Ventus 2 VCT plc

Annual Report & Financial Statements

for the year ended 29 February 2020

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Ventus 2 VCT plc invests in companies that operate renewable energy projects.

Registered No: 05667210

I am pleased to be able to present the Annual Report and Financial Statements of Ventus 2 VCT plc (the "Company") for the year ended 29 February 2020.

The performance of the Company's investee companies over the financial year has been stable and the Company has maintained its policy on target dividends after having paid a special dividend to the "C" shareholders in respect of the prior year. The Company's dividend policy is set out in the Strategic Report.

Electricity generation for the year ended 29 February 2020 was 101% of budget (2019: 92%). The Company benefited from the high proportion of fixed power prices in the investee companies, as realised UK wholesale prices were lower than expected.

There has been a modest decrease in net asset value ("NAV") across all share classes:

> Negative factors: Lower forecast power prices and higher corporation tax rates payable by the investee companies as the government has reversed the drop from 19% to 17%.

> Positive factors: A reduction of 0.25% in the discount rate, based on market observations.

The total return for shareholders is positive across all share classes for the year.

Summary Financial Performance

The table below gives an overview of the financial performance for the year. Detail about the Company's net profits for the year is set out in the Financial Performance Report.

	Ordinary Shares *pence per share*	"C" Shares *pence per share*	"D" Shares *pence per share*
NAV at 28 February 2019	84.1	140.1	147.2
NAV at 29 February 2020	79.4	133.0	144.3
Decrease in NAV	(4.8)	(7.1)	(2.8)
Dividends paid during the year	**6.0**	**9.0**	**5.0**
Total return (change in NAV + dividends paid)	**1.2**	**1.9**	**2.2**
Dividend yield			
Mid-market share price as at market close on 29 February 2020	77.5p	127.0p	130.0p
Tax-free dividend paid in respect of the year*	5.00p	8.00p	5.00p
Equivalent pre-tax dividend to Higher Rate taxpayer**	7.41p	11.85p	7.41p
Equivalent pre-tax dividend to Additional Rate taxpayer	8.08p	12.92p	8.08p
Tax-free yield	6.5%	6.3%	3.8%
Equivalent pre-tax yield to Higher Rate taxpayer**	9.6%	9.3%	5.7%
Equivalent pre-tax yield to Additional Rate taxpayer**	10.4%	10.2%	6.2%

* Dividend for the year ended 29 February 2020 subject to shareholder approval of the final dividend at the AGM. 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 dividends/yields are computed assuming a shareholder receives dividends from other sources in excess of the £2,000 per year tax-free dividend allowance (which became effective from April 2018). Higher Rate taxpayers pay tax on dividends in excess of the £2,000 tax-free allowance at the rate of 32.5% and Additional Rate taxpayers (taxable income in excess of £150,000) pay tax on dividends in excess of the £2,000 tax-free allowance at the rate of 38.1%.

Results

Income from investments during the year increased for the "C" and "D" share funds compared to the previous year. The Company benefited from additional revenue from investee companies because of recent refinancing initiatives as well as good turbine availability and electricity generation during the year. The ordinary share fund's income from investments was lower than the previous year because it had received a significant dividend of £575,000 (or 2.36p per ordinary share) from Eye Wind Power Limited in the previous year. On a pence per share basis, income from investments was 5.33p (2019: 7.14p) per ordinary share, 9.57p (2019: 8.62p) per "C" share and 12.26p (2019: 5.88p) per "D" share.

The increase in income from investments had a positive impact on revenue profit during the year versus the previous year for the "C" and "D" share funds. Whereas, for the ordinary share fund, net profit was lower than last year because of the significant dividend received in that year. On a pence per share basis, revenue profit was 3.99p (2019: 5.77p) per ordinary share, 7.68p (2019: 6.53p) per "C" share and 10.24p (2019: 3.96p) per "D" share.

Capital losses were recognised by all three share funds because the value of their investee companies was negatively impacted by reductions in forecast electricity prices and increases in expected corporation tax rates, offset by the positive impact of a reduction in the discount rates used in the discounted cash flow valuations. On a pence per share basis, the capital loss was 2.74p (2019: capital gain of 5.17p) per ordinary share, 5.78p (2019: capital gain of 7.80p) per "C" shares and 8.07p (2019: capital gain of 17.02p) per "D" share.

Net profit was therefore 1.25p (2019:10.94p) per ordinary share, 1.90p (2019:14.33p) per "C" share and 2.17p (2019: 20.98p) per "D" share.

Dividends

The Company proposes to declare a final dividend of 2.50p per ordinary share, 4.00p per "C" share and 2.50p per "D" share to be paid on 26 August 2020 to shareholders on the register as at the close of business in 31 July 2020. The Company paid an interim dividend of 2.50p per ordinary share, 4.00p per "C" share and 2.50p per "D" share on 15 January 2020. Therefore, the total annual dividend will be 5.00p per ordinary share, 8.00p per "C" share and 5.00p per "D" share.

Impact of Covid-19 and Going Concern

The Covid-19 pandemic started to impact the UK economy after the Company's year end and the long-term impacts are still uncertain. As the Company has a high proportion of fixed revenue from government tariffs and fixed price power contracts the Board does not currently intend to change the guidance on the target dividends.

The Investment Manager's Report and the Director's Report contain additional detailed information on the impact of Covid-19.

The impact on operations in the period up to the end of June 2020 remains minimal. The majority of wind turbine operational issues can be managed remotely or are resolved automatically by the turbine's control systems. Where physical visits to sites are required, site managers and turbine maintenance staff have been able to work safely whilst adhering to social distancing and enhanced health and safety protocols. Procurement of spare parts has not been interrupted.

The potential financial impacts on the Company are therefore more likely to be price driven. The potential price impacts are twofold:

Firstly, the latest available power price forecast shows a further 10% fall in the 5 years to 2025 relative to the estimates included in the 29 February 2020 valuations. The longer-term forecasts have not yet been changed.

The Company is relatively insulated against the fall in near term power prices, as a significant proportion of the investee company revenues are fixed as shown below.

% Forecast Fixed Price Revenue at investee company level*	FY 2021	FY2022	5 years FY2021-FY2025
Ordinary shares	96%	79%	76%
"C" Shares	96%	86%	69%
"D" Shares	99%	87%	83%
Company weighted average**	96%	82%	75%

* *including all fixed price subsidies and fixed electricity prices. Note that revenue received will still vary with energy yield.*

** *weighted by NAV*

Secondly, the revenues that are received from the government for the Renewable Obligation Credits (ROCs) and the Feed in Tariffs (FITs) are linked to inflation through the Retail Price Index (RPI). The potential range of outcomes for inflation has widened due to Covid, although the 10-year inflation rates currently implied by index linked government bonds remains around 3.0%.

The Board has reviewed a number of power price scenarios and remains confident in the current dividend targets.

The Company has undertaken enhanced going concern analysis and has also conducted additional sensitivity analysis around the potential impacts of Covid-19. These are set out in detail in the Going Concern assessment in the Director's Report and Investment Manager's Report.

Continuation Vote

As shareholders will be aware, the Company's Articles of Association (the "Articles") require a "Continuation Vote" to be held by way of an ordinary resolution at the 2020 AGM. If shareholders vote to continue, the Articles provide for further Continuation Votes to be held every 5 years.

The Continuation Vote represents a choice for shareholders to instruct the Board to sell the Company or its assets, or to continue for a further 5 years as a VCT in its current form. The Board has been working through a detailed workplan to provide a recommendation to shareholders, supported by clear financial analysis of these two outcomes.

The Company's shares were listed with an expectation that the Company would continue to invest in the renewables sector and therefore there would be a strong rationale for its existence as a permanent capital vehicle. However, due to the significant regulatory changes explained in the Capital Allocation Review (included within the 31 August 2019 Interim Accounts), it is very unlikely that there are material reinvestment opportunities. Therefore, the Company and its assets have a limited life. This is a material change in circumstances from the time each share class was issued and there is no longer a strong rationale for the Company's existence as a permanent capital vehicle. Therefore the Directors have approached the Continuation Vote assessment without a bias towards, or against, continuation.

In the UK, there is normally a relatively liquid market for operational renewables assets similar to those held by the Company, with a significant volume of transactions each year. Given the participation of the Investment Manager in that market, and that of other advisors available to the Board, it is possible to derive the assumptions being used by purchasers. This enables both a reasonably accurate assessment of the probable values that could be achieved in a sales process, and confidence that a transaction could be completed.

In the period up until early 2020, the indications were that the Company could achieve a substantial premium to NAV in a sales process. That premium to NAV does not imply that future cashflows to shareholders had increased, rather that the market was prepared to pay more for those cashflows at that point in time. The Board had not finalised its analysis, nor reached a conclusion prior to the economic shutdown caused by the Covid-19 pandemic. However, based on the analysis completed at that time, there was a meaningful probability that the Board's recommendation to shareholders would have been to vote not to continue, and therefore to sell the Company or its assets.

Subsequent to the economic shutdown, there are fewer sales processes and there is significantly greater uncertainty in the market. The Board is currently of the view that it is unable to complete its analysis and make a recommendation to shareholders. Despite these extraordinary circumstances, there is no provision in the Company's Articles that allows for the Continuation Vote to be delayed. Equally, the Board believes that shareholders deserve to have a clear and informed recommendation about the two options, and that waiting for a further 5 years until the next Continuation Vote as stated in the Articles is not desirable. After significant deliberations the Board has agreed to proceed as follows:

1. at the 2020 AGM, propose a Continuation Vote resolution with a recommendation that the shareholders vote for the Company to continue; and
2. as soon as possible, but no later than the 2021 AGM, hold an Additional Continuation Vote.

It is the Board's intention to hold this additional vote as soon as possible. This will require an improvement in transaction market conditions and stability in the observable valuation inputs, followed by two or three months for the completion of the analysis and the subsequent preparation and distribution of shareholder information.

Investment Management Agreement ("IMA")

As detailed in the prior year Annual Report, the Board negotiated a reduction in the annual investment management fees prior to the 2019 AGM.

The Board has reviewed these arrangements again and can confirm that the revised terms create a significant benefit for shareholders compared to any alternative.

The following revised terms have been agreed:

> The investment management fee will, retrospectively, reduce from 2.25% to 2.00% of NAV per annum from 8 August 2019.

> The investment management fee will reduce from 2.00% to 1.50% of NAV from 31 August 2020.

> The agreement can be terminated with two year's notice expiring after at any time after 31 July 2022.

> The revised IMA contains a provision to reduce the termination notice period to whichever is the earlier of one year or when the non-cash assets of the Company are sold should either the 2020 or the Additional Continuation Vote be a vote to not continue.

As a result of the retrospective application of the reduction in investment management fee, in the year ended 28 February 2021 there will be a refund of £55,000 recognised against the investment management fee chargeable in that period.

Additionally, the Directors have negotiated a beneficial change to the calculation mechanism for the performance related incentive fee.

The previous calculation was 20% of the amount by which the Return in any accounting period exceeded 7p per share (where Return was the dividends paid in respect of a financial period plus the increase in NAV at the end of the relevant financial period over the NAV at the end of the previous financial period).

The new calculation is 20% of the amount by which Earnings in any accounting period exceeds 7p per share (where Earnings is the net profit /(loss) and total comprehensive income before deduction of the incentive fee for the relevant financial period).

This eliminate scenarios where the timing of changes to NAV and the declaration and payment of dividends results in a benefit to the Investment Manager.

The entry into the revised IMA constitutes a smaller related party transaction under listing rule 11.1.10.

Costs

The Board has undertaken a review of all the Company's costs, looking at both the costs incurred by the investee companies and the Company.

The key investee service provider relationships are: insurance, turbine O&M (operations and maintenance), site management and performance reporting and administrative services including: accounting, Ofgem reporting and bank reporting. Since their appointment, Temporis has consolidated the provision of these services to obtain scale benefits. For example, the majority of investee companies are now served by Thalia Power Limited ("Thalia") for administration and by BayWa for site management and performance reporting. These costs have been reviewed and the Board is of the view that there is limited scope for further cost reduction. Additionally, the investee companies have not paid fees for any of the re-financings completed by the Investment Manager which represents a significant cost saving compared to observed industry practice. During the year, the costs paid to Thalia increased in line with inflation as detailed in the Strategic Report.

Other Costs for the Company (as set out in note 4 of the financial statements) reduced slightly in the year from £220,000 to £212,000, primarily accounted for by a reduction in insurance charges, registrar fees, consultancy report costs and printing costs and despite incurring £45,000 in consulting and legal services related to the actions taken by the Requisitioning Shareholders in relation to the 2019 AGM. The run rate for Other Costs is estimated to be £170,000 (or 0.46% of NAV as at 29 February 2020) in the absence of further exceptional items.

A detailed review of the Other Costs has been undertaken, and some modest savings have been identified. In the coming year we are looking to substantially reduce the number of printed hard copies of the accounts, reducing both print costs and postage. The five largest cost items are (in descending order) registrar fees, company secretarial fees, printing & postage costs, sponsor fees and broker fees. The registrar fees, sponsor and brokerage fees will fall significantly after the completion of the share class merger. Unfortunately, the remaining costs are relatively fixed, and are close to the minimum required to fulfil the Company's obligations as a listed VCT.

Ongoing Charges Ratio

The Ongoing Charges Ratio ("OCR") represents the total operating expenditure during the year (including Other Costs, Directors' Remuneration, Audit fees and annual investment management fees, but excluding investment costs and the performance related incentive fee) as a percentage of the NAV of the Company at year end. The Company's OCR for the year was 3.20% (2019: 3.10%). The OCR is higher than for the previous year despite expenditure being slightly lower because the Company's NAV has reduced. Taking into account the reduction in investment management fees agreed under the revised IMA, which will be back dated to 8 August 2019, the OCR would have been 3.05%. The fall in NAV during the year has increased the OCR. At constant NAV, the OCR would have been 2.90%.

Illustratively, and assuming that NAV does not fall further, the run rate for OCR will be 2.26% from 31 August 2020. This includes Other Costs of 0.46% NAV (as detailed above), annual investment management fees of 1.50% NAV and constant Audit and Director's Remuneration fees

The Board has started to consider a number of options that may reduce the ongoing charges ratio over a longer period of time, and could be implemented if the Additional Continuation Vote is to continue. The Board will report further on this in the Continuation Vote analysis.

Share Class Merger

The Board reiterates its commitment to proceed with the share class merger. As set out in the Interim Report issued in November 2019, the Board is of the view that there is no benefit to shareholders in conducting the share class merger ahead of the Continuation Vote, and therefore this will be undertaken without delay if shareholders vote to continue in the Additional Continuation Vote described above.

Annual General Meeting

The Board is keenly aware of the ongoing risk to public health from the Covid-19 pandemic and is following government advice in relation to non-essential travel and AGMs. The 2020 AGM will therefore be held virtually and shareholders will not be able to attend.

The Company's AGM will be held on 20 August 2020 with the minimum number of people in virtual attendance to remain in compliance with new legislation being introduced.

The Board urges shareholders to register all votes via proxy ahead of the AGM itself and the Chairman will record all voting as a poll to ensure each vote cast counts individually.

The Board recognises the importance of the AGM to shareholders and encourages the submission of questions on the Company or the portfolio to the Board via email to info@temporiscapital.com by 6 August 2020, being two weeks prior to the date of the AGM. Answers will be published on the Company website at the time of the AGM. Furthermore, the Investment Manager and Board intend to hold a meeting later in 2020 or early 2021 as a shareholder forum where a more discursive discussion can take place.

Details of the resolutions to be put to shareholders at the meeting are set out in the Notice of the AGM on page 68, which also contains further detailed information on the format and logistics of the AGM process.

Shareholder Communications

In accordance with the Company's commitment to environmental sustainability and to minimise costs wherever appropriate, the Board plans to reduce the volume of printed copies of the Annual Report. The Company has recently written to shareholders, with the option to "opt in" to receiving a printed copy. Otherwise the Annual Report will continue to be made available through regulated news service providers and on the Company website at www.ventusvct.com. Any shareholder may later change their preference by contacting the Registrar.

Lloyd Chamberlain
Chairman

3 July 2020

The Strategic Report has been prepared in accordance with the requirements of Section 414A of the Companies Act 2006. Its purpose is to inform the shareholders of the Company on key matters and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

The Company and its Business Model

The Company is a public limited company, incorporated in England and premium listed on the London Stock Exchange. The registered address of the Company is Berger House, 36-38 Berkeley Square, London W1J 5AE.

The Company is an investment company, as defined by Section 833 of the Companies Act 2006. The Company has appointed Temporis Capital Limited ("Temporis") as the Investment Manager.

The Directors consider that the Company has conducted its affairs in a manner to enable it to comply with Section 274 of the Income Tax Act 2007 as a Venture Capital Trust ("VCT"). In particular, a VCT is required at all times to hold at least 70% (80% for accounting periods beginning after 5 April 2019, so from 1 March 2020 for the Company) by value of its investments (as defined in the legislation) in qualifying holdings, of which, for funds raised after 5 April 2011, 70% must comprise eligible ordinary shares.

The Company has a clearly defined investment policy and process. Investment decisions are made by the Investment Manager after approval has been received from the Investment Committee. The Investment Committee includes representatives from Temporis and a third party investment management expert. Regular Board meetings and strategy meetings are held to review the performance of the Company, its investment and the Investment Manager.

Strategic Objectives

In the prior year's Annual Report, the Company reported in detail on a number of initiatives to bring forward or increase cash flows from its investee companies and the reduction in investment management fees negotiated with Temporis.

Furthermore, the Board issued a capital allocation framework alongside the Half-yearly Financial Report for the 6 months ended 31 August 2019 with the following conclusions for the use of cash in descending priority:

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

If the continuation vote is passed:

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

Dividend Policy

Subject to the Continuation Vote passing, over the next five years the Directors have set a target annual dividend of 5.00p per ordinary share, 8.00p per "C" share and 5.00p per "D" share. It should be stressed these are intentions only, and no forecasts are intended or should be inferred.

The ability of the Company to pay dividends is dependent on the receipt of cash from its investee companies which is uncertain and depends on various factors including wind and rainfall conditions, operational availability, the price of electricity, inflation and operating costs.

Investment policy

Existing Investments

The Company's implemented strategy has been to invest in companies developing or operating renewable energy projects in the wind and hydroelectric space with installed capacities of up to 20 megawatts. These investments generate stable, long term income with the objective of providing predictable dividends to shareholders. The investments are generally in special purpose companies which own and operate smaller projects which are not attractive to large development companies and utilities. The Company typically owns 25% to 50% of the equity share capital of an investee company and has also made associated investments in debt securities.

In order to improve stability of cash returns from investee companies and enhance the predictability of dividends to shareholders, more recent investments are, on average, structured with lighter leverage at financial close than earlier investments. Further information can be found in the Investment Manager's Report on page 17.

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.

VCT Rules and Further Investments

In order to comply with VCT requirements, at least 70% by value of the Company's investments are required to be comprised of qualifying investments (80% for accounting periods beginning after 5 April 2019, so from 1 March 2020 for the Company).

For the purposes of the 70% qualifying holdings requirement, disposals of qualifying investments for cash may be disregarded for a period of 12 months (as from 6 April 2019, whereas it had previously been 6 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.

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.

With effect from 6 April 2016, all new investments in energy generation activities (including the export of electricity and the production of gas or other fuel) are not regarded as qualifying investments for VCTs.

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

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

Conflicts of Interest

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, the matter is referred to Temporis' compliance officer who ensures any conflicts are dealt with fairly. Any investment made in a company in which another fund managed by Temporis has invested or intends to invest will be approved by the Directors who are independent of Temporis, 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 Temporis.

Asset Life

The UK now has more than 13,000 MW of installed onshore wind farms and the sector is now well established with institutional investors.

The Company currently assumes an operational life of 25 years with no terminal value, repowering or life extension. This is in line with other market participants due to the difficulty of accurately forecasting future commercial and legal landscape.

Hydro-electricity stations contain relatively simple technology in comparison to wind turbines and schemes can operate for 40 years or more, often without significant additional capital expenditure. Currently, the company assumes an operating life of 25 years from the valuation date.

The operating life assumptions for both wind energy and hydroelectric assets will be regularly reviewed against industry convention.

Risk Diversification

The geographical focus of the Company's portfolio is the UK and the majority of investments are in the wind sector. Funds are currently invested in 14 companies. All projects contained within the portfolio are now operational.

Investee Company Financing

Each investee company has long-term senior debt. The ratio of debt to equity within the investee companies in each share class is set out in the Investment Manager's Report on page 17.

The Investment Manager and Board periodically review opportunities to enhance shareholder value by optimising the debt structure within investee companies. Details of any refinancings undertaken in the current financial year are included in the Investment Manager's Report.

Many of the investee companies were required by the senior lender to fix the costs of borrowing with an interest rate swap. UK interest rates have contracted steadily since 2008 resulting in significant negative carrying values for these swaps. As these values are crystallised with a refinancing, it is sometimes not economic to refinance the investee company loans.

The Loan to Value ("LTV") ratio and the remaining tenor for each share class are set out in the Investment Manager's Report. The Company has acted to set leverage in the portfolio at a sustainable level which balances risk against higher return. Sensitivity analysis was performed to calculate the impact of an increase in senior debt on cover ratios and investee company dividends. Generally, an increase in LTV increases the risk of an investee company being unable to pay a dividend to the Company in a particular year.

Company Borrowing

The Company does not intend to borrow funds for investment purposes. However, the Company is exposed to gearing through its investee companies as described above.

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.

Active Asset Management

In order to support the strategic objectives and enhance shareholder value, the Board has instructed the Investment Manager to actively manage the assets in the portfolio.

This active asset management approach primarily covers operational, commercial and financial enhancements at the investee company level. Further information on the activities undertaken by the Investment Manager in the current financial year is included within the Investment Manager's Report.

Overview of the Year and Dividends

An overview of the Company's performance is set out in the Chairman's Statement, and in detail in the Investment Manager's Report. Details of the dividends paid to shareholders during the year and the final dividend declared in respect of the year are also detailed in the Chairman's Statement.

Investment Portfolio

A summary of the performance of the investment portfolio of each share fund is set out in the Investment Manager's Report which provides details of the investments held.

Key Performance Indicators

The Directors consider the key performance indicators set out in the Financial Performance section to be those which best measure the Company's performance and provide shareholders with an appropriate summary of how the business's objectives are pursued.

Principal Risks and Uncertainties

Under the Financial Conduct Authority's Disclosure and Transparency Rules, the Directors are required to identify those principal and emerging 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 in the table below are those which the Directors consider to be material and are set out in the Company's Risk Register. The Directors do not expect that the risks and uncertainties presented will change significantly over the current financial year.

Principal Identified Risk	Risk Mitigation
Impact of Covid-19 on the operational activities at investee companies potentially leading to lower energy generation due to plant not being fully operational.	*This risk is mitigated by use of high quality contractors for site management and turbine maintenance at investee companies, capable of implementing procedures which allow continued operations whilst adhering to restrictions on movement and social distancing are in place, together with the close monitoring by the Investment Manager of service levels from these suppliers.*
Failure to meet and maintain the investment requirements for compliance with HMRC VCT regulations may result in the Company losing its status as a VCT.	*The Board mitigates this risk by regularly reviewing investment management activity with appropriately qualified advisers.*
Inadequate control environment at service providers may lead to inaccurate reporting or misappropriation of assets.	*This risk is mitigated by only appointing service providers of a high standing under agreements that set out their responsibilities and by obtaining assurances from them that all exceptions have been reported to the Board. In addition, the Board has appointed an independent external party, Roffe Swayne, to report directly to the Board in respect of the Company's internal controls undertaken by the Investment Manager on behalf of the Company.*
Non-compliance with the Listing Rules of the Financial Conduct Authority, Companies Act Legislation and other applicable regulations may result in termination of the Company's Stock Exchange listing or other sanctions.	*This risk is mitigated by employing external advisers fully conversant with applicable statutory and regulatory requirements who report regularly to the Board on the Company's compliance.*
Reliance on the UK Government's continued support for the renewable energy sector and the risk of adverse changes in the application of government policies particularly in respect of the renewable energy sector and tax legislation.	*The future level of Government-mandated support for renewables has important implications for the industry and could impact the value of investments the Company has made in companies which own and operate renewable projects. However, the Directors believe that existing renewable energy tariffs supporting the assets owned by investee companies are secure. Government policy statements are constantly monitored.*
The financial returns to the Company are dependent on the price of electricity its investee companies are able to sell through power purchase agreements. The value of the Company's investments is dependent on projected wholesale electricity prices.	*This risk is mitigated because investee companies have negotiated fixed or floor price mechanisms into the power purchase agreements they have entered into for the sale of their generated output. However, in the longer term, beyond the period of these agreements, the Company is exposed to wholesale prices to a greater degree. The hydro-electricity assets can opt into a floor price each year under the Feed-in Tariff arrangements, which gives these assets a floor on the price of electricity sales. The Investment Manager's Report includes information about the sensitivity of the value of the Company's investments to changes in energy prices.*

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

Emerging Risks

The Board has assessed the impact of the Covid-19 pandemic on the Company and has set out its analysis in the Chairman's statement.

The Company does not expect material change to its business as a result of the UK leaving the European Union because the Company's assets and liabilities, and those of its investee companies, are substantially within the UK.

The Board will continue to monitor these and other emerging risks, assess the impact on the Company and act to mitigate any negative consequences.

Continuation of the VCTs and Outlook

Whilst the original intention was for the Company to operate as a permanent capital vehicle, it provided for a Continuation Vote in its offering documents. As set out in the Chairman's Statement, the Company will include an ordinary resolution (i.e. requiring a simple majority of the votes cast) to consider the continuation of the Company as a VCT in its AGM in 2020, recommending to vote to continue whilst the market stabilises as the Covid-19 pandemic recedes, with a view to holding an Additional Continuation Vote as soon as possible but in any case no later than the 2021 AGM.

As is set out in the Company's Articles of Association, if either Continuation Vote is not carried then the Board shall, within 4 months of the vote not to continue, convene a general meeting at which either or both of the following resolutions shall be proposed:

i. A special resolution for the re-organisation or reconstruction of the Company, or

ii. A special resolution requiring the Company to be wound up voluntarily.

If neither of the special resolutions referred to above is passed (requiring over 75% of the votes cast), the Company shall continue as a venture capital trust.

Investment Management, Administration and Performance Fees

Temporis Capital LLP was appointed as Investment Manager of the Company on 12 September 2011. Temporis Capital LLP transferred its assets, employees and businesses to its subsidiary, Temporis Capital Limited, on 31 March 2017. The transfer was approved by the Financial Conduct Authority (the "FCA") and Temporis Capital Limited has been granted the same permissions by the FCA as Temporis Capital LLP. The IMA with the Company was novated from Temporis Capital LLP to Temporis Capital Limited. The Company's Investment Manager continues to be actively engaged in managing the portfolio.

Temporis Capital Limited provides investment management services as well as all accounting and administrative services.

The Investment Manager also provided similar services to Ventus 2 VCT plc and Temporis Operational Renewable Energy Strategy LP during the financial year.

During the year, the Investment Manager was entitled to an annual fee equal to 2.25% of the Company's NAV. However, under the terms of the revised IMA, entered into after the year end as set out in the Chairman's Statement, the investment management fee will, retrospectively, reduce to 2.00% of NAV per annum from 8 August 2019. Fees will further fall from 2.00% to 1.50% of NAV from 31 August 2020.

Total annual running costs are in aggregate capped at 3.6% of NAV (excluding the Investment Manager's performance-related incentive fee, any irrecoverable VAT and investment costs), with any excess being borne by the Investment Manager.

The Investment Manager will receive a performance-related incentive fee subject to the Company achieving certain defined targets. No incentive fee will be payable unless the Company has achieved a hurdle of 60p per share calculated as the sum of the cumulative Return to the end of the financial year ended 29 February 2020 plus the cumulative Earnings thereafter. Under the terms of the revised IMA, from the year ending 28 February 2021 onwards, the incentive fee, which is payable in cash, is calculated as 20% of the amount by which the Earnings in any accounting period exceeds 7p per share. The details of the calculation methodology of this performance-related incentive fee are set out in the Chairman's Statement above. No performance-related incentive fee was earned in respect of the year ended 29 February 2020.

The investment management services are terminable by either party giving not less than 24 months' notice expiring any time after 31 July 2022. The revised IMA contains a provision to reduce the termination notice period to whichever is the earlier of one year or when the non-cash assets of the Company are sold should either the 2020 or the Additional Continuation Vote be a vote to not continue.

The Directors evaluated the performance of the Investment Manager and agreed that, under the terms of the revised IMA, the appointment of Temporis is in the interests of the shareholders. Further discussion of the Investment Manager's performance is within the Corporate Governance Statement.

Investee Company Governance

The investee companies are typically joint ventures between the landowner and the Company. Both the landowner and the Investment Manager on behalf of the Company have appointed board representatives to the investee companies. The investee company directors are responsible for appointing the service providers.

The total fees charged to the investee companies by Temporis in respect of the provision of directors was £42,000 during the year. Each investee company has other shareholders and as such the share of the cost borne by the Company was £15,000 during the year. Where directors' fees are charged by Temporis, the JV partner directors receive either the same or, in some cases, higher fees.

Investee Company Service Providers

The key investee service provider relationships are: insurance, turbine O&M (operations and maintenance), site management and performance reporting; and administrative services including accounting, Ofgem reporting and bank reporting. Since their appointment, the Investment Manager has consolidated the provision of these services to obtain scale benefits. For example; the majority of investee companies are now served by Thalia Power Limited ("Thalia") for administration and by BayWa for site management and performance reporting. Thalia is a related party to the Investment Manager. The average cost of Thalia providing these services to an investee company during the year was £29,000. The total costs charged by Thalia to the Company's investee companies was £351,000 during the year, compared with £347,000 in the prior year (fees are inflation linked). The costs charged per investee company range between £20,000 and £40,000 per year. The Thalia costs attributable to the Company's ownership of its investee companies was £125,000 during the year. These costs have been reviewed by the Board and are considered to be appropriate.

Company Secretary

The City Partnership (UK) Limited provides company secretarial services to the Company as set out in the company secretarial services agreement. For these services the Company Secretary received an annual fee of £19,000 plus VAT. The company secretarial services are terminable by either party giving not less than six months' notice in writing.

VCT Monitoring Status

Philip Hare & Associates LLP advises the Company on its compliance with the taxation requirements relating to VCTs.

The Board is satisfied that the Company is compliant with VCT rules as at the year end and at the date of this report.

Section 172 Statement

In accordance with Section 172 (1) of the Companies Act 2006, the Directors are required to promote the success of the Company for the benefit of its members as a whole. In doing so the Directors also consider the broader stakeholder interests.

Key Decisions

In November 2019 the Board published a Capital Allocation Review within the half-yearly financial report. During the year, the Board and Investment Manager have been developing a detailed analysis to provide a recommendation to shareholders with respect to the Continuation Vote. This analysis is based on comparing the potential value of the Company's assets on a winding up and the returns to shareholders from holding until the Continuation Vote in 5 years time, including the risks relating to each option. As explained in the Chairman's Statement, the Board is currently unable to complete this analysis due to the Covid-19 pandemic, however the methodology and basis of analysis is largely complete.

As reported in the prior year financial report, the Board has negotiated a revised IMA with the Investment Manager, which will be entered into imminently. The specifics are set out in detail in the Chairman's Statement and the Board is of the view that the entry into this contract with Temporis continues to be in the best interests of shareholders for the longer term.

Global Greenhouse Gas Emissions

The Company has no direct greenhouse gas emissions to report from its operations, being an externally managed investment Company. It is the specific purpose of the Company to invest in companies that develop and operate assets which generate energy from renewable sources. Through its investment policy, the Company is committed to mitigating the impact of climate change by contributing to the transition to a low carbon economy and a cleaner environment.

Other Considerations

The Company has not applied the policies, of the Companies Act 2006, regarding the Employment of disabled people and Employee involvement as the Company does not have any employees other than the non-executive Directors.

The Company had no employees during the year and the Company currently has three non-executive Directors. The Directors' details are set out in Directors' Information on page 35.

The Company, being an externally managed investment company with no employees, has no specific policies in relation to environmental matters, social, community and human rights issues. The purpose of the Company is to invest in companies that develop and operate assets which generate energy from renewable sources. Through its investment policy, the Company is committed to mitigating the impact of climate change by contributing to the transition to a low carbon economy and a cleaner environment.

In respect of the Bribery Act the Investment Manager believes there are no reasons or circumstances which could be foreseen in which any of the third-party service providers might fall foul of the Bribery Act. The Investment Manager has detailed procedures in place covering the giving, receiving, authorising and recording of gifts and hospitality by staff of the Investment Manager.

For and on behalf of the Board

Lloyd Chamberlain
Chairman

3 July 2020

Summary Financial Performance

The summary financial performance of the Company for the year ended 29 February 2020 is contained within the Chairman's Statement. The Key Performance Indicators are set out below.

Investment Portfolio

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 - 12 months ended 29 Feb 2020*	Investment held by Ord Share Fund	C Share Fund	D Share Fund
Operational Wind							
Achairn Energy Limited	6.00	May 2009	Caithness, Scotland	63%	✓		
A7 Lochhead Limited	6.00	Jun 2009	Lanarkshire, Scotland	100%	✓		
Greenfield Wind Farm Limited	12.30	Mar 2011	Lanarkshire, Scotland	104%	✓	✓	
Biggleswade Wind Farm Limited	20.00	Dec 2013	Bedfordshire	109%	✓	✓	
Eye Wind Power Limited	6.80	Apr 2014	Suffolk	106%	✓		
Bernard Matthews Green Energy Pickenham Ltd/North Pickenham Energy Ltd	4.00	Apr 2014	Norfolk	111%	✓	✓	
Bernard Matthews Green Energy Weston Ltd/Weston Airfield Investments Ltd	4.00	Apr 2014	Norfolk	103%	✓	✓	
AD Wind Farmers Ltd (Allt Dearg Windfarmers LLP)	10.20	Dec 2012	Argyll and Bute, Scotland	101%		✓	
White Mill Windfarm Limited	14.40	Aug 2012	Cambridgeshire	106%		✓	
Bernard Matthews Green Energy Halesworth Limited	10.25	Aug 2015	Suffolk	107%	✓	✓	✓
Operational Hydro							
Osspower Limited (Allt Fionn)	1.99	Jul 2012	Near Loch Lomond, Scotland	91%	✓		
Darroch Power Limited (Derrydarroch)	1.90	Dec 2015	Near Loch Lomond, Scotland	97%	✓	✓	✓
Upper Falloch Power Limited	0.90	Dec 2015	Near Loch Lomond, Scotland	87%	✓	✓	✓
Operational Landfill Gas							
Renewable Power Systems (Dargan Road) Limited**	2.30	Aug 2009	Belfast, Northern Ireland	N/a	✓		

* Budget represents the most recently adopted long term energy yield assessment for the site derived from specifically commissioned external consultants reports.

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

All investee companies have their registered address at: Berger House, 36-38 Berkeley Square, London, England, W1J 5AE

Except for:

A7 Lochhead Limited: 31a The Avenue, Poole, Dorset, BH13 6LJ

Achairn Energy Limited: The Ca'D'Oro, 45 Gordon Street, Glasgow, G1 3PE

Osspower Limited: Suite 2C, Second Floor Stuart House, Eskmills, Musselburgh, East Lothian, EH21 7PB

Renewable Power Systems (Dargon Road) Limited: Northwood House, 138 Bromham Road, Bedford, Beds, MK40 2QW


Operational
Achairn
Derrydarroch/
Upper Falloch/
Allt Fionn
Allt Dearg
Greenfield
Lochhead
Pickenham
White Mill
Weston
Biggleswade
Eye
Halesworth

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 year ended 29 February 2020

	Ordinary Shares £000	Ordinary Shares Pence per share[1]	"C" Shares £000	"C" Shares Pence per share[1]	"D" Shares £000	"D" Shares Pence per share[1]	Total £000
Revenue profit attributable to equity shareholders	972	3.99	866	7.68	204	10.24	2,042
Capital gain/(loss) attributable to equity shareholders	(668)	(2.74)	(652)	(5.78)	(161)	(8.07)	(1,481)
Net gain attributable to equity shareholders	304	1.25	214	1.90	43	2.17	561
Dividends paid during the year	(1,464)	(6.00)	(1,015)	(9.00)	(100)	(5.00)	(2,579)
Total movement in equity shareholders' funds	(1,160)	(4.75)	(801)	(7.10)	(57)	(2.83)	(2,018)
		%		%		%	%
Ongoing charges ratio [2]		3.43%		2.99%		2.77%	3.20%

	Ordinary Shares £000	Ordinary Shares Pence per share[3]	"C" Shares £000	"C" Shares Pence per share[3]	"D" Shares £000	"D" Shares Pence per share[3]	Total £000
As at 29 February 2020							
Net asset value	19,363	79.40	15,003	132.97	2,874	144.40	37,240
Total shareholder return [4]	29,978	127.45	21,043	186.47	3,084	154.90	54,105

The Chairman's Statement includes further information about the ongoing charges ratio and the impact of the retrospective reduction in investment management fees.

For the year ended 28 February 2019

	Ordinary Shares £000	Ordinary Shares Pence per share[1]	"C" Shares £000	"C" Shares Pence per share[1]	"D" Shares £000	"D" Shares Pence per share[1]	Total £000
Revenue profit attributable to equity shareholders	1,408	5.77	735	6.53	80	3.96	2,223
Capital gain attributable to equity shareholders	1,261	5.17	881	7.80	338	17.02	2,480
Net gain attributable to equity shareholders	2,669	10.94	1,616	14.33	418	20.98	4,703
Dividends paid during the year	(1,220)	(5.00)	(959)	(8.00)	-	-	(2,179)
Total movement in equity shareholders' funds	1,449	5.94	657	6.33	418	20.98	2,524
		%		%		%	%
Ongoing charges ratio [2]		3.15%		3.16%		2.49%	3.10%

	Ordinary Shares £000	Ordinary Shares Pence per share[3]	"C" Shares £000	"C" Shares Pence per share[3]	"D" Shares £000	"D" Shares Pence per share[3]	Total £000
As at 28 February 2019							
Net asset value	20,523	84.10	15,804	140.07	2,931	147.20	39,258
Total shareholder return [4]	29,674	126.15	20,829	184.57	3,041	152.70	53,544

1 The "per share" value is determined in respect of the weighted average number of shares in issue during the year, except in respect of the dividends paid in the year, which is based on 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 year (excluding investment costs and the performance-related incentive fee) as a percentage of the NAV of the Company at the year end.

The total annual running costs cap is 3.6% of NAV (excluding any investment costs, performance-related incentive fees and irrecoverable VAT).

3 The "pence per share" value is determined in respect of the number of shares in issue as at the year end, except in respect of the total shareholder return, which includes dividends paid which is based on the number of shares eligible to receive dividends at the time the dividends were paid.

4 The total shareholder return represents the NAV at year end plus the cumulative dividends paid since incorporation.

Temporis Capital Limited has been the Investment Manager of the Company since September 2011 and is a full scope UK Alternative Investment Fund Manager ("AIFM") regulated by the Financial Conduct Authority.

Portfolio Overview – Top Ten Investments by Share Fund

The details of the top ten investments, by value, held by each of the ordinary share fund, the "C" share fund and the "D" share fund at 29 February 2020 are set out in the table below:

Ordinary Share Fund

Company	Value £000	Cost £000	Shareholding %	Voting rights %	Income recognised by the Company during the year £000	Basis of value	Proportion of share fund portfolio by value %	Date of latest accounts	Net assets £000	Turnover £000	Profit/ (loss) £000
Achairn Energy Limited	5,213	2,058	40.40%	40.40%	153	DCF	27.3%	31/12/2018	1,246	2,440	1,548
Osspower Limited	2,761	300	50.00%	50.00%	200	DCF	14.5%	31/03/2019	805	1,210	295
Greenfield Wind Farm Limited	3,341	1,615	16.65%	16.65%	128	DCF	17.5%	31/12/2018	866	-	(78)
Eye Wind Power Limited	2,050	1,480	35.38%	35.38%	205	DCF	10.7%	28/02/2019	2,053	1,327	275
Renewable Power Systems (Dargan Road) Limited	1,364	1,284	50.00%	50.00%	71	DCF	7.1%	31/07/2019	797	666	84
Bernard Matthews Green Energy Weston Limited	914	500	50.00%	50.00%	110	DCF	4.8%	31/03/2019	437	204	179
Bernard Matthews Green Energy Pickenham Limited	624	500	50.00%	50.00%	150	DCF	3.3%	31/03/2019	467	119	91
Bernard Matthews Green Energy Halesworth Limited	625	351	10.09%	10.09%	125	DCF	3.3%	30/06/2019	1,760	1,923	(894)
A7 Lochhead Limited	986	569	20.00%	20.00%	60	DCF	5.2%	31/03/2019	1,128	1,571	432
Biggleswade Wind Farm Limited	575	179	3.50%	3.50%	86	DCF	3.0%	31/07/2019	1,204	4,166	44

“C” Share Fund

Company	Value £000	Cost £000	Shareholding %	Voting rights %	Income recognised by the Company during the year £000	Basis of value	Proportion of share fund portfolio by value %	Date of latest accounts	Net assets £000	Turnover £000	Profit/ (loss) £000
Biggleswade Wind Farm Limited	3,530	1,098	21.50%	21.50%	533	DCF	24.4%	31/07/2019	1,204	4,166	44
White Mill Windfarm Limited	3,185	1,000	25.00%	25.00%	300	DCF	22.0%	31/01/2019	1,755	3,347	971
Greenfield Wind Farm Limited	2,509	1,213	12.50%	12.50%	98	DCF	17.3%	31/12/2018	866	-	(78)
Weston Airfield Investments Limited	1,937	1,000	50.00%	50.00%	-	DCF	13.4%	31/03/2019	1,103	145	114
North Pickenham Energy Limited	1,395	1,000	50.00%	50.00%	50	DCF	9.6%	31/03/2019	580	238	188
AD Wind Farmers Limited	1,138	1,000	50.00%	50.00%	-	DCF	7.9%	30/09/2019	1,472	190	150
Bernard Matthews Green Energy Halesworth Limited	350	300	5.63%	5.63%	70	DCF	2.4%	30/06/2019	1,760	1,923	(894)
Darroch Power Limited	287	185	4.22%	4.22%	18	DCF	2.0%	31/03/2019	964	1,307	126
Upper Falloch Power Limited	131	107	2.79%	2.79%	15	DCF	0.9%	31/03/2019	154	473	112

“D” Share Fund

Company	Value £000	Cost £000	Shareholding %	Voting rights %	Income recognised by the Company during the year £000	Basis of value	Proportion of share fund portfolio by value %	Date of latest accounts	Net assets £000	Turnover £000	Profit/ (loss) £000
Darroch Power Limited	1,222	644	25.50%	25.50%	45	DCF	46.1%	31/03/2019	964	1,307	126
Bernard Matthews Green Energy Halesworth Limited	829	712	13.38%	13.38%	166	DCF	31.3%	30/06/2019	1,760	1,923	(894)
Upper Falloch Power Limited	598	374	29.58%	29.58%	34	DCF	22.6%	31/03/2019	154	473	112

Footnote to the Top 10 Investments Tables:

Basis of valuation - DCF Discounted future cash flows from the underlying business excluding interest earned to date

The ordinary share fund and the “C” share fund have shareholdings in Greenfield Wind Farm Limited of 16.65% and 12.50% respectively, therefore the Company’s aggregate shareholding is 29.15%.

The ordinary share fund and the “C” share fund have shareholdings in Biggleswade Wind Farm Limited of 3.50% and 21.50% respectively, therefore the Company’s aggregate shareholding is 25.00%.

The ordinary share fund, the “C” share fund and the “D” share fund have shareholdings in Bernard Matthews Green Energy Halesworth Limited of 10.09%, 5.63% and 13.38% respectively, therefore the Company’s aggregate shareholding is 29.10%.

The ordinary share fund, the “C” share fund and the “D” share fund have shareholdings in Darroch Power Limited of 11.46%, 4.22% and 25.50% respectively, therefore the Company’s aggregate shareholding is 41.18%.

The ordinary share fund, the “C” share fund and the “D” share fund have shareholdings in Upper Falloch Power Limited of 10.97%, 2.79% and 29.58% respectively, therefore the Company’s aggregate shareholding is 43.34%.

Investee Company Performance and Investment Manager Initiatives

The Company continues to perform well, with proactive investment management serving to enhance shareholder returns and protect value in the portfolio.

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

Generation for the 12 months ended 29 February 2020 was marginally above expectation at 101.1% of the combined portfolio budget, with the first quarter of 2020 experiencing significantly above average wind speeds throughout the UK, especially in February and March.

The performance of the assets owned by the investee companies was generally very good during the year with availability of the turbines above the level guaranteed by the turbine maintenance providers apart from at Achairn Energy Limited.

Achairn Energy Limited suffered two separate turbine breakdowns during the period, exacerbated by the insolvency of the turbine maintenance provider Senvion, which hampered procurement of replacement parts and availability of appropriately skilled repair technicians for a time.

The turbines have been operational since early March 2020. Since the purchase of Senvion by Siemens-Gamesa Renewable Energy ("SGRE") in January 2020, Achairn Energy Limited expects to recover the lost revenue in part from SGRE and in part from insurance proceeds.

Actions taken by the Board and Investment Manager to increase shareholder value during the year ended 29 February 2020:

The following actions and initiatives undertaken by the Board and Investment Manager have increased or brought forward cashflow to the Company:

> The refinancing in April 2019 of an investee company which owns the 10.25MW Halesworth wind farm, reducing the cost of debt in the company to 3.29% per annum.

> The refinancing in June 2019 of an investee company which owns the 1.99MW Osspower hydroelectric generating station, reducing the cost of debt in the company to 2.97% per annum.

> The renegotiation of debt terms in October 2019 for three of the Company's investee companies, reducing the cost of debt and extending the term, as well as increasing the cash available for distribution by the investee companies to the Company.

Exceptional operational issues managed by the Board and Investment Manager:

The Investment Manager has also acted decisively to preserve value in the portfolio by addressing the following matters during the year:

> Senvion, the maintenance provider to 6 of the Company's investee companies, commenced insolvency proceedings in April 2019, entered full insolvency proceedings on 1 July and was purchased by Siemens-Gamesa Renewable Energy ("SGRE") in January 2020. Although in general turbine availability remained high across the assets, this matter needed careful management with insurers and senior lender in order to maintain compliance with credit agreements and negotiate acceptable coverage with insurers.

> Specifically at Achairn Energy Limited, the Investment Manager worked with SGRE to source, fund and install a replacement part that Senvion could not source because of its credit position. Despite the accrued damages due to Achairn Energy Limited from Senvion as a result of the earlier turbine breakdowns, the Investment Manager also ensured that the project's maintenance contract was transferred to SGRE as part of the transaction rather than being left with the insolvent entity, because Achairn Energy Limited forms part of the wider Ventus portfolio of assets and SGRE has a long standing relationship with the Investment Manager.

Additional ongoing actions:

The following activities are ongoing, but the benefits cannot yet be fully quantified:

> The Investment Manager acted to fix near term electricity prices in many of our investee companies in early March 2020 ahead of the slump in energy consumption brought about by the Covid-19 related economic shutdown.

> The Investment Manager has finished the process of rolling out the initial set of upgrades to both hardware and software across the wind portfolio. It is expected that when these upgrades have been verified (typically between 6-12 months after installation) they will have been demonstrated to materially increase output for a given level of resource, delivering additional free cash flow to the Company in the near term and over the remaining project life.

> The Investment Manager is in the process of investigating further turbine upgrades with SGRE and also optimising the flow of water from the catchment areas at the two hydro sites in order to increase generation for a given level of rainfall.

Active Asset Management

The Investment Manager continues to work actively to both increase the value of the Company's portfolio through improvements in the operations of underlying assets and to protect value where market conditions have deteriorated, best exemplified by fixing power prices in the near term prior to the full impact of the Covid-19 economic shutdown. The Investment Manager has also acted to facilitate the optimisation of the financial structure of investee companies, including the refinancing of one and the renegotiation of senior debt of three investee companies as detailed above.

The primary means of optimising revenue from, and hence capital value of, wind and hydro assets is to keep the plant available to generate and to increase the revenue per unit generated. The highest levels of electricity generation can be achieved by proactive management of the operation and maintenance providers by managing planned downtime and ensuring that unplanned downtime is kept to a minimum.

The Investment Manager has recruited, within its existing management fee structure, specialist in-house engineering experts who, together with site managers and third party consultants, continually review operational performance data to identify opportunities to improve performance of both the machines and the investee company contractors.

Other areas where hands-on asset management delivers additional shareholder value is in relation to the negotiation of major commercial contracts including the power purchase agreements for each individual site. Coupled with this, the Investment Manager constantly monitors power prices to optimise the timing of price fixes across investee companies.

Furthermore, for our wind investments there are turbine optimisation products available to the investee companies which can also enhance generation. The Investment Manager has had upgrades installed to both hardware and software across the portfolio by the turbine suppliers (in some cases on a free trial basis until validation). Once these upgrades are validated (typically 6-12 months post installation) it is expected they will have shown to be accretive to electricity generation levels for a given level of resource and as such deliver additional free cash flow to the Company in the near term and over the remaining project life.

The Investment Manager has also been active in seeking out ad-hoc commercial arrangements such as the grid sharing arrangements at the Achairn site entered into in 2017 which earns £220,000, index linked, per annum for the investee company over the remaining project life.

The Investment Manager devotes attention to carefully reviewing and managing operating costs, to ensure that the Company benefits from the scale of its operating portfolio across all investee companies. Costs where the portfolio scale has delivered savings include site management, insurance, management oversight systems, auditing and reporting. This has resulted in operational cost savings across the portfolio.

The Investment Manager also seeks to reduce operating costs on a project by project basis by, for example, successfully appealing business rates assessments which has delivered significant savings for investee companies.

LTV Levels

Each of the investee companies with operational assets has been financed with senior debt. Bernard Matthews Green Energy Halesworth Limited was refinanced during the year and Biggleswade Wind Farm Limited, Whitemill Windfarm Limited and Muirhall Windfarm Limited (the operational company owned by Greenfield Wind Farm Limited) renegotiated their senior debt packages with the existing lender.

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

	Ordinary Share	"C" Share	"D" Share
Percentage Loan-to-Value as at 29 February 2020	44%	48%	55%
Percentage Loan-to-Value as at 28 February 2019	47%	49%	55%
Average remaining tenor (years) as at 29 February 2020	10.6	11.6	13.0
Average remaining tenor (years) as at 28 February 2019	10.1	10.4	12.3

Valuation of Investments

It is the accounting policy of the Company to hold its investments at fair value. The Company's investments in investee companies which operate renewable energy assets are valued using a discounted cash flow methodology. The Company has applied a discount rate to the unleveraged cash flows to determine the enterprise value of the investee company and then has subtracted the market value of any senior debt (including any prepayment fees and swap break costs) to calculate the value of the equity and/or mezzanine debt in the investee company. The discount rates used to value the unleveraged cash flows of investee companies range from 6.50% to 7.25%, with discount rate of 7.25% applied to the cash flows of operating wind farms as at 29 February 2020.

The key assumptions that have a significant impact on discounted cash flow valuations for these assets are the discount rate, inflation rate, the price at which the power and associated benefits can be sold, the amount of electricity the investee companies' generating assets are expected to produce, the length of the operating life of the asset and operating costs.

Valuation Assumptions

Discount Rates

Following the continued downward trend in discount rates in valuing operating wind energy assets in the market, the discount rate used in valuing wind farm investments has been reduced by 25bps to 7.25% (2019: 7.50%) for the base case, i.e. those investee companies which had a number of years of operating history and had undertaken an energy yield reassessment based on proven operating experience. All of the Company's wind farm investments are considered mature and have been valued on the base case basis in 2020 and 2019.

The discount rates applied to the valuation of the Company's hydro-electric investments have also been reduced by 25 bps. Therefore, for the base case, i.e. a project which has more than 3 years of operating history and has undertaken an energy yield reassessment, a discount rate of 6.50% is considered appropriate. Less mature assets, which includes the Company's other hydro-electric investments, are valued at a 7.25% discount rate.

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

Inflation Rates

The inflation rate assumption applied to the valuation of the Company's investments is 2.75% (2019: 2.75%). Inflation has a positive impact on valuations because the renewable obligation certificate and Feed-in Tariff (government supported subsidies) revenues earned by investee companies are inflation linked, while the majority of the operating expenses are not inflation linked.

Asset Lives

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 at 29 February 2020, it has been assumed the operating life of a wind farm is 25 years from date of first operation, with consistent availability throughout the asset life.

Many windfarms including some of those owned by the Company's investee companies now have in excess of ten years of operating history. The technology behind wind farms is now demonstrably robust. However, there are almost no new projects in development as a result of the UK Government's removal of support for onshore wind. Therefore, wind farm operators have begun to explore the possibility of extending turbine life to 25 or 30 years. There is currently no consensus on this issue in the transaction market or in valuations.

The assumption used in the valuation models of the hydro investments is a rolling 25 years from date of valuation. Hydro assets are generally considered to be longer-life than wind energy assets. However, there is very little consistency in the market as to the assumed operating life for hydro assets and electricity price projections beyond 25 years are very uncertain.

Market participants have begun to explore and validate the possibility of repowering i.e. replacing older turbines with newer, larger, more efficient machines. The first operational wind farm of scale in the UK, at Delabole in Cornwall, was successfully repowered with larger turbines in 2010, and others have followed.

Most of the land leases for investee company wind farms have clauses permitting renewal following renegotiation; grid connection agreements are generally evergreen and are owned by the investee company. Extension or repowering would normally require renegotiation of land leases and renewed planning permissions.

The Investment Manager continues to actively monitor the market and to ensure that, wherever possible, optionality to derive any value from life extensions and repowering is preserved throughout the portfolio. Such initiatives may allow the Company to extend its lifespan beyond the current assumed operational life of the portfolio. The economics of such a proposal is a function of the electricity market at the relevant time, as well as turbine technology. The Board does not consider it possible to ascribe a quantifiable value to life extension that may or may not be viable in 15 to 25 years. However, the Investment Manager has been instructed to preserve optionality to extend operational life throughout the portfolio, including via enhanced inspection routines of major components and installing condition monitoring equipment to gain early warning of operational issues. This does not significantly affect the current valuations of investee companies due to the effect of discounting over a prolonged period. However, it is likely that some value may be both achievable and more quantifiable later in the life of the Company.

As set out above it is anticipated that free cash flow inside investee companies will increase as senior debt amortises. As well as the potential to increase cash flow to the Company it is possible that additional free cash flow could be used by the investee companies to make further investments. This would be subject to the VCT rules prevalent at the time and, where a senior lender remains in place, the lender's consent to new investment. This route may provide a means of funding a repowering exercise or capital investment to extend turbine life and the Board will explore such opportunities at the appropriate time.

Sensitivity of NAV to Changes in Key Assumptions including Covid-19

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.

Future Power Prices

The price at which the output from the generating assets is sold is a factor of both wholesale electricity prices and Government subsidies. The Company has fixed some power price risk in the medium term under power purchase agreements. For periods where there is variable power price risk, prices are taken from a third-party forecast provided by AFRY (formerly known as Poyry) .

The hydroelectricity assets can opt into a floor price each year under the Feed-in Tariff arrangements, which gives these assets a floor on the price of electricity sales. This provides the investee companies with downside protection against changes in wholesale electricity prices. This is demonstrated by the sensitivity analysis illustrated in the tables below for the "D" share funds, which holds two investee companies with hydroelectricity assets of the three investee companies in its portfolio.

Output

External consultant reports are used to estimate the expected generating output of the investee companies' 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).

Discount Rate

The discount rate 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 rates which forms the base case in the sensitivity analysis is set out in the section above.

Inflation

The base case inflation rate used in the sensitivity analysis is 2.75%.

To consider the potential aggregate impact of Covid-19 on the future net asset value, the effects of multiple variables would need to be considered. For example, in the last 10 years, power prices and discount rates have both fallen, continually setting new lows. This can perhaps be explained by investors believing that lower power price forecasts have lower embedded risk, and therefore they are prepared to value the forecast revenues at lower discount rates. Equally, the fall in discount rates could be, at least in part, attributed to the fall in interest rates over the same period to near zero today. Given the high degree of uncertainty about how these variables may be correlated, no aggregate sensitivities have been shown.

To demonstrate the impact of those variables most likely to be impacted by Covid-19, a wider range of sensitivities has been shown below:

> Energy prices at-/+ 10% (darker bar) and-/+ 20% (lighter bar)

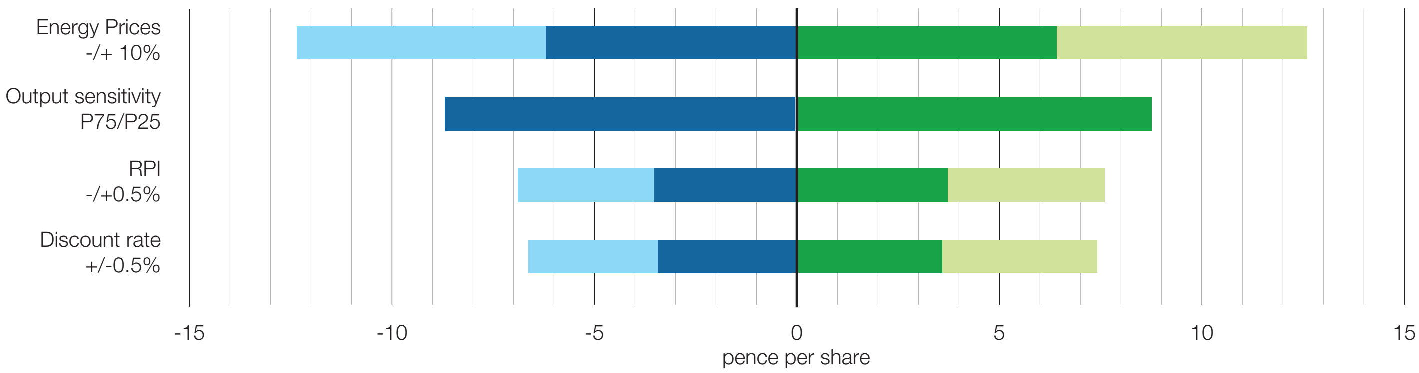
> RPI at-/+ 0.5% (darker bar) and-/+ 1.0% (lighter bar)

> Discount rate at 0.5% (darker bar) and +/- 1.0% (lighter bar)

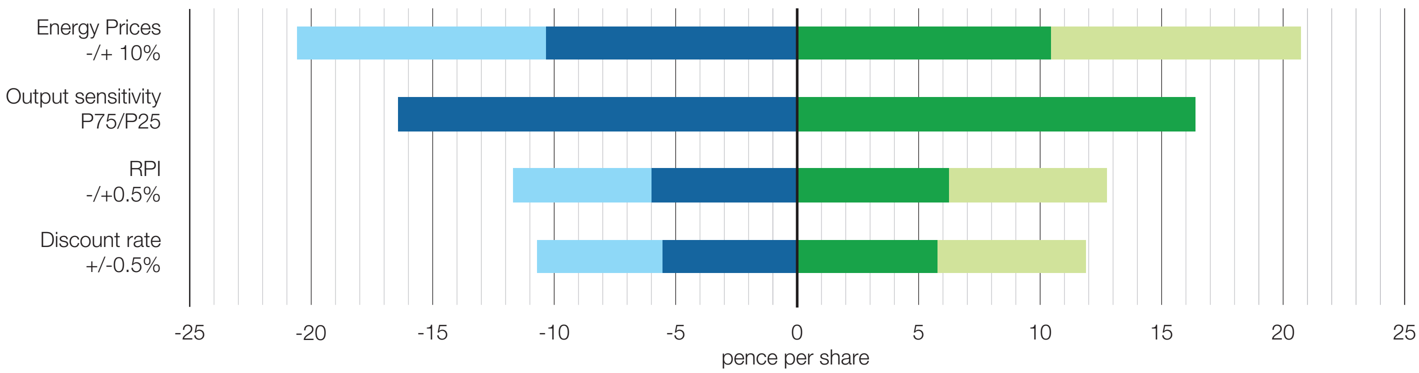
In each case the narrower range is consistent with that provided in previous years.

Further details about the valuation sensitivity analysis is set out in note 9 of the Financial Statements.

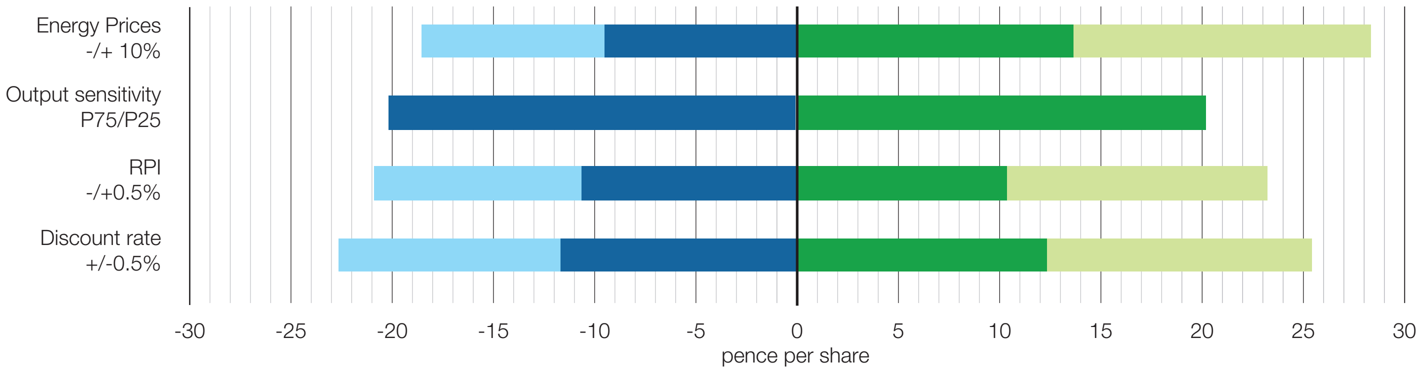
Ventus 2 VCT plc – Ordinary Shares



Ventus 2 VCT plc – "C" Shares



Ventus 2 VCT plc – "D" Shares



Ordinary Share Portfolio

A summary of the ordinary share fund's investment valuations as at 29 February 2020 and gains and losses during the year ended 29 February 2020 is given below:

				Investment value			Investment cost					
			Voting rights as at 29 February 2020 %	Shares as at 29 February 2020 £000	Loans as at 29 February 2020 £000	Total as at 29 February 2020 £000	Shares as at 29 February 2020 £000	Loans as at 29 February 2020 £000	Total as at 29 February 2020 £000	Unrealised gain/ (loss) in the year to 29 February 2020 £000	Investment value Total as at 28 February 2019 £000	Investment cost Total as at 28 February 2019 £000
Operational wind												
Achairn Energy Limited	1,2	Q	40.40%	4,385	828	5,213	1,225	833	2,058	159	5,141	2,145
A7 Lochhead Limited	1	Q	20.00%	986	-	986	569	-	569	50	936	569
Greenfield Wind Farm Limited	1	PQ	16.65%	2,322	1,019	3,341	666	949	1,615	87	3,301	1,662
Biggleswade Wind Farm Limited	1,2	Q	3.50%	472	103	575	86	93	179	(69)	706	241
Eye Wind Power Limited	1,2	Q	35.38%	2,050	-	2,050	1,480	-	1,480	(29)	2,079	1,480
Bernard Matthews Green Energy Weston Limited	1	Q	50.00%	914	-	914	500	-	500	54	860	500
Bernard Matthews Green Energy Pickenham Limited	1	Q	50.00%	624	-	624	500	-	500	(182)	806	500
Bernard Matthews Green Energy Halesworth Limited	1,2	Q	10.09%	625	-	625	351	-	351	(173)	798	351
Operational companies in the wind sector												
Firefly Energy Limited	1	Q	50.00%	-	12	12	200	30	230	2	10	230
Operational landfill gas												
Renewable Power Systems (Dargan Road) Limited		Q	50.00%	831	533	1,364	780	504	1,284	16	1,460	1,396
Operational small hydro												
Osspower Limited			50.00%	2,761	-	2,761	300	-	300	(293)	3,054	300
Darroch Power Limited	1	Q	11.46%	392	49	441	20	46	66	37	404	66
Upper Falloch Power Limited	1	Q	10.97%	150	32	182	8	31	39	10	172	39
Realised investments												
Redeven Energy Limited	1		50.00%	-	-	-	-	130	130	-	-	130
Total				**16,512**	**2,576**	**19,088**	**6,685**	**2,616**	**9,301**	**(331)**	**19,727**	**9,609**

Q Investment complies with VCT regulations on qualifying holdings.

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

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

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

"C" Share Portfolio

A summary of the "C" share fund's investment valuations as at 29 February 2020 and gains and losses during the year ended 29 February 2020 is given below:

				Investment value			Investment cost					
			Voting rights as at 29 February 2020 %	Shares as at 29 February 2020 £000	Loans as at 29 February 2020 £000	Total as at 29 February 2020 £000	Shares as at 29 February 2020 £000	Loans as at 29 February 2020 £000	Total as at 29 February 2020 £000	Unrealised gain/ (loss) in the year to 29 February 2020 £000	Investment value Total as at 28 February 2019 £000	Investment cost Total as at 28 February 2019 £000
Operational wind												
Greenfield Wind Farm Limited	1	PQ	12.50%	1,744	765	2,509	500	713	1,213	65	2,479	1,248
White Mill Windfarm Limited	1,2	PQ	25.00%	3,185	-	3,185	1,000	-	1,000	160	3,025	1,000
AD Wind Farmers Limited	1	Q	50.00%	1,138	-	1,138	1,000	-	1,000	90	1,048	1,000
Biggleswade Wind Farm Limited	1	Q	21.50%	2,901	629	3,530	526	572	1,098	(427)	4,335	1,476
Weston Airfield Investments Limited	1	Q	50.00%	1,937	-	1,937	1,000	-	1,000	(55)	1,992	1,000
North Pickenham Energy Limited	1	Q	50.00%	1,395	-	1,395	1,000	-	1,000	(60)	1,455	1,000
Bernard Matthews Green Energy Halesworth Limited	1,2	Q	5.63%	350	-	350	300	-	300	(97)	447	300
Operational small hydro												
Darroch Power Limited	1	Q	4.22%	144	143	287	53	132	185	14	273	185
Upper Falloch Power Limited	1	Q	2.79%	38	93	131	17	90	107	2	129	107
Realised investments												
Iceni Renewables Limited	1		50.00%	-	-	-	400	18	418	-	-	418
Total				**12,832**	**1,630**	**14,462**	**5,796**	**1,525**	**7,321**	**(308)**	**15,183**	**7,734**

Q Investment complies with VCT regulations on qualifying holdings.
PQ Part of the investment complies with VCT regulations on qualifying holdings.
1 An investee company in which Ventus VCT plc has also invested. The Company and Ventus VCT plc are managed by Temporis.
2 An investee company in which Temporis Operational Renewable Energy Strategy LP has also invested. Temporis Operational Renewable Energy Strategy LP is advised by Temporis.

“D” Share Portfolio

A summary of the “D” share fund’s investment valuations as at 29 February 2020 and gains during the year ended 29 February 2020 is given below:

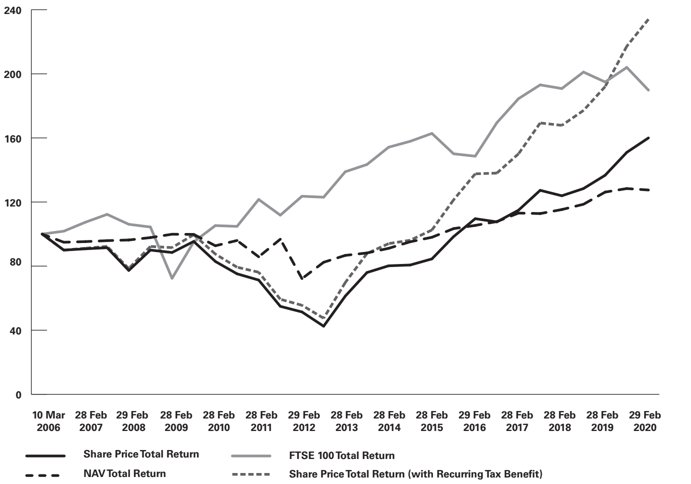
			Voting rights as at 29 February 2020 %	Investment value: Shares as at 29 February 2020 £000	Investment value: Loans as at 29 February 2020 £000	Investment value: Total as at 29 February 2020 £000	Investment cost: Shares as at 29 February 2020 £000	Investment cost: Loans as at 29 February 2020 £000	Investment cost: Total as at 29 February 2020 £000	Unrealised gain/ (loss) in the year to 29 February 2020 £000	Investment value Total as at 28 February 2019 £000	Investment cost Total as at 28 February 2019 £000
Operational wind												
Bernard Matthews Green Energy Halesworth Limited	1,2	Q	13.38%	829	-	829	712	-	712	(230)	1,059	712
Operational small hydro												
Darroch Power Limited	1	Q	25.50%	872	350	1,222	319	325	644	84	1,138	644
Upper Falloch Power Limited	1	Q	29.58%	404	194	598	185	189	374	25	573	374
Total				**2,105**	**544**	**2,649**	**1,216**	**514**	**1,730**	**(121)**	**2,770**	**1,730**

Q Investment complies with VCT regulations on qualifying holdings.

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

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

Total Shareholder Return on Ordinary Shares



The graph demonstrates the change in value, in terms of Share Price Total Return[1] and NAV Total Return[2], based on £100 invested in ordinary shares on the date they were listed on the London Stock Exchange (10 March 2006) over the period to 29 February 2020 compared with the total return attributable to £100 invested in companies comprising the FTSE 100 Index over the same period. For illustration purposes, a Share Price Total Return (with Recurring Tax Benefit)[3] is also presented.

The graph shows there was an decrease in shareholder value during the year in respect of the total shareholder return based on NAV, which is representative of the net downward revaluation in investments offset by the revenue earned and dividends paid.

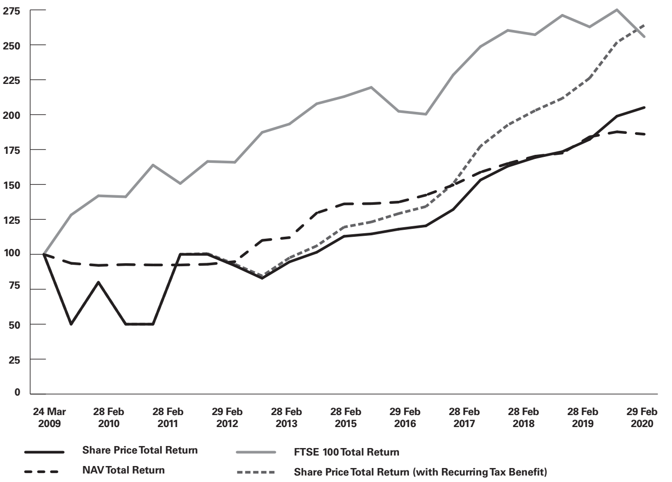
The ordinary share fund's Share Price Total Return and NAV Total Return presented in the graph do not include the effects of VCT tax relief or income tax and capital gains tax exemptions from which VCT shareholders may benefit. Assuming an investor had benefitted from the initial income tax relief of 40% which was available to investors in the tax years in which the initial offer for ordinary shares was made, the Share Price Total Return of the ordinary share fund would be 267%. Also, this analysis does not include the effect of the additional benefits of income tax-free dividends or capital gains tax exemptions which are available to VCT investors nor does it include the tax benefits received by shareholders who participated in the linked tender offer and ordinary share offer in 2012.

1 Share Price Total Return is the return attributable to the share price of the ordinary shares held assuming that dividends paid in respect of those shares were immediately reinvested in shares at the market price as at the date the dividends were paid.

2 NAV Total Return is the NAV of the ordinary shares held plus the cumulative dividends paid on those shares over the period in which they were held.

3 The Share Price Total Return (with Recurring Tax Benefit) demonstrates the total return if the annual dividend was grossed-up (assuming a tax rate of 35% for illustrative purposes) and reinvested in the shares at the market price as at the date the dividends were paid. This does not include the initial tax relief available for investing in VCTs.

Total Shareholder Return on "C" Shares



The graph demonstrates the change in value, in terms of Share Price Total Return[1] and NAV Total Return[2], based on £100 invested in "C" shares on the date they were listed on the London Stock Exchange (24 March 2009) over the period to 29 February 2020 compared with the total return attributable to £100 invested in companies comprising the FTSE 100 Index over the same period. For illustration purposes, a Share Price Total Return (with Recurring Tax Benefit)[3] is also presented.

The graph shows that there was a net decrease in shareholder return based on NAV during the year, which is representative of the net decrease in the value of the investments offset by the revenue earned and dividends paid.

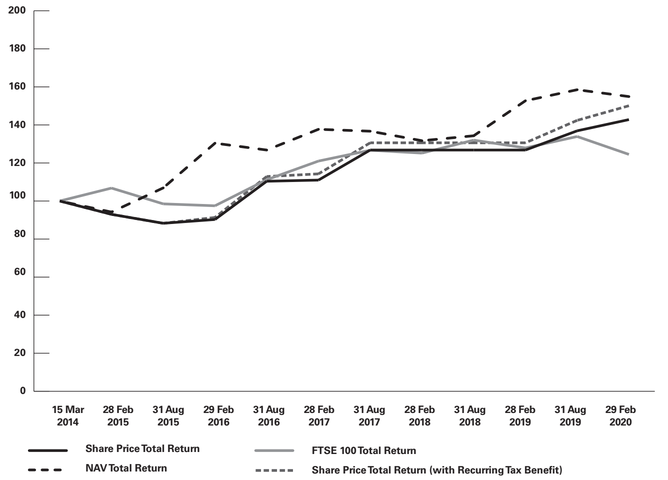
The "C" share fund's Share Price Total Return and NAV Total Return presented in the graph do not include the effects of VCT tax relief or income tax and capital gains tax exemptions from which VCT shareholders may benefit. Assuming an investor had benefitted from the initial income tax relief of 30% which was available to investors in the tax years in which the initial offer for "C" shares was made, the Share Price Total Return of the "C" share fund would be 293%. Also, this analysis does not include the effect of the additional benefits of income tax-free dividends or capital gains tax exemptions which are available to VCT investors.

1 Share Price Total Return is the return attributable to the share price of the ordinary shares held assuming that dividends paid in respect of those shares were immediately reinvested in shares at the market price as at the date the dividends were paid.

2 NAV Total Return is the NAV of the ordinary shares held plus the cumulative dividends paid on those shares over the period in which they were held.

3 The Share Price Total Return (with Recurring Tax Benefit) demonstrates the total return if the annual dividend was grossed-up (assuming a tax rate of 35% for illustrative purposes) and reinvested in the shares at the market price as at the date the dividends were paid. This does not include the initial tax relief available for investing in VCTs.

Total Shareholder Return on "D" Shares



The graph demonstrates the change in value, in terms of Share Price Total Return[1] and NAV Total Return[2], based on £100 invested in "D" shares on the date they were first listed on the London Stock Exchange (15 March 2014) over the period to 29 February 2020 compared with the total return attributable to £100 invested in companies comprising the FTSE 100 Index over the same period. For illustration purposes, a Share Price Total Return (with Recurring Tax Benefit)[3] is also presented.

The graph shows that there was a net increase in shareholder return based on NAV during the year, which is representative of the net upward revaluation of investments offset by the revenue earned and dividends paid.

The "D" share fund's Share Price Total Return and NAV Total Return presented in the graph do not include the effects of VCT tax relief or income tax and capital gains tax exemptions from which VCT shareholders may benefit. Assuming an investor had benefitted from the initial income tax relief of 30% which was available to investors in the tax years in which the initial offer for "D" shares was made, the Share Price Total Return of the "D" share fund would be 204%. Also, this analysis does not include the effect of the additional benefits of income tax-free dividends or capital gains tax exemptions which are available to VCT investors.

1 Share Price Total Return is the return attributable to the share price of the ordinary shares held assuming that dividends paid in respect of those shares were immediately reinvested in shares at the market price as at the date the dividends were paid.

2 NAV Total Return is the NAV of the ordinary shares held plus the cumulative dividends paid on those shares over the period in which they were held.

3 The Share Price Total Return (with Recurring Tax Benefit) demonstrates the total return if the annual dividend was grossed-up (assuming a tax rate of 35% for illustrative purposes) and reinvested in the shares at the market price as at the date the dividends were paid. This does not include the initial tax relief available for investing in VCTs.

Temporis Capital Limited
Investment Manager

3 July 2020

The Directors present their Annual Report and the audited Financial Statements for the year ended 29 February 2020 incorporating the Corporate Governance Statement on pages 31 to 34.

NAV, Results and Dividends – Ordinary Shares

The results, NAV and dividend information for the ordinary shares are set out in the Chairman's Statement, the Financial Information section and in the detailed Financial Statements below.

NAV, Results and Dividends – "C" Shares

The results, NAV and dividend information for the "C" shares are set out in the Chairman's Statement, the Financial Information section and in the detailed Financial Statements below.

NAV, Results and Dividends – "D" Shares

The results, NAV and dividend information for the "D" shares are set out in the Chairman's Statement, the Financial Information section and in the detailed Financial Statements below.

Going Concern

The current economic and commercial conditions in the UK and the wider world economy as a result of the Covid-19 pandemic has created a number of risks and uncertainties which are addressed in the Chairman's Statement and the Strategic Report.

The Directors have reviewed the going concern analysis prepared by the Investment Manager, which has been prepared on a conservative basis.

The Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the accounts. The Company's major cash flows are within the Company's control (namely dividends) or are reasonably predictable (namely the operating expenses). The Company is able to forecast cash inflows comprising proceeds from investments to a reasonable degree. Having reviewed a cash flow forecast for the 18 months from the year ended 29 February 2020, 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 assessment.

As a result, the Directors continue to adopt the going concern basis in preparing the financial statements.

There is nothing to indicate that, should either Continuation Vote be a vote for the Company not to continue, this would have any impact on the ability of the Company to meet its liabilities as they fall due, as the income from investee companies will not be affected by that decision.

Statement on Longer-term Viability

Introduction

As required by the UK Corporate Governance Code the Directors are required to assess the prospects of the Company over a period longer than the 12 months associated with going concern.

Period of Assessment

The Directors consider a period of five years to be a suitable period over which to assess the longer-term viability of the Company. The Company's viability is predicated on its ability to receive returns from its investments in the form of dividends, interest and capital. The Company invests in companies which own and operate renewable energy assets which typically have an operational life of at least twenty-five years. The degree of certainty over key input assumptions used in forecasting the future cash flows from the investee companies diminishes over time. For that reason, the Directors believe it would not be meaningful to assess the viability of the Company beyond a period of five years. The assessment has been prepared on the basis that the Company will continue to operate on the assumption the result of the Continuation Vote at the AGM in 2020, and the Additional Continuation Vote to be held either at or prior to the 2021 AGM, will both be for the Company to continue. If the Continuation Vote does not pass, within 4 months of the vote a general meeting will be convened at which either or both of the following resolutions shall be proposed:

i. A special resolution for the re-organisation or reconstruction of the Company, or
ii. A special resolution requiring the Company to be wound up voluntarily.

If neither of the special resolutions referred to above is passed (requiring over 75% of the votes cast), the Company shall continue as a venture capital trust.

Risk Assessment

The Directors have conducted a regular robust review of the principal and emerging risks facing the Company, including those that would threaten its business model. The Company maintains a Risk Register which is used to document the key risks considered to be pertinent to the Company and includes an assessment of the likelihood of certain events, their potential impact and the mitigating conditions which have been put in place to manage the impact of these events. The key risks which may impact the Company's business are set out in the Strategic Report.

Statement of Longer-term Viability

Having reviewed the cash flow forecasts used in valuing the Company's investments, the assumptions used in determining these cash flows and the projected results for the Company over the period of the expected operating life of the assets owned by its investee companies, the Directors have a reasonable expectation the Company will receive returns over a period of five years which will be at a sufficient level to ensure the viability of the Company with a reasonable degree of certainty. Although the degree of certainty over key assumptions diminishes over time, the Directors' view is there is no reason to suggest the Company would not be viable beyond a period of five years. The Directors have also tested the ability of the Company to remain viable under several negative scenarios and are satisfied that the Company is viable under these scenarios.

Future developments of the Company are discussed in detail in the business model and investment policy sections of the Strategic Report on pages 5 to 6.

Directors

The Directors of the Company during the year under review were Lloyd Chamberlain, Jane Tozer, Chris Zeal, Alan Moore, Paul Thomas and Colin Wood. The current Directors of the Company are Lloyd Chamberlain, Jane Tozer and Chris Zeal. Jane Tozer was appointed at the 2019 AGM. Lloyd Chamberlain and Chris Zeal joined the Board on 1 October 2019 after simultaneously resigning from the Board of Ventus VCT plc as part of a reorganisation to ensure that each Board continued to hold the right balance of skills across renewables, investment management and the capital markets as well as shareholder representation. Paul Thomas was removed from the Board at the AGM held in 2019. Colin Wood stepped down at the 2019 AGM. Alan Moore retired from the Board on 31 December 2019.

Biographical information on the Directors is shown on page 35. The terms of the Directors' appointment and replacement are set out in the Corporate Governance Statement. In accordance with the AIC Code all Directors will retire at every AGM of the Company, and being eligible, will offer themselves for re-election. As all Directors have acted in the interest of the Company throughout the period of their appointment and demonstrated commitment to their roles, the Board recommends they be re-elected at the AGM. The Company has in place directors' and officers' liability insurance.

Share capital

Authorised Share Capital

At 29 February 2020, the Company had authorised share capital of £22,500,000 in total which was represented by 50 million ordinary shares of 25p, 20 million "C" shares of 25p each and 20 million "D" shares of 25p each being 56%, 22% and 22% of the Company's authorised share capital respectively.

Allotted, Called and Fully Paid Up Shares

As at 29 February 2020, the Company had allotted, called and fully paid up shares in three share funds, of which 24,392,655 shares were ordinary shares of 25p each, 11,329,107 were "C" shares of 25p each and 1,990,767 were in "D" shares of 25p each. These shares represented 65%, 30% and 5% of the Company's issued share capital respectively. The Company holds 45,900 "C" shares in treasury.

Authority to Allot Shares and Disapplication of Pre-emption Rights

The Board is not seeking authority to allot shares or disapply pre-emption rights.

Authority to Repurchase Shares

At the AGM on 20 August 2020 the Board will seek authority for the Company to repurchase up to 14.99% of its issued Ordinary share capital, 14.99% of its issued C share capital and 14.99% of its issued D share capital.

Rights and Restrictions Attaching to Shares and Powers of the Board of Directors

As set out in the Company's Articles of Association, subject to the provisions of the Companies Act 2006 and to any special rights conferred on the holders of any other shares, any share may be issued with or have attached to it such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide. The business of the Company shall be managed by the Board of Directors which may exercise all the powers of the Company, subject to the provisions of the Companies Act 2006, the Memorandum of Association of the Company, the Company's Articles of Association and any special resolution of the Company. Copies of the Articles of Association can be obtained from Companies House in the UK or by writing to the Company Secretary.

CREST

The Company's shares are available for trading in CREST, the settlement system for uncertified stocks and shares.

Substantial Interests

As at 29 February 2020 and the date of this report, the Company was aware of the following shareholders that held beneficial interests and voting rights exceeding 3% of the voting rights attached to the Company's share capital:

	Percentage of shares held at	
Shareholders	**29 February 2020**	**3 July 2020**
Hargreaves Lansdown (Nominees) Limited	6.58%	6.77%
Vidacos Nominees Limited	3.92%	4.04%
Pershing Nominees Limited	3.72%	3.76

The Company was not aware of any other beneficial interest exceeding 3% of the voting rights attached to the Company's share capital.

Financial instruments

The Company's financial instruments comprise investments in unquoted companies and cash, trade and other receivables and trade and other payables. Further details, including details about risk management, are set out in note 16 of the Financial Statements.

Events after the Year End

Significant events which have occurred after the year end are detailed in note 15 of the Financial Statements.

The impact of Covid-19, the impact of which has largely come after the year end, has been addressed in the Sensitivities section of the Investment Manager's Report, the Going Concern section of this Director's Report and in the Strategic Report.

Accountability and Audit

The statement of directors' responsibilities is set out on page 36 of this report. The Directors who were in office on the date of approval of these Financial Statements have confirmed that, as far as they are aware, there is no relevant audit information of which the Auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

Auditor

A resolution to re-appoint BDO LLP as the Auditor of the Company will be proposed at the forthcoming AGM.

Annual General Meeting

Enclosed with this Annual Report and Financial Statements on page 68 is the Notice of AGM of the Company (or any adjournment thereof) to be convened for 20 August 2020 at 12.15pm (the "Notice"). A copy of the Notice is set out at the end of this report. A copy of the Notice is set out at the end of this report. A Form of Proxy for use in connection with the AGM has been issued with this report. Details of the format are included in the Chairman's Statement. Further information in relation to the procedure, including voting and shareholder engagement can be found in the Notice itself.

Action to be Taken

Shareholders have been issued with a Form of Proxy for use in connection with the AGM. Shareholders are strongly encouraged to register their votes by proxy, either by returning the Form of Proxy in accordance with the instructions printed on it to the Company's Registrar, The City Partnership UK Limited, Suite 2 Park Valley House, Park Valley Mills, Meltham Road, Huddersfield, HD4 7BH not less than 48 hours before the time of the AGM (excluding any time which is not part of a working day) or by voting online through the Hub website: https://proxy-ventus2.cpip.io

Shareholders will not have the opportunity to attend or vote in person at the AGM, as this will be a closed virtual meeting where only two director shareholders will be virtually present.

Recommendation

The Directors believe that all of the resolutions are in the best interests of the Company and its shareholders as a whole and, accordingly, unanimously recommend that you vote in favour of the resolutions, as they intend to do in respect of their own beneficial holdings of shares.

By order of the Board

The City Partnership (UK) Limited
Secretary

3 July 2020

Statement by the Chairman

This Directors' Remuneration Report has been prepared by the Directors in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. This Directors' Remuneration Report includes the Directors' Remuneration Policy Report and the Directors' Annual Report on Remuneration. Changes in legislation, which became effective in the first financial year ended on or after 1 October 2013, require that quoted companies may only pay remuneration to Directors in accordance with a remuneration policy which has been approved by shareholders.

Details of the Company's Directors' Remuneration Policy are shown below together with an explanation of changes made to fees during the year and the reason for the changes.

Under the Companies Act 2006, certain disclosures provided in this report are required to be audited. Where disclosures have been audited they have been indicated as such.

Directors' Remuneration Policy Report

The Board currently comprises three Directors, all of whom are non-executive. The Board does not have a separate Remuneration Committee as the Company has no employees, other than the non-executive Directors.

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

The total remuneration of non-executive Directors should not exceed the £100,000 per annum limit set out in the Articles of Association of the Company which may not be changed without seeking shareholder approval at a general meeting.

No Director has a contract of service with the Company. All of the Directors have been provided with letters of appointment. The Articles of Association provide that Directors shall retire and offer themselves for re-election at the first AGM after their appointment and at least every three years thereafter. A Director's appointment will continue unless terminated by the Company by giving three months' written notice. A Director's appointment may also be terminated in certain other circumstances.

The date of appointment of each Director and the AGM at which he is expected to next stand for re-election is set out below:

	Date of appointment	Due date for re-election
Lloyd Chamberlain (Chairman)	1 October 2019	AGM 2020
Jane Tozer	8 August 2019	AGM 2020
Chris Zeal	1 October 2019	AGM 2020

Based on the current level of fees, which came into effect on 8 August 2019, the Directors' remuneration for the forthcoming financial year would be as follows:

Year ending	28 February 2021 £
Lloyd Chamberlain (Chairman)	30,000
Jane Tozer	27,500
Chris Zeal	25,000
Total	82,500

The Board will consider the level of Directors' fees at least annually. Any changes to be made to Directors' remuneration during this period will be made in accordance with the policy stated above. Directors' remuneration must be made in accordance with the approved policy unless approved by a separate shareholder resolution. The Directors' Remuneration Policy is due to be approved by the shareholders at the AGM on 20 August 2020 and will remain in place until 28 February 2023.

Directors' Annual Report on Remuneration

During the financial year ended 29 February 2020, the Board resolved that is was appropriate to maintain the Directors' fees at the same level as that which was effective from 1 September 2013 except Director's fee payable to Jane Tozer, as Senior Independent Director and Chair of the Audit Committee, were set at £27,500 per annum from her appointment on 8 August 2019.

Directors' Fees (Audited Information)

The following fees were paid to individual Directors in respect of the year ended 29 February 2020. The fees were paid in accordance with the Directors' Remuneration Policy. Comparative figures for the year ended 28 February 2019 are also presented.

	Year ended 29 February 2020 £	Year ended 28 February 2019 £
Alan Moore (retired as Chairman and from the Board 31 December 2019)	24,451	30,000
Colin Wood (retired 8 August 2019)	10,963	25,000
Paul Thomas (removed 8 August 2019)	10,963	25,000
Jane Tozer (appointed 8 August 2019)	15,553	-
Lloyd Chamberlain (appointed to the Board 1 October 2019, appointed Chairman 1 January 2020)	11,844	-
Chris Zeal (appointed 1 October 2019)	10,417	-
Total	84,191	80,000

None of the Directors received any other remuneration during the year.

The table below shows aggregate Directors' remuneration, aggregate shareholder dividends paid and aggregate amounts paid to buy back the Company's own shares in the current and prior financial years:

	Year ended 29 February 2020 £	Year ended 28 February 2019 £	% Change
Aggregate Directors' remuneration	84,191	80,000	5.2%
Aggregate shareholder dividends paid	2,579,000	2,179,000	18.4%
Aggregate amounts paid to buy back the Company's own shares	-	-	n/a

Directors' Shareholding (Audited Information)

The Directors who held office during the year held the following interests in the Company:

	As at 29-Feb 2020 £ Ordinary shares	As at 29-Feb 2020 £ "C" shares	As at 29-Feb 2020 £ "D" shares	As at 28-Feb 2019 £ Ordinary shares	As at 28-Feb 2019 £ "C" shares	As at 28-Feb 2019 £ "D" shares
Lloyd Chamberlain (Chairman)	774,695	323,875	nil	n/a	n/a	n/a
Jane Tozer	nil	nil	nil	n/a	n/a	n/a
Chris Zeal	nil	nil	nil	n/a	n/a	n/a
Alan Moore	28,579	10,400	7,525	28,579	10,400	7,525
Colin Wood	26,194	5,200	nil	26,194	5,200	nil
Paul Thomas	10,090	5,200	5,000	10,090	5,200	5,000

There have been no changes in the beneficial interests of the Directors between 28 February 2020 and the date of this report.

Company Performance

Due to the positioning of the Company in the market as a specialist VCT investing in companies that has developed, constructed and will operate small on-shore UK renewable energy projects, the Directors consider that there is no suitable company or index that can be identified for comparison over the period since the date the Company's shares were first issued. However, in order to comply with the Directors' Remuneration Report Regulations 2013, the FTSE 100 Index has been used as a comparative. The total return analysis is included in the Investment Manager's Report.

Voting on the Directors' Remuneration Policy and Directors' Remuneration Report at AGMs

At the AGM held on 8 August 2019, the shareholders approved the Directors' Remuneration Report in respect of the year ended 28 February 2019. Votes representing 15,274,328 shares (93.0%) were voted in favour of the resolution, votes representing 1,156,105 shares (7.0%) were against, and votes representing 493,918 shares were withheld. At the AGM held on 19 July 2017 shareholders last approved the Directors' Remuneration Policy. Votes representing 6,258,328 shares (87.0%) were in favour of the resolution and votes representing 934,263 shares (13.0%) were against, and votes representing 74,546 were withheld.

An ordinary resolution to approve this Directors' Remuneration Report will be proposed at the forthcoming AGM.

On behalf of the Board

Lloyd Chamberlain
Chairman

3 July 2020

The Board of Ventus 2 VCT plc has considered the principles and recommendations of the AIC Code of Corporate Governance published in July 2018 ("AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code (the "Code"), as well as setting out additional principles and recommendations on issues that are of specific relevance to member companies of the AIC.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the Code), will provide better information to shareholders. The Company has complied with the recommendations of the AIC Code and the relevant provisions of the Code, except as set out below.

The Code includes provisions relating to:

> the role of the chief executive;

> executive directors' remuneration; and

> remuneration committee.

For the reasons set out in the AIC Guide, and as explained in the Code, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company with a small non-executive Board. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

Board of Directors

At the year ended 29 February 2020 the Board consisted of three Directors, all of whom are non-executive. The Board rightly ensures that it has the appropriate balance of skills, experience, length of service and knowledge of the Company amongst its Directors, including from shareholders. Biographical information on the Directors is shown in the Directors' Information on page 35.

Independence

The Board has reviewed the independence of each Director and of the Board as a whole. The Board believes that each Director continues to demonstrate independence of character and judgement, their skills and experience add significantly to the strength of the Board. The Board is of the view that length of service will not necessarily compromise the independence or contribution of Directors of a venture capital trust, where continuity and experience can be of significant benefit to the Company and its shareholders. The Board agrees with the view expressed in the AIC Code that long serving directors should not be prevented from being considered independent, in accordance with corporate governance best practice all Directors will offer themselves for re-election on an annual basis at each AGM.

Directors' Responsibilities

The Board meets at least quarterly and is in regular contact with the Investment Manager between these meetings. There were five meetings of the Board and two meetings of the Audit Committee held during the year and the attendance of the Directors is shown in the table below:

	Board Meetings Held	Board Meetings Attended	Audit Committee Meetings Held	Audit Committee Meetings Attended
Lloyd Chamberlain[1]	4	4	2	2
Jane Tozer[2]	4	3	2	2
Chris Zeal[3]	4	3	2	2
Alan Moore[4]	4	4	2	2
Paul Thomas[5]	2	2	1	1
Colin Wood[6]	2	1	1	1

1 Lloyd Chamberlain was appointed on 1 October 2019.
2 Jane Tozer was appointed on 8 August 2019.
3 Chris Zeal was appointed on 1 October 2019.
4 Alan Moore retired on 31 December 2019.
5 Paul Thomas was removed from the Board on 8 August 2019.
6 Colin Wood retired on 8 August 2019.

The Directors also held two strategy meetings with the Investment Manager during the year. In addition, the Board regularly convenes through teleconference to manage specific issues.

All the Directors are equally responsible under the law for the proper conduct of the Company's affairs. In addition, the Directors are responsible for ensuring that the policies and operations are in the best interests of all the Company's shareholders and that the best interests of creditors and suppliers to the Company are properly considered. The Board has a formal schedule of matters specifically reserved to it for decision, to ensure that it has firm direction and control of the Company. The schedule of matters reserved to it includes the general investment strategy of the Company and the performance of the Company. All Directors have direct access to the Company Secretary and independent advisers at the Company's expense provided prior clearance has been obtained from the Board. The Company Secretary is responsible to the Board for ensuring that Board and Committee procedures are followed and for compliance with applicable statutory rules and regulations and for ensuring the timely delivery of information.

When Directors have concerns that cannot be resolved about the running of the Company or a proposed action, they are asked to ensure that their concerns are recorded in the Board minutes. On resignation, a Director who has any such concerns is encouraged to provide a written statement to the Chairman, for circulation to the Board. The terms and conditions of appointment of non-executive Directors are available upon written application to the Company Secretary. Directors appointed by the Board to fill a vacancy are required to submit to election at the next AGM by separate resolution. The Company may by ordinary resolution appoint any person who is willing to act as a Director, either to fill a vacancy or as an additional Director. Upon joining the Board, new Directors will receive a full, formal and tailored induction. As the Company has no major shareholders, it is considered unnecessary to provide shareholders with the opportunity to meet new non-executive Directors at a specific meeting other than the AGM. The Company may by ordinary resolution remove any Director before his period of office has expired. All Directors are subject to annual re-election as described previously.

The performance of the Board, Audit Committee and individual Directors has been evaluated through an assessment process led by the Chairman. The assessment process included consideration of performance monitoring and evaluation, strategy and corporate issues, shareholder value and communications and governance.

Report from the Audit Committee

The Audit Committee comprises Jane Tozer, Lloyd Chamberlain and Chris Zeal. The Board is satisfied that the Audit committee as a whole has competence relevant to the venture capital trust sector and the requisite skills and experience to fulfil the responsibilities of the audit committee and that the chair of the Audit committee meets the requirements of the AIC Code as to recent and relevant financial experience. The Board considers that Lloyd Chamberlain was independent on appointment and is still an independent director and as the Board is small in number and all Directors are non-executive all Directors, including the Chairman of the Company, are therefore members of the Audit Committee. The Committee meets at least twice a year to review the audit plan, the Half-yearly Report and Annual Financial Statements before submission to the Board. The roles and responsibilities of the Audit Committee, including reviewing the Company's internal controls, risk management systems and monitoring auditor independence, are set out in written terms of reference and are available on the Company's website www.ventusvct.com and are also available upon written application to the Company Secretary. The Audit Committee has primary responsibility for making recommendations on the appointment, reappointment and removal of the external Auditor. The Audit Committee met three times this year and the Audit Committee Chairman also held private discussions with the external auditor without the Investment Manager present. After each meeting, the Chairman reports to the Board on the matters discussed, on recommendations and actions to be taken.

During the year ended 29 February 2020 the Audit Committee considered, monitored and reviewed:

> all financial statements released by the Company (including the Annual and Half-yearly Financial Report);
> the Company's accounting policies;
> the effectiveness of the system of internal controls and risk management; no significant weaknesses were identified in the year under review;
> the external Auditor's plan and fees;
> a report from the external Auditor following its detailed audit work, and discussed key issues arising from that work;
> its own terms of reference; and
> the internal audit plan and the recommendations of the internal Auditor.

The key areas of risk identified by the Audit Committee in relation to the business activities and financial statements of the Company are:

> compliance with HM Revenue & Customs to maintain the Company's VCT status;
> valuation of investments; and
> revenue recognition and recoverability.

These matters are monitored regularly by the Investment Manager and reviewed by the Board at every Board meeting. They were also discussed with the Investment Manager and the Auditor at the Audit Committee meeting held to discuss the annual financial statements.

The Audit Committee concluded:

VCT Status – the Investment Manager confirmed to the Audit Committee that the conditions for maintaining the Company's status had been complied with throughout the year. The Company's VCT status was also reviewed by the Company's adviser, Philip Hare & Associates LLP.

Valuation of unquoted investments – the Investment Manager confirmed to the Audit Committee that the basis of valuation for unquoted investments was consistent with the prior year and in accordance with published industry guidelines, taking account of the latest available information about investee companies and current market data. A comprehensive report on the valuation of investments is presented and discussed at Board meetings; Directors are also consulted about material changes to those valuations between Board meetings.

Revenue recognition and recoverability – the Audit Committee considered the revenue recognised during the year and the revenue receivable by the Company at the year end and is satisfied that they are appropriately accounted for.

The Investment Manager and the Auditor confirmed to the Audit Committee that they were not aware of any unadjusted material misstatements. Having reviewed the reports received from the Investment Manager and the Auditor, the Audit Committee is satisfied that the key areas of risk and judgement have been properly addressed in the financial statements and that the significant assumptions used in determining the value of assets and liabilities have been properly appraised and are sufficiently robust. The Audit Committee has managed the relationship with the external Auditor and assessed the effectiveness of the audit process. When assessing the effectiveness of the process for the year under review the Audit Committee considered the Auditor's technical knowledge and that it has a clear understanding of the business of the Company; that the audit team is appropriately resourced; that the Auditor provided a clear explanation of the scope and strategy of the audit and that the Auditor maintained independence and objectivity. As part of the review of Auditor effectiveness and independence, BDO LLP ("BDO") has confirmed that it is independent of the Company and has complied with professional accounting standards. BDO, has held office as Auditor since being appointed on 1 July 2009. In accordance with professional guidelines the engagement partner is rotated after at most five years and the current partner started working with the Company in the financial year ended 28 February 2019.

In accordance with prohibited non-audit services as listed in Article 5 (1) of the EU Audit Regulation BDO no longer provide non-audit services to the Company.

Under the EU Audit Regulation, there is a requirement that an audit tender process be carried out every ten years and mandatory rotation at least every twenty years. As a result, the Company undertook an audit tender for the year ending 29 February 2020. The result of the tender was that, on the recommendation of the Committee and taking discussions held with the engagement Partner at BDO into consideration, the Board took the decision to reappoint BDO for the period ended 29 February 2020. A resolution to re-appoint BDO as auditor will be presented for shareholder approval at the upcoming AGM.

Nomination Committee

The Nomination Committee comprises Lloyd Chamberlain, Jane Tozer and Chris Zeal. The Chairman of the Board acts as Chairman of the Nomination Committee. The Nomination Committee has considered the recommendations of the Code concerning gender diversity and welcomes initiatives aimed at increasing diversity generally. The Nomination Committee believes, however, that all appointments should be made on merit rather than positive discrimination. The Nomination Committee is clear that maintaining an appropriate balance round the board table through a diverse mix of skills, experience, knowledge and background is of paramount importance and gender diversity is a significant element of this. Any search for new Board candidates will be conducted and appointments made on merit, against objective selection criteria having due regard, among other things, to the benefits of diversity on the Board, including gender. The changes to the composition of the Board during the year were made to address views expressed by shareholders at the time of the AGM, the Board believe the new arrangement provides an excellent balance of director skills and experience.

Remuneration Committee

To date no Remuneration Committee has been established. Where a VCT has no executive directors, the Code principles relating to directors' remuneration do not apply and as such no Remuneration Committee has been appointed. Matters relating to remuneration of Directors, all of whom are non-executive, are considered by the Board and any Director is excluded from meetings whose purpose is the setting of his own remuneration.

Internal Control

The Directors acknowledge their responsibility for the Company's risk management and system of internal control and for reviewing their effectiveness. Internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The Board has an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The Board has delegated, contractually to third parties, the investment management, the custodial services (which include safeguarding the Company's assets), the day-to-day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered.

In April 2012, the Company appointed Roffe Swayne, an independent external party, to undertake an internal audit of the processes and procedures in place at the Investment Manager. Roffe Swayne tests the satisfactory operation of internal controls for the Company and reports to the Audit Committee. Roffe Swayne has reported to the Audit Committee during the financial year that key controls tested included tax mitigation and compliance, statutory reporting and the control environment are effectively and efficiently designed and operate to mitigate the risks associated with them. The Board will continue to monitor and review the risk management process on a regular basis.

The Company has a clearly defined investment policy and process. Investment decisions are made by the Investment Manager, after approval has been received from the Investment Committee of the Investment Manager. In certain circumstances investment decisions are referred to the Board for approval after due consideration of the recommendations of the Investment Committee of the Investment Manager. The Board performs regular reviews of the Company's performance in respect of the investments and other assets, liabilities, revenue and expenditure.

The Audit Committee reviews each of the Company's Half-yearly and Annual Reports and associated announcements. The Audit Committee regularly reviews management accounts information to make comparisons to budget. The Audit Committee also regularly reviews the internal controls adopted and implements appropriate policies to deal with operational risks. The findings of the external Auditor in respect of internal controls and financial reporting are discussed at Audit Committee meetings and appropriate recommendations are made to the Board.

The principal features of the internal control systems which the Investment Manager has in place in respect of the Company's financial reporting include:

> authorisation limits over expenditure incurred by the Company;

> segregation of duties between the analysis of investment valuations, review of the assumptions made in valuing investments and the recording of these valuations in the accounting records;

> bank reconciliations are carried out on a regular basis; and

> review by the Audit Committee of financial information prior to its publication.

Performance of the Investment Manager

The primary focus of regular Board meetings is to review the investment performance against the Company's stated investment policy and objectives. In doing so, the Board assesses the performance of the Investment Manager and considers whether the arrangements made between the Company and the Investment Manager are appropriate and in the interests of shareholders. The Board completed a formal assessment of the performance of the current Investment Manager and in the opinion of the Directors, the continuing appointment of Temporis as the Investment Manager is in the interests of the shareholders. However, as detailed in the Chairman's Statement, the Board has negotiated with the Investment Manager to secure a significant reduction in the investment management fees payable by the Company. The Directors are satisfied that the Investment Manager will continue to manage the Company's investment programme in a way which will enable the Company to achieve its objectives.

Share Capital

The Company has three classes of shares, ordinary, "C" shares and "D" shares, which carry no right to fixed income. Details of the Company's share capital, including the number of shares authorised and allotted, are set out in the Directors' Report. In accordance with the Company's Articles of Association, subject to the provisions of the Companies Act 2006 and to any special rights conferred on the holders of any other shares, any shares may be issued with or have attached to them such rights and restrictions as the Company may by ordinary resolutions decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may decide. The powers of the Company's Directors in relation to the Company issuing or buying back its own shares are set out in the Director's Report.

Voting

At a general meeting of the Company, on a show of hands, every member who is present in person and entitled to vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share held.

Dividends

Any profits of each share fund which the Company may determine to distribute in respect of any financial year shall be distributed among the shareholders pro rata according to the amounts paid up or credited as paid up on the shares held.

Capital Entitlement

The capital and assets of the Company on a winding-up or other return of capital shall be applied in repaying to the shareholders the amounts paid up or credited as paid up on such shares and subject thereto shall belong to and be distributed according to the number of such shares held.

Major Interests in the Company's shares

The identity of each of the shareholders with a significant holding as at the year end and the date of this report, including details of the size and nature of their holding, is disclosed in the Substantial Interests section of the Directors' Report. As at the year end and date of this report the Company had no immediate or ultimate controlling parties and there were no shares in issue carrying special rights with regard to control of the Company.

Articles of Association

The Company may by special resolution make amendment to the Company's Articles of Association.

Relations with Shareholders

The Company communicates with shareholders and solicits their views where it is appropriate to do so. The Procedure for the 2020 AGM is set out in the Chairman's Statement and the Notice of the AGM which is on page 68 of these accounts.

The Board is also happy to respond to any written queries made by shareholders during the course of the year. Shareholders may write to the Board of Ventus 2 VCT plc at the following address: c/o The City Partnership (UK) Limited, 110 George Street, Edinburgh, EH2 4LH.

The Board as a whole approves the Chairman's Statement which forms part of the Annual and Half-yearly Financial Report to shareholders in order to ensure that they present a balanced and understandable assessment of the Company's position and future prospects. The Board confirms that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide information necessary for shareholders to assess the Company's position, performance, business model and strategy. Notice of the AGM is included on page 68. A separate resolution is proposed at the AGM on each substantially separate issue. The Registrar collates the proxy votes, and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. In order to comply with the Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. For the 2020 AGM it is intended to call a poll for all resolutions. The notice of the next AGM can be found at the end of these Financial Statements. A proxy form in respect of this meeting has been issued to shareholders separately.

For and on behalf of the Board

Lloyd Chamberlain
Chairman

3 July 2020

The Company's Board comprises three Directors, all of whom are independent of the Investment Manager. The Directors operate in a non-executive capacity and are responsible for overseeing the investment strategy of the Company. The Directors have between them a wide experience of renewable energy and investment management in both smaller growing companies and larger quoted companies. Information about the Directors is presented below:

Lloyd Chamberlain - Chairman

Lloyd's career in finance and business has spanned more than 20 years; most recently as the founder and managing partner of Praxient Capital LLP, an FCA and SEC regulated investment manager. He was the portfolio manager for the Panther Fund strategy (2007-2015) using detailed fundamental research to invest across both equity and debt. Previously, Lloyd was a partner and portfolio manager at Pendragon Capital LLP, managing the Pendragon Excalibur Fund (2003-2005). Lloyd has raised more than $500m from investors, delivering significant market outperformance. He gained a first-class degree in architecture from Cambridge before working as a management consultant at Bain & Company. Lloyd has been selected for both his significant investment management experience and to bring meaningful shareholder representation to the Board. He has been a member of the Board since 1 October 2019 and Chairman of the Company since 1 January 2020.

Chris Zeal – Director

Chris Zeal was appointed as a non-executive director of the Company on 1 October 2019. He has had a career as a financial adviser in the City spanning over 30 years, during which time he has provided advice to Boardrooms of both large and small companies across a wide range of sectors, including some 20 FTSE 100 companies. Most recently he was Managing Director at Jefferies Hoare Govett (a division of Jefferies Inc.) specialising in corporate broking and investment banking. Prior to this, he held a similar role at Citigroup. Originally, he trained and qualified as a Chartered Accountant with KPMG.

Jane Tozer MBE OBE – Director

Jane Tozer was elected as a Director at the 2019 AGM. She is the Senior Independent Director and chairs the Audit Committee. She has held non-executive directorships in a wide range of listed and unlisted companies including John Lewis Partnership, StatPro plc, JP Morgan Income & Growth Investment Trust plc and many others. She is currently Senior Independent Director of BMO Global Smaller Companies plc and Nominet Limited, and on 1 July 2020 became Senior Independent Director of GPDF Ltd.

Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under Company law the Directors are required to prepare the Financial Statements and have elected to prepare the Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

In preparing these Financial Statements, the Directors are required to:

> select suitable accounting policies and then apply them consistently;

> make judgements and accounting estimates that are reasonable and prudent;

> state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements; and

> prepare a Strategic Report, Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Directors' Responsibilities Pursuant to the FCA's Disclosure and Transparency Rules

The Directors confirm to the best of their knowledge:

> The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

> The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description or the principal and emerging risks and uncertainties that they face.

The names and functions of all the Directors are stated in the Directors' Information on page 35.

For and on behalf of the Board

Lloyd Chamberlain
Chairman

3 July 2020

COMPANY INFORMATION

Directors

Lloyd Chamberlain (Chairman)
Jane Tozer
Chris Zeal

Investment Manager and Registered Office

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

Company Secretary

The City Partnership (UK) Limited
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Auditor

BDO LLP
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W1U 7EU

Solicitors

Howard Kennedy LLP
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Registrars

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Depositary

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Principal Banker

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VCT Taxation Adviser

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WC1V 7QH

Broker

Panmure Gordon (UK) Limited
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Internal Auditor

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Website

www.ventusvct.com

Opinion

We have audited the financial statements of Ventus 2 VCT plc (the "company") for the year ended 29 February 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

> give a true and fair view of the state of the company's affairs as at 29 February 2020 and of its profit for the year then ended;

> have been properly prepared in accordance with IFRSs as adopted by the European Union; and

> have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

> the directors' confirmation in the annual report that they have carried out a robust assessment of the company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;

> the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

> whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

> the directors' explanation in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have 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, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Valuation of investments (Note 9 to the financial statements) There is a high level of judgement and estimation uncertainty involved in determining the unquoted investment valuations. The risk is heightened as the Investment Manager is responsible for valuing the investments for the financial statements, and the investment management fee is based upon that calculation.	In respect of the equity investments valued using discounted cash flow models, we performed the following specific procedures: > Challenged the appropriateness of the selection and application of key assumptions in the model including the discount factor, inflation, power prices and energy yield life by benchmarking to available industry data or consulting with our internal valuations specialists; > We analysed changes in significant assumptions compared with valuation models audited in previous periods and vouched these to a mixture of independent and specialist internal sources; > Agreed power price forecasts to independent reports; > Used computer assisted auditing techniques and spreadsheet analysis tools to assess the integrity of the valuation models and track changes to inputs or structure; > Considered the accuracy of forecasting by comparing previous forecasts to actual results. For mezzanine loan investments we performed the following: > Vouched to loan agreements and verified the terms of the loan; > Considered the carrying value of the loan with regard to the total value of investments. For each of the key assumptions in the valuation models, we considered the appropriateness of the assumption and whether alternative reasonable assumptions could have been applied. We considered each assumption in isolation as well as in conjunction with other assumptions and the valuation as a whole. Where appropriate, we sensitised the valuations where other reasonable alternative assumptions could have been applied. We also considered the completeness and clarity of disclosures regarding the range of reasonable alternative assumptions in the financial statements. *Key observations* Based on the procedures performed we concluded that the valuation of the portfolio of investments was not materially misstated.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to three levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	Quantum (£)
Financial statement materiality. *(2% of the total assets) (2019: 2% of the three-years average of the total assets)*	Assessing whether the financial statements as a whole present a true and fair view.	> The value of gross investments > The level of judgement inherent in the valuation > The range of reasonable alternative valuations	£749,000 (28 February 2019: £723,000)
Performance materiality. *(75% of materiality)*	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	> Financial statement materiality > Risk and control environment > History of prior errors (if any)	£561,000 (28 February 2019: £542,000)
Specific materiality – classes of transactions and balances which impact on net realised returns. (10% of netrevenue returns attributable to equity shareholders)	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	Level of net revenue > returns to shareholder	£205,000 (28 February 2019: £231,000)

We agreed with the Audit Committee that we would report to them all audit differences in excess of £14,000 (2019- £35,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the company's activities, and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

How the audit was considered capable of detecting irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") issued in November 2014 and updated in October 2019 with consequential amendments and IFRSs. We also considered the company's qualification as a VCT under UK tax legislation.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

> Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;

> agreement of the financial statement disclosures to underlying supporting documentation;

> enquiries of management; and

> review of minutes of board meetings throughout the period.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

> **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

> **Audit Committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

> **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

> the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

> the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

> the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

> certain disclosures of directors' remuneration specified by law are not made; or

> we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed on 1 July 2009 to audit the financial statements for the year ended 28 February 2010 and subsequent financial periods. In respect of the year ended 29 February 2020 we were reappointed as auditor by the members of the company at the annual general meeting held on 8 August 2019.

The period of total uninterrupted engagement including previous renewals and reappointment of the firm is 11 years, covering the years ending 28 February 2010 to 29 February 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ariel Grosberg
(Senior Statutory Auditor)

For and on behalf of
BDO LLP,
Statutory Auditor
London
United Kingdom

3 July 2020

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

		Ordinary Shares			"C" Shares			"D" Shares			Total		
	Note	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Net unrealised loss on investments	9	-	(331)	(331)	-	(308)	(308)	-	(121)	(121)	-	(760)	(760)
Income from investments	2	1,300	-	1,300	1,084	-	1,084	244	-	244	2,628	-	2,628
Investment management fees	3	(113)	(340)	(453)	(116)	(348)	(464)	(16)	(48)	(64)	(245)	(736)	(981)
Other expenses	4	(212)	-	(212)	(98)	-	(98)	(15)	-	(15)	(325)	-	(325)
Profit/(loss) before taxation		975	(671)	304	870	(656)	214	213	(170)	43	2,058	(1,497)	561
Taxation	6	(3)	3	-	(4)	4	-	(9)	9	-	(16)	16	-
Profit/(loss) and total comprehensive income for the year attributable to equity shareholders		972	(668)	304	866	(652)	214	204	(161)	43	2,042	(1,481)	561
Earnings per share													
Basic and diluted earnings per share (p)	8	**3.98**	**(2.74)**	**1.25**	**7.68**	**(5.78)**	**1.90**	**10.25**	**(8.09)**	**2.16**			

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

The total column of this statement represents the Statement of Comprehensive Income, prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union. The revenue and capital columns shown above constitute supplementary information prepared under the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" 2014 ("SORP") published by the Association of Investment Companies.

The accompanying notes on pages 49 to 67 form an integral part of these Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2019

		Ordinary Shares			"C" Shares			"D" Shares			Total		
	Note	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Net unrealised gain on investments	9	-	1,573	1,573	-	1,238	1,238	-	373	373	-	3,184	3,184
Income from investments	2	1,742	-	1,742	977	-	977	117	-	117	2,836	-	2,836
Investment management fees	3	(108)	(323)	(431)	(125)	(374)	(499)	(14)	(43)	(57)	(247)	(740)	(987)
Other expenses	4	(215)	-	(215)	(100)	-	(100)	(15)	-	(15)	(330)	-	(330)
Profit before taxation		1,419	1,250	2,669	752	864	1,616	88	330	418	2,259	2,444	4,703
Taxation	6	(11)	11	-	(17)	17	-	(8)	8	-	(36)	36	-
Profit/(loss) and total comprehensive income for the year attributable to equity shareholders		1,408	1,261	2,669	735	881	1,616	80	338	418	2,223	2,480	4,703
Earnings per share													
Basic and diluted earnings per share (p)	8	**5.77**	**5.17**	**10.94**	**6.53**	**7.80**	**14.33**	**3.96**	**17.02**	**20.98**			

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

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union. The revenue and capital columns shown above constitute supplementary information prepared under the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" 2014 ("SORP") published by the Association of Investment Companies.

The accompanying notes on pages 49 to 67 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION
for the year ended 29 February 2020

	Notes	Year ended 29 February 2020 Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000	Year ended 28 February 2019 Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Non-current assets									
Investments	9	19,088	14,462	2,649	36,199	19,727	15,183	2,770	37,680
		19,088	14,462	2,649	36,199	19,727	15,183	2,770	37,680
Current assets									
Trade and other receivables	10	370	285	195	850	251	248	197	696
Cash and cash equivalents	11	12	364	48	424	614	482	60	1,156
		382	649	243	1,274	865	730	257	1,852
Total assets		19,470	15,111	2,892	37,473	20,592	15,913	3,027	39,532
Current liabilities									
Trade and other payables	12	(107)	(108)	(18)	(233)	(69)	(109)	(96)	(274)
Net current assets		275	541	225	1,041	796	621	161	1,578
Net assets		19,363	15,003	2,874	37,240	20,523	15,804	2,931	39,258
Equity attributable to equity holders									
Share capital	13	6,097	2,832	498	9,427	6,097	2,832	498	9,427
Capital redemption reserve		2,105	-	-	2,105	2,105	-	-	2,105
Share premium		-	-	1,433	1,433	-	-	1,433	1,433
Special reserve		12,399	7,488	-	19,887	12,543	7,725	-	20,268
Capital reserve – realised		(11,817)	(3,060)	(221)	(15,098)	(11,480)	(2,716)	(182)	(14,378)
Capital reserve – unrealised		10,579	7,621	918	19,118	10,910	7,929	1,040	19,879
Revenue reserve		-	122	246	368	348	34	142	524
Total equity		19,363	15,003	2,874	37,240	20,523	15,804	2,931	39,258
Basic and diluted net asset value per share (p)	14	**79.4**	**133.0**	**144.4**		**84.1**	**140.1**	**147.2**	

Approved by the Board and authorised for issue on 3 July 2020.

Lloyd Chamberlain
Chairman

The accompanying notes on pages 49 to 67 form an integral part of these Financial Statements.

Ventus 2 VCT plc. Registered No: 05667210

Ordinary Shares	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
At 1 March 2019	6,097	2,105	-	12,543	(11,480)	10,910	348	20,523
Transfer of special reserve to revenue reserve	-	-	-	(144)	-	-	144	-
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(337)	(331)	972	304
Dividends paid in the year	-	-	-	-	-	-	(1,464)	(1,464)
At 29 February 2020	6,097	2,105	-	12,399	(11,817)	10,579	-	19,363

"C" Shares	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
At 1 March 2019	2,832	-	-	7,725	(2,716)	7,929	34	15,804
Transfer of special reserve to revenue reserve	-	-	-	(237)	-	-	237	-
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(344)	(308)	866	214
Dividends paid in the year	-	-	-	-	-	-	(1,015)	(1,015)
At 29 February 2020	2,832	-	-	7,488	(3,060)	7,621	122	15,003

"D" Shares	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
At 1 March 2019	498	-	1,433	-	(182)	1,040	142	2,931
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(39)	(122)	204	43
Dividends paid in the year	-	-	-	-	-	-	(100)	(100)
At 29 February 2020	498	-	1,433	-	(221)	918	246	2,874

Total	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
At 1 March 2019	9,427	2,105	1,433	20,268	(14,378)	19,879	524	39,258
Transfer of special reserve to revenue reserve	-	-	-	(381)	-	-	381	-
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(720)	(761)	2,042	561
Dividends paid in the year	-	-	-	-	-	-	(2,579)	(2,579)
At 29 February 2020	9,427	2,105	1,433	19,887	(15,098)	19,118	368	37,240

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

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

The accompanying notes on pages 49 to 67 form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2019

Ordinary Shares	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
At 1 March 2018	6,097	2,105	-	12,703	(11,140)	9,309	-	19,074
Transfer of special reserve to revenue reserve	-	-	-	(160)	-	-	160	-
Transfer of capital reserve realised to capital reserve unrealised	-	-	-	-	(28)	28	-	-
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(312)	1,573	1,408	2,669
Dividends paid in the year	-	-	-	-	-	-	(1,220)	(1,220)
At 28 February 2019	6,097	2,105	-	12,543	(11,480)	10,910	348	20,523

"C" Shares	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
At 1 March 2018	2,832	-	-	7,725	(2,359)	6,691	258	15,147
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(357)	1,238	735	1,616
Dividends paid in the year	-	-	-	-	-	-	(959)	(959)
At 28 February 2019	2,832	-	-	7,725	(2,716)	7,929	34	15,804

"D" Shares	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
At 1 March 2018	498	-	1,433	-	(147)	667	62	2,513
(Loss)/profit and total comprehensive income for the year	-	-	-	-	(35)	373	80	418
At 28 February 2019	498	-	1,433	-	(182)	1,040	142	2,931

Total	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
At 1 March 2018	9,427	2,105	1,433	20,428	(13,646)	16,667	320	36,734
Transfer of special reserve to revenue reserve	-	-	-	(160)	-	-	160	-
Transfer of capital reserve realised to capital reserve unrealised	-	-	-	-	(28)	28	-	-
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(704)	3,184	2,223	4,703
Dividends paid in the year	-	-	-	-	-	-	(2,179)	(2,179)
At 28 February 2019	9,427	2,105	1,433	20,268	(14,378)	19,879	524	39,258

The accompanying notes on pages 49 to 67 form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS
for the year ended 29 February 2020

	Year ended 29 February 2020				Year ended 28 February 2019			
	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Cash flows from operating activities								
Investment income received	1,250	1,050	247	2,547	1,707	937	43	2,687
Deposit interest received	-	-	-	-	-	-	-	-
Investment management fees paid	(453)	(290)	(153)	(896)	(431)	(438)	-	(869)
Other cash payments	(242)	(276)	(6)	(524)	(246)	(90)	(15)	(351)
Net cash inflow from operating activities	555	484	88	1,127	1,030	409	28	1,467
Cash flows from investing activities								
Proceeds from investments	307	413	-	720	421	569	-	990
Net cash inflow from investing activities	307	413	-	720	421	569	-	990
Cash flows from financing activities								
Dividends paid	(1,464)	(1,015)	(100)	(2,579)	(1,220)	(959)	-	(2,179)
Net cash (outflow)/ inflow from financing activities	(1,464)	(1,015)	(100)	(2,579)	(1,220)	(959)	-	(2,179)
Net (decrease)/increase in cash and cash equivalents	(602)	(118)	(12)	(732)	231	19	28	278
Cash and cash equivalents at the beginning of the year	614	482	60	1,156	383	463	32	878
Cash and cash equivalents at the end of the year	12	364	48	424	614	482	60	1,156

The accompanying notes on pages 49 to 67 form an integral part of these Financial Statements.

1. Accounting Policies

Accounting Convention

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), to the extent that they have been adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Financial Statements have been prepared on the historical cost basis, as modified for the measurement of certain financial instruments at fair value through profit or loss. The principal accounting policies adopted are set out below. Where presentational guidance set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" 2014 ("SORP") is consistent with the requirements of IFRS, the Directors have sought to prepare the Financial Statements on a basis compliant with the recommendations of the SORP.

Changes in Accounting Policy and Disclosure

The Financial Statements have been prepared on a going concern basis the directors having conducted enhanced analysis in the light of the ongoing Covid-19 pandemic. The accounting policies adopted are consistent with those of the previous financial year.

Income

Interest income on investments is stated on an accruals basis, by reference to the principal outstanding and at the effective interest rates applicable. Interest receivable on cash and non-equity investments is accrued to the end of the year. No tax is withheld at source on interest income.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established, which is normally the ex-dividend date.

Expenses

All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, all expenses have been presented as revenue items except when expenses are split and charged partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. The investment management fee has been allocated 25% to revenue and 75% to capital, in order to reflect the Directors' expected long-term view of the nature of the investment returns of the Company. Investment costs have been allocated to capital which represents the expenditure associated with the Company's investments.

Expenses are allocated between the ordinary, "C" and "D" share funds on the basis of the number of shares in issue during the period, except expenses which are directly attributable to a particular share fund.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets or liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Due to the Company's status as a VCT, no provision for deferred taxation is required in respect of any realised or unrealised appreciation in the Company's investments.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are not discounted.

Financial Instruments

Financial assets and financial liabilities are recognised In the Company's Statement of Financial Position when the Company has become a party to the contractual provisions of each instrument.

Investments

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends and increases in fair value, all investments are designated as "fair value through profit or loss" on initial recognition. A financial asset is designated within this category if it is acquired, managed and evaluated on a fair value basis in accordance with the Company's documented investment policy. In the year of acquisition, investments are initially measured at cost, which is considered to be their fair value. Thereafter, the investments are measured at subsequent reporting dates on a fair value basis in accordance with IFRS. Gains or losses resulting from revaluation of investments are taken to the capital account of the Statement of Comprehensive Income.

Investments in unquoted companies and equity based derivatives are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018), using the most appropriate valuation methodology as determined by the Board. Unquoted investee companies with renewable energy generating plant constituting a substantial portion of their assets and which have proved stable operational performance are valued using the "discounted future cash flows from the underlying business" methodology, excluding interest accrued in the accounts to date. Notwithstanding the above, the Board may determine that an alternative methodology should be used where this more appropriately reflects the fair value of an investment.

When an investee company has gone into receivership or liquidation, or where any loss in value below cost is considered to be permanent, the investment, although physically not disposed of, is treated as being realised.

The Company has taken the exemption permitted by IAS 28 "Investments in Associates and Joint Ventures" and IFRS 11 "Joint Arrangements" and upon initial recognition, will measure its investments in Associates and Joint Ventures at fair value, with subsequent changes to fair value recognised in the income statement in the period of change.

Trade and Other Receivables

Trade and other receivables are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment. The Company recognises the losses allowance for expected credit losses 'ECL' as per IFRS 9. Losses allowance are deducted from the gross carrying amount of the trade and receivables carried at amortised cost. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the Statement of Comprehensive Income.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits held by the Company with original maturities of less than three months. These short-term deposits are classified under cash equivalents as they meet the definition in IAS 7 "Cash Flow Statements" of a short-term highly liquid investment that is readily convertible into known amounts of cash and subject to insignificant risk of change in value.

Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade and Other Payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Equity and Reserves

Share Capital

Equity instruments issued by the Company are recorded at the nominal amount.

Special Reserve

The special reserves were created by approval of the High Court to cancel the Company's share premium accounts in respect of the shares issued. The special reserves may be used to fund buy-backs of shares and pay dividends as and when it is considered by the Board to be in the interests of the shareholders.

Capital Reserve - Realised

This reserve includes gains and losses compared to cost on the realisation of investments and expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policy on expenses.

Capital Reserve – Unrealised

This reserve includes increases and decreases in the valuation of investments held at fair value insofar as they are not considered to be permanent.

Share Premium

This reserve includes amounts subscribed for share capital in excess of nominal value of the shares, net of direct issue costs.

Capital Redemption Reserve

This reserve includes amounts transferred from the share capital on cancellation of issued shares.

Revenue Reserve

This reserve includes all other net gains and losses not recognised elsewhere which are available for distribution to shareholders.

Key Assumptions and Key Sources of Estimation Uncertainty

The preparation of the Financial Statements requires the application of estimates and assumptions which may affect the results reported in the Financial Statements. The estimates and assumptions adopted are those which the Board considers to be appropriate at the reporting date. Estimates and assumptions will change from time to time depending on prevailing circumstances. Estimates, by their nature, are based on judgement and available information. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are those used to determine the fair value of assets which are designated as "fair value through profit or loss". The impact of changes in the key estimates and assumptions adopted are discussed in the Investment Manager's Report on page 18 to 19 and note 9 of the Financial Statements.

The key assumptions that have a significant impact on fair value in the discounted cash flow valuations are the discount factor used, inflation rate, the price at which the power and associated benefits can be sold, the amount of electricity the investee companies' generating assets are expected to produce, the length of the operating life of the asset and operating costs. The discount factors applied to the cash flows are regularly reviewed by the Investment Committee of the Investment Manager to ensure it's set at an appropriate level. 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 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 also used to estimate the expected electrical output from the investee company's generating assets taking into account their type and location. All of these key assumptions are reviewed regularly by the Investment Committee of the Investment Manager and the Board.

Dividends Payable

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

Segmental Reporting

The Directors consider that the Company has engaged in a single operating segment as reported to the chief operating decision maker which is that of investing in equity and debt. The chief operating decision maker is considered to be the Board.

2. Income

Year ended 28 February 2019	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Income from investments				
Loan stock interest	382	297	74	753
Dividend income	1,360	680	43	2,083
	1,742	977	117	2,836

Year ended 29 February 2020	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Income from investments				
Loan stock interest	339	234	79	652
Dividend income	961	850	165	1,976
	1,300	1,084	244	2,628

3. Investment Management Fees

Year ended 29 February 2020	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Investment management fees	453	464	64	981

Year ended 28 February 2019	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Investment management fees	431	499	57	987

The annual management fee and incentive fee are exclusive of VAT. The annual management fee is paid quarterly in advance.

During the year, the Investment Manager was entitled to an annual fee equal to 2.25% of the Company's NAV (2019: 2.25%). The Company has agreed a revised Investment Management Agreement to reduce the fee to 2.00% with effect from 8 August 2019. The retrospective reduction in fees will be reflected in the financial statements for the year ending 28 February 2021. Fees will further reduce from 2.00% to 1.50% of NAV from 31 August 2020.

Total annual running costs are in aggregate capped at 3.6% of NAV (excluding the Investment Manager's performance-related incentive fee, any irrecoverable VAT and investment costs), with any excess being borne by the Investment Manager.

The Investment Manager will receive a performance-related incentive fee subject to the Company achieving certain defined targets. No incentive fee will be payable unless the Company has achieved a hurdle of 60p per share calculated as the sum of the cumulative Return to the end of the financial year ended 29 February 2020 plus the cumulative Earnings thereafter. Under the terms of the revised IMA, from the year ending 28 February 2021 onwards, the incentive fee, which is payable in cash, is calculated as 20% of the amount by which the Earnings in any accounting period exceeds 7p per share. Details of the key terms of the revised IMA and further information about how the performance-related incentive fee is calculated are set out in the Chairman's Statement and the Strategic Report.

The investment management fees incurred during the year ended 28 February 2020 included a performance-related incentive fee of £113,000 in respect of the "C" share fund (2019: £160,000). These fees were incurred in respect of the year ended 28 February 2019 but were not accrued in that year as they were contingent on the approval of the final dividend paid on 21 August 2019. No performance-related incentive fees were earned in the year ended 29 February 2020.

4. Other Expenses

Year ended 29 February 2020	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Revenue expenses:				
Directors' remuneration (Note 5)	55	25	4	84
Fees payable to the Company's Auditor for:				
- Audit of the Company's Annual Financial Statements	19	9	1	29
Other costs	138	64	10	212
	212	98	15	325

Year ended 28 February 2019	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Revenue expenses:				
Directors' remuneration (Note 5)	52	25	3	80
Fees payable to the Company's Auditor for:				
- Audit of the Company's Annual Financial Statements	20	9	1	30
Other costs	143	67	10	220
	215	100	15	325

5. Directors' Remuneration

Year ended 29 February 2020	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
A Moore	16	7	1	24
P Thomas	7	3	1	11
C Wood	7	3	1	11
C Zeal	7	3	1	11
J Tozer	10	5	1	16
L Chamberlain	8	4	1	13
Aggregate emoluments	55	25	6	84

Year ended 28 February 2019	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
A Moore	20	9	1	30
P Thomas	16	8	1	25
C Wood	16	8	1	25
Aggregate emoluments	52	25	3	80

Further details regarding Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 29 to 30.
The Company had no employees other than the Directors.

6. Taxation

Year ended 29 February 2020		Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
(a)	**Tax charge/(credit) for the year**				
	Current UK corporation tax:				
	Charged to revenue reserve	(3)	(4)	(9)	(16)
	Credited to capital reserve	3	4	9	16
		-	-	-	-
(b)	**Factors affecting the tax charge/(credit) for the year**				
	Profit before taxation	304	214	43	561
	Tax credit calculated on profit before taxation at the applicable rate of 19% (2019: 19%)	58	41	8	107
	Effect of:				
	UK dividends not subject to tax	(183)	(162)	(31)	(376)
	Capital (gains)/ losses not subject to tax	63	59	23	145
	Tax losses not recognised	62	62	-	124
		-	-	-	-

Year ended 28 February 2019		Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
(a)	**Tax charge/(credit) for the year**				
	Current UK corporation tax:				
	Charged to revenue reserve	(11)	(17)	(8)	(36)
	Credited to capital reserve	11	17	8	36
		-	-	-	-
(b)	**Factors affecting the tax charge/(credit) for the year**				
	Profit before taxation	2,669	1,616	418	4,703
	Tax credit calculated on profit before taxation at the applicable rate of 19% (2018: 19.06%)	507	319	79	905
	Effect of:				
	UK dividends not subject to tax	(258)	(129)	(8)	(395)
	Capital gains not subject to tax	(299)	(235)	(71)	(605)
	Tax losses not recognised	50	45	-	95
		-	-	-	-

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 Income Tax Act 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.

The tax rate is scheduled to remain at 19% for the years commencing 1 April 2020 and 2021. A deferred tax asset has not been recognised for the following at an effective rate of 19%:

Year ended 29 February 2020	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Unused tax losses	219	176	6	401

Year ended 28 February 2019	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Unused tax losses	157	114	6	277

7. Dividends

Ordinary Shares	2020 £000	2019 £000
Amounts recognised as distributions to ordinary shareholders in the year:		
Previous year's final dividend of 3.50p per ordinary share (2019: 2.50p)	858	610
Current year's interim dividend of 2.50p per ordinary share (2019: 2.50p)	610	610
	1,468	1,220

Subject to approval of the final dividend, the total dividend in respect of the financial year is set out below:

	2020 £000	2019 £000
Interim dividend for the year ended 29 February 2020 of 2.50p per ordinary share (2019: 2.50p)	610	610
Proposed final dividend for the year ended 29 February 2020 of 2.50p per ordinary share (2019: 3.50p)	610	854
	1,220	1,464

"C" Shares	2020 £000	2019 £000
Amounts recognised as distributions to "C" shareholders in the year:		
Previous year's final dividend of 5.00p per "C" share (2019: 4.50p)	564	508
Current year's interim dividend of 4.00p per "C" share (2019: 4.00p)	451	451
	1,015	959

Subject to approval of the final dividend, the total dividend in respect of the financial year is set out below:

	2020 £000	2019 £000
Interim dividend for the year ended 29 February 2020 of 4.00p per "C" share (2019: 4.00p)	451	451
Proposed final dividend for the year ended 29 February 2020 of 4.00p per "C" share (2019: 5.00p)	451	564
	902	1,015

"D" Shares	2020 £000	2019 £000
Amounts recognised as distributions to "D" shareholders in the year:		
Previous year's final dividend of 2.50p per "D" share (2019: 0.00p)	50	-
Current year's interim dividend of 2.50p per "D" share (2019: 0.00p)	50	-
	100	-

Subject to approval of the final dividend, the total dividend in respect of the financial year is set out below:

	2020 £000	2019 £000
Interim dividend for the year ended 29 February 2020 of 2.50p per "D" share (2019: 0.00p)	50	-
Proposed final dividend for the year ended 29 February 2020 of 2.50p per "D" share (2019: 2.50p)	50	50
	100	50

8. Basic and diluted earnings per share

For the year ended 29 February 2020		Ordinary Shares	"C" Shares	"D" Shares
Revenue earnings for the year	*p per share**	3.98	7.68	10.25
Based on:				
Revenue earnings for the year	*£'000*	973	867	204
Weighted average number of shares in issue	*number of shares*	24,392,655	11,283,207	1,990,767
Capital gain/(loss) for the year	*p per share**	(2.74)	(5.78)	(8.09)
Based on:				
Capital gain/(loss) for the year	*£'000*	(668)	(652)	(161)
Weighted average number of shares in issue	*number of shares*	24,392,655	11,283,207	1,990,767
Net profit for the year	*p per share**	1.25	1.90	2.16
Based on:				
Net profit for the year	*£'000*	305	214	43
Weighted average number of shares in issue	*number of shares*	24,392,655	11,283,207	1,990,767

For the year ended 28 February 2019		Ordinary Shares	"C" Shares	"D" Shares
Revenue earnings for the year	*p per share**	5.77	6.53	3.96
Based on:				
Revenue earnings for the year	*£'000*	1,407	737	79
Weighted average number of shares in issue	*number of shares*	24,392,655	11,283,207	1,990,767
Capital gain/(loss) for the year	*p per share**	5.17	7.80	17.02
Based on:				
Capital gain/(loss) for the year	*£'000*	1,261	880	339
Weighted average number of shares in issue	*number of shares*	24,392,655	11,283,207	1,990,767
Net profit for the year	*p per share**	10.94	14.33	20.98
Based on:				
Net profit for the year	*£'000*	2,669	1,617	418
Weighted average number of shares in issue	*number of shares*	24,392,655	11,283,207	1,990,767

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

There is no difference between the basic return per ordinary share and the diluted return per ordinary share, between the basic return per "C" share and the diluted return per "C" share or between the basic return per "D" share and the diluted return per "D" share because no dilutive financial instruments have been issued. The number of shares disclosed above excludes 45,900 "C" shares which are held in treasury.

9. Investments

Year ended 29 February 2020

	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
Opening position												
Opening cost	6,685	2,924	9,609	5,796	1,938	7,734	1,216	514	1,730	13,697	5,376	19,073
Closing realised losses	(442)	(229)	(671)	(464)	(17)	(481)	-	-	-	(906)	(246)	(1,152)
Opening unrealised gains	10,512	277	10,789	7,762	168	7,930	1,006	34	1,040	19,280	479	19,759
Opening fair value	16,755	2,972	19,727	13,094	2,089	15,183	2,222	548	2,770	32,071	5,609	37,680
During the year												
Disposal proceeds	-	(308)	(308)	-	(413)	(413)	-	-	-	-	(721)	(721)
Unrealised losses	(243)	(88)	(331)	(262)	(46)	(308)	(117)	(4)	(121)	(622)	(138)	(760)
Closing fair value	16,512	2,576	19,088	12,832	1,630	14,462	2,105	544	2,649	31,449	4,750	36,199
Closing position												
Closing cost	6,685	2,616	9,301	5,796	1,525	7,321	1,216	514	1,730	13,697	4,655	18,352
Closing realised losses	(442)	(229)	(671)	(464)	(17)	(481)	-	-	-	(906)	(246)	(1,152)
Closing unrealised gains	10,269	189	10,458	7,500	122	7,622	889	30	919	18,658	341	18,999
Closing fair value	16,512	2,576	19,088	12,832	1,630	14,462	2,105	544	2,649	31,449	4,750	36,199

Year ended 28 February 2019

	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
Opening position												
Opening cost	6,685	3,345	10,030	5,796	2,507	8,303	1,216	514	1,730	13,697	6,366	20,063
Closing realised losses	(442)	(229)	(671)	(464)	(17)	(481)	-	-	-	(906)	(246)	(1,152)
Opening unrealised gains	8,851	365	9,216	6,444	248	6,692	634	33	667	15,929	646	16,575
Opening fair value	15,094	3,481	18,575	11,776	2,738	14,514	1,850	547	2,397	28,720	6,766	35,486
During the year												
Disposal proceeds	-	(421)	(421)	-	(569)	(569)	-	-	-	-	(990)	(990)
Unrealised gains/(losses)	1,661	(88)	1,573	1,318	(80)	1,238	372	1	373	3,351	(167)	3,184
Closing fair value	16,755	2,972	19,727	13,094	2,089	15,183	2,222	548	2,770	32,071	5,609	37,680
Closing position												
Closing cost	6,685	2,924	9,609	5,796	1,938	7,734	1,216	514	1,730	13,697	5,376	19,073
Closing realised losses	(442)	(229)	(671)	(464)	(17)	(481)	-	-	-	(906)	(246)	(1,152)
Closing unrealised gains	10,512	277	10,789	7,762	168	7,930	1,006	34	1,040	19,280	479	19,759
Closing fair value	16,755	2,972	19,727	13,094	2,089	15,183	2,222	548	2,770	32,071	5,609	37,680

The shares held by the Company are in unquoted UK companies. The Investment Manager's Report on pages 21 to 23 provides details in respect of the Company's shareholding in each investment, loans issued and investments purchased and disposed of during the year. For details of the registered address of each Investee Company please refer to page 10.

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 29 February 2020, 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.

To determine the valuations as at 29 February 2020 (and 28 February 2019), the Company has applied a discount rate to the unleveraged cash flows to determine the enterprise value of the investee company and then has subtracted the market value of any senior debt (including any prepayment fees and swap break costs) to calculate the value of the equity and/or mezzanine debt in the investee company.

The Board has considered the key assumptions which may affect the results reported in the Financial Statements and the Company is further required to disclose the effect of changing one or more inputs with reasonable alternative assumptions where a significant change to the fair value measurement would result. The key assumptions that have a significant impact on fair value in the discounted future cash flow valuations are the discount factors used (which range from 6.50% to 10%) the price at which power and associated benefits may be sold (the actual price, if fixed, or the AFRY forecast price), inflation (2.75%) and the level of electricity the investee companies' generating assets are likely to produce (P50). The future price at which power and associated benefits may be sold is estimated using forecasts produced by third party industry experts, AFRY, and the projected energy yield is determined by yield analyses also prepared by third party industry experts

The Board has determined that reasonable alternative assumptions may be made in respect of these four input assumptions. The sensitivity of the value of the portfolio to the application of an decrease or increase in these assumptions is set out below.

Ordinary shares

			Impact on value of investments					
			Downside case			Upside case		
	Base assumption	Alternative assumptions	£	Pence per share	%	£	Pence per share	%
Energy Prices	AFRY forecast	-/+ 10%	(1,498,391)	(6.14)	-7.8%	1,534,183	6.29	8.0%
Output	P50	P75/P25	(2,139,122)	(8.77)	-11.2%	2,144,564	8.79	11.2%
Inflation (RPI)	2.75%	-/+ 0.5%	(862,040)	(3.53)	-4.5%	902,134	3.70	4.7%
Discount rates	6.50% to 10.00%	+/- 0.5%	(831,382)	(3.41)	-4.4%	873,879	3.58	4.6%

"C" shares

			Impact on value of investments					
			Downside case			Upside case		
	Base assumption	Alternative assumptions	£	Pence per share	%	£	Pence per share	%
Energy Prices	AFRY forecast	-/+ 10%	(1,165,994)	(10.29)	-8.1%	1,174,379	10.37	8.1%
Output	P50	P75/P25	(1,846,343)	(16.30)	-12.8%	1,838,839	16.23	12.7%
Inflation (RPI)	2.75%	-/+ 0.5%	(673,742)	(5.95)	-4.7%	704,723	6.22	4.9%
Discount rates	7.25%	+/- 0.5%	(621,427)	(5.49)	-4.3%	653,319	5.77	4.5%

"D" shares

			Impact on value of investments					
			Downside case			Upside case		
	Base assumption	Alternative assumptions	£	Pence per share	%	£	Pence per share	%
Energy Prices	AFRY forecast	-/+ 10%	(190,003)	(9.54)	-7.2%	272,902	13.71	10.3%
Output	P50	P75/P25	(399,888)	(20.09)	-15.1%	399,492	20.07	15.1%
Inflation (RPI)	2.75%	-/+ 0.5%	(213,142)	(10.71)	-8.0%	225,144	11.31	8.5%
Discount rates	7.25%	+/- 0.5%	(232,086)	(11.66)	-8.8%	245,586	12.34	9.3%

9. Investments (continued)

Total

			Impact on value of investments					
			Downside case			Upside case		
	Base assumption	Alternative assumptions	£	Pence per share	%	£	Pence per share	%
Energy Prices	AFRY forecast	-/+ 10%	(2,854,388)	(7.57)	-7.6%	2,981,463	7.91	7.9%
Output	P50	P75/P25	(4,385,354)	(11.63)	-11.6%	4,382,896	11.62	11.6%
Inflation (RPI)	2.75%	-/+ 0.5%	(1,748,923)	(4.64)	-4.6%	1,832,001	4.86	4.9%
Discount rates	6.50% to 10.00%	+/- 0.5%	(1,684,896)	(4.47)	-4.5%	1,772,784	4.70	4.7%

Further details regarding input sensitivity can found in the Investment Manager's Report on pages 19 to 20.

10. Trade and Other Receivables

Year ended 29 February 2020	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Current assets				
Accrued interest income	261	277	193	731
Other receivables	93	1	-	94
Prepayments	16	7	2	25
	370	285	195	850

Year ended 28 February 2019	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Current assets				
Accrued interest income	211	244	195	650
Other receivables	34	1	-	35
Prepayments	6	3	2	11
	251	248	197	696

The Directors consider that the carrying amounts of trade and other receivables approximate to their fair value.

11. Cash and Cash Equivalents

	Ordinary Shares Cash £000	"C" Shares Cash £000	"D" Shares Cash £000	Total Cash £000
As at 1 March 2019	614	482	60	1,156
Net decrease	(602)	(118)	(12)	(732)
As at 29 February 2020	12	364	48	424

	Ordinary Shares Cash £000	"C" Shares Cash £000	"D" Shares Cash £000	Total Cash £000
As at 1 March 2018	383	463	32	878
Net increase	231	19	28	278
As at 28 February 2019	614	482	60	1,156

Cash and cash equivalents comprise bank balances and cash held by the Company including UK treasury bills. The carrying amount of these assets approximates to their fair value.

12. Trade and Other Payables

Year ended 29 February 2020	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Trade payables	8	-	-	8
Other payables	29	80	13	70
Accruals	70	28	5	155
	107	108	18	233

Year ended 28 February 2019	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Trade payables	7	-	88	95
Other payables	12	29	5	46
Accruals	50	80	3	133
	69	109	96	274

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

13. Share Capital

	Ordinary Shares		"C" Shares		"D" Shares		Total
Authorised	Number of shares of 25p each	£000	Number of shares of 25p each	£000	Number of shares of 25p each	£000	Number of shares of 25p each	£000
As at 1 March 2019	50,000,000	12,500	20,000,000	5,000	20,000,000	5,000	90,000,000	22,500
As at 29 February 2020	50,000,000	12,500	20,000,000	5,000	20,000,000	5,000	90,000,000	22,500

	Ordinary Shares		"C" Shares		"D" Shares		Total	
Allotted, called up and fully paid	Number of shares of 25p each	£000	Number of shares of 25p each	£000	Number of shares of 25p each	£000	Number of shares of 25p each	£000
As at 1 March 2019	24,392,655	6,098	11,329,107	2,832	1,990,767	498	37,712,529	9,427
As at 29 February 2020	24,392,655	6,098	11,329,107	2,832	1,990,767	498	37,712,529	9,427

	Ordinary Shares		"C" Shares		"D" Shares		Total	
Authorised	Number of shares of 25p each	£000	Number of shares of 25p each	£000	Number of shares of 25p each	£000	Number of shares of 25p each	£000
As at 1 March 2018	50,000,000	12,500	20,000,000	5,000	20,000,000	5,000	90,000,000	22,500
As at 28 February 2019	50,000,000	12,500	20,000,000	5,000	20,000,000	5,000	90,000,000	22,500

	Ordinary Shares		"C" Shares		"D" Shares		Total	
Allotted, called up and fully paid	Number of shares of 25p each	£000	Number of shares of 25p each	£000	Number of shares of 25p each	£000	Number of shares of 25p each	£000
As at 1 March 2018	24,392,655	6,098	11,329,107	2,832	1,990,767	498	37,712,529	9,428
As at 28 February 2019	24,395,655	6,098	11,329,107	2,832	1,990,767	498	37,712,529	9,428

At 29 February 2020, the Company had three classes of shares which carry no right to fixed income. The rights and obligations attaching to the Company's shares are set out in the Directors' Report on page 27. The number of shares disclosed above includes 45,900 "C" shares which are held in treasury.

14. Basic and Diluted NAV per Share

The NAV per ordinary share of 79.4p as at 29 February 2020 (2019: 84.1p) is based on net assets of £19,363,000 (2019: £20,523,000) divided by 24,392,655 ordinary shares in issue at that date (2019: 24,392,655 ordinary shares). The NAV per "C" share of 133.0p as at 29 February 2020 (2019: 140.1p) is based on net assets of £15,003,000 (2019: £15,804,000) divided by 11,283,207 "C" shares in issue at that date (2019: 11,283,207 "C" shares). The NAV per "D" share of 144.4p (2019: 147.2p) as at 29 February 2020 is based on net assets of £2,874,000 (2019: £2,931,000) divided by 1,990,767 "D" shares in issue at that date (2019: 1,990,767 "D" shares).

The number of shares disclosed above excludes 45,900 "C" shares which are held in treasury.

15. Events Subsequent to Year End

The Covid-19 pandemic started to impact the UK economy after the Company's year end and the long-term impacts are still uncertain. This is considered to be a non-adjusting event. The Company has undertaken enhanced going concern analysis and has also conducted additional valuation sensitivity analysis around the potential impacts of Covid-19. These are set out in detail in the Going Concern assessment in the Director's Report and Investment Manager's Report.

After the year end, the Board and the Investment Manager agreed to enter into a revised Investment Management Agreement. The details of which are set out in the Chairman's Statement and the Strategic Report.

16. Financial Instruments and Risk Management

The Company's financial instruments comprise investments in unquoted companies, cash and cash equivalents, trade and other receivables and trade and other payables. The investments in unquoted companies are categorised as "fair value through profit or loss" and the other financial instruments are initially recognised at fair value and subsequently at amortised cost. The main purpose of these financial instruments is to generate revenue and capital appreciation.

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

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

Interest Rate Risk Profile of Financial Assets and Financial Liabilities
Financial Assets
As at 29 February 2020

Ordinary Shares	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
At fair value through profit or loss:				
Ordinary shares	16,512	n/a	n/a	n/a
Loan stock	2,576	0% - 13.5%	12.27%	6 years
Accrued interest income	261	n/a	n/a	n/a
Financial assets at amortised cost:				
Cash	12	0% - 0.10%	0.0%	n/a

"C" Shares	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
At fair value through profit or loss:				
Ordinary shares	12,832	n/a	n/a	n/a
Loan stock	1,630	0% - 13%	12.49%	6.1 years
Accrued interest income	277	n/a	n/a	n/a
Financial assets at amortised cost:				
Cash	364	0% - 0.10%	0.0%	n/a

"D" Shares	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
At fair value through profit or loss:				
Ordinary shares	2,105	n/a	n/a	n/a
Loan stock	544	10.50%	10.50%	13.3 years
Accrued interest income	193	n/a	n/a	n/a
Financial assets at amortised cost:				
Cash	48	0% - 0.10%	0.0%	n/a

Total	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
At fair value through profit or loss:				
Ordinary shares	31,449	n/a	n/a	n/a
Loan stock	4,750	0 – 13.5%	12.14%	6.8 years
Accrued interest income	731	n/a	n/a	n/a
Financial assets at amortised cost:				
Cash	424	0% - 0.10%	0.0%	n/a

16. Financial Instruments and Risk Management (continued)

As at 28 February 2019

Ordinary Shares	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
At fair value through profit or loss:				
Ordinary shares	16,755	n/a	n/a	n/a
Loan stock	2,972	0%- 13.5%	12.36%	6.8 years
Accrued interest income	211	n/a	n/a	n/a
Financial assets at amortised cost:				
Cash	614	0%- 0.38%	0.1%	n/a

"C" Shares	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
At fair value through profit or loss:				
Ordinary shares	13,094	n/a	n/a	n/a
Loan stock	2,089	0%- 13%	12.59%	6.7 years
Accrued interest income	244	n/a	n/a	n/a
Financial assets at amortised cost:				
Cash	482	0%- 0.38%	0.0%	n/a

"D" Shares	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
At fair value through profit or loss:				
Ordinary shares	2,222	n/a	n/a	n/a
Loan stock	548	10.50%	10.50%	14.3 years
Accrued interest income	195	n/a	n/a	n/a
Financial assets at amortised cost:				
Cash	60	0%- 0.38%	0.1%	n/a

Total	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
At fair value through profit or loss:				
Ordinary shares	32,071	n/a	n/a	n/a
Loan stock	5,609	0 – 13.5%	12.27%	7.5 years
Accrued interest income	650	n/a	n/a	n/a
Financial assets at amortised cost:				
Cash	1,156	0%- 0.38%	0.0%	n/a

The interest rates determining the weighted average interest rates in the tables above are the contractual rates.

The impact of applying a reasonable sensitivity in interest rates to cash on deposit is not significant.

Other than certain accrued interest income receivable amounts, the Company's trade and other receivables did not hold a right to interest income.

Interest income earned from loan stock held by the ordinary, "C" share and "D" share funds is not subject to movements resulting from market interest rate fluctuations as the rates are fixed. Therefore, this income presents a low interest rate risk profile. However, interest earned from loan stock remains exposed to fair value interest rate risk when bench-marked against market rates.

The risk from future fluctuations in interest rate movements is mitigated by the Company holding a majority of its investments in instruments which are not exposed to market interest rate changes.

Other receivables, not included in the analysis above, are non-interest bearing.

Financial Liabilities

The Company's financial liabilities and guarantees are non-interest bearing and are detailed in Note 12 and Note 17 to the Financial Statements.

Currency Exposure

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

Borrowing Facilities

As at 29 February 2020 the Company had no outstanding borrowings (2019: £nil).

Investment Risk

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

Investment Price Risk

Investment price risk is the risk that the fair value of future investment cash flows will fluctuate due to factors specific to an investment. The Company aims to mitigate the impact of investment price risk by adhering to its investment policy of risk diversification, as described in the Investment Manager's Report.

The sensitivity of the ordinary share fund to a 10% increase or decrease in valuation would be an increase or decrease in the profit before tax of the ordinary share fund of £1,909,000 or 627.89% (2019: £1,973,000 or 73.91%) and an increase or decrease in NAV of the same amount or 9.86% (2019: 9.61%).

The sensitivity of the "C" share fund to a 10% increase or decrease in valuation would be an increase or decrease in the profit before tax of the "C" share fund of £1,446,000 or 675.79% (2019: £1,518,000 or 93.95%) and an increase or decrease in NAV of the same amount or 9.64% (2019: 9.61%).

The sensitivity of the "D" share fund to a 10% increase or decrease in valuation would be an increase or decrease in the profit before tax of the "D" share fund of £265,000 or 616.05% (2019: £277,000 or 66.27%) and an increase or decrease in NAV of the same amount or 9.22% (2019: 9.45%).

A 10% variable is considered to be a suitable factor by which to demonstrate a potential change in fair value over the course of a year. The analysis assumes no tax effect applied on the gain or loss.

Liquidity Risk

Due to the nature of the Company's investments, it is not easy to liquidate investments in ordinary shares and loan stock in the short term. The main cash outflows are made for dividends, which are within the control of the Company, and operating expenses which are reasonably predictable. In this respect, the Company may manage its liquidity risk by making prudent forecasts in respect of realising future cash proceeds from its investments and holding sufficient cash to enable it to fund its obligations. The cash equivalents are held on deposit and are therefore readily convertible into cash. The Company's liabilities are all current liabilities and due within one year. There are no material financial liabilities.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company is exposed to credit risk through its receivables, and through cash held on deposit with banks. The Company is also exposed to credit risk through its investments in loan stock.

The Investment Manager evaluates credit risk on loan stock prior to making investments as well as monitoring ongoing exposures. Loan stock has a fixed charge or a fixed and floating charge over the assets of the investee company in order to mitigate the gross credit risk. The Investment Manager regularly reviews management accounts from investee companies and generally appoints directors to sit on their boards in order to identify and manage the credit risk.

16. Financial Instruments and Risk Management (continued)

Cash is held on deposit with banks which are A rated (or equivalent) financial institutions. Consequently, the Directors consider that the risk profile associated with cash deposits is low and the carrying value in the Financial Statements approximates to fair value.

The Company's maximum credit risk is £5.9 million (2019: £7.5 million) of which the ordinary share fund is exposed to £2.9 million (2019: £3.8 million), the "C" share fund is exposed to £2.2 million (2019: £2.8 million) and the "D" share fund is exposed to £0.8 million (2019: £0.8 million).

The tables below set out the amounts receivable by the Company which were past due but not individually impaired as at 29 February 2020 and the extent to which they are past due.

Amounts past due 29 February 2020:

Ordinary Shares	Total £000	0 - 6 months £000	6 - 12 months £000	Over 12 months £000
Loan	1,073	1,073	-	-
Accrued interest	181	75	67	39
Past due	1,254	1,148	67	39

The loan principal which was past due for payment at 29 February 2020 was £102,000 for Greenfield Wind Farm Limited and the loan interest past due was £10,000 for Darroch Power Limited, £21,000 for Upper Falloch Power Limited and £150,000 for Greenfield Wind Farm Limited.

"C" Shares	Total £000	0 - 6 months £000	6 - 12 months £000	Over 12 months £000
Loan	936	936	-	-
Accrued interest	200	67	64	69
Past due	1,136	1,003	64	69

The loan principal which was past due for payment at 29 February 2020 was £76,000 for Greenfield Wind Farm Limited. The loan interest past due for payment at 29 February 2020 for Greenfield Wind Farm Limited was £113,000, for Darroch Power Limited was £28,000, and for Upper Falloch Limited was £59,000.

"D" Shares	Total £000	0 - 6 months £000	6 - 12 months £000	Over 12 months £000
Loan	514	514	-	-
Accrued interest	189	40	33	116
Past due	703	554	33	116

The loan interest past due for payment at 29 February 2020 for Darroch Power Limited was £69,000 and for Upper Falloch Limited was £121,000.

Amounts past due 28 February 2019:

Ordinary Shares	Total £000	0 - 6 months £000	6 - 12 months £000	Over 12 months £000
Loan	46	46	-	-
Accrued interest	117	71	27	19
Past due	163	117	27	19

The loan principal which was past due for payment at 28 February 2019 was £46,000 for Greenfield Wind Farm Limited and the loan interest past due was £13,000 for Darroch Power Limited, £16,000 for Upper Falloch Power Limited and £88,000 for Greenfield Wind Farm Limited.

"C" Shares	Total £000	0 - 6 months £000	6 - 12 months £000	Over 12 months £000
Loan	35	35	-	-
Accrued interest	152	33	65	54
Past due	187	68	65	54

The loan principal which was past due for payment at 28 February 2019 was £35,000 for Greenfield Wind Farm Limited. The loan interest which was past due for payment at 28 February 2019 was £66,000 for Greenfield Wind Farm Limited, £39,000 for Darroch Power Limited, and £47,000 for Upper Falloch Limited.

"D" Shares	Total £000	0 - 6 months £000	6 - 12 months £000	Over 12 months £000
Accrued interest	192	38	33	121
Past due	192	38	33	121

The loan interest which was past due for payment at 28 February 2019 was £92,000 for Darroch Power Limited and £100,000 for Upper Falloch Limited.

17. Contingencies, Guarantees and Financial Commitments

The fair value of financial guarantees provided by the Company is considered to be £nil.

The Company has entered into the following agreements:

On 22 October 2008, the Company registered a charge over its shares in Achairn Energy Limited to Alliance & Leicester Commercial Finance plc (now Santander Asset Finance plc) as security for a senior loan facility of £6.9 million raised by Achairn Energy Limited to finance the construction costs of the wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Achairn Energy Limited.

On 28 November 2008, the Company registered a charge over its shares in A7 Lochhead Limited to Alliance & Leicester Commercial Finance plc (now Santander Asset Finance plc) as security for a senior loan facility of £7.8 million raised by A7 Lochhead Limited to finance the construction costs of the wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of A7 Lochhead 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 £3.4 million raised by Upper Falloch Power Limited to finance the construction costs of its hydro 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.

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 £6.5 million raised by Darroch Power Limited to finance the construction costs of its hydro 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 4 July 2017, the Company registered a charge over its shares in Eye Wind Power Limited to Bayerische Landesbank as security for the senior loan facility of £6.1 million. The liability of the Company under this charge of shares a limited to the value of the Company's investment in the shares of Eye Wind Power Limited.

On the 10 April 2019, the Company registered a charge over its shares in Bernard Matthews Green Energy Halesworth Limited to Bayerische Landesbank as security for a senior loan facility of £9 million. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Bernard Matthews Green Energy Halesworth Limited.

On 28 June 2019, the Company registered a charge over its shares in Osspower Limited to Bayerische Landesbank as security for a senior loan facility of £7.8 million raised by Osspower Limited. The liability of the Company under this charge of shares is limited to the value of the Company's investment in the shares of Osspower Limited.

On 23 October 2019, the Company registered a charge over its shares in White Mill Wind Farm Limited to L1 Renewables as security for a senior loan facility of up to £9.5 million raised by White Mill Wind Farm Limited. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of White Mill Wind Farm Limited.

On 23 October 2019, the Company registered a charge over its shares in Biggleswade Wind Farm Limited to L1 Renewables as security for a senior loan facility of up to £15.7 million raised by Biggleswade Wind Farm Limited. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Biggleswade Wind Farm Limited.

On 12 November 2019, the Company registered a charge over its shares in Greenfield Wind Farm Limited to L1 Renewables as security for a senior loan facility of £10.8 million raised by Muirhall Windfarm Limited, a company wholly owned by Greenfield Wind Farm Limited. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Greenfield Wind Farm Limited.

The Company had no other contingencies, financial commitments or guarantees as at 29 February 2020.

18. Related Party Transactions

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

Year ended 29 February 2020	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Balances				
Investments- shares	16,512	12,832	2,105	31,449
Investments- loan stock	2,576	1,630	544	4,750
Accrued interest income	261	277	193	731
Transactions				
Loan stock interest income	339	234	79	652
Dividend income	961	850	165	1,976

Year ended 28 February 2019	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
Balances				
Investments- shares	16,755	13,094	2,222	32,071
Investments- loan stock	2,972	2,089	548	5,609
Accrued interest income	211	244	195	650
Transactions				
Loan stock interest income	252	297	74	623
Dividend income	839	680	43	1,562

19. Controlling Party

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

20. Management of Capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to continue to provide returns for shareholders.

The requirements of the VCT regulations and the fact that the Company has a policy of not having any borrowings, means that there is limited scope to manage the Company's capital structure. However, to the extent to which it is possible, the Company can maintain or adjust its capital structure by adjusting the amount of dividends paid to shareholders, purchasing its own shares or issuing new shares.

The Board considers the Company's net assets to be its capital.

The Company does not have any externally imposed capital requirements.

There has been no change in the objectives, policies or processes for managing capital from the previous year.

The 2020 AGM will proceed as a "closed meeting" attended solely by two directors, who as shareholders are able to form a quorum.

As such, this year shareholders will not be able to attend the event in person, which will instead be performed as a virtual AGM with the minimum number of people in attendance to remain in compliance with new legislation being introduced.

The Company's AGM will be held on Thursday 20 August 2020 at 12.15pm.

The Board urges shareholders to register all votes via proxy ahead of the AGM itself. The Chairman will record the voting for each resolution by way of a poll to ensure each vote cast is counted individually.

The Board recognises the importance of the AGM to shareholders and encourages the submission of questions on the Company or the portfolio to the Board via email to info@temporiscapital.com by 6 August 2020, being two weeks prior to the date of the AGM. Answers will be published on the Company website at the time of the AGM.

Notice is hereby given that the AGM of Ventus 2 VCT plc will be held at 12.15pm on Thursday 20 August 2020 for the purpose of considering and, if thought fit, passing the following, of which Resolutions 1 to 10 will be proposed as ordinary resolutions and Resolution 11 will be proposed as a Special Resolution:

Ordinary Business

1. To receive the Company's audited Annual Report and Financial Statements for the year ended 29 February 2020.
2. To declare a final dividend of 2.50p per ordinary share, 4.00p per "C" share and 2.50p per "D" share in respect of the year ended 29 February 2020.
3. To approve the Directors' Remuneration Policy (which is set out in the Directors' Remuneration Report on page 36 of the Annual Report and Financial Statements).
4. To approve the Directors' Remuneration Report for the year ended 29 February 2020.
5. To elect Lloyd Chamberlain as a Director of the Company.
6. To re-elect Jane Tozer as a Director of the Company.
7. To elect Chris Zeal as a Director of the Company.
8. To re-appoint BDO LLP as Auditor of the Company to hold office until the conclusion of the next AGM at which accounts are laid before the Company.
9. To authorise the Directors to determine the remuneration of the Auditor.
10. To authorise the Company to continue in being as a venture capital trust.

Special Business

11. That the Company be and is hereby generally and unconditionally authorised to make market purchases within the meaning of Section 693(4) of the Companies Act 2016 (the "Act") of ordinary shares of 25p each, "C" shares of 25p each and "D" shares of 25p each in the capital of the Company provided that:
    (i) The maximum aggregate number of shares hereby authorised to be purchased is 3,656,459 ordinary shares, 1,698,233 "C" shares and 298,415 "D" shares, representing 14.99% of the current issued share capital of each class;
    (ii) The minimum price which may be paid for a share is 25p per share;
    (iii) The maximum price, exclusive of any expenses, which may be paid for a share is an amount equal to the higher of; (a) 105% of the average of the middle market prices shown in the quotations for a share in The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that share is purchased; and (b) the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
    (iv) The authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the AGM of the Company to be held in 2021 and the date which is 18 months after the date on which this resolution is passed; and
    (v) The Company may make a contract or contracts to purchase its own shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of its own shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired.

By order of the Board

The City Partnership (UK) Limited
Secretary

3 July 2020

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SUSTAINABLE RETURNS

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