (Darroch Power Limited and Upper Falloch Power Limited), whose projects are still under construction, are also owned in part by the "C" share and "D" share funds. Finally, the ordinary share fund has an investment in a company operating a landfill gas project with a capacity of 2.3 megawatts.

The "C" share fund has investments in companies operating seven UK wind farms with an aggregate installed capacity of 75.15 megawatts. Five of these seven companies are also owned in part by the ordinary share fund and one is also owned in part by the "D" share fund. The "C" share fund has also invested jointly with the ordinary and "D" shares in Darroch Power Limited and Upper Falloch Power Limited (2.8 megawatts combined).

The "D" share fund currently has one operational investment, Bernard Matthews Green Energy Halesworth Limited, which operates a 10.25 megawatt wind farm and which is also owned in part by the ordinary and "C" share funds. The "D" share fund has also invested jointly with the ordinary and "C" shares in Darroch Power Limited and Upper Falloch Power Limited (2.8 megawatts combined).



**Key**

● Operational  
○ Under Construction



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

	Capacity MW	Operational since	Location	Output as % of budget six months ended 31 Aug 15	Investment held by Ordinary Share Fund	"C" Share Fund	"D" Share Fund
<b>Operational Wind</b>							
Achair Energy Limited	6.00	May 2009	Caithness, Scotland	72%	●		
A7 Lochhead Limited	6.00	Jun 2009	Lanarkshire, Scotland	117%	●		
Greenfield Wind Farm Limited	12.30	Mar 2011	Lanarkshire, Scotland	99%	●	●	
Biggleswade Wind Farm Limited	20.00	Dec 2013	Bedfordshire	105%	●	●	
Eye Wind Power Limited	6.80	Apr 2014	Suffolk	89%	●		
Bernard Matthews Green Energy Pickenham Limited/ North Pickenham Energy Limited	4.00	Apr 2014	Norfolk	98%	●	●	
Bernard Matthews Green Energy Weston Limited/Weston Airfield Investments Ltd	4.00	Apr 2014	Norfolk	95%	●	●	
AD Wind Farmers Limited (Allt Dearg Windfarmers LLP)	10.20	Dec 2012	Argyll and Bute, Scotland	109%		●	
White Mill Windfarm Limited	14.40	Aug 2012	Cambridgeshire	108%		●	
Bernard Matthews Green Energy Halesworth Limited	10.25	Aug 2015	Suffolk	N/A	●	●	●
<b>Operational Hydro</b>							
Osspower Limited (Allt Fionn)	1.99	Jul 2012	Near Loch Lomond, Scotland	154%	●		

# INVESTMENT MANAGER'S REPORT

Continued

	Capacity MW	Operational since	Location	Output as % of budget six months ended 31 Aug 15	Ordinary Share Fund	Investment held by "C" Share Fund	"D" Share Fund
<b>Operational Landfill Gas</b>							
Renewable Power Systems (Dargan Road) Limited	2.30	Aug 2009	Belfast, Northern Ireland*	N/A	•		
<b>Hydro under Construction</b>							
Darroch Power Limited (Derrydarroch)	1.90	N/A	Near Loch Lomond, Scotland	N/A	•	•	•
Upper Falloch Power Limited	0.90	N/A	Near Loch Lomond, Scotland	N/A	•	•	•

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

Performance of investee companies during the period was generally satisfactory. One of the three turbines at the Achairn wind farm was out of operation for most of the period because of a damaged blade, however revenues were fully protected under warranty claims. In the six months ended 31 August 2015, the Bernard Matthews Green Energy Halesworth wind farm became operational. The Derrydarroch and Upper Falloch hydro projects were under construction during the period and are scheduled to be completed in November 2015.

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

## Ordinary share portfolio

A summary of the ordinary share fund's unaudited investment valuations as at 31 August 2015 and gains and losses during the six month period ended 31 August 2015 is given below.

	Voting rights as at 31 August 2015 %	Investment value			Investment cost			Gain/(loss) six months to ended 31 August 2015 £000	Investment value Total as at 28 February 2015 £000	Investment cost Total as at 28 February 2015 £000
		Shares as at 31 August 2015 £000	Loans as at 31 August 2015 £000	Total as at 31 August 2015 £000	Shares as at 31 August 2015 £000	Loans as at 31 August 2015 £000	Total as at 31 August 2015 £000			
<b>Operational wind</b>										
Achairn Energy Limited*	q 40.40%	2,840	1,363	4,203	1,226	1,289	2,515	168	4,035	2,515
A7 Lochhead Limited*	q 20.00%	653	-	653	568	-	568	(83)	736	568
Greenfield Wind Farm Limited*	pq 16.65%	1,459	1,344	2,803	665	1,222	1,887	49	2,784	1,917
Biggleswade Wind Farm Limited*	q 3.50%	263	291	554	86	264	350	(40)	594	350
Eye Wind Power Limited**	q 35.38%	2,131	-	2,131	1,480	-	1,480	246	1,885	1,480
Bernard Matthews Green Energy Weston Limited*	q 50.00%	844	-	844	500	-	500	(127)	971	500
Bernard Matthews Green Energy Pickenham Limited*	q 50.00%	730	-	730	500	-	500	36	694	500
Bernard Matthews Green Energy Halesworth Limited**	q 10.09%	689	-	689	351	-	351	153	536	351
<b>Operational companies in the wind sector</b>										
Firefly Energy Limited*	q 50.00%	-	43	43	200	64	264	-	83	304
<b>Operational landfill gas</b>										
Renewable Power Systems (Dargan Road) Limited	q 50.00%	634	1,115	1,749	780	1,008	1,788	(15)	1,820	1,844
<b>Operational small hydro</b>										
Osspower Limited	50.00%	3,074	-	3,074	300	-	300	439	2,635	300
<b>Small hydro under construction</b>										
Darroch Power Limited*	q 11.46%	143	46	189	20	46	66	-	125	2
Upper Falloch Power Limited*	q 10.97%	69	31	100	8	31	39	-	63	2
<b>Development and pre-planning</b>										
BEL Holdco Limited*	1.91%	-	-	-	200	-	200	(2)	2	200
BEL Acquisition Limited*	1.91%	1	-	1	10	-	10	(9)	10	10
<b>Realised investments</b>										
Ben Glas Power Limited	0.00%	-	-	-	-	-	-	-	2	2
Sandsfield Heat & Power Limited	44.90%	-	-	-	1,796	1,000	2,796	-	-	2,796
The Small Hydro Company Limited	22.50%	-	-	-	115	-	115	-	-	115
Redeven Energy Limited*	50.00%	-	-	-	-	130	130	-	-	130
<b>Total</b>		13,530	4,233	17,763	8,805	5,054	13,859	815	16,975	13,886

BEL Holdco Limited was written down to a nil value in the prior year. However, liquidation proceeds of £3,000 were received during the six month period ended 31 August 2015 which have been treated as a realised gain.

Ben Glas Power Limited was sold during the six month period ended 31 August 2015 for a consideration of £87,000. This has been recognised as a realised gain in the income statement.

# INVESTMENT MANAGER'S REPORT

Continued

## "C" share portfolio

A summary of the "C" share fund's unaudited investment valuations as at 31 August 2015 and gains and losses during the six month period ended 31 August 2015 is given below.

	Voting rights as at 31 August 2015 %	Investment value			Investment cost			Gain/(loss) six months to ended 31 August 2015 £000	Investment value Total as at 28 February 2015 £000	Investment cost Total as at 28 February 2015 £000
		Shares as at 31 August 2015 £000	Loans as at 31 August 2015 £000	Total as at 31 August 2015 £000	Shares as at 31 August 2015 £000	Loans as at 31 August 2015 £000	Total as at 31 August 2015 £000			
<b>Operational wind</b>										
Greenfield Wind Farm Limited*	PQ 12.50%	1,096	1,009	2,105	500	917	1,417	39	2,089	1,440
White Mill Windfarm Limited*	PQ 25.00%	2,022	349	2,371	1,000	318	1,318	(492)	2,863	1,318
AD Wind Farmers Limited*	Q 50.00%	1,147	-	1,147	1,000	-	1,000	(68)	1,215	1,000
Biggleswade Wind Farm Limited*	Q 21.50%	1,617	1,786	3,403	527	1,623	2,150	(250)	3,653	2,150
Weston Airfield Investments Limited*	Q 50.00%	1,910	-	1,910	1,000	-	1,000	366	1,544	1,000
North Pickenham Energy Limited*	Q 50.00%	1,405	-	1,405	1,000	-	1,000	226	1,179	1,000
Bernard Matthews Green Energy Halesworth Limited**	Q 5.64%	386	-	386	300	-	300	86	300	300
<b>Hydroelectric scheme under construction</b>										
Darroch Power Limited*	Q 4.22%	53	133	186	53	133	186	-	-	-
Upper Falloch Power Limited*	Q 2.79%	17	90	107	17	90	107	-	-	-
<b>Development and pre-planning</b>										
Blawearie Wind Limited*	50.00%	-	-	-	32	-	32	(32)	32	32
<b>Realised investments</b>										
Iceni Renewables Limited*	50.00%	-	-	-	400	17	417	-	-	417
<b>Total</b>		<b>9,653</b>	<b>3,367</b>	<b>13,020</b>	<b>5,829</b>	<b>3,098</b>	<b>8,927</b>	<b>(125)</b>	<b>12,875</b>	<b>8,657</b>

## “D” share portfolio

A summary of the “D” share fund’s unaudited investment valuations as at 31 August 2015 and gains during the six month period ended 31 August 2015 is given below.

	Voting rights as at 31 August 2015 %	Investment value			Investment cost			Gain/(loss) six months to ended 31 August 2015 £000	Investment value Total as at 28 February 2015 £000	Investment cost Total as at 28 February 2015 £000
		Shares as at 31 August 2015 £000	Loans as at 31 August 2015 £000	Total as at 31 August 2015 £000	Shares as at 31 August 2015 £000	Loans as at 31 August 2015 £000	Total as at 31 August 2015 £000			
<b>Operational wind</b>										
Bernard Matthews Green Energy Halesworth Limited**	Q 13.38%	915	-	915	712	-	712	203	712	712
<b>Hydroelectric scheme under construction</b>										
Darroch Power Limited*	Q 25.50%	319	325	644	319	325	644	-	-	-
Upper Falloch Power Limited*	Q 29.58%	185	189	374	185	189	374	-	-	-
<b>Total</b>		1,419	514	1,933	1,216	514	1,730	203	712	712

Q Investment complies with VCT regulations on qualifying holdings.

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

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

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

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

## Valuation of Investments

It is the accounting policy of the Company to hold its investments at fair value. The Company’s investments in investee companies which operate renewable energy assets are valued using a discounted cash flow methodology. The Company has changed its approach to the valuation methodology. Previously, the valuation analysis was performed using a discount factor applied to the leveraged cash flows of the investee companies. However, to determine the valuations as at 31 August 2015, the Company has applied a discount rate to the unleveraged cash flows to determine the enterprise value of the investee company and then has subtracted the market value of any senior debt (including any prepayment fees and swap break costs) to calculate the value of the equity and/or mezzanine debt in the investee company. In recent years an active market for the purchase of operational renewable energy assets has emerged; the revised valuation approach conforms with the methodology that has become prevalent in the market. It is, therefore, deemed a more appropriate method to value the Company’s investments. The discount rates used to value the unleveraged cash flows of

investee companies range from 7.5% to 10%, 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 fair value of the Company’s investments in project companies which have not passed an initial satisfactory operational period are determined to be the price of investment subject to a periodic impairment review.

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

The charts below illustrate the sensitivity of the NAV of the Company’s share funds to changes of certain key input assumptions applied to the unleveraged cash flows in the valuation models.

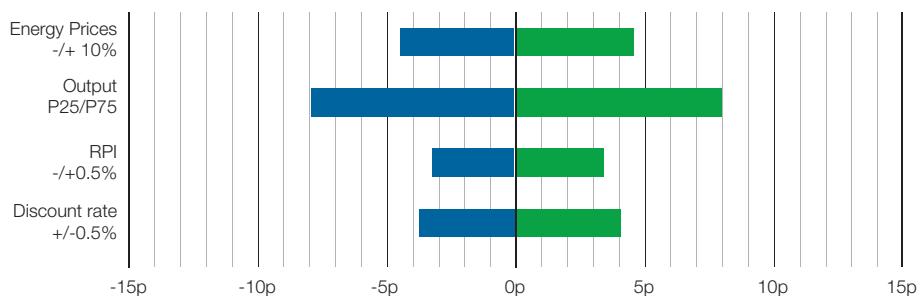
The price at which the output from the generating assets is sold is a factor of both wholesale electricity prices and Government

subsidies. The selling price is often fixed in the medium term under power purchase agreements. For periods outside the terms of these agreements the assumed future prices are estimated using external third party forecasts which take the form of specialist consultancy reports.

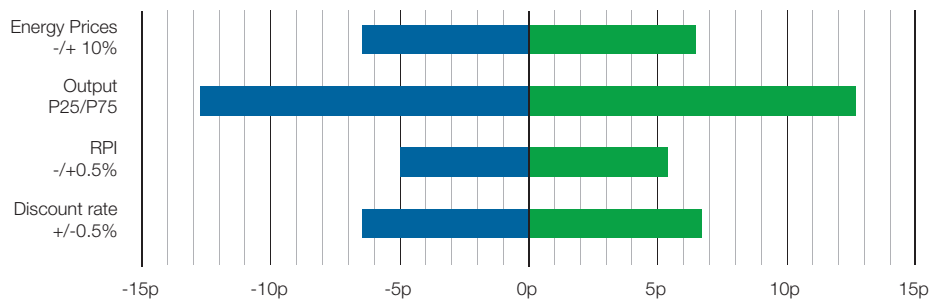
Specifically commissioned external consultant reports are used to estimate the expected generating output of the investee company’s generating assets taking into account their type and location. The analysis set out below describes the sensitivity of each share fund’s NAV to a higher (P75) or lower (P25)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

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

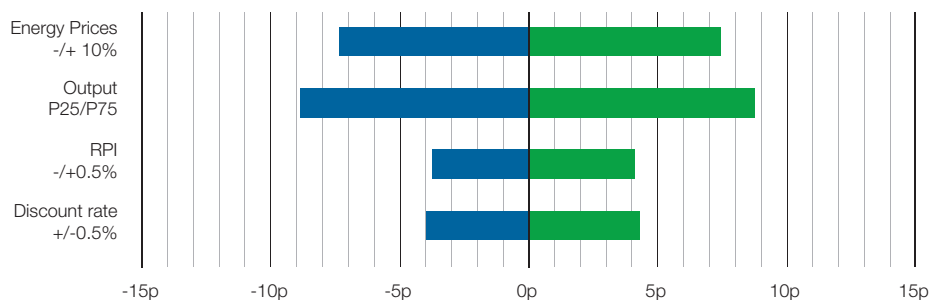
**Sensitivity of the NAV of Ordinary share fund to changes in key input assumptions**



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



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



## Investment Policy

The Company has focused on investing in companies developing renewable energy projects with installed capacities of up to 20 megawatts. Investments are generally in companies which own and operate projects initiated by specialist small-scale developers and smaller projects which are not attractive to large development companies and utilities.

### *Asset Allocation*

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

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

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

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

5% of net proceeds in cash for a limited period of time.

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

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

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

### *Risk Diversification*

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

### *Gearing*

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

To the extent that borrowing should be required by the Company for any purpose, the Directors

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

### *Maximum Exposures*

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

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

**Temporis Capital LLP**  
Investment Manager  
29 October 2015

# DIRECTORS AND ADVISERS

## **Directors**

Alan Moore (Chairman)  
Paul Thomas  
Colin Wood

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## **Company Secretary**

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

## **Auditor**

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## **Principal Banker**

Barclays Bank Plc  
1 Churchill Place  
London  
E14 1DF

## **Investment Manager & Registered Office**

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

## **Registrar**

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

## **Broker**

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

## **VCT Taxation Adviser**

Robertson Hare LLP  
Suite C, First Floor  
4 – 6 Staple Inn  
London  
WC1V 7QH

## **Solicitors**

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



## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six month period ended 31 August 2015 which comprises the Condensed Statement of Comprehensive Income, the Condensed Statement of Financial Position, the Condensed Statement of Changes in Equity, the Condensed Statement of Cash Flows and the related explanatory notes.

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

## Directors' responsibilities

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

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

## Our responsibility

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

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

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six month period ended 31 August 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## BDO LLP

Chartered Accountants  
London, United Kingdom

29 October 2015

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

# CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 31 August 2015 (unaudited)

	Note	Ordinary Shares			"C" Shares			"D" Shares			Total		
		£000	£000	£000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Realised gains on investments	6	-	85	85	-	-	-	-	-	-	-	85	85
Net unrealised gain/(loss) on investments	6	-	820	820	-	(125)	(125)	-	203	203	-	898	898
Income		780	-	780	471	-	471	83	-	83	1,334	-	1,334
Investment management fees	3	(58)	(172)	(230)	(44)	(133)	(177)	(6)	(18)	(24)	(108)	(323)	(431)
Other expenses		(121)	-	(121)	(43)	-	(43)	(8)	-	(8)	(172)	-	(172)
<b>Profit/ (loss) before taxation</b>		601	733	1,334	384	(258)	126	69	185	254	1,054	660	1,714
Taxation	4	(18)	18	-	(23)	23	-	(3)	3	-	(44)	44	-
<b>Profit/ (loss) and total comprehensive income attributable to equity shareholders</b>		583	751	1,334	361	(235)	126	66	188	254	1,010	704	1,714

## Return per share

Basic and diluted return per share (p)	5	<b>2.40</b>	<b>3.07</b>	<b>5.47</b>	<b>3.20</b>	<b>(2.09)</b>	<b>1.11</b>	<b>3.34</b>	<b>9.41</b>	<b>12.75</b>
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The Company has only one class of business and derives its income from investments made in the UK.

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

The accompanying notes on pages 22 to 28 form an integral part of these Financial Statements.

# CONDENSED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	Ordinary Shares			"C" Shares			"D" Shares			Total		
		£000	£000	£000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Realised gains on investments	6	-	95	95	-	-	-	-	-	-	-	95	95
Net unrealised gains on investments	6	-	671	671	-	519	519	-	-	-	-	1,190	1,190
Income		596	-	596	417	-	417	-	-	-	1,013	-	1,013
Investment management fees	3	(55)	(166)	(221)	(41)	(123)	(164)	(5)	(14)	(19)	(101)	(303)	(404)
Other expenses		(104)	(8)	(112)	(50)	-	(50)	(7)	-	(7)	(161)	(8)	(169)
<b>Profit/ (loss) before taxation</b>		437	592	1,029	326	396	722	(12)	(14)	(26)	751	974	1,725
Taxation	4	(13)	13	-	(26)	26	-	3	(3)	-	(36)	36	-
<b>Profit/ (loss) and total comprehensive income attributable to equity shareholders</b>		424	605	1,029	300	422	722	(9)	(17)	(26)	715	1,010	1,725
<b>Return per share</b>													
Basic and diluted return per share (p)	5	<b>1.74</b>	<b>2.48</b>	<b>4.22</b>	<b>2.65</b>	<b>3.73</b>	<b>6.38</b>	<b>(0.60)</b>	<b>(1.14)</b>	<b>(1.74)</b>			

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

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

The accompanying notes on pages 22 to 28 form an integral part of these Financial Statements.

# CONDENSED STATEMENT OF FINANCIAL POSITION

as at 31 August 2015 (unaudited)

	Note	As at 31 August 2015 (unaudited)				As at 28 February 2015 (audited)			
		Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
<b>Non-current assets</b>									
Investments	6	17,763	13,020	1,933	32,716	16,975	12,875	712	30,562
Trade and other receivables		-	-	-	-	801	-	-	801
		17,763	13,020	1,933	32,716	17,776	12,875	712	31,363
<b>Current assets</b>									
Trade and other receivables	7	1,287	224	83	1,594	348	263	1	612
Cash and cash equivalents		417	421	120	958	458	833	1,173	2,464
		1,704	645	203	2,552	806	1,096	1,174	3,076
<b>Total assets</b>		19,467	13,665	2,136	35,268	18,582	13,971	1,886	34,439
<b>Current liabilities</b>									
Trade and other payables		(165)	(26)	(7)	(198)	(102)	(63)	(11)	(176)
<b>Net current assets</b>		1,539	619	196	2,354	704	1,033	1,163	2,900
<b>Net assets</b>		19,302	13,639	2,129	35,070	18,480	13,908	1,875	34,263
<b>Equity attributable to equity holders</b>									
Share capital		6,097	2,832	498	9,427	6,097	2,832	498	9,427
Capital redemption reserve		2,105	-	-	2,105	2,105	-	-	2,105
Share premium		-	-	1,433	1,433	-	-	1,433	1,433
Special reserve		13,472	7,725	-	21,197	13,472	7,725	-	21,197
Capital reserve – realised		(10,298)	(1,608)	(53)	(11,959)	(10,914)	(1,498)	(38)	(12,450)
Capital reserve – unrealised		7,796	4,574	203	12,573	7,661	4,699	-	12,360
Revenue reserve		130	116	48	294	59	150	(18)	191
<b>Total equity</b>		19,302	13,639	2,129	35,070	18,480	13,908	1,875	34,263
<b>Basic and diluted net asset value per share (p)</b>	8	<b>79.1</b>	<b>120.9</b>	<b>106.9</b>		<b>75.8</b>	<b>123.3</b>	<b>94.2</b>	

Approved by the Board and authorised for issue on 29 October 2015.

## Paul Thomas

Director

Ventus 2 VCT plc. Registered No: 05667210

The accompanying notes on pages 22 to 28 form an integral part of these Financial Statements.

# CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six month period ended 31 August 2015 (unaudited)

	Share capital £000	Capital redemption reserve £000	Share premium £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>Ordinary Shares</b>								
<b>At 1 March 2015</b>	6,097	2,105	-	13,472	(10,914)	7,661	59	18,480
Transfers of unrealised gains on investments to realised gains on investments	-	-	-	-	685	(685)	-	-
Profit/(loss) and total comprehensive income for the period	-	-	-	-	(69)	820	583	1,334
Dividends paid in the period	-	-	-	-	-	-	(512)	(512)
<b>At 31 August 2015</b>	6,097	2,105	-	13,472	(10,298)	7,796	130	19,302
<b>"C" Shares</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2015</b>	2,832	-	-	7,725	(1,498)	4,699	150	13,908
Profit/ (loss) and total comprehensive income for the period	-	-	-	-	(110)	(125)	361	126
Dividends paid in the period	-	-	-	-	-	-	(395)	(395)
<b>At 31 August 2015</b>	2,832	-	-	7,725	(1,608)	4,574	116	13,639
<b>"D" Shares</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2015</b>	498	-	1,433	-	(38)	-	(18)	1,875
Profit/ (loss) and total comprehensive income for the period	-	-	-	-	(15)	203	66	254
<b>At 31 August 2015</b>	498	-	1,433	-	(53)	203	48	2,129
<b>Total</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2015</b>	9,427	2,105	1,433	21,197	(12,450)	12,360	191	34,263
Transfers of unrealised gains on investments to realised gains on investments	-	-	-	-	685	(685)	-	-
Profit and total comprehensive income for the period	-	-	-	-	(194)	898	1,010	1,714
Dividends paid in the period	-	-	-	-	-	-	(907)	(907)
<b>At 31 August 2015</b>	9,427	2,105	1,433	21,197	(11,959)	12,573	294	35,070

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

The accompanying notes on pages 22 to 28 form an integral part of these Financial Statements.

# CONDENSED STATEMENT OF CHANGES IN EQUITY

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

	Share capital £000	Capital redemption reserve £000	Share premium £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>Ordinary Shares</b>								
<b>At 1 March 2014</b>	6,097	2,105	-	13,575	(10,860)	6,553	227	17,697
Transfers of unrealised losses on investments to realised losses on investments	-	-	-	-	210	(210)	-	-
Profit/ (loss) and total comprehensive income for the period -	-	-	-	(66)	671	424	1,029	
Dividends paid in the period	-	-	-	-	-	-	(427)	(427)
<b>At 31 August 2014</b>	6,097	2,105	-	13,575	(10,716)	7,014	224	18,299
<b>"C" Shares</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2014</b>	2,832	-	-	7,770	(1,242)	4,225	248	13,833
Shares repurchased in the year	-	-	-	(45)	-	-	-	(45)
Profit/ (loss) and total comprehensive income for the period	-	-	-	-	(97)	519	300	722
Dividends paid in the period	-	-	-	-	-	-	(283)	(283)
<b>At 31 August 2014</b>	2,832	-	-	7,725	(1,339)	4,744	265	14,227
<b>"D" Shares</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2014</b>	-	-	-	-	-	-	-	-
Shares issued in the period	498	-	1,489	-	-	-	-	1,987
Issue costs	-	-	(51)	-	-	-	-	(51)
Loss and total comprehensive income for the period	-	-	-	-	(17)	-	(9)	(26)
<b>At 31 August 2014</b>	498	-	1,438	-	(17)	-	(9)	1,910
<b>Total</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2014</b>	8,929	2,105	-	21,345	(12,102)	10,778	475	31,530
Shares issued in the period	498	-	1,489	-	-	-	-	1,987
Issue costs	-	-	(51)	-	-	-	-	(51)
Shares repurchased in the year	-	-	-	(45)	-	-	-	(45)
Transfers of unrealised losses on investments to realised losses on investments	-	-	-	-	210	(210)	-	-
Profit/ (loss) and total comprehensive income for the period	-	-	-	-	(180)	1,190	715	1,725
Dividends paid in the period	-	-	-	-	-	-	(710)	(710)
<b>At 31 August 2014</b>	9,427	2,105	1,438	21,300	(12,072)	11,758	480	34,436

The accompanying notes on pages 22 to 28 form an integral part of these Financial Statements.

CONDENSED STATEMENT OF CASH FLOWS  
for the six month period ended 31 August 2015 (unaudited)

	Six months ended 31 August 2015 (unaudited)				Six months ended 31 August 2014 (unaudited)
	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000	Total £000
<b>Cash flows from operating activities</b>					
Investment income received	652	510	-	1,162	1,020
Investment management fees paid	(231)	(177)	(24)	(432)	(404)
Other cash payments	(65)	(79)	(11)	(155)	(450)
<b>Net cash from/ (used in) operations</b>	356	254	(35)	575	166
Taxes paid	-	-	-	-	-
<b>Net cash inflow/ (outflow) from operating activities</b>	356	254	(35)	575	166
<b>Cash flows from investing activities</b>					
Purchases of investments	(102)	(294)	(1,018)	(1,414)	(722)
Disposals of investments	87	-	-	87	1
Proceeds from investments	130	23	-	153	1,230
<b>Net cash (outflow)/ inflow from investing activities</b>	115	(271)	(1,018)	(1,174)	509
<b>Cash flows from financing activities</b>					
"D" shares issued	-	-	-	-	1,987
"D" share issue costs	-	-	-	-	(51)
Dividends paid	(512)	(395)	-	(907)	(710)
"C" share repurchase	-	-	-	-	(45)
<b>Net cash (outflow)/ inflow from financing activities</b>	(512)	(395)	-	(907)	1,181
<b>Net (decrease)/ increase in cash and cash equivalents</b>	(41)	(412)	(1,053)	(1,506)	1,855
<b>Cash and cash equivalents at the beginning of the period</b>	458	833	1,173	2,464	1,081
<b>Cash and cash equivalents at the end of the period</b>	417	421	120	958	2,936

The accompanying notes on pages 22 to 28 form an integral part of these Financial Statements.

# EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the six month period ended 31 August 2015 (unaudited)

## 1. Accounting convention and policies

The unaudited half-yearly results which cover the six month period ended 31 August 2015 have been prepared on the basis of accounting policies set out in the statutory accounts of the Company for the year ended 28 February 2015. The half-yearly financial statements have been prepared under IAS 34 Interim Financial Reporting.

The accounting policies are consistent with those of the previous financial year. The Directors do not expect the accounting policies to change over the current financial year.

## 2. Publication of non-statutory accounts

The financial information for the year ended 28 February 2015 does not constitute the Company's statutory accounts for that period but has been derived from them. The financial information for the six month periods ended 31 August 2015 and 31 August 2014 have not been audited but has been reviewed by the auditor.

Statutory accounts in respect of the year ended 28 February 2015 have been audited and reported on by the auditor and delivered to the Registrar of Companies and included the Report of the Auditor which was unqualified, did not draw attention to any matter by way of emphasis and did not contain a statement under S498(2) or S498(3) of the Companies Act 2006.

## 3. Investment management fees

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

The amount paid to the Investment Manager for the six month period ended 31 August 2015 in respect of net asset value attributable to ordinary shareholders was £230,000 (six month period ended 31 August 2014: £221,000). The amount paid to the Investment Manager for the six month period ended 31 August 2015 in respect of the net assets attributable to the "C" shareholders was £177,000 (six month period ended 31 August 2014: £164,000). The amount paid to the Investment Manager for the six month period ended 31 August 2015 in respect of the net assets attributable to the "D" shareholders was £24,000 (six month period ended 31 August 2014: £19,000).

## 4. Taxation

The Company has accrued £nil tax charge for the six month period ended 31 August 2015 in the ordinary share fund (six month period ended 31 August 2014: £nil tax charge), £nil tax charge in the "C" share fund (six month period ended 31 August 2014: £nil tax charge) and £nil tax charge in the "D" share fund (six month period ended 31 August 2014: £nil tax charge). The tax charges are accrued using an effective tax rate of 20% for the 2015/16 tax year and 21% for the 2014/15 tax year, however dividends and capital gains are not subject to tax resulting in a lower effective tax rate than the standard applicable rate in the UK.

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



## 5. Basic and diluted return per share

<b>For the six month period ended 31 August 2015 (unaudited)</b>		<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>
Revenue return for the period	<i>p per share</i>	2.40	3.20	3.34
<i>Based on:</i>				
Revenue return for the period	<i>£000</i>	583	361	66
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Capital gain/(loss) for the period	<i>p per share</i>	3.07	(2.09)	9.41
<i>Based on:</i>				
Capital gain/(loss) for the period	<i>£000</i>	751	(235)	188
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Net profit for the period	<i>p per share</i>	5.47	1.11	12.75
<i>Based on:</i>				
Net gain for the period	<i>£000</i>	1,334	126	254
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
<b>For the six month period ended 31 August 2014 (unaudited)</b>		<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>
Revenue return for the period	<i>p per share</i>	1.74	2.65	(0.60)
<i>Based on:</i>				
Revenue return for the period	<i>£000</i>	424	300	(9)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,314,224	1,488,332
Capital gain/(loss) for the period	<i>p per share</i>	2.48	3.73	(1.14)
<i>Based on:</i>				
Capital gain/(loss) for the period	<i>£000</i>	605	422	(17)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,314,224	1,488,332
Net profit/(loss) for the period	<i>p per share</i>	4.22	6.38	(1.74)
<i>Based on:</i>				
Net gain/(loss) for the period	<i>£000</i>	1,029	722	(26)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,314,224	1,488,332

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

# EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(continued)

## 6. Investments

Six months ended 31 August 2015 (unaudited)	Ordinary Shares			"C" Shares			"D" Shares			Total		
	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000
<b>Opening position</b>												
Opening cost	8,783	5,103	13,886	5,759	2,898	8,657	712	-	712	15,254	8,001	23,255
Opening realised losses	(2,564)	(1,228)	(3,792)	(464)	(17)	(481)	-	-	-	(3,028)	(1,245)	(4,273)
Opening unrealised gains	6,469	412	6,881	4,472	227	4,699	-	-	-	10,941	639	11,580
Opening fair value	12,688	4,287	16,975	9,767	3,108	12,875	712	-	712	23,167	7,395	30,562
<b>During the period</b>												
Purchases at cost	24	77	101	70	223	293	504	514	1,018	598	814	1,412
Investment proceeds	(2)	(126)	(128)	-	(23)	(23)	-	-	-	(2)	(149)	(151)
Realised losses	(5)	-	(5)	-	-	-	-	-	-	(5)	-	(5)
Unrealised gains/(losses)	825	(5)	820	(184)	59	(125)	203	-	203	844	54	898
Closing fair value	13,530	4,233	17,763	9,653	3,367	13,020	1,419	514	1,933	24,602	8,114	32,716
<b>Closing position</b>												
Closing cost	8,807	5,054	13,861	5,829	3,099	8,928	1,216	514	1,730	15,852	8,666	24,518
Closing realised losses	(2,569)	(1,228)	(3,797)	(464)	(17)	(481)	-	-	-	(3,033)	(1,245)	(4,278)
Closing unrealised gains	7,292	407	7,699	4,288	286	4,574	203	-	203	11,783	693	12,476
Closing fair value	13,530	4,233	17,763	9,653	3,367	13,020	1,419	514	1,933	24,602	8,114	32,716

BEL Holdco Limited was written down to a nil value in the prior year. However, liquidation proceeds of £3,000 were received during the six month period ended 31 August 2015 which have been treated as a realised gain.

Ben Glas Power Limited was sold during the six month period ended for a consideration of £87,000. This has been recognised as a realised gain in the income statement.

Year ended 28 February 2015 (audited)	Ordinary Shares			"C" Shares			"D" Shares			Total		
	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000
<b>Opening position</b>												
Opening cost	10,042	5,893	15,935	5,457	3,740	9,197	-	-	-	15,499	9,633	25,132
Opening realised losses	(4,234)	(1,228)	(5,462)	(464)	(17)	(481)	-	-	-	(4,698)	(1,245)	(5,943)
Opening unrealised gains	5,397	469	5,866	3,984	241	4,225	-	-	-	9,381	710	10,091
Opening fair value	11,205	5,134	16,339	8,977	3,964	12,941	-	-	-	20,182	9,098	29,280
<b>During the year</b>												
Purchases at cost	15	-	15	2	-	2	712	-	712	729	-	729
Investment proceeds	(303)	(490)	(793)	-	(541)	(541)	-	-	-	(303)	(1,031)	(1,334)
Conversion of loan stock to shares	300	(300)	-	-	-	-	-	-	-	300	(300)	-
Realised gains/ (losses)	96	-	96	300	(301)	(1)	-	-	-	396	(301)	95
Unrealised gains/ (losses)	1,375	(57)	1,318	488	(14)	474	-	-	-	1,863	(71)	1,792
Closing fair value	12,688	4,287	16,975	9,767	3,108	12,875	712	-	712	23,167	7,395	30,562
<b>Closing position</b>												
Closing cost	8,783	5,103	13,886	5,759	2,898	8,657	712	-	712	15,254	8,001	23,255
Closing realised losses	(2,564)	(1,228)	(3,792)	(464)	(17)	(481)	-	-	-	(3,028)	(1,245)	(4,273)
Closing unrealised gains	6,469	412	6,881	4,472	227	4,699	-	-	-	10,941	639	11,580
Closing fair value	12,688	4,287	16,975	9,767	3,108	12,875	712	-	712	23,167	7,395	30,562

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

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

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

As at 31 August 2015, each of the Company's investments held was valued using inputs which are considered to be Level 3 inputs and a reconciliation of the movements is in the table above.

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

The key assumptions that have a significant impact on fair value in the discounted future cash flow valuations are the discount factors used (which range from 7.5% to 10.0%), the price at which power and associated benefits may be sold and the levels of electricity the investee companies' generating assets are likely to produce (which are taken from specialist consultant reports).

As at 31 August 2015, the value of the Company's investment in Bernard Matthews Green Energy Halesworth Limited was determined on a discounted cash flow basis as it is now operational, whereas previously the investment was valued on the basis of the price of recent investment.

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

The investment portfolio has been reviewed for the effect of alternative valuation inputs, namely the sensitivity of the total value of all investments to a 0.5% increase or decrease in the discount factors applied to the valuation models which have been valued using the discounted future cash flows from the underlying business.

# EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(continued)

## 6. Investments (continued)

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

	Discount Factor +0.5% £000	Net Asset Value £000	Discount Factor -0.5% £000
Ordinary shares	18,357	19,302	20,298
"C" shares	12,912	13,639	14,405
"D" shares	2,049	2,129	2,213

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

## 7. Trade and other receivables (current)

At 31 August 2015, the ordinary share fund held current trade receivables totalling £1,287,000 which includes £797,000 representing the amortised cost value of the outstanding balance of the consideration arising from the Company's sale of Craig Wind Farm Limited plus the accrued interest on the outstanding balance. As at 31 August 2015, this amount has been treated as a current asset as the Directors' have a reasonable expectation it will be received within a period of one year. As at 28 February 2015 the outstanding balance of £801,000 was treated as a non-current asset. The deferred consideration receivable of £685,000 has been transferred from the unrealised capital reserve to the realised capital reserve during the six month period ended 31 August 2015. The accrued interest outstanding in respect of the deferred consideration amounted to £112,000 as at 31 August 2015 and has been treated as realised income in the revenue reserve.

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

### As at 31 August 2015 (unaudited)

		Ordinary Shares	"C" Shares	"D" Shares
Net asset value per share	<i>p per share</i>	79.1	120.9	106.9
Based on:				
Net asset value	<i>£000</i>	19,302	13,639	2,129
Number of shares	<i>number of shares</i>	24,392,655	11,283,207	1,990,768

### As at 28 February 2015 (audited)

		Ordinary Shares	"C" Shares	"D" Shares
Net asset value per share	<i>p per share</i>	75.8	123.3	94.2
Based on:				
Net asset value	<i>£000</i>	18,480	13,908	1,875
Number of shares	<i>number of shares</i>	24,392,655	11,283,207	1,990,768

## 9. Dividends

A final dividend for the year ended 28 February 2015 of 2.10p per ordinary share was paid to ordinary shareholders on 5 August 2015.

An interim dividend of 2.50p per ordinary share has been declared for the six month period ended 31 August 2015 which will be paid on 13 January 2016 to all ordinary shareholders on the register as at close of business on 11 December 2015.

A final dividend for the year ended 28 February 2015 of 3.50p per "C" share was paid to "C" shareholders on 5 August 2015.

An interim dividend of 3.50p per "C" share has been declared for the six month period ended 31 August 2015 which will be paid on 13 January 2016 to all "C" shareholders on the register as at close of business on 11 December 2015.

No dividend was paid to "D" shareholders for the year ended 28 February 2015.

An interim dividend of 2.00p per "D" share has been declared for the six month period ended 31 August 2015 which will be paid on 13 January 2016 to all "D" shareholders on the register as at close of business on 11 December 2015.

## 10. Contingencies, guarantees and financial commitments

The contingencies, guarantees and financial commitments of the Company were disclosed in the annual report and financial statements for the year ended 28 February 2015. All the guarantees disclosed therein remain in force, along with those described below.

On 20 March 2015, the Company registered a share charge over its shares in Darroch Power Limited to GCP Hydro 1 Limited as security for a senior loan facility of £6,525,000 raised by Darroch Power Limited to finance the construction costs of its hydroelectric scheme. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Darroch Power Limited.

On 20 March 2015, the Company registered a share charge over its shares in Upper Falloch Power Limited to GCP Hydro 1 Limited as security for a senior loan facility of £3,360,000 raised by Upper Falloch Power Limited to finance the construction costs of its hydroelectric scheme. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Upper Falloch Power Limited.

In its Annual Report and Financial Statements for the year ended 28 February 2015, the Company disclosed that a claim had been filed against the Company under a warranty in the Share Purchase Agreement pertaining to the sale of an investee company previously owned by the Company. The disclosure stated that the Company was vigorously defending the claim, that no provision had been made in the accounts and that the Directors did not expect the outcome to have a material impact on the Company's accounts. The claim in question has now been settled with an immaterial impact on the Company's net asset value. The settlement specifies that the deferred consideration due to the Company pursuant to the sale in question will now be due by 31 December 2016 at the latest. The deferred consideration continues to accrue interest.

## 11. Related party transactions

The investee companies in which the Company has a shareholding of 20% or more are considered to be related parties. The significant changes to the balances and transactions with these companies are presented in the Investment Manager's Report. The aggregate balances at the period end and transactions with these companies during the six month period ended 31 August 2015 are summarised below.

	Ordinary Shares £000	"C" shares £000	"D" shares £000	Total £000
<b>Balances as at 31 August 2015 (unaudited)</b>				
Investments - shares	13,529	9,653	1,419	24,601
Investments - loan stock	4,233	3,367	514	8,114
Accrued interest income	376	193	27	596
<b>Transactions in the six months ended 31 August 2015 (unaudited)</b>				
Loan stock interest income	166	201	27	394
Dividend income	485	270	56	811
<b>Balances as at 31 August 2014 (unaudited)</b>				
Investments - shares	11,965	9,797	712	22,474
Investments - loan stock	4,405	3,142	-	7,547
Accrued interest income	215	385	-	600
<b>Transactions in the six months ended 31 August 2014 (unaudited)</b>				
Loan stock interest income	272	210	-	482
Dividend income	294	206	-	500

# EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

(continued)

## 11. Related party transactions (continued)

	Ordinary Shares £000	"C" shares £000	"D" shares £000	Total £000
<b>Balances as at 28 February 2015 (audited)</b>				
Investments - shares	12,676	9,767	712	23,155
Investments - loan stock	4,287	3,108	-	7,395
Accrued interest income	274	180	-	454
<b>Transactions in the year ended 28 February 2015 (audited)</b>				
Loan stock interest income	541	410	-	951
Dividend income	361	283	-	644

## 12. Report distribution

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



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TEMPORIS CAPITAL

**Investment Manager**

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

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