

**Ventus 2 VCT plc**

**Annual Report and Financial Statements**

for the year ended 28 February 2018

Registered No: 05667210

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## Chairman's Statement

I am pleased to present the Annual Report and Financial Statements of Ventus 2 VCT plc (the "Company") for the year ended 28 February 2018.

The Company is fully invested with a portfolio of companies operating wind, hydroelectric and landfill gas renewable energy assets. Details of the portfolio of investments held by the Company are set out in the Investment Manager's Report. Legislation changes for Venture Capital Trusts ("VCTs") prevent further investment by the Company in energy projects.

During the year the Company has completed the transition from investing in new assets to maximising the revenue from its portfolio. Significant milestones include the refinancing of three windfarms at substantially better interest rates, entering an agreement to earn income from spare grid capacity at Achairn, and re-forecasting asset incomes and energy yields based on current market conditions and technical analyses respectively. Continuing technical constraints at Upper Falloch hydro station, the Company's smallest asset, are currently being addressed. Further details follow in this statement and in the Investment Manager's report.

### Strategic Objectives

The Company's key strategic objectives which were reviewed in November 2016 remain unchanged. The key objectives are:

- To achieve a sustainable level of dividends from the management of a portfolio of renewable energy assets held within a tax efficient VCT.
- To protect the capital of shareholders and to enhance its value by the active management of the assets operated by investee companies, which are generally joint venture companies.
- To manage the assets of the Company with a view to maximising their longevity and to derive additional value in later asset life.

Further details about the strategic objectives of the Company are discussed in the Strategic Report.

### Changes to Valuation Assumptions

#### *Discount Rates*

The Company's investments in investee companies which operate renewable energy assets are valued using a discounted cash flow methodology. In the Company's Half-yearly Report for the six month period ended 31 August 2017, the Board noted a downward trend in discount rates in valuing operating wind energy assets in the market and therefore reduced the discount rates used in valuing the wind farm investments to 8.00% 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. For less mature wind farm assets a discount rate of 8.75% was applied. The downward trend in market discount rates has continued in the second half of the year, therefore a further 0.25% reduction has been applied to the discount rates used to value the Company's wind farm investments. As at 28 February 2018, there were no wind farms which had less than two years of operating history and all had undergone an energy yield reassessment, therefore all wind farm investments were valued using 7.75%. The Directors believe this assumption is in line with the current market for renewable energy assets. The lower discount rate has had a positive impact on the value of the Company's portfolio.

In line with the downward trend in discount rates seen in the market for wind assets, the discount rates applied in the valuation of the Company's hydro-electric investments have been reduced as at 28 February 2018 by 0.50%. For the base case, i.e. a project which has more than three years of operating history and has undertaken an energy yield reassessment, a discount rate of 6.75% is considered to be appropriate. Osspower Limited has been valued using a discount rate of 6.75%. However, Darroch Power Limited is a less mature asset, as it has only been operational since December 2015, and has yet to have a reassessment of its energy yield. For that reason, it has been valued at a 7.50% discount rate (a reduction of 0.50% since 31 August 2017). The reduction in the discount rate has had a positive impact on the value of these two investments. Upper Falloch Power

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Limited has been operational since December 2015. However, for the reasons explained below, it has been valued at cost.

### *Energy yields*

The Company has a policy of reassessing the projected long term energy yield of the wind farms owned by its investee companies after a period of two to three years after first operation when there is a reasonable amount of actual data. During the year a number of the wind farms were independently reassessed in line with the Company's policy. On the whole, the new analysis has indicated a lower long term energy yield for the wind farms than had been predicted in the initial pre-construction independent analyses of the sites. The new energy yield analyses have been adopted in the valuation of the investee companies as at 28 February 2018 and overall have had a negative impact on valuations.

Further information about valuation assumptions and movements in value can be found in the Investment Manager's Report.

### **Active portfolio management**

#### *Refinancing of investee companies*

During the year, the Company's Investment Manager, Temporis Capital Limited, closed the refinancing of three of the Company's investments, which own and operate wind farms at Eye, Weston and North Pickenham in East Anglia and between them have a generating capacity of 14.8MW.

Bayern LB provided term loans of £16.4 million between the three investee companies, at a blended rate of 3.85% and over a term of 14 years. The debt is fixed price and fully amortising. The proceeds repay loan facilities taken out in 2013 to fund construction of the three wind farms and the new loans offer significantly lower interest rates than were available in 2013.

The substantially reduced cost of debt will increase cashflow to the Company from the three investee companies, enhancing value for shareholders. This is part of the Board's continuing strategy to enhance value to shareholders through active management of the Company's assets.

#### *Achairn Energy Limited*

The Company holds an investment in Achairn Energy Limited, which operates a wind farm near Wick, Scotland. Achairn holds a 7.5MW grid connection, but has installed capacity of 6MW, leaving 1.5MW of grid capacity. The Investment Manager has negotiated a transaction with a neighbouring wind farm to use the excess grid capacity for a limited period. This is expected to result in additional cash flows to Achairn Energy Limited of approximately £4 million over the course of the life of the Achairn project. However, until the neighbouring wind farm receives Renewables Obligation accreditation (which is expected shortly), the anticipated additional cash flow has only partly been taken into account in the valuation of the Company's investment in Achairn Energy Limited.

The Investment Manager continues to look for additional opportunities to create value from investee company assets.

#### *Upper Falloch Power Limited*

Upper Falloch continues to perform below expectations. Works were undertaken in June 2016 on the Upper Falloch hydro scheme and performance has improved. The fundamental issue concerns the design of the intake system. The 2016 works identified an issue with the intake chamber, in which water sits before it falls into the pipeline. A re-design of the intake chamber is now complete and work to implement the design will take place in the summer of 2018 (the earliest period in which works are allowed to take place in the river), and will not be a cost to Upper Falloch. It is expected that these works will result in the scheme being capable of operating at its full capacity, subject to water resource. Until the works have been completed the investment will be valued at cost.

### **“D” share fund portfolio**

The “D” share fund holds investments in three assets: Darroch Power Limited, Upper Falloch Power Limited and Bernard Matthews Green Energy Halesworth Limited. The design issues with Upper Falloch Power Limited and lower energy yield at Halesworth versus original expectations, as described above, have had an adverse impact on the cash flows to the Company. However, the Board remains confident in the long term value inherent in the Company’s “D” share assets.

Given the cash flow performance of the “D” share portfolio, in the Company’s Half-yearly Report for the six month period ended 31 August 2017, the Directors considered it prudent to revise the dividend target for the financial year ended 28 February 2018 from 5.00p per share to zero. The dividend target for the next five years is set out in the diagrams on pages 4 and 5.

### **Net Asset Value and Results and Dividends – Ordinary Shares**

The net asset value of the ordinary share fund was £19,074,000 at 28 February 2018 or 78.2p per ordinary share (2017: £19,763,000 or 81.0p per ordinary share). The net asset value of the ordinary share fund reduced because the value of the Company’s investments reduced slightly and the dividends paid by the Company during the year exceeded the revenue earned.

The income generated in the ordinary share fund during the year ended 28 February 2018 totalled £802,000, of which £434,000 was from loan stock interest, £367,000 was from dividends and £1,000 was bank deposit interest. This compares to total income of £1,001,000 for the year ended 28 February 2017. In addition to its income, the Company received scheduled loan stock principal payments of £423,000. A significant amount of the mezzanine loans in the ordinary share fund’s portfolio were made between 2007 and 2009 and are in the final years of repayment. As a result much of the receipt from such loans now comprises the return of principal.

The Company proposes to declare a final dividend of 2.50p per ordinary share to be paid on 8 August 2018 to all ordinary shareholders on the register as at the close of business on 13 July 2018. The Company paid an interim dividend of 2.50p per ordinary share on 17 January 2018. Therefore, the total annual dividend will be 5.00p per ordinary share.

### **Net Asset Value and Results and Dividends – “C” Shares**

The net asset value of the “C” share fund was £15,147,000 at 28 February 2018 or 134.2p per “C” share (2017: £14,762,000 or 130.8p per “C” share). The increase in the “C” share fund’s net asset value is attributable to the increased value of the portfolio and the revenue earned during the year, offset by the dividends paid. The increase in value of the portfolio is mainly due to the reduction in discount rate used in the valuation analysis, in line with the market.

The total income of the “C” share fund for the year ended 28 February 2018 was £1,120,000, of which £363,000 was loan stock interest and £757,000 was from dividends. This compares with income generated by the “C” share fund of £1,016,000 in the year ended 28 February 2017.

The Company proposes to declare a final dividend of 4.50p per “C” share to be paid on 8 August 2018 to all “C” shareholders on the register as at the close of business on 13 July 2018. The Company paid an interim dividend of 3.50p per “C” share on 17 January 2018. Therefore, the total annual dividend will be 8.00p per “C” share.

Subject to the payment of the final “C” share dividend receiving approval from shareholders at the forthcoming annual general meeting (“AGM”) on 24 July 2018, the Investment Manager will be entitled to a performance-related incentive fee of £99,000. The incentive fee has not been accrued in the accounts as at 28 February 2018 because it is contingent on the shareholders approving the final dividend. Further information about how the incentive fee is calculated is set out in Note 3 to the Financial Statements.

### **Net Asset Value and Results and Dividends – “D” Shares**

The net asset value of the “D” share fund was £2,513,000 at 28 February 2018 or 126.2p per “D” share (2017: £2,632,000 or 132.2p per “D” share). The net asset value of the “D” share fund was adversely affected by the revaluation of its portfolio as at 28 February 2018 which was largely due to

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the negative impact of the adoption of the new energy yield assessment for Bernard Matthews Green Energy Halesworth Limited, partly offset by the increase in value of Darroch Power Limited as a result of the reduced discount rate and also the revenue earned during the year.

The total income of the “D” share fund for the year ended 28 February 2018 was £71,000, which was loan stock interest. This compares with income generated by the “D” share fund of £64,000 in the year ended 28 February 2017.

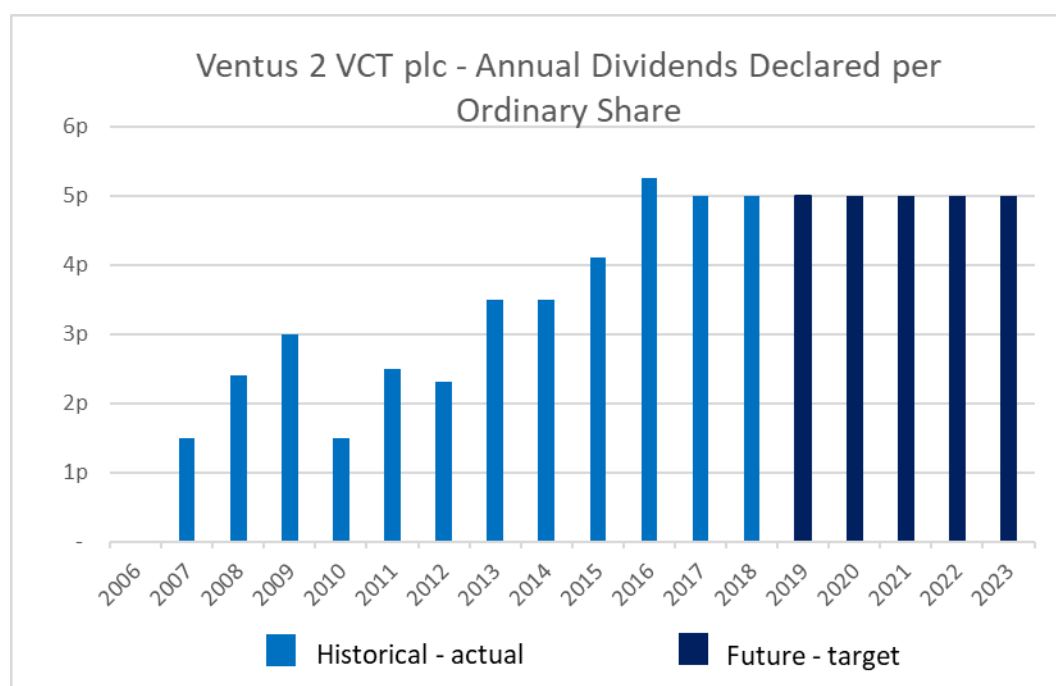
The Company does not propose to declare a final “D” shares dividend and did not pay an interim dividend. The annual dividend for the “D” share fund is lower than the 5.00p annual dividend which had been targeted, because Upper Falloch Power Limited’s hydroelectric scheme is not yet operating as intended (of which further details are set out in the Investment Manager’s Report), and Bernard Matthews Green Energy Halesworth Limited’s energy yield has been lower than initial expectations. The Directors consider that it would be imprudent to propose a dividend at this time. However, the Directors are confident the long-term prospects for the investments made by the “D” share fund are good.

### Dividend Policy

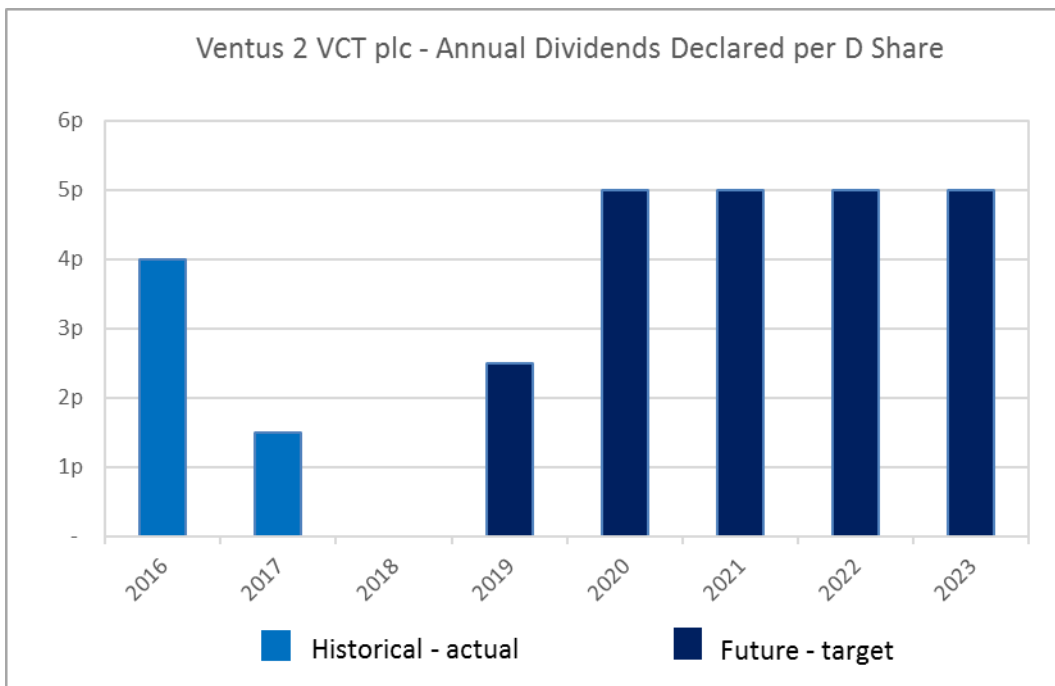
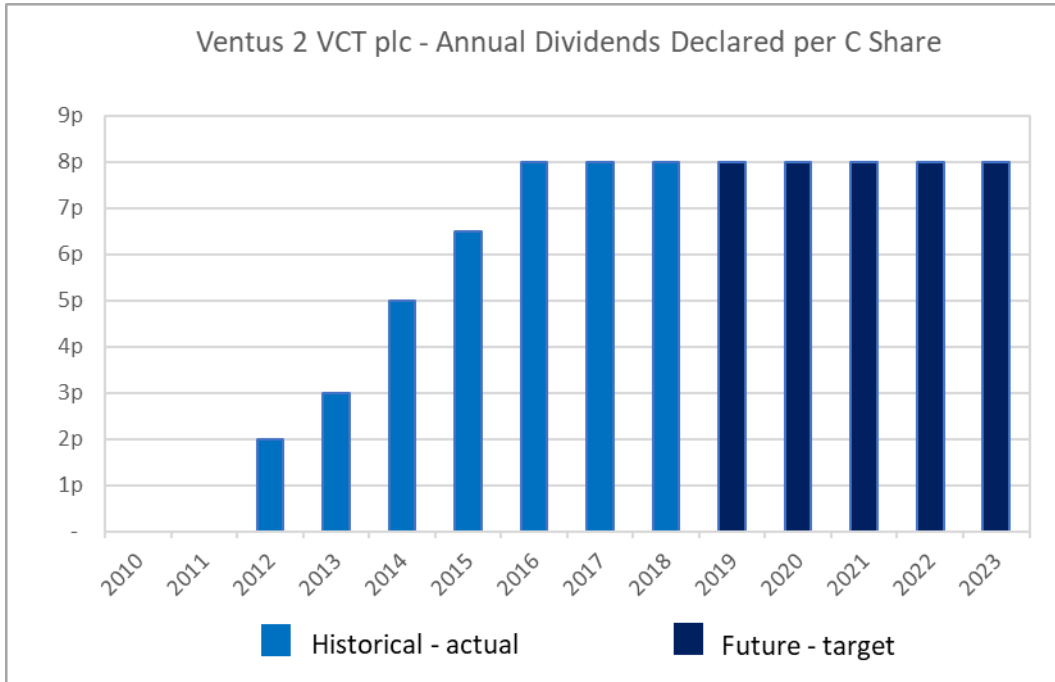
Over the next five years, the Directors anticipate a realistic target of 5.00p per ordinary share per annum and 8.00p per “C” share per annum. The dividend targets are intentions only. No forecasts are intended or should be inferred. Given the issues with the “D” share fund’s portfolio described above, the Directors revised the target for the year ending 28 February 2018 to zero. The Directors have also decided to reduce the target dividend for the year ending 28 February 2019 to 2.50p per “D” share from 5.00p but the target for the following four years is 5.00p per “D” share per annum. It should be stressed that 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 the performance of the renewable energy assets, wind and rainfall conditions, the amount of energy generated, the availability of the turbines, the price of electricity and operating costs. For that reason, the Directors do not believe it is possible to set a target range for dividends for a period beyond five years with any reasonable degree of certainty and they will review the near-term targets regularly and update them as appropriate.

The charts below show historical annual dividends declared as well as target dividends for the next five years for each of the ordinary, “C” and “D” share funds.



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### Dividend Yield

	Ordinary shares	"C" shares	"D" shares
Mid-market share price as at market close on 28 February 2018	69.5p	120.0p	120.0p
Target dividend per share for the year ending 28 February 2019:			
Tax-free dividend*	5.00p	8.00p	2.50p
Equivalent pre-tax dividend to Higher Rate taxpayer**	7.41p	11.85p	3.70p
Equivalent pre-tax dividend to Additional Rate taxpayer**	8.08p	12.92p	4.04p
Target dividend yield for the year ending 28 February 2019 based on the mid-market share price as at market close on 28 February 2018:			
Tax-free yield*	7.2%	6.7%	2.1%
Equivalent pre-tax yield to Higher Rate taxpayer**	10.7%	9.9%	3.1%
Equivalent pre-tax yield to Additional Rate taxpayer**	11.6%	10.8%	3.4%

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

\*\* Equivalent pre-tax 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 £5,000 tax-free allowance at the rate of 38.1%.



### **Annual General Meeting**

The Company's Annual General Meeting will be held on Tuesday, 24 July 2018 at the offices of Howard Kennedy LLP, No. 1 London Bridge, London, SE1 9BG. The AGM will be preceded by a presentation from the Investment Manager at 11.30am to which all shareholders are invited to attend. The AGM will follow at 12.15pm. Details of the resolutions to be put to shareholders at the meeting are set out in the Directors' Report on page 30 and the Notice of the Annual General Meeting is on page 85.

Currently the Company has the authority to purchase its own shares in the market. However, the Company did not buy-back any of its shares during the year. Previous share buy-backs have not led to a sustained increase in share price. The Board's view is the best support of the share price is through promoting the Company's objectives of maintaining a sustainable level of dividends and enhancing the value of the Company's investments. The Board does not intend to buy-back shares in the foreseeable future and, for that reason, the Board has decided not to seek to renew the authority to repurchase shares at the forthcoming AGM, therefore this authority will expire on the date of the AGM.

Similarly, the Company has the authority to allot new shares and to do so without first offering such shares to existing shareholders. As the Board does not intend to issue new shares in the foreseeable future, the Directors have decided not to seek to renew the authority to issue new shares at the AGM, therefore the authority to allot shares and disapply pre-emption rights will expire on the date of the AGM.

### **Shareholder Communications**

The Directors are committed to enhancing the public profile of the Company as they believe the outlook is now very attractive given the expected yield the Company is offering alongside the substantial tax benefits investors enjoy from its VCT status. In accordance with the Company's commitment to environmental sustainability and to minimise costs wherever appropriate, the Financial Statements will continue to be made available through regulated news service providers and on the Company website at [www.ventusvct.com](http://www.ventusvct.com). Any shareholder who wishes to receive notification of reports by either email or post may request this by contacting the Registrar.

**Alan Moore**

*Chairman*

31 May 2018

## Strategic Report

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 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. 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 at least 30% (70% for funds raised after 5 April 2011) 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. Regular Board meetings are held to review the investment performance against the Company's stated investment policy and objectives, and in doing so, monitor the performance of the Investment Manager.

### **Objectives**

As highlighted in the Chairman's Statement, the Company has an objective to achieve sustainable, long-term returns to shareholders by maximising both dividend yield and enhancing the value of the shareholders' capital through its investment in a portfolio companies operating renewable energy projects with installed capacities of up to 20 megawatts. The Company aims to manage its assets with a view to maximising their longevity and optionality.

### **Investment policy**

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

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

### **Active Asset Management**

In order to support the dividend objective and to maximise returns to the shareholders, the Investment Manager is actively managing the assets in the portfolio to enhance yield to the Company.

The primary means of maximising revenue from, and hence capital value of, wind and hydro assets is to keep the plant available to generate and to maximise the revenue per unit of generation. 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. To this end the Board has encouraged the Investment Manager to recruit, within its existing management fee structure, specialist in-house engineering experts who continually review operational performance data to identify opportunities to improve performance of both the machines and the contractors.

The Investment Manager also 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. For example, these costs include insurance, management systems 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 and delivering significant savings for investee companies.

### **Financial optimisation**

#### *Investee company level finance*

Each investee company has long-term senior debt in place. Such debt is secured on a fixed rate, fully amortising basis. The ratio of debt to equity within the investee companies in each share class is set out in the Investment Manager's Report.

The Investment Manager and Board periodically review opportunities to enhance shareholder value through optimising the debt structure within investee companies. The Investment Manager has recently renegotiated the terms of one investee company's senior loan, creating significant additional cash-flow, and the refinancing of three further investee company senior loans which again is expected to enhance cash-flow to the Company.

Many of the senior loans in place with investee companies come with an interest rate swap, at the lenders' insistence, which provides the investee company with a fixed interest rate for the life of the loan. UK interest rates have contracted steadily since 2008 and as a consequence many of the interest rate swaps that are in place have a negative carrying value (or are 'out of the money'). Therefore, a senior loan that carries an out of the money interest rate swap comes with a repayment penalty equal to the size of the swap break cost. For this reason, it is not economic to refinance many of the investee company loans in the Company's portfolio.

Beyond refinancing, the Board has considered the level and remaining life of debt within the portfolio. The Loan to Value ratio and the tenor for each share class is set out in the Investment Manager's Report. These metrics, as well as the forward cover ratios of investee company debt, were analysed on a company by company basis. 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 debt quantum would lead to an increase in the Company's sensitivity to variability in investee company performance. This may result in investee companies paying limited or no dividends to the Company in a particular year depending on the level of additional borrowing. It is for this reason that the Company has acted to set leverage in the portfolio at a sustainable level which balances predictability with value in returns from investee companies.

The Board has concluded that the loans already refinanced are the only loans that can be economically refinanced at present and the level of gearing within each investee company is appropriate given the Company's objective of paying a sustainable level of dividend.

#### *VCT level finance*

The Board has also considered, and includes in its periodic review, the viability of taking debt at Company level. If the terms were right this could enhance the level of dividends payable to shareholders by bringing forward cash flows at a cheaper cost of capital than the discount rate that applies to the assets. The Board has currently identified a number of drawbacks with this potential action.

The returns received from investee companies by the Company are already subject to senior debt restrictions at investee company level. As such, the shares in the investee companies that are owned by the Company are subject to a first ranking charge in favour of the senior lender to each investee company. The Company could not, therefore, offer a lender first ranking security over its assets. Any such debt would be second lien.

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The Board has sourced terms for second lien debt at Company level. The lending rates currently on offer are substantially higher than the discount rates used in the discounted value analysis of the Company's assets. Therefore, the Board does not at present consider such a strategy as value accretive to shareholders.

In addition, such a strategy would increase the sensitivity of shareholders to movements in power prices and operational performance at investee company level, as the second lien lender would have priority over income received from investee companies. This could lead to a position where dividends and income from investee companies are used solely to satisfy second lien debt, leaving the Company unable to pay a dividend to its shareholders. This would contradict the strategic objective of achieving a sustainable dividend.

For these reasons the Board has concluded that taking debt at Company level is not in the interest of shareholders at present.

### **Life of the Company**

#### *Asset life*

Renewable energy installations have become an established asset class, driven in part by greater levels of deployment and investor demand for physical assets that provide long-term yield. Deployment has advanced significantly since the creation of the Ventus Funds with over 9,000MW of onshore wind farms in operation in the UK.

Many windfarms of a scale similar to those owned by the Company's investee companies are approaching ten years of operating history. The technology behind wind farms is now demonstrably robust and, as deployment of onshore wind increases in scale, wind farm operators have begun to explore the possibility of extending turbine life to 25 or 30 years. In addition 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.

At present, the Company assumes an operational life of 25 years, in line with other market participants given the design life of the turbines, albeit with a reduced annual generation assumption for the last five years of operational life. No terminal value is assumed, nor is any repowering or life extension value, because it is impossible to forecast with any accuracy the electricity market that many years ahead.

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. The Board and Manager continue to 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 will be a function of the electricity market at the relevant time, as well as turbine technology. Extension or repowering will normally require renegotiation of land leases and renewed planning permissions. 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. 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.

Hydro-electricity stations tend to have a longer operating life than wind sites, partly because of the relative simplicity of the technology involved once the scheme is built and commissioned. Schemes can operate for 40 years or more, often without significant capital expenditure being required. The longevity of these schemes will also be relevant in the life span of the Company.

As set out above it is anticipated that free cash flow inside investee companies may 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.

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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.

### Continuation of the VCTs

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. The Company will include a resolution to consider the continuation of the Company as a VCT in its AGM in 2020. Shareholders will have the opportunity to vote directly on whether the Company should continue in the current form. If the continuation motion is not carried a general meeting will be convened within four months of the 2020 AGM to present proposals for the restructuring or voluntary winding up of the Company.

As set out above, the Board's strategic assessment is that the Company should continue to operate over the long-term, to provide sustainable and stable tax efficient dividends to its investors.

### Overview of the year and dividends

An overview of the Company's performance is set out in the Chairman's Statement together with details of the dividends paid to shareholders during the year and the final dividend declared in respect of the year.

### Investment portfolio

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

### 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:

### Results and dividends

For the year ended 28 February 2018

	Ordinary Shares Pence per share <sup>1</sup>	£000	"C" Shares Pence per share <sup>1</sup>	£000	"D" Shares Pence per share <sup>1</sup>	£000	Total £000
Revenue profit attributable to equity shareholders	465	1.90	866	7.66	32	1.62	1,363
Capital gain/(loss) attributable to equity shareholders	66	0.27	422	3.73	(151)	(7.60)	337
Net gain attributable to equity shareholders	531	2.17	1,288	11.39	(119)	(5.98)	1,700
Dividends paid during the year	(1,220)	(5.00)	(903)	(8.00)	-	-	(2,123)
Total movement in equity shareholders' funds	(689)	(2.83)	385	3.39	(119)	(5.98)	(423)

Ongoing charges ratio<sup>2</sup>

3.52%	2.92%	3.11%	3.24%
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	Ordinary Shares Pence per share <sup>3</sup>	£000	"C" Shares Pence per share <sup>3</sup>	£000	"D" Shares Pence per share <sup>3</sup>	£000	Total £000
<b>As at 28 February 2018</b>							
Net asset value	19,074	78.20	15,147	134.24	2,513	126.20	36,734
Total shareholder return <sup>4</sup>	27,005	115.25	19,213	170.24	2,623	131.70	48,841

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### Results and dividends

For the year ended  
28 February 2017

	Ordinary Shares		"C" Shares		"D" Shares		Total
	£000	Pence per share <sup>1</sup>	£000	Pence per share <sup>1</sup>	£000	Pence per share <sup>1</sup>	
Revenue profit attributable to equity shareholders	641	2.63	787	6.97	26	1.29	1,454
Capital gain attributable to equity shareholders	1,227	5.03	1,010	8.95	110	5.56	2,347
Net gain attributable to equity shareholders	1,868	7.66	1,797	15.92	136	6.85	3,801
Dividends paid during the year	(1,281)	(5.25)	(903)	(8.00)	(70)	(3.50)	(2,254)
Total movement in equity shareholders' funds	587	2.41	894	7.92	66	3.35	1,547

Ongoing charges ratio <sup>2</sup>	3.49%	3.03%	2.93%	3.27%
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	Ordinary Shares		"C" Shares		"D" Shares		Total
	£000	Pence per share <sup>3</sup>	£000	Pence per share <sup>3</sup>	£000	Pence per share <sup>3</sup>	
<b>As at 28 February 2017</b>							
Net asset value	19,763	81.00	14,762	130.83	2,632	132.20	37,157
Total shareholder return <sup>4</sup>	26,474	113.05	17,926	158.83	2,742	137.70	47,142

<sup>1</sup> 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.

<sup>2</sup> 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 net asset value of the Company at the year end.

The total annual running costs cap is set out in Note 3 to the Financial Statements.

<sup>3</sup> 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.

<sup>4</sup> The total shareholder return represents the net asset value at year end plus the cumulative dividends paid since incorporation.

## Principal Risks and Uncertainties

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

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

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

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

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

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

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

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

*The future level of Government-mandated support for renewables has important implications for the industry and could impact the value of investments the Company has made in companies which own and operate renewable projects. However, the Directors believe that existing renewable energy tariffs supporting the assets owned by investee companies are secure.*

- The financial returns to the Company are dependent on the price of electricity its investee companies are able to sell through power purchase agreements. The value of the Company's investments is dependent on projected wholesale electricity prices.

*This risk is mitigated because investee companies have negotiated fixed or floor price mechanisms into the power purchase agreements they have entered into for the sale of their generated output. However, in the longer term, beyond the period of these agreements, the Company is exposed to wholesale prices to a greater degree. The 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 average remaining tenor of the fixed price contracts and the sensitivity of the value of the Company's investments to changes in energy prices.*

- The values of the Company's wind farm and hydro-electricity investments are dependent on expectations of the level of electricity export of each asset, which are driven by expectations of the long-term wind or rainfall conditions. It is possible that expectations of long-term climatic conditions may change over the life time of each investment. The Company's revenues and dividends to shareholders are dependent on actual wind and rainfall conditions.

*The Investment Manager's Report includes information about the sensitivity of the values of the Company's investments to changes in electricity export assumptions. The Company's dividend targets are based on long-term average climatic conditions.*

## **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 Investment Management Agreement 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 management and other administrative services to the Company. The Investment Manager also provided similar services to Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS (Enterprise Investment Scheme) Fund during the financial year. The principal terms of the investment management agreement are set out in note 3 of the Financial Statements. The investment management services are terminable by either party giving not less than 24 months' notice. The Directors evaluated the performance of the Investment Manager and agreed the continuing appointment of Temporis Capital Limited, on the terms agreed, is in the interests of the shareholders. Further discussion of the Investment Manager's performance is within the Corporate Governance Statement.

## **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 £17,823 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.

## **Additional disclosures required by the Companies Act 2006**

The Company had no employees during the year and the Company has three non-executive Directors, all of whom are male.

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

**Alan Moore**

Chairman

31 May 2018



## Investment Manager's Report

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

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

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 a qualifying trade.

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.

The ordinary share fund of the Company has investments in companies operating eight UK wind farms with an aggregate installed capacity of 69.35 megawatts. Five of these investee companies are also owned in part by the "C" share fund and one such company is also owned in part by the "D" share fund. The ordinary share fund also has investments in three companies with hydroelectric projects with combined capacity of 4.79 megawatts. Two of those companies, Darroch Power Limited and Upper Falloch Power Limited, are also owned in part by the "C" share and "D" share funds. These projects were completed in December 2015 and are now operational. Finally, the ordinary share fund has an investment in a company operating a landfill gas project with a capacity of 2.30 megawatts.

The "C" share fund has investments in companies operating seven UK wind farms with an aggregate installed capacity of 75.15 megawatts. Five of these seven companies are also owned in part by the ordinary share fund and one is also owned in part by the "D" share fund. The "C" share fund has also invested jointly with the ordinary and "D" shares in Darroch Power Limited and Upper Falloch Power Limited (2.80 megawatts combined).

The "D" share fund currently has three operational investments. Bernard Matthews Green Energy Halesworth Limited operates a 10.25 megawatt wind farm and is also owned in part by the ordinary and "C" share funds. The "D" share fund has also invested jointly with the ordinary and "C" shares in Darroch Power Limited and Upper Falloch Power Limited (2.80 megawatts combined).

## Ventus 2 VCT plc

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

	Capacity	Operational	Location	Output as % of budget - 12 months ended 28 Feb 2018*	Investment held by		
					Ord Share	C Share	D Share
	MW	since			Fund	Fund	Fund
<b><u>Operational Wind</u></b>							
Achairn Energy Limited	6.00	May 2009	Caithness, Scotland	81%	✓		
A7 Lochhead Limited	6.00	Jun 2009	Lanarkshire, Scotland	95%	✓		
Greenfield Wind Farm Limited	12.30	Mar 2011	Lanarkshire, Scotland	99%	✓	✓	
Biggleswade Wind Farm Limited	20.00	Dec 2013	Bedfordshire	103%	✓	✓	
Eye Wind Power Limited	6.80	Apr 2014	Suffolk	104%	✓		
BMGE Pickenham Ltd/North Pickenham Energy Ltd	4.00	Apr 2014	Norfolk	109%	✓	✓	
BMGE Weston Ltd/Weston Airfield Investments Ltd	4.00	Apr 2014	Norfolk	107%	✓	✓	
AD Wind Farmers Ltd (Allt Dearg Windfarmers LLP)	10.20	Dec 2012	Argyll and Bute, Scotland	108%		✓	
White Mill Windfarm Limited	14.40	Aug 2012	Cambridgeshire	102%		✓	
BMGE Halesworth Limited	10.25	Aug 2015	Suffolk	105%	✓	✓	✓
<b><u>Operational Hydro</u></b>							
Osspower Limited (Allt Fionn)	1.99	Jul 2012	Near Loch Lomond, Scotland	97%	✓		
Darroch Power Limited (Derrydarroch)	1.90	Dec 2015	Near Loch Lomond, Scotland	102%	✓	✓	✓
Upper Falloch Power Limited	0.90	Dec 2015	Near Loch Lomond, Scotland	76%	✓	✓	✓
<b><u>Operational Landfill Gas</u></b>							
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: C/O Andersons, 58 John Street, Penicuik, Midlothian, EH26 8NE

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

The performance of the assets owned by the investee companies was generally satisfactory during the year. Achairn Energy Limited's wind farm has been constrained because of the construction of a neighbouring wind farm. However, it has received compensation for the loss of income resulting from the constraint.

The hydroelectric scheme operated by Upper Falloch Limited has performed below expectations, mainly, because of a sizing issue with the water intake chamber. A solution was implemented in June 2016 to increase the water capture of the intake, after which the performance has significantly improved. However, this highlighted a further, smaller issue in relation to the level of pressure in the pipeline. A re-design of the intake chamber will be implemented in the summer of 2018 and it is expected that this will result in the scheme being capable of operating at its full capacity. For that reason, the investment in Upper Falloch Limited continues to be valued at cost.

## Ventus 2 VCT plc

The Investment Manager is working actively to increase the value of the Company's portfolio through improvements in the operations of underlying assets and, where possible, the optimisation of the financial structure of investee companies. Each of the investee companies with operational assets has been financed with senior debt. Three investee companies were refinanced during the year. 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:

	<b>Ordinary Share</b>	<b>"C" Share</b>	<b>"D" Share</b>
Percentage Loan-to-Value as at 28 February 2018	50%	52%	58%
Percentage Loan-to-Value as at 28 February 2017	50%	51%	60%
Average remaining tenor (years) as at 28 February 2018	11.1	11.4	13.3
Average remaining tenor (years) as at 28 February 2017	11.8	12.2	14.3

## Ordinary share portfolio

A summary of the ordinary share fund's investment valuations as at 28 February 2018 and gains and losses during the year ended 28 February 2018 is given below:

	Voting rights	Investment value			Investment cost			Unrealised gain/ (loss) in the year to 28 February 2018	Investment value Total as at 28 February 2017	Investment cost Total as at 28 February 2017		
		Shares	Loans	Total	Shares	Loans	Total					
		as at 28 February 2018	as at 28 February 2018	as at 28 February 2018	as at 28 February 2018	as at 28 February 2018	as at 28 February 2018	as at 28 February 2018	as at 28 February 2017	as at 28 February 2017		
		%	£000	£000	£000	£000	£000	£000	£000	£000		
<b>Operational wind</b>												
Achairn Energy Limited	*	Q	40.40%	3,531	1,153	4,684	1,226	1,099	2,325	497	4,326	2,464
A7 Lochhead Limited	*	Q	20.00%	776	-	776	568	-	568	84	692	568
Greenfield Wind Farm Limited	*	P	16.65%	1,865	1,188	3,053	666	1,039	1,705	214	2,955	1,821
Biggleswade Wind Farm Limited	*	Q	3.50%	461	262	723	86	242	328	69	676	350
Eye Wind Power Limited	**	Q	35.38%	2,324	-	2,324	1,480	-	1,480	141	2,183	1,480
Bernard Matthews Green Energy Weston Limited	*	Q	50.00%	729	-	729	500	-	500	(157)	886	500
Bernard Matthews Green Energy Pickenham Limited	*	Q	50.00%	658	-	658	500	-	500	(106)	764	500
Bernard Matthews Green Energy Halesworth Limited	**	Q	10.09%	681	-	681	351	-	351	(147)	828	351
<b>Operational companies in the wind sector</b>												
Firefly Energy Limited	*	Q	50.00%	-	9	9	200	30	230	-	43	264
<b>Operational landfill gas</b>												
Renewable Power Systems (Dargan Road) Limited		Q	50.00%	705	787	1,492	780	728	1,508	33	1,571	1,620
<b>Operational small hydro</b>												
Osspower Limited			50.00%	2,953	-	2,953	300	-	300	(266)	3,219	300
Darroch Power Limited	*	Q	11.46%	342	51	393	20	46	66	38	355	66
Upper Falloch Power Limited	*	Q	10.97%	69	31	100	8	31	39	-	100	39
<b>Realised investments</b>												
BEL Holdco Limited	*		1.91%	-	-	-	-	-	-	-	-	200
BEL Acquisition Limited	*		1.91%	-	-	-	-	-	-	-	-	9
Redeven Energy Limited	*		50.00%	-	-	-	-	130	130	-	-	130
<b>Total</b>				15,094	3,481	18,575	6,685	3,345	10,030	400	18,598	10,662

**Q** Investment complies with VCT regulations on qualifying holdings.

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

\* A company in which Ventus VCT plc has also invested (or in which Ventus VCT plc had invested prior to the investment being realised). The Company and Ventus VCT plc are managed by Temporis Capital Limited.

\*\* A company in which Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund have also invested. The Company, Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund are managed by Temporis Capital Limited.

**“C” share portfolio**

A summary of the “C” share fund’s investment valuations as at 28 February 2018 and gains and losses during the year ended 28 February 2018 is given below:

	Voting rights	Investment value			Investment cost			Unrealised gain/ (loss) in the year to	Investment value Total	Investment cost Total	
		Shares	Loans	Total	Shares	Loans	Total				
		as at 28 February 2018	as at 28 February 2018	as at 28 February 2018	as at 28 February 2018	as at 28 February 2018	as at 28 February 2018				as at 28 February 2017
%	£000	£000	£000	£000	£000	£000	£000	£000	£000		
<b>Operational wind</b>											
Greenfield Wind Farm Limited	* P										
	Q	12.50%	1,400	892	2,292	500	780	1,280	162	2,217	1,367
White Mill Windfarm Limited	* P										
	Q	25.00%	2,727	-	2,727	1,000	-	1,000	344	2,701	1,318
AD Wind Farmers Limited	* Q	50.00%	1,097	-	1,097	1,000	-	1,000	(38)	1,135	1,000
Biggleswade Wind Farm Limited	* Q	21.50%	2,830	1,610	4,440	526	1,487	2,013	422	4,154	2,149
Weston Airfield Investments Limited	* Q	50.00%	1,717	-	1,717	1,000	-	1,000	6	1,711	1,000
North Pickenham Energy Limited	* Q	50.00%	1,481	-	1,481	1,000	-	1,000	(16)	1,497	1,000
Bernard Matthews Green Energy Halesworth Limited	** Q	5.63%	381	-	381	300	-	300	(83)	464	300
<b>Operational small hydro</b>											
Darroch Power Limited	* Q	4.22%	126	146	272	53	132	185	14	258	185
Upper Falloch Power Limited	* Q	2.79%	17	90	107	17	90	107	-	107	107
<b>Realised investments</b>											
Iceni Renewables Limited	* Q	50.00%	-	-	-	400	18	418	-	-	418
<b>Total</b>			11,776	2,738	14,514	5,796	2,507	8,303	811	14,244	8,844

**Q** Investment complies with VCT regulations on qualifying holdings.

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

\* A company in which Ventus VCT plc has also invested (or in which Ventus VCT plc had invested prior to the investment being realised). The Company and Ventus VCT plc are managed by Temporis Capital Limited.

\*\* A company in which Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund have also invested. The Company, Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund are managed by Temporis Capital Limited.

## “D” share portfolio

A summary of the “D” share fund’s investment valuations as at 28 February 2018 and gains during the year ended 28 February 2018 is given below:

	Voting rights	Investment value			Investment cost			Unrealised gain/(loss) in the year to 28 February 2017	Investment value Total as at 28 February 2017	Investment cost Total as at 28 February 2017		
		Shares	Loans	Total	Shares	Loans	Total					
		as at 28 February 2018	as at 28 February 2018	as at 28 February 2018	as at 28 February 2018	as at 28 February 2018	as at 28 February 2018	as at 28 February 2017	as at 28 February 2017	as at 28 February 2017		
		%	£000	£000	£000	£000	£000	£000	£000	£000		
<b>Operational wind</b>												
Bernard Matthews Green Energy Halesworth Limited	**	Q	13.38%	904	-	904	712	-	712	(196)	1,100	712
<b>Operational small hydro</b>												
Darroch Power Limited	*	Q	25.50%	761	358	1,119	319	325	644	84	1,035	644
Upper Falloch Power Limited	*	Q	29.58%	185	189	374	185	189	374	-	374	374
<b>Total</b>				1,850	547	2,397	1,216	514	1,730	(112)	2,509	1,730

**Q** Investment complies with VCT regulations on qualifying holdings.

\* A company in which Ventus VCT plc has also invested (or in which Ventus VCT plc had invested prior to the investment being realised). The Company and Ventus VCT plc are managed by Temporis Capital Limited.

\*\* A company in which Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund have also invested. The Company, Ventus VCT plc and Temporis Capital Renewable Infrastructure EIS Fund are managed by Temporis Capital Limited.

## Ventus 2 VCT plc

### Top 10 Investments

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 28 February 2018 are set out in the tables below:

#### Ordinary Share Fund

Company	Value	Cost	Shareholding	Voting rights	Income recognised by the Company during the year	Basis of value	Proportion of share fund portfolio by value	Date of latest accounts	Net assets	Turnover	Profit/(loss)
	£000	£000	%	%	£000		%		£000	£000	£000
Achairn Energy Limited	4,684	2,325	40.40%	40.40%	163	DCF	25.2%	30/11/2016	376	1,355	83
Osspower Limited	2,953	300	50.00%	50.00%	-	DCF	15.9%	31/03/2017	530	962	7
Greenfield Wind Farm Limited	3,053	1,705	16.65%	16.65%	138	DCF	16.4%	31/12/2016	999	-	(14)
Eye Wind Power Limited	2,324	1,480	35.38%	35.38%	-	DCF	12.5%	28/02/2017	3,445	1,123	(88)
Renewable Power Systems (Dargan Road) Limited	1,492	1,508	50.00%	50.00%	100	DCF	8.0%	31/07/2016	631	609	1
Bernard Matthews Green Energy Weston Limited	729	500	50.00%	50.00%	-	DCF	3.9%	31/03/2017	504	-	(7)
Bernard Matthews Green Energy Pickenham Limited	658	500	50.00%	50.00%	-	DCF	3.5%	31/03/2017	733	56	36
Bernard Matthews Green Energy Halesworth Limited	681	351	10.09%	10.09%	2	DCF	3.7%	30/06/2017	4,131	1,314	(470)
A7 Lochhead Limited	776	568	20.00%	20.00%	24	DCF	4.2%	31/03/2017	366	1,405	328
Biggleswade Wind Farm Limited	723	328	3.50%	3.50%	33	DCF	3.9%	30/06/2017	40	3,727	513

#### “C” Share Fund

Company	Value	Cost	Shareholding	Voting rights	Income recognised by the Company during the year	Basis of value	Proportion of share fund portfolio by value	Date of latest accounts	Net assets	Turnover	Profit/(loss)
	£000	£000	%	%	£000		%		£000	£000	£000
Biggleswade Wind Farm Limited	4,440	2,013	21.50%	21.50%	200	DCF	30.6%	30/06/2017	40	3,727	513
White Mill Windfarm Limited	2,727	1,000	25.00%	25.00%	26	DCF	18.8%	31/12/2016	758	2,692	(98)
Greenfield Wind Farm Limited	2,292	1,280	12.50%	12.50%	104	DCF	15.8%	31/12/2016	999	-	(14)
Weston Airfield Investments Limited	1,717	1,000	50.00%	50.00%	-	DCF	11.8%	31/03/2017	1,397	40	27
North Pickenham Energy Limited	1,481	1,000	50.00%	50.00%	-	DCF	10.2%	31/03/2017	1,752	112	81
AD Wind Farmers Limited	1,097	1,000	50.00%	50.00%	118	DCF	7.6%	30/09/2016	1,600	190	149
Bernard Matthews Green Energy Halesworth Limited	381	300	5.63%	5.63%	2	DCF	2.6%	30/06/2017	4,131	1,314	(470)
Darroch Power Limited	272	185	4.22%	4.22%	18	DCF	1.9%	31/03/2017	913	1,041	(185)
Upper Falloch Power Limited	107	107	2.79%	2.79%	13	COST	0.7%	31/03/2017	243	393	(197)

#### “D” Share Fund

Company	Value	Cost	Shareholding	Voting rights	Income recognised by the Company during the year	Basis of value	Proportion of share fund portfolio by value	Date of latest accounts	Net assets	Turnover	(Loss)
	£000	£000	%	%	£000		%		£000	£000	£000
Darroch Power Limited	1,119	644	25.50%	25.50%	18	DCF	46.7%	31/03/2017	913	1,041	(185)
Bernard Matthews Green Energy Halesworth Limited	904	712	13.38%	13.38%	2	DCF	37.7%	30/06/2017	4,131	1,314	(470)
Upper Falloch Power Limited	374	374	29.58%	29.58%	13	COST	15.6%	31/03/2017	243	393	(197)

**Footnote to the Top 10 Investments Tables:**

**Basis of Valuation**

**DCF** Discounted future cash flows from the underlying business excluding interest earned to date  
**COST** Held at cost of investment

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%.

**Valuation of Investments**

It is the accounting policy of the Company to hold its investments at fair value. The Company’s investments in investee companies which operate renewable energy assets are valued using a discounted cash flow methodology. The Company has applied a discount rate to the unleveraged cash flows to determine the enterprise value of the investee company and then has subtracted the market value of any senior debt (including any prepayment fees and swap break costs) to calculate the value of the equity and/or mezzanine debt in the investee company. The discount rates used to value the unleveraged cash flows of investee companies range from 6.75% to 10.00%, with discount rates applied to the cash flows of operating wind farms of 7.75%.

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.

The fair value of the Company’s investments in project companies which have not passed an initial satisfactory operational period are determined to be the cost of investment, subject to a periodic impairment review. As mentioned above, the hydroelectric scheme owned by Upper Falloch Power Limited has yet to complete a satisfactory period of operation and remedial work is being undertaken to improve its performance. Consequently, as at 28 February 2018, this investment has been valued based on the cost of investment in line with the Company’s valuation policy. All other investee companies with operational renewable energy assets, were valued on a discounted cash flow basis.

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 28 February 2018, it has been assumed the operating life of a wind farm is 25 years from date of first operation (albeit with an assumed reduction in availability in the final five years of operation). The assumed reduction in availability in the final five years of operation is to take into account the expected reduction in performance of an older asset.

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. For that reason, the



## Ventus 2 VCT plc

Directors do not believe a change in assumption is supportable for the hydroelectric assets at the current time. The operating life assumptions for both wind energy and hydroelectric assets will be regularly reviewed in order that they may be kept in line with industry convention.

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

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

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

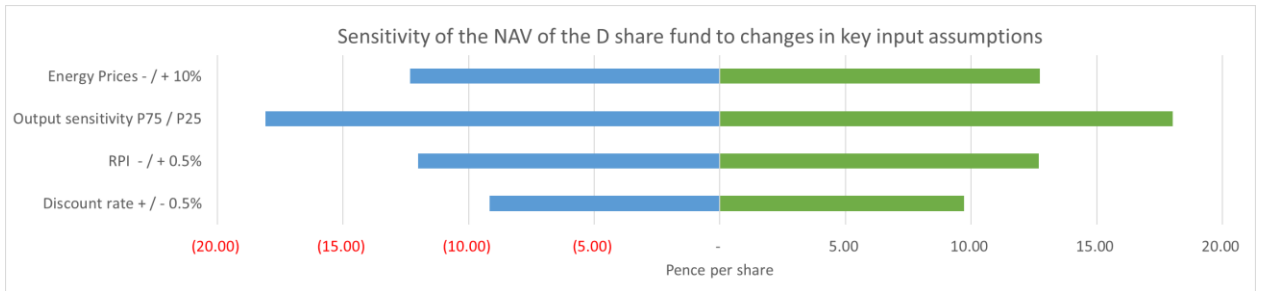
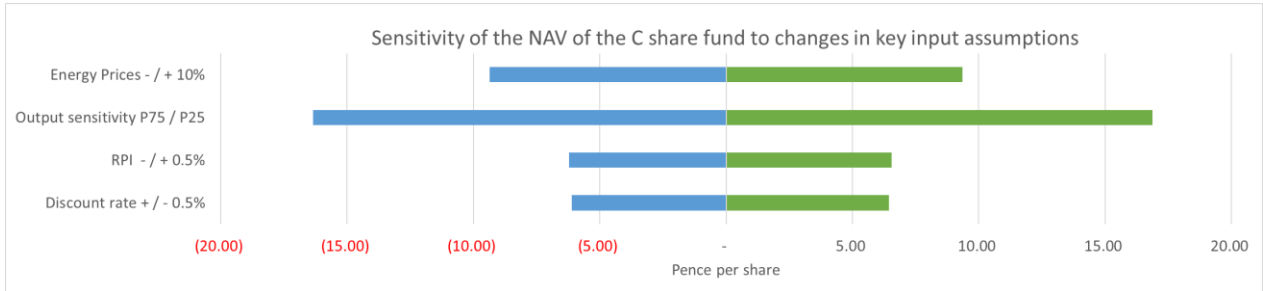
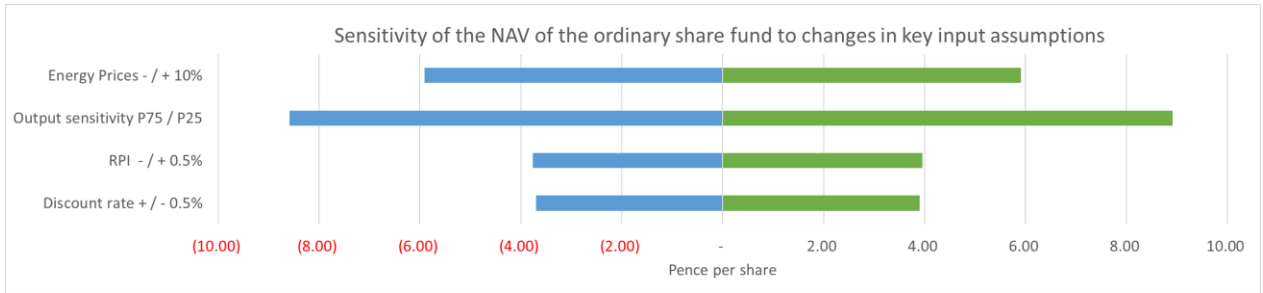
The price at which the output from the generating assets is sold is a factor of both wholesale electricity prices and Government subsidies. The selling price is often fixed in the medium term under power purchase agreements. For periods outside the terms of these agreements the assumed future prices are estimated using external third party forecasts which take the form of specialist consultancy reports. 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. In respect of each share fund, the percentage of investee companies with a fixed electricity price and the average remaining tenor of the fixed price is as follows:

	<b>Ordinary Share</b>	<b>"C" Share</b>	<b>"D" Share</b>
Percentage of investee companies with a fixed electricity price as at 28 February 2018	83%	89%	100%
Percentage of investee companies with a fixed electricity price as at 28 February 2017	67%	78%	33%
Average remaining tenor of the fixed electricity price (years) as at 28 February 2018	2.5	2.7	0.3
Average remaining tenor of the fixed electricity price (years) as at 28 February 2017	4.1	4.1	0.1

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

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

# Ventus 2 VCT plc



### **Investment Policy**

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

#### *Asset Allocation*

The Investment Manager has allocated the Company's investments in equity securities and loan stock of companies owning renewable energy projects, primarily wind and hydroelectric.

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

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

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

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

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

#### *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 invested in a range of companies with small-scale projects so project risk is not concentrated in only a few schemes. All projects contained within the portfolio are now operational. Investments were made via subscriptions for new share capital, or via loan stock instruments in order to secure a negotiated level of return from the project. The majority of investments are made in special purpose companies set up specifically to develop each project.

#### *Gearing*

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

To the extent that borrowing 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.

## Ventus 2 VCT plc

### *Maximum Exposures*

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

i) Investments in qualifying holdings

Under VCT regulations, at least 70% of the Company's funds should be invested in qualifying holdings (80% for accounting periods beginning after 5 April 2019, so from 1 March 2020 for the Company). When there is an issue of new shares, the 70% requirement does not apply to the new funds raised for any accounting periods which end earlier than three years from the date of allotment of the new shares.

For the purposes of the 70% qualifying holdings requirement, disposals of qualifying investments for cash may be disregarded for a period of six months. Where a VCT breaches any requirement due to factors outside of its control, it may apply to HMRC for a determination that the breach will be disregarded for a period of 90 days while the breach is remedied.

ii) Concentration limits

Under VCT regulations, no more than 15% of the Company's total assets should be in a single investee company at the time the investment is made in that investee company.

**Temporis Capital Limited**  
Investment Manager  
31 May 2018

## Directors' Report

The Directors present their Annual Report and the audited Financial Statements for the year ended 28 February 2018 incorporating the Corporate Governance Statement on pages 39 to 44.

### Dividends

The Company paid an interim dividend of 2.50p per ordinary share on 17 January 2018 to all ordinary shareholders on the register as at the close of business on 15 December 2017. The Directors recommend a final dividend of 2.50p per ordinary share to be paid on 8 August 2018 to ordinary shareholders on the register on 13 July 2018. The total dividend for the year is therefore 5.00p per ordinary share.

The Company paid an interim dividend of 3.50p per "C" share on 17 January 2018 to all "C" shareholders on the register as at the close of business on 15 December 2017. The Directors recommend a final dividend of 4.50p per "C" share to be paid on 8 August 2018 to all "C" shareholders on the register as at the close of business on 13 July 2018. The total dividend for the year is therefore 8.00p per "C" share.

The Company did not pay an interim dividend for the "D" shareholders and no final "D" share dividend is proposed. Note 7 of the Financial Statements gives details of dividends declared and paid in the current year and prior year.

The Company is able to pay dividends from special reserves as these are distributable reserves. Also, the Companies Act 2006 now allows investment companies to pay dividends from realised capital profits.

### Going concern

The Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the accounts. The Company's major cash flows are within the Company's control (namely investments and dividends) or are reasonably predictable (namely the operating expenses). The Company is able to forecast cash inflows comprising proceeds from investments to a reasonable degree. Having reviewed a cash flow forecast for the 18 months from the year ended 28 February 2018, the Board has a reasonable expectation that the Company is able to continue in operational existence for a period of at least 12 months from the date of this report.

### Statement on Longer-term Viability

#### Introduction

As required by the 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 based on the results of the continuation vote at AGM in 2020.

#### Risk Assessment

The Directors have conducted a regular robust review of the risks facing the Company and its investee companies. 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 on page 8. The Investment Manager reports to the Directors on a regular basis in respect of the performance of the investee companies and cash flow forecasts setting out the

returns the Company may expect to receive from its investments are reviewed. The key factors which determine the level of return the Company may receive from its investee companies are, the energy resource available to their renewable energy assets, the availability of the turbines, the amount of energy generated, the price of electricity and tariffs and the cost of operating the assets. Regular consideration is given to these factors and the sensitivity of the cash flows to variances is assessed.

### 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 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 scenerios.

Future developments of the Company are discussed in detail in the business model and investment policy sections of the Strategic Report on page 8.

### Directors

The Directors of the Company during the year under review were Alan Moore, Paul Thomas and Colin Wood. Biographical information on the Directors is shown on page 45. The terms of the Directors' appointment and replacement are set out in the Corporate Governance Statement. All of the Directors are non-executives and all are independent, except Paul Thomas who is Chairman of the Ventus Funds' Investment Committee of the Investment Manager.

In accordance with the Company's Articles of Association, the Financial Reporting Council's UK Corporate Governance Code and the Listing Rules of the Financial Conduct Authority, all Directors will retire at the AGM 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.

### Share capital

#### Authorised share capital

At 28 February 2018, 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 28 February 2018, 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

At the AGM held on 19 July 2017 the Directors were authorised to allot relevant securities (in accordance with Section 551 of the Companies Act 2006) up to a maximum aggregate nominal amount of £6,250,000. The board will not seek to renew this authority at the forthcoming AGM.

#### Disapplication of pre-emption rights

At the AGM held on 19 July 2017 the Directors were empowered to allot equity securities for cash (further to the authority referred to above) without first offering such securities to existing shareholders in proportion to their shareholdings – such power being limited to the allotment of securities only in certain, defined circumstances. The board will not seek to renew this authority at the forthcoming AGM.

### **Authority to repurchase shares**

At the AGM held on 19 July 2017 the Company renewed its authority to repurchase up to 14.99% of its own issued ordinary share capital, up to 14.99% of its own issued “C” share capital and up to 14.99% of its own issued “D” share capital. The board will not seek to renew this authority at the forthcoming AGM.

### **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 28 February 2018 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 28 February 2018 and the date of this report
Shareholders	
Hargreaves Landsdown (Nominees)	3.98%

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.

### **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.

### **Accountability and Audit**

The Statement of Directors’ Responsibilities is set out on page 46 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.

Details of the non-audit services provided to the Company by the Auditor, are set out in note 4 of the Financial Statements.

### **Annual General Meeting**

Enclosed with this Annual Report and Financial Statements is the Notice of Annual General Meeting of the Company (or any adjournment thereof) to be convened for 24 July 2018 at 12.15pm (the "Notice"). 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. The AGM will be preceded by a presentation from the Investment Manager at 11.30am. All shareholders are invited to attend.

The business of the meeting is outlined below:

#### **Resolution 1 – Annual Report and Financial Statements**

The Directors are required to present to the AGM the Annual Report and Financial Statements for the financial year ended 28 February 2018.

#### **Resolution 2 – To declare a final dividend**

The final dividend cannot exceed the amount recommended by the Directors and can only be paid after the members at a general meeting have approved it. The Directors recommend a final dividend of 2.50p per ordinary share to the holders of ordinary shares and 4.50p per "C" share to the holders of "C" shares, payable on 8 August 2018 to those shareholders registered at the close of business on 13 July 2018, which will bring the total dividends for the year to 5.00p per ordinary share and 8.00p per "C" share.

#### **Resolution 3 – Directors' Remuneration Report**

Under The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendments) Regulations 2013, the Company is required to produce a Directors' Remuneration Report for each relevant financial year and to seek shareholder approval for that report at the AGM.

#### **Resolution 4 – Re-election of Director**

Mr Paul Thomas retires in accordance with Listing Rule 15.2.13A and, being eligible, offers himself for re-election.

#### **Resolution 5 – Re-election of Director**

Mr Alan Moore retires in accordance with the AIC Code, and being eligible, offers himself for re-election.

#### **Resolution 6 – Re-election of Director**

Mr Colin Wood retires in accordance with the AIC Code, and being eligible, offers himself for re-election.

#### **Resolution 7 – Re-appointment of Auditor**

This resolution proposes that BDO LLP be re-appointed as Auditor of the Company.

#### **Resolution 8 – Remuneration of the Auditor**

This resolution proposes that the Directors be authorised to set the Auditor's remuneration.

### **Action to be taken**

Shareholders have been issued with a Form of Proxy for use in connection with the AGM. Shareholders are requested to complete the Form of Proxy in accordance with the instructions printed on it and to return it to the Company's Registrar, Link Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time of the AGM (excluding any time which is not part of a working day). Shareholders who have elected to receive correspondence by email are requested to complete the Form of Proxy online through the web proxy voting portal on Capita Registrars' website. Completion and return of a Form of Proxy will not preclude shareholders from attending and voting at the AGM in person should they subsequently decide to do so.



Ventus 2 VCT plc

**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

31 May 2018

## Directors' Remuneration Report

### 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 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 of re-election
Alan Moore (Chairman)	10 January 2006	AGM 2018
Colin Wood	10 January 2006	AGM 2018
Paul Thomas	10 January 2006	AGM 2018

## Ventus 2 VCT plc

Based on the current level of fees, which came into effect on 1 September 2013, the Directors' remuneration for the forthcoming financial year would be as follows:

	Year ending 28 February 2019
	£
Alan Moore (Chairman)	30,000
Colin Wood	25,000
Paul Thomas	25,000
<b>Total</b>	<b>80,000</b>

The Board will consider the level of Directors' fees at least annually. Any changes to be made to Directors' remuneration 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 was approved by the shareholders at the AGM on 19 July 2017 and will remain in place until 29 February 2020.

### Directors' Annual Report on Remuneration

During the financial year ended 28 February 2018, the Board resolved that it was appropriate to maintain the Directors' fees at the same level as that which was effective from 1 September 2013.

#### Directors' fees (audited information)

The following fees were paid to individual Directors in respect of the year ended 28 February 2018. The fees were paid in accordance with the Directors' Remuneration Policy. Comparative figures for the year ended 28 February 2017 are also presented.

	Year ended 28 February 2018 £	Year ended 28 February 2017 £
Alan Moore (Chairman)	30,000	30,000
Colin Wood	25,000	25,000
Paul Thomas	25,000	25,000
<b>Total</b>	<b>80,000</b>	<b>80,000</b>

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 28-Feb 2018 £	Year ended 28-Feb 2017 £	% Change
Aggregate Directors' remuneration	80,000	80,000	0%
Aggregate shareholder dividends paid	2,122,000	2,253,000	-5.8%
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 28-Feb 2018 £	As at 28-Feb 2018 £	As at 28-Feb 2018 £	As at 28-Feb 2017 £	As at 28-Feb 2017 £	As at 28-Feb 2017 £
	Ordinary shares	"C" shares	"D" shares	Ordinary shares	"C" shares	"D" shares
Alan Moore (Chairman)	28,579	10,400	7,525	28,579	10,400	7,525
Colin Wood	26,194	5,200	nil	20,090	5,200	nil
Paul Thomas	10,090	5,200	5,000	10,090	5,200	5,000

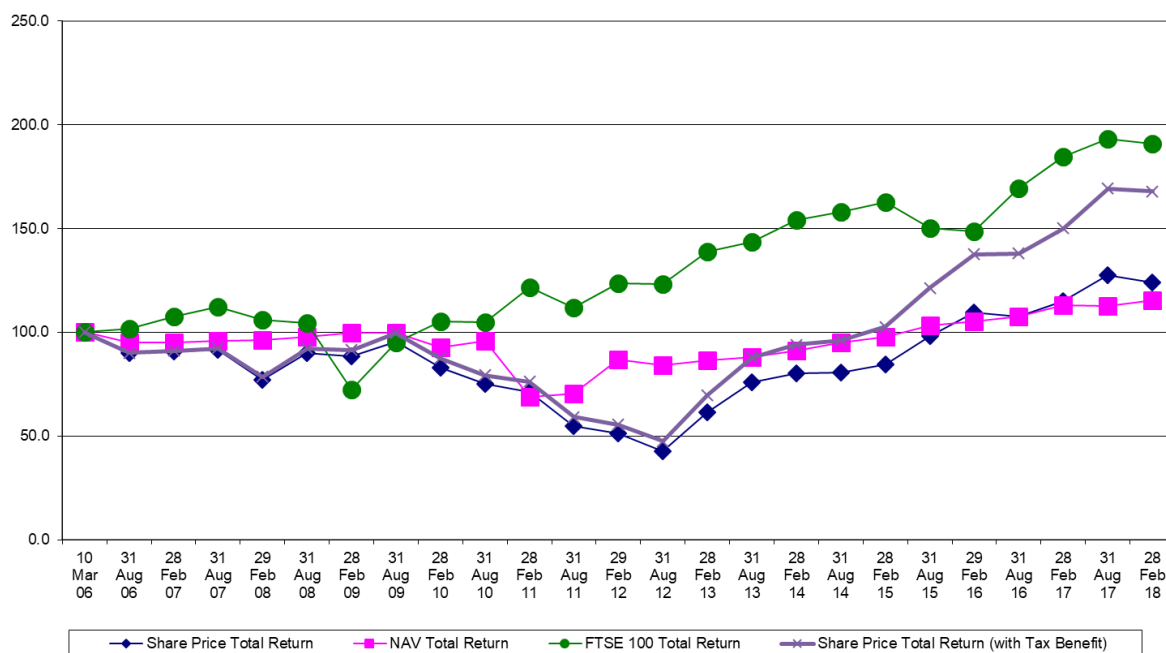
There have been no changes in the beneficial interests of the Directors between 28 February 2018 and the date of this report.

## 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.

## Total shareholder return on ordinary shares

Ventus 2 VCT plc - ordinary shares



The graph demonstrates the change in value, in terms of Share Price Total Return<sup>1</sup> and NAV Total Return<sup>2</sup>, 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 28 February 2018 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 Tax Benefit)<sup>3</sup> is also presented.

The graph shows there had been an increase in shareholder value during the year in respect of the total shareholder return based on NAV, which is representative of the net upward revaluation in investments as detailed in the Investment Manager's report, 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 206%. 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.

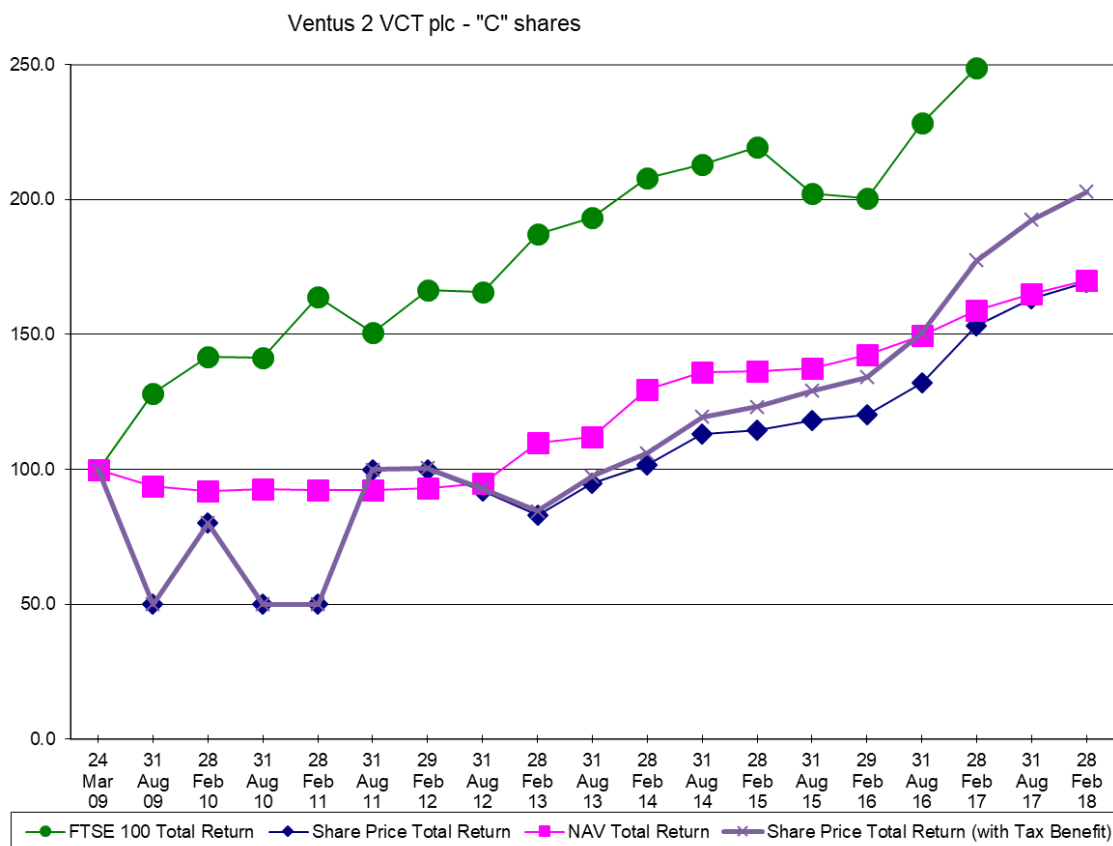
<sup>1</sup> Share Price Total Return is the return attributable to the share price of the ordinary shares held assuming that dividends paid in respect of those shares were immediately reinvested in shares at the market price as at the date the dividends were paid.

<sup>2</sup> NAV Total Return is the net asset value of the ordinary shares held plus the cumulative dividends paid on those shares over the period in which they were held.

<sup>3</sup> The Share Price Total Return (with Tax Benefit) demonstrates the return if the equivalent pre-tax dividend was reinvested in shares at the market price as at the date the dividends were paid, assuming a tax rate of 35% for illustration purposes.

## Ventus 2 VCT plc

### Total shareholder return on “C” shares



The graph demonstrates the change in value, in terms of Share Price Total Return<sup>1</sup> and NAV Total Return<sup>2</sup>, 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 28 February 2018 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 Tax Benefit)<sup>3</sup> is also presented.

The graph shows that there has been a net increase in shareholder return based on NAV during the year, which is representative of the net increase in the value of the investments, as detailed in the Investment Manager’s Report, 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 242%. 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.

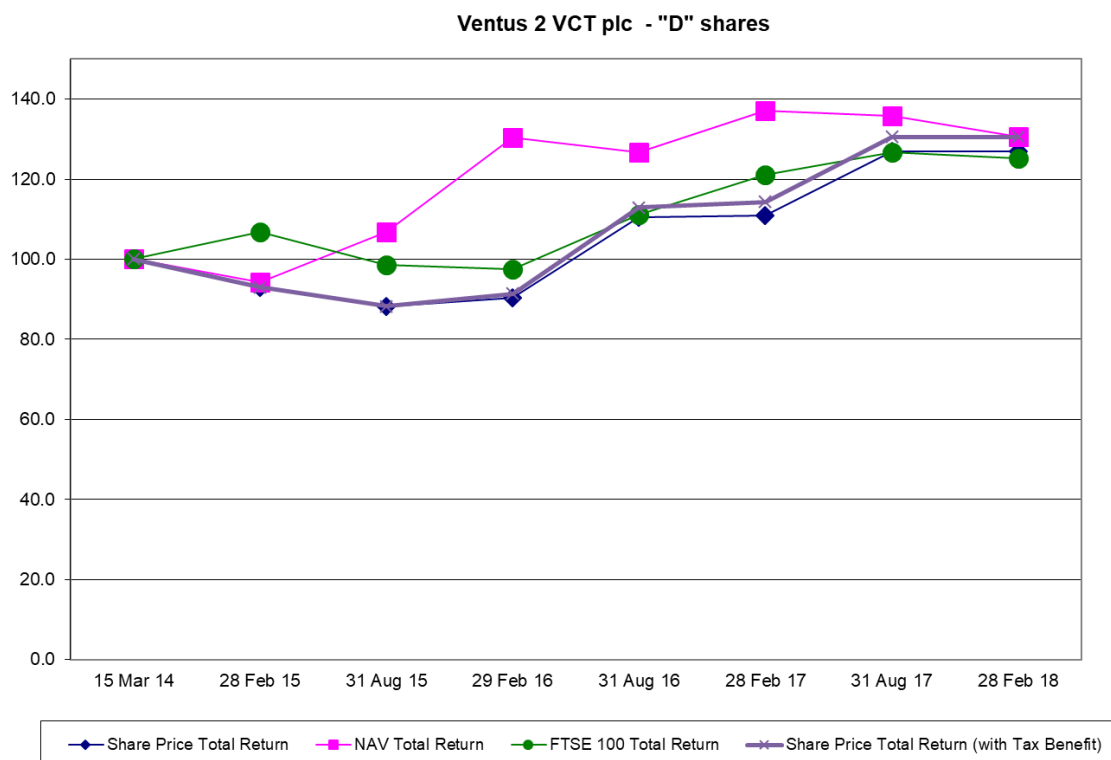
<sup>1</sup> Share Price Total Return is the return attributable to the share price of the ordinary shares held assuming that dividends paid in respect of those shares were immediately reinvested in shares at the market price as at the date the dividends were paid.

<sup>2</sup> NAV Total Return is the net asset value of the ordinary shares held plus the cumulative dividends paid on those shares over the period in which they were held.

<sup>3</sup> The Share Price Total Return (with Tax Benefit) demonstrates the return if the equivalent pre-tax dividend was reinvested in shares at the market price as at the date the dividends were paid, assuming a tax rate of 35% for illustration purposes.

## Ventus 2 VCT plc

### Total shareholder return on “D” shares



The graph demonstrates the change in value, in terms of Share Price Total Return<sup>1</sup> and NAV Total Return<sup>2</sup>, 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 28 February 2018 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 Tax Benefit)<sup>3</sup> is also presented.

The graph shows that there has been a net decrease in shareholder return based on NAV during the year, which is representative of the net downward revaluation of investments, as detailed in the Investment Manager’s Report, and revenue earned.

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 159%. 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.

<sup>1</sup> 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.

<sup>2</sup> NAV Total Return is the net asset value of the ordinary shares held plus the cumulative dividends paid on those shares over the period in which they were held.

<sup>3</sup> The Share Price Total Return (with Tax Benefit) demonstrates the return if the equivalent pre-tax dividend was reinvested in shares at the market price as at the date the dividends were paid, assuming a tax rate of 35% for illustration purposes.

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

At the AGM held on 19 July 2017, the shareholders approved the Directors' Remuneration Report in respect of the year ended 28 February 2017. Votes representing 6,342,246 shares (88.18%) were voted in favour of the resolution, votes representing 850,345 shares (11.82%) voted against the resolution and votes representing 74,546 shares were withheld.

At the AGM held on 19 July 2017 shareholders last approved the Directors' Remuneration Policy. Votes representing 6,258,328 shares (87.01%) were in favour of the resolution, votes representing 934,263 shares (12.99%) were against, and votes representing 74,546 shares were withheld.

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

On behalf of the Board

**Alan Moore**  
Chairman

31 May 2018



## Corporate Governance Statement

The Board of Ventus 2 VCT plc has considered the principles and recommendations of the AIC Code of Corporate Governance (“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), provides 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
- 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. In particular, all of the Company’s day-to-day management and administrative functions are outsourced to third parties. The Company has therefore not reported further in respect of these provisions.

### Board of Directors

For the year ended 28 February 2018 the Board consisted of three Directors, all of whom are non-executive. The Board ensures that it has the appropriate balance of skills, experience, length of service and knowledge of the Company amongst its Directors. Biographical information on the Directors is shown in the Directors’ Information on page 45.

### Independence

Mr Moore and Mr Wood are considered by the Board to be independent of the Investment Manager and free of any business or other relationship which could interfere with the exercise of their independent judgement. Mr Thomas is chairman of the Ventus Funds’ Investment Committee of the Investment Manager and therefore under the AIC Code is not considered to be independent. The Board considers that Mr Thomas’ position is beneficial to the Company as it provides further exposure to investment discussions.

The Directors recognise the importance of succession planning for company boards and the Board’s composition is reviewed regularly. 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 but has resolved that any Director who has served for more than nine years will stand for re-election annually.

The Board has reviewed the independence of each Director and of the Board as a whole. Directors withdrew from discussions concerning their individual status. 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.

### Directors’ responsibilities

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

	Board Meetings		Audit Committee Meetings	
	Held	Attended	Held	Attended
Alan Moore (Chairman)	6	6	3	3
Paul Thomas	6	6	3	3
Colin Wood	6	6	3	3

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. As Mr Thomas is the Chairman of the Investment Committee of the Investment Manager, he is subject to re-election under Listing Rule 15.2.13A, and will therefore offer himself for annual re-election at AGMs as will Mr Moore and Mr Wood who are subject to annual re-election as described previously.

The Company has in place directors' and officers' liability insurance.

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 Colin Wood, Alan Moore and Paul Thomas. Colin Wood is Chairman of the Audit Committee. Alan Moore, Chairman of the Company, has been appointed to the Audit Committee in view of the small size of the Board. 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](http://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,

## Ventus 2 VCT plc

the Chairman reports to the Board on the matters discussed, on recommendations and actions to be taken.

During the year ended 28 February 2018 the Audit Committee discharged its responsibilities by:

- reviewing all financial statements released by the Company (including the Annual and Half-yearly Financial Report);
- reviewing the Company's accounting policies;
- monitoring the effectiveness of the system of internal controls and risk management; no significant weaknesses were identified in the year under review;
- approving the external Auditor's plan and fees;
- receiving a report from the external Auditor following its detailed audit work, and discussing key issues arising from that work;
- reviewing its own terms of reference; and
- reviewing 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 Investment Manager typically attains pre-approval from HMRC for each qualifying investment. New investments and the Company's VCT status are also reviewed by the Company's tax 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 and prior to its merger, PKF (UK) LLP, 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 2015.

The appointment of BDO as the Company's Auditor was approved by shareholders at the AGM held on 19 July 2017. Following the review noted above, the Audit Committee is satisfied with the performance of BDO and recommends the services of BDO to the shareholders in view of both that performance and the firm's extensive experience in auditing VCTs. A resolution to re-appoint BDO as Auditor to the Company will be proposed at the forthcoming AGM. A tender for audit services will be required before the audit for the year ending 29 February 2020.

The Audit Committee reviews the nature and extent of non-audit services provided by the Company's Auditor and ensures that the Auditor's independence and objectivity is safeguarded. During the year under review, the Company's external Auditor also provided tax compliance services and iXBRL tagging services in relation to the year ended 28 February 2017 as was permitted by APB Ethical Standards 2010. The Board is satisfied that the fees charged and work undertaken did not affect BDO's objectivity as the proportion of the fees earned from the Company for other services was relatively small in relation to the audit fees. Also, the tax services were provided by a separate team and did not involve undertaking any internal review or management role nor did these services create any self-review conflict over the preparation of the information reported in the accounts. In accordance with prohibited non-audit services as listed in Article 5 (1) of the EU Audit Regulation BDO will no longer provide these services in relation to current year end or future periods.

### **Nomination Committee**

The Nomination Committee comprises Alan Moore (Chairman), Paul Thomas and Colin Wood. In accordance with the AIC Code Alan Moore, who is an independent non-executive director, was appointed 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.

### **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 established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which accords with the Turnbull guidance which has been in place for the year under review and up to the date of approval of the accounts. 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 agreed a three year rolling internal audit plan in consultation with the Investment Manager and the

Directors based on risks and control objectives identified jointly. Roffe Swayne tests the satisfactory operation of internal controls for the Company and reports to the Audit Committee once or twice yearly. The controls on which Roffe Swayne is focusing are portfolio management, asset management, execution of investment and divestment decisions and back office operations, including Sharepoint and cyber security. Roffe Swayne has reported to the Audit Committee that key controls tested in the current year are predominantly 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 interest 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 Capital Limited as the Investment Manager, on the terms agreed, is in the interest of the shareholders. 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. All shareholders are welcome at the AGM, which provides a forum for shareholders to ask questions of the Directors and to discuss with them issues affecting the Company. The Board undertakes 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 Reports 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 the information necessary for shareholders to assess the Company's position, performance, business model and strategy. Notice of the forthcoming AGM accompanies this Annual Report, which is sent to shareholders a minimum of 20 working days before the meeting.

A separate resolution is proposed at the forthcoming 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 UK Corporate Governance Code, proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the next AGM 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

**Alan Moore**  
Chairman  
31 May 2018

## Directors' Information

The Company's Board comprises three Directors, two 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 wide experience of investment in both smaller growing companies and larger quoted companies. Information about the Directors is presented below:

### **Alan Moore OBE - Chairman**

Alan Moore has more than 40 years' experience in the UK electricity industry and is a leading figure in the UK renewable energy industry. From 1998 to May 2004 he was the Managing Director of National Wind Power (now RWE Innogy), one of the largest developers and owners of wind generation assets in the UK. He has been Chairman of the national trade association Renewable UK, and for nine years was co-Chairman of the UK Government's Renewables Advisory Board. He is an Adjunct Professor at Imperial College, London, and is also a non-executive Director at the Offshore Renewable Energy Catapult. He has been a member of the Board since January 2006.

### **Paul Thomas - Director**

Paul Thomas is Managing Director of Pi Capital Limited, the London based independent private equity firm that invests up to £5 million in growing, unquoted UK businesses. He is also a Managing Partner of Seraphim Space Fund, the world's first venture fund to focus on space tech. He has over 30 years of private equity experience, including 19 years with ECI Partners LLP, the London based mid-market buy-out house, where he was Managing Director. During his time with the firm, ECI made over 100 investments ranging in size from £500,000 to £25 million, deploying capital of over £200 million. He is Chairman of the Ventus Funds' Investment Committee of the Investment Manager and has been a member of the Board since January 2006.

### **Colin Wood – Chairman of the Audit Committee**

Colin Wood spent 27 years as a civil servant in the Scottish Office before retiring from a senior position in the Scottish Executive in 2001. He is a graduate in economics and from 1993 to 1998, he was Senior Economic Advisor and Head of the Economics and Statistics Unit at the Scottish Office Industry Department, where he was responsible for providing economic advice on a range of issues including energy markets and the environment. He also held senior positions in the Scottish Office Finance Group and Scottish Office Industry Department. After leaving the civil service Colin Wood was a Director and subsequently Chairman of the Century Building Society in Edinburgh for 15 years until 2013. Colin is the Chairman of the Company's Audit Committee and is the Senior Independent Director. He has been a member of the Board since January 2006.

## Statement of Directors' Responsibilities

### 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 of the principal risks and uncertainties that they face.

The names and functions of all the Directors are stated in the Directors' Information on page 45.

For and on behalf of the Board

**Alan Moore**

Chairman

31 May 2018



## Company Information

### Directors

Alan Moore OBE  
Paul Thomas  
Colin Wood

### Investment Manager and Registered Office

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

### Company Secretary

The City Partnership (UK) Limited  
110 George Street  
Edinburgh  
EH2 4LH

### Principal Banker

Barclays Bank plc  
1 Churchill Place  
London  
E14 5HP

### Auditor

BDO LLP  
55 Baker Street  
London  
W1U 7EU

### VCT Taxation Adviser

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

### Solicitors

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

### Broker

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

### Registrars

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### Internal Auditor

Roffe Swayne  
Ashcombe Court  
Godalming  
Surrey  
GU7 1LQ

### Depository

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

### Website

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

## **Independent Auditor's Report to the Members of Ventus 2 VCT PLC**

### **Opinion**

We have audited the financial statements of Ventus 2 VCT PLC (the 'company') for the year ended 28 February 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, 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 28 February 2018 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements 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.

### **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.

### **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 disclosures in the annual report set out on page 13 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 27 in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 27 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 set out on page 27 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 judgment, 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. This matter 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 our audit addressed the matter
<p><b>Valuation of investments (note 9)</b></p> <p>The valuation of investments is a highly subjective accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the net asset value of the Company.</p> <p>100% of the underlying investment portfolio is represented by unquoted equity and mezzanine loan investments. 94% of the investments are valued using discounted cash flow models prepared by the Investment Manager with the remaining 6% valued at cost.</p>	<p>In respect of the equity investments valued using discounted cash flow models, we performed the following specific procedures:</p> <ul style="list-style-type: none"> <li>• Used spreadsheet analysis tools to assess the integrity of the valuation models and track changes to inputs or structure;</li> <li>• Agreed electricity price forecasts to independent reports;</li> <li>• We analysed changes in significant assumptions compared with assumptions audited in previous periods and vouched these to independent evidence;</li> <li>• 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 and consulting with our internal valuations specialists;</li> <li>• Considered the accuracy of forecasting by comparing previous forecasts to actual results.</li> </ul> <p>For mezzanine loan investments we performed the following:</p> <ul style="list-style-type: none"> <li>• Vouched to loan agreements and verified the terms of the loan;</li> <li>• Considered wider economic and commercial factors that, in our opinion could impact on the recoverability and fair value of the loan;</li> <li>• Considered the carrying value of the loan with regard to the</li> </ul>

	<p>“unit of account” concept.</p> <p>For the one investment valued at cost we performed the following:</p> <ul style="list-style-type: none"> <li>• Considered the appropriateness of this methodology by reviewing the operational performance of the Company to determine whether this is an approximation of fair value;</li> <li>• Challenged the investment manager on the need for impairment.</li> </ul> <p>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.</p>
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### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, 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. Importantly, misstatements below this level 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 two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Key considerations and benchmarks	2018 Quantum (£)	2017 Quantum (£)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view	Based on 2% of the value of investments considering: <ul style="list-style-type: none"> <li>• The level of judgement inherent in the valuation</li> <li>• The range of reasonable alternative valuation</li> </ul>	700,000	705,000
Specific materiality – classes of transactions and balances which impact on revenue return	Assessing those classes of transactions, balances or disclosures for which misstatements of lesser	10% of revenue return before tax for the year	142,000	153,000

	<p>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.</p>			
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Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessment together with our assessment of the group’s overall control environment, our judgment was that overall performance materiality for the group should be 75% (2016: 75%) of materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £14,000 (2017: £13,000), 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, the key functions undertaken on behalf of the Board by the Investment Manager 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.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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 the 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 set out on page 44** – 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 performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 40 – 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 set out on page 39** – 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 the 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 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 by the company, 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 set out on page 46 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 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](http://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 by the directors to audit the financial statements for the year ending 28 February 2010.

In respect to the year ended 28 February 2018, we were reappointed as auditor by the members of the company at the annual general meeting held on 19 July 2017.

The total uninterrupted period of our engagement is 9 years, covering the years ending 28 February 2010 to 28 February 2018.

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.

[Signature]

Michelle Carroll (*Senior Statutory Auditor*)

For and on behalf of BDO LLP, Statutory Auditor

London

United Kingdom

31 May 2018

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

## Statement of Comprehensive Income

for the year ended 28 February 2018

Note	Ordinary Shares			"C" Shares			"D" Shares			Total			
	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/(loss) on investments	9	-	400	400	-	810	810	-	(112)	(112)	-	1,098	1,098
Income from Investments	2	802	-	802	1,120	-	1,120	71	-	71	1,993	-	1,993
Investment management fees	3	(118)	(356)	(474)	(140)	(419)	(559)	(16)	(47)	(63)	(274)	(822)	(1,096)
Other expenses	4	(197)	-	(197)	(88)	5	(83)	(15)	-	(15)	(300)	5	(295)
<b>Profit/(loss) before taxation</b>		487	44	531	892	396	1,288	40	(159)	(119)	1,419	281	1,700
Taxation	6	(22)	22	-	(26)	26	-	(8)	8	-	(56)	56	-
<b>Profit/(loss) and total comprehensive income for the year attributable to equity shareholders</b>		465	66	531	866	422	1,288	32	(151)	(119)	1,363	337	1,700
<b>Earnings per share</b>													
Basic and diluted earnings per share (p)	8	1.90	0.27	2.17	7.66	3.73	11.39	1.62	(7.60)	(5.98)			

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 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 60 to 84 form an integral part of these Financial Statements.



**Statement of Comprehensive Income**

for the year ended 28 February 2017

	Note	Ordinary Shares			"C" Shares			"D" Shares			Total		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Realised gain on investments	9	-	1	1	-	-	-	-	-	-	-	1	1
Net unrealised gain on investments	9	-	1,556	1,556	-	1,228	1,228	-	150	150	-	2,934	2,934
Income from Investments	2	1,001	-	1,001	1,016	-	1,016	64	-	64	2,081	-	2,081
Investment management fees	3	(121)	(362)	(483)	(87)	(261)	(348)	(15)	(46)	(61)	(223)	(669)	(892)
Other expenses	4	(207)	-	(207)	(99)	-	(99)	(17)	-	(17)	(323)	-	(323)
<b>Profit before taxation</b>		673	1,195	1,868	830	967	1,797	32	104	136	1,535	2,266	3,801
Taxation	6	(32)	32	-	(43)	43	-	(6)	6	-	(81)	81	-
<b>Profit and total comprehensive income for the year attributable to equity shareholders</b>		641	1,227	1,868	787	1,010	1,797	26	110	136	1,454	2,347	3,801
<b>Earnings per share</b>													
Basic and diluted earnings per share (p)	8	2.63	5.03	7.66	6.97	8.95	15.92	1.29	5.56	6.85			

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 60 to 84 form an integral part of these Financial Statements.

## Statement of Financial Position

As at 28 February 2018

As at 28 February 2018

As at 28 February 2017

	Note	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
<b>Non-current assets</b>									
Investments	9	18,575	14,514	2,397	35,486	18,598	14,244	2,509	35,351
		<u>18,575</u>	<u>14,514</u>	<u>2,397</u>	<u>35,486</u>	<u>18,598</u>	<u>14,244</u>	<u>2,509</u>	<u>35,351</u>
<b>Current assets</b>									
Trade and other receivables	10	199	210	122	531	372	340	115	827
Cash and cash equivalents	11	383	463	32	878	877	225	14	1,116
		<u>582</u>	<u>673</u>	<u>154</u>	<u>1,409</u>	<u>1,249</u>	<u>565</u>	<u>129</u>	<u>1,943</u>
<b>Total assets</b>		<u>19,157</u>	<u>15,187</u>	<u>2,551</u>	<u>36,895</u>	<u>19,847</u>	<u>14,809</u>	<u>2,638</u>	<u>37,294</u>
<b>Current liabilities</b>									
Trade and other payables	12	(83)	(40)	(38)	(161)	(84)	(47)	(6)	(137)
<b>Net current assets</b>		<u>499</u>	<u>633</u>	<u>116</u>	<u>1,248</u>	<u>1,165</u>	<u>518</u>	<u>123</u>	<u>1,806</u>
<b>Net assets</b>		<u>19,074</u>	<u>15,147</u>	<u>2,513</u>	<u>36,734</u>	<u>19,763</u>	<u>14,762</u>	<u>2,632</u>	<u>37,157</u>
<b>Equity attributable to equity holders</b>									
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		12,703	7,725	-	20,428	13,458	7,725	-	21,183
Capital reserve – realised		(11,140)	(2,359)	(147)	(13,646)	(10,806)	(1,971)	(108)	(12,885)
Capital reserve – unrealised		9,309	6,691	667	16,667	8,909	5,881	779	15,569
Revenue reserve		-	258	62	320	-	295	30	325
<b>Total equity</b>		<u>19,074</u>	<u>15,147</u>	<u>2,513</u>	<u>36,734</u>	<u>19,763</u>	<u>14,762</u>	<u>2,632</u>	<u>37,157</u>
<b>Basic and diluted net asset value per share (p)</b>	14	<b>78.2</b>	<b>134.2</b>	<b>126.2</b>		<b>81.0</b>	<b>130.8</b>	<b>132.2</b>	

Approved by the Board and authorised for issue on 31 May 2018.

**Alan Moore**  
Chairman

The accompanying notes on pages 60 to 84 form an integral part of these Financial Statements.

Ventus 2 VCT plc. Registered No: 05667210

**Statement of Changes in Equity**

for the year ended 28 February 2018

	Share capital	Capital redemption reserve	Share premium	Special reserve	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Ordinary Shares</b>								
<b>At 1 March 2017</b>	6,097	2,105	-	13,458	(10,806)	8,909	-	19,763
Transfer of special reserve to revenue reserve	-	-	-	(755)	-	-	755	-
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(334)	400	465	531
Dividends paid in the year	-	-	-	-	-	-	(1,220)	(1,220)
<b>At 28 February 2018</b>	<b>6,097</b>	<b>2,105</b>	<b>-</b>	<b>12,703</b>	<b>(11,140)</b>	<b>9,309</b>	<b>-</b>	<b>19,074</b>
	Share capital	Capital redemption reserve	Share premium	Special reserve	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>"C" Shares</b>								
<b>At 1 March 2017</b>	2,832	-	-	7,725	(1,971)	5,881	295	14,762
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(388)	810	866	1,288
Dividends paid in the year	-	-	-	-	-	-	(903)	(903)
<b>At 28 February 2018</b>	<b>2,832</b>	<b>-</b>	<b>-</b>	<b>7,725</b>	<b>(2,359)</b>	<b>6,691</b>	<b>258</b>	<b>15,147</b>
	Share capital	Capital redemption reserve	Share premium	Special reserve	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>"D" Shares</b>								
<b>At 1 March 2017</b>	498	-	1,433	-	(108)	779	30	2,632
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(39)	(112)	32	(119)
<b>At 28 February 2018</b>	<b>498</b>	<b>-</b>	<b>1,433</b>	<b>-</b>	<b>(147)</b>	<b>667</b>	<b>62</b>	<b>2,513</b>
	Share capital	Capital redemption reserve	Share premium	Special reserve	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Total</b>								
<b>At 1 March 2017</b>	9,427	2,105	1,433	21,183	(12,885)	15,569	325	37,157
Transfer of special reserve to revenue reserve	-	-	-	(755)	-	-	755	-
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(761)	1,098	1,363	1,700
Dividends paid in the year	-	-	-	-	-	-	(2,123)	(2,123)
<b>At 28 February 2018</b>	<b>9,427</b>	<b>2,105</b>	<b>1,433</b>	<b>20,428</b>	<b>(13,646)</b>	<b>16,667</b>	<b>320</b>	<b>36,734</b>

All amounts presented in the Statement of Changes in Equity are attributable to equity holders. The revenue reserve, special reserve and realised capital reserve are distributable reserves. The special reserve may be used to fund buy-backs of shares and pay dividends as and if it is considered by the Board to be in the interests of the shareholders.

The accompanying notes on pages 60 to 84 form an integral part of these Financial Statements.

**Statement of Changes in Equity**

for the year ended 28 February 2017

	Share capital	Capital redemption reserve	Share premium	Special reserve	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Ordinary Shares</b>								
<b>At 1 March 2016</b>	6,097	2,105	-	13,472	(10,477)	7,353	626	19,176
Transfer of special reserve to revenue reserve	-	-	-	(14)	-	-	14	-
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(329)	1,556	641	1,868
Dividends paid in the year	-	-	-	-	-	-	(1,281)	(1,281)
<b>At 28 February 2017</b>	<b>6,097</b>	<b>2,105</b>	<b>-</b>	<b>13,458</b>	<b>(10,806)</b>	<b>8,909</b>	<b>-</b>	<b>19,763</b>
	Share capital	Capital redemption reserve	Share premium	Special reserve	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>"C" Shares</b>								
<b>At 1 March 2016</b>	2,832	-	-	7,725	(1,753)	4,653	411	13,868
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(218)	1,228	787	1,797
Dividends paid in the year	-	-	-	-	-	-	(903)	(903)
<b>At 28 February 2017</b>	<b>2,832</b>	<b>-</b>	<b>-</b>	<b>7,725</b>	<b>(1,971)</b>	<b>5,881</b>	<b>295</b>	<b>14,762</b>
	Share capital	Capital redemption reserve	Share premium	Special reserve	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>"D" Shares</b>								
<b>At 1 March 2016</b>	498	-	1,433	-	(68)	629	73	2,565
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(40)	150	26	136
Dividends paid in the year	-	-	-	-	-	-	(69)	(69)
<b>At 28 February 2017</b>	<b>498</b>	<b>-</b>	<b>1,433</b>	<b>-</b>	<b>(108)</b>	<b>779</b>	<b>30</b>	<b>2,632</b>
	Share capital	Capital redemption reserve	Share premium	Special reserve	Capital reserve realised	Capital reserve unrealised	Revenue reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Total</b>								
<b>At 1 March 2016</b>	9,427	2,105	1,433	21,197	(12,298)	12,635	1,110	35,609
Transfer of special reserve to revenue reserve	-	-	-	(14)	-	-	14	-
Profit/(loss) and total comprehensive income for the year	-	-	-	-	(587)	2,934	1,454	3,801
Dividends paid in the year	-	-	-	-	-	-	(2,253)	(2,253)
<b>At 28 February 2017</b>	<b>9,427</b>	<b>2,105</b>	<b>1,433</b>	<b>21,183</b>	<b>(12,885)</b>	<b>15,569</b>	<b>325</b>	<b>37,157</b>

The accompanying notes on pages 60 to 84 form an integral part of these Financial Statements.

## Statement of Cash Flows

for the year ended 28 February 2018

	Year ended 28 February 2018				Year ended 28 February 2017			
	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
<b>Cash flows from operating activities</b>								
Investment income received	965	1251	65	1,629	2,137	1,105	54	3,296
Deposit interest received	1	-	-	1	5	-	-	6
Investment management fees paid	(474)	(559)	(32)	(537)	(483)	(347)	(61)	(891)
Other cash payments	(189)	(92)	(15)	(173)	(154)	(84)	(13)	(251)
<b>Net cash inflow from operating activities</b>	<b>303</b>	<b>600</b>	<b>18</b>	<b>920</b>	<b>1,505</b>	<b>674</b>	<b>(20)</b>	<b>2,160</b>
<b>Cash flows from investing activities</b>								
Proceeds from investments	423	541	-	964	231	26	-	257
<b>Net cash inflow from investing activities</b>	<b>423</b>	<b>541</b>	<b>-</b>	<b>964</b>	<b>231</b>	<b>26</b>	<b>-</b>	<b>257</b>
<b>Cash flows from financing activities</b>								
Dividends paid	(1,220)	(903)	-	(2,123)	(1,281)	(903)	(70)	(2,254)
<b>Net cash (outflow) from financing activities</b>	<b>(1,220)</b>	<b>(903)</b>	<b>-</b>	<b>(2,123)</b>	<b>(1,281)</b>	<b>(903)</b>	<b>(70)</b>	<b>(2,254)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(494)</b>	<b>237</b>	<b>18</b>	<b>(239)</b>	<b>455</b>	<b>(202)</b>	<b>(90)</b>	<b>163</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>877</b>	<b>225</b>	<b>14</b>	<b>1,116</b>	<b>422</b>	<b>428</b>	<b>104</b>	<b>954</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>383</b>	<b>463</b>	<b>32</b>	<b>878</b>	<b>877</b>	<b>225</b>	<b>14</b>	<b>1,116</b>

The accompanying notes on pages 60 to 84 form an integral part of these Financial Statements.

## Notes to the Financial Statements

for the year ended 28 February 2018

### 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 accounting policies adopted are consistent with those of the previous financial year.

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 March 2017 that had a significant effect on the Company’s financial statements. Furthermore, none of the amendments to standards that are effective from that date had a significant effect on the financial statements.

At the date of authorisation of these financial statements, IFRS 9 “Financial instruments” effective for accounting periods on or after 1 January 2018, was adopted by the group on 1 March 2018. An assessment has been performed and the introduction of IFRS 9 is not expected to have material impact on the reported results and financial position of the Company as investments will continue to be measured at fair value through profit and loss and there will be no material impact from the new impairment model. The changes to IFRS 9 will first be reflected in the half yearly report and there is no anticipation for restating comparative figures.

Also, at the date of these financial statements, IFRS 15 “Revenue from contracts with customers” was issued but will not become effective until accounting periods beginning on or after the 1 January 2018 and IFRS 16 “Leases” was issued but will not become effective until accounting periods beginning on or after 1 January 2019. The Company does not hold revenue contracts or leases, therefore the introduction of IFRS 15 and 16 is not expected to have material impact on the reported results and the financial position of the Company.

#### 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, using the most appropriate valuation methodology as determined by the Board. Where there has been a recent arm's length transaction between knowledgeable, willing parties, the "cost less impairment" methodology is used to determine the value of the investment. In the absence of a recent market transaction, 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, unless uncertainties exist which would make the "cost less impairment" methodology, reviewed for impairment, more appropriate. Generally, renewable energy generating plant will be considered to be operating when it has been taken-over by the investee company, although specific circumstances could cause a plant to be considered operating satisfactorily earlier than formal take-over by the investee company. 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

## Ventus 2 VCT plc

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. A provision for impairment is made where there is objective evidence (including counterparties with financial difficulties or in default on payments) that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows 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 23 to 24 and page 72 of the annual report.

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 2018**

	Ordinary Shares	"C" Shares	"D" Shares	Total
	£000	£000	£000	£000
<b>Income from investments</b>				
Loan stock interest	434	363	71	868
Dividend income	367	757	-	1,124
	801	1,120	71	1,992
<b>Other income</b>				
Bank deposit interest	1	-	-	1
	802	1,120	71	1,993

**Year ended 28 February 2017**

	Ordinary Shares	"C" Shares	"D" Shares	Total
	£000	£000	£000	£000
<b>Income from investments</b>				
Loan stock interest	482	402	64	948
Dividend income	514	613	-	1,127
Other income	2	-	-	2
	998	1,015	64	2,077
<b>Other income</b>				
Bank deposit interest	3	1	-	4
	1,001	1,016	64	2,081

**3. Investment management fees**

	Year ended 28 February 2018			
	Ordinary Shares	"C" Shares	"D" Shares	Total
	£000	£000	£000	£000
Investment management fees	474	559	63	1,096

	Year ended 28 February 2017			
	Ordinary Shares	"C" Shares	"D" Shares	Total
	£000	£000	£000	£000
Investment management fees	483	348	61	892

The Investment Manager was entitled to an annual fee equal to 2.5% of the Company's net asset value until 1 November 2017 when the annual management fee reduced from 2.5% to 2.25%. The annual fee will reduce further to 2.125% from 1 November 2020 and to 2% from 1 November 2021 onwards. This fee is exclusive of VAT and is paid quarterly in advance. The fee covers the provision by the Investment Manager of investment management services as well as all accounting and administrative services together with the additional annual trail commission payable to authorised financial intermediaries. Total annual running costs are in aggregate capped at 3.6% of NAV

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(excluding the Investment Manager's performance-related incentive fee, investment costs and irrecoverable VAT), with any excess being borne by the Investment Manager.

The Investment Manager will receive a performance-related incentive fee subject to the Company achieving certain defined targets. No incentive fee will be payable until the Company has provided a cumulative return to investors in the form of growth in NAV plus payment of dividends ("the Return") of 60p per share. Thereafter, the incentive fee, which is payable in cash, is calculated as 20% of the amount by which the Return in any accounting period exceeds 7p per share. The incentive fee is exclusive of VAT.

During the year ended 28 February 2018, the investment management fees paid included a performance-related incentive fee of £201,000 in respect of the "C" share fund (28 February 2017: £nil).

Subject to the payment of the final "C" share dividend receiving approval from the shareholders at the forthcoming AGM on 24 July 2018, the Investment Manager will be entitled to a further performance-related incentive fee of £99,000. This incentive fee has not been accrued in the Financial Statements as at 28 February 2018 as it is contingent on the shareholders approving the final dividend.

### 4. Other expenses

	Year ended 28 February 2018			
	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
<i>Revenue expenses:</i>				
Directors' remuneration (Note 5)	52	25	3	80
Fees payable to the Company's Auditor for:				
- Audit of the Company's Annual Financial Statements	18	8	1	27
- Audit related services pursuant to legislation	4	2	-	6
- Other services relating to taxation	3	1	-	4
Other revenue expenses	120	52	11	183
	197	88	15	300
<i>Capital expenses:</i>				
Investment costs	-	(5)	-	(5)
	197	83	15	295

	Year ended 28 February 2017			
	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
<i>Revenue expenses:</i>				
Directors' remuneration (Note 5)	52	24	4	80
Fees payable to the Company's Auditor for:				
- Audit of the Company's Annual Financial Statements	17	8	2	27
- Audit related services pursuant to legislation	4	2	-	6
- Other services relating to taxation	3	2	-	5
Legal and professional fees	5	5	-	10
Other revenue expenses	126	58	11	195
	207	99	17	323
<i>Capital expenses:</i>				
Investment costs	-	-	-	-
	207	99	17	323

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Other services relating to taxation were in respect of tax services provided by the Company's Auditor relating to fees incurred for corporation tax compliance and iXBRL tagging services in relation to the year ended 28 February 2017. Audit related services pursuant to legislation provided by the Company's Auditor related to the review of the Half-yearly Financial Report.

### 5. Directors' remuneration

	<i>Year ended 28 February 2018</i>			
	<b>Ordinary Shares</b> £000	<b>"C" Shares</b> £000	<b>"D" Shares</b> £000	<b>Total</b> £000
A Moore	20	9	1	30
P Thomas	16	8	1	25
C Wood	16	8	1	25
Aggregate emoluments	<u>52</u>	<u>25</u>	<u>3</u>	<u>80</u>

	<i>Year ended 28 February 2017</i>			
	<b>Ordinary Shares</b> £000	<b>"C" Shares</b> £000	<b>"D" Shares</b> £000	<b>Total</b> £000
A Moore	20	9	1	30
P Thomas	16	8	1	25
C Wood	16	8	1	25
Aggregate emoluments	<u>52</u>	<u>25</u>	<u>3</u>	<u>80</u>

Further details regarding Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 32 to 38.

The Company had no employees other than the Directors.

## 6. Taxation

	<i>Year ended 28 February 2018</i>			
	Ordinary Shares	"C" Shares	"D" Shares	Total
	£000	£000	£000	£000
<b>(a) Tax charge/ (credit) for the year</b>				
Current UK corporation tax:				
Charged to revenue reserve	(22)	(26)	(8)	(56)
Credited to capital reserve	22	26	8	56
	-	-	-	-

**(b) Factors affecting the tax charge/ (credit) for the year**

Profit before taxation	531	1,288	(119)	1,700
Tax credit calculated on profit before taxation at the applicable rate of 19.06% (2017: 20%)	101	246	(23)	324
Effect of:				
UK dividends not subject to tax	(70)	(144)	-	(214)
Capital (gains)/ losses not subject to tax	(76)	(155)	21	(210)
Non-deductible expenses	-	(1)	-	(1)
Tax losses not recognised	45	54	2	101
	-	-	-	-

	<i>Year ended 28 February 2017</i>			
	Ordinary Shares	"C" Shares	"D" Shares	Total
	£000	£000	£000	£000
<b>(a) Tax charge/ (credit) for the year</b>				
Current UK corporation tax:				
Charged to revenue reserve	(32)	(43)	(6)	(81)
Credited to capital reserve	32	43	6	81
	-	-	-	-

**(b) Factors affecting the tax charge/ (credit) for the year**

Profit before taxation	1,868	1,797	136	3,801
Tax credit calculated on profit before taxation at the applicable rate of 20.00% (2016: 20.08%)	374	361	27	762
Effect of:				
UK dividends not subject to tax	(102)	(123)	-	(225)
Capital (gains)/ losses not subject to tax	(313)	(247)	(30)	(590)
Tax losses not recognised	41	9	3	53
	-	-	-	-

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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.

A deferred tax asset has not been recognised for the following at an effective rate of 17%:

	<i>As at 28 February 2018</i>			
	<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>	<b>Total</b>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Unused tax losses	107	69	7	183

	<i>As at 28 February 2017</i>			
	<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>	<b>Total</b>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Unused tax losses	62	15	4	81

## 7. Dividends

<b>Ordinary Shares</b>	<i>2018</i>	<i>2017</i>
	<i>£000</i>	<i>£000</i>
<b>Amounts recognised as distributions to ordinary shareholders in the year:</b>		
Previous year's final dividend of 2.50p per ordinary share (2017: 2.75p)	610	671
Current year's interim dividend of 2.50p per ordinary share (2017: 2.50p)	610	610
	<u>1,220</u>	<u>1,281</u>

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

	<i>2018</i>	<i>2017</i>
	<i>£000</i>	<i>£000</i>
Interim dividend for the year ended 28 February 2018 of 2.50p per ordinary share (2017: 2.50p)	610	610
Proposed final dividend for the year ended 28 February 2018 of 2.50p per ordinary share (2017: 2.50p)	610	610
	<u>1,220</u>	<u>1,220</u>

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<b>"C" Shares</b>	<i>2018</i> <i>£000</i>	<i>2017</i> <i>£000</i>
<b>Amounts recognised as distributions to "C" shareholders in the year:</b>		
Previous year's final dividend of 4.50p per "C" share (2017: 4.50p)	508	508
Current year's interim dividend of 3.50p per "C" share (2017: 3.50p)	395	395
	<u>903</u>	<u>903</u>

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

	<i>2018</i> <i>£000</i>	<i>2017</i> <i>£000</i>
Interim dividend for the year ended 28 February 2018 of 3.50p per "C" share (2017: 3.50p)	395	395
Proposed final dividend for the year ended 28 February 2018 of 4.50p per "C" share (2017: 4.50p)	508	508
	<u>903</u>	<u>903</u>

<b>"D" Shares</b>	<i>2018</i> <i>£000</i>	<i>2017</i> <i>£000</i>
<b>Amounts recognised as distributions to "D" shareholders in the year:</b>		
Previous year's final dividend of 0.00p per "D" share (2017: 2.00p)	-	40
Current year's interim dividend of 0.00p per "D" share (2017: 1.50p)	-	30
	<u>-</u>	<u>70</u>

The total dividend in respect of the financial year is set out below:

	<i>2018</i> <i>£000</i>	<i>2017</i> <i>£000</i>
Interim dividend for the year ended 28 February 2018 of 0.00p per "D" share (2017: 1.50p)	-	30
Proposed final dividend for the year ended 28 February 2018 of 0.00p per "D" share (2017: 0.00p)	-	-
	<u>-</u>	<u>30</u>

**8. Basic and diluted earnings per share**

<b>For the year ended 28 February 2018</b>		<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>
Revenue earnings for the year	<i>p per share*</i>	1.90	7.66	1.62
<i>Based on:</i>				
Revenue earnings for the year	<i>£'000</i>	465	866	32
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Capital gain/(loss) for the year	<i>p per share*</i>	0.27	3.73	(7.60)
<i>Based on:</i>				
Capital gain/(loss) for the year	<i>£'000</i>	66	422	(151)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Net profit/(loss) for the year	<i>p per share*</i>	2.17	11.39	(5.98)
<i>Based on:</i>				
Net profit/(loss) for the year	<i>£'000</i>	531	1,288	(119)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
<b>For the year ended 28 February 2017</b>		<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>
Revenue earnings for the year	<i>p per share*</i>	2.63	6.97	1.29
<i>Based on:</i>				
Revenue earnings for the year	<i>£'000</i>	641	787	26
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Capital gain for the year	<i>p per share*</i>	5.03	8.95	5.56
<i>Based on:</i>				
Capital gain for the year	<i>£'000</i>	1,227	1,010	110
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Net profit for the year	<i>p per share*</i>	7.66	15.92	6.85
<i>Based on:</i>				
Net profit for the year	<i>£'000</i>	1,868	1,797	136
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767

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

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



9. Investments

	Ordinary Shares			"C" Shares			"D" Shares			Total		
	Shares	Loan stock	Total	Shares	Loan stock	Total	Shares	Loan stock	Total	Shares	Loan stock	Total
<b>Year ended 28 February 2018</b>	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Opening position</b>												
Opening cost	6,894	3,768	10,662	5,796	3,048	8,844	1,216	514	1,730	13,906	7,330	21,236
Closing realised losses	(651)	(229)	(880)	(464)	(17)	(481)	-	-	-	(1,115)	(246)	(1,361)
Opening unrealised gains	8,446	370	8,816	5,588	293	5,881	746	33	779	14,780	696	15,476
Opening fair value	14,689	3,909	18,598	10,920	3,324	14,244	1,962	547	2,509	27,571	7,780	35,351
<b>During the year</b>												
Investment proceeds	-	(423)	(423)	-	(541)	(541)	-	-	-	-	(964)	(964)
Unrealised gains/(losses)	405	(5)	400	856	(45)	811	(112)	-	(112)	1,149	(50)	1,099
Closing fair value	15,094	3,481	18,575	11,776	2,738	14,514	1,850	547	2,397	28,720	6,766	35,486
<b>Closing position</b>												
Closing 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)
Closing unrealised gains	8,851	365	9,216	6,444	248	6,692	634	33	667	15,929	646	16,575
Closing 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

\* The cost of BEL Holdco Limited, £200,000, and BEL Acquisition Limited, £9,000, were derecognised during the year as these companies were dissolved.

	Ordinary Shares			"C" Shares			"D" Shares			Total		
	Shares	Loan stock	Total	Shares	Loan stock	Total	Shares	Loan stock	Total	Shares	Loan stock	Total
<b>Year ended 28 February 2017</b>	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Opening position</b>												
Opening cost	8,692	4,997	13,689	5,796	3,074	8,870	1,216	514	1,730	15,704	8,585	24,289
Opening realised losses	(2,449)	(1,228)	(3,677)	(464)	(17)	(481)	-	-	-	(2,913)	(1,245)	(4,158)
Opening unrealised gains	6,894	366	7,260	4,357	296	4,653	596	33	629	11,847	695	12,542
Opening fair value	13,137	4,135	17,272	9,689	3,353	13,042	1,812	547	2,359	24,638	8,035	32,673
<b>During the year</b>												
Investment proceeds	(1)	(230)	(231)	-	(26)	(26)	-	-	-	(1)	(256)	(257)
Realised gains	1	-	1	-	-	-	-	-	-	1	-	1
Unrealised gains/(losses)	1,552	4	1,556	1,231	(3)	1,228	150	-	150	2,933	1	2,934
Closing fair value	14,689	3,909	18,598	10,920	3,324	14,244	1,962	547	2,509	27,571	7,780	35,351
<b>Closing position</b>												
Closing cost	6,894	3,768	10,662	5,796	3,048	8,844	1,216	514	1,730	13,906	7,330	21,236
Closing realised losses	(651)	(229)	(880)	(464)	(17)	(481)	-	-	-	(1,115)	(246)	(1,361)
Closing unrealised gains	8,446	370	8,816	5,588	293	5,881	746	33	779	14,780	696	15,476
Closing fair value	14,689	3,909	18,598	10,920	3,324	14,244	1,962	547	2,509	27,571	7,780	35,351

## Ventus 2 VCT plc

The shares held by the Company are in unquoted UK companies. The Investment Manager's Report on pages 15 to 26 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 16.

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 28 February 2018, each of the Company's investments held, with the exception of Upper Falloch Power Limited which was held at cost, 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 28 February 2018 (and 28 February 2017), 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 6.75% to 10%) the price at which power and associated benefits may be sold, inflation and the level of electricity the investee companies' generating assets are likely to produce (which are taken from specialist consultant reports).

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

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

The application of the upside alternative discount factor to the investments in the ordinary share fund's portfolio would have resulted in the total value of its investments having been £952,000 or 5.1% higher. The application of the downside alternative discount factor would have resulted in the total value of all investments having been £903,000 or 4.8% lower.

The application of the upside alternative discount factor to the "C" share fund's portfolio would have resulted in the total value of its investments having been £728,000 or 5.0% higher. The application of the downside alternative discount factor would have resulted in the total value of its investments having been £690,000 or 4.7% lower.

The application of the upside alternative discount factor to the "D" share fund's portfolio would have resulted in the total value of its investments having been £194,000 or 8.1% higher. The application of the downside alternative discount factor would have resulted in the total value of its investments having been £182,000 or 7.6% lower.

## Ventus 2 VCT plc

Further details regarding input sensitivity can found in the Investment Manager's Report on page 23 and 24.

The future price at which power and associated benefits may be sold is estimated using forecasts produced by third party industry experts and the projected energy yield is determined by yield analyses also prepared by third party industry experts. The Directors do not believe there are reasonable alternative assumptions available for these inputs at the current time.

### 10. Trade and other receivables

	<i>Year ended 28 February 2018</i>			
	<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>	<b>Total</b>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b><i>Current assets</i></b>				
Accrued interest income	175	203	121	499
Other receivables	12	1	-	13
Prepayments	12	6	1	19
	<u>199</u>	<u>210</u>	<u>122</u>	<u>531</u>

	<i>Year ended 28 February 2017</i>			
	<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>	<b>Total</b>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b><i>Current assets</i></b>				
Accrued interest income	275	295	114	684
Other receivables	83	39	-	122
Prepayments	14	6	1	21
	<u>372</u>	<u>340</u>	<u>115</u>	<u>827</u>

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

**11. Cash and cash equivalents**

	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
As at 1 March 2017	877	225	14	1,116
Net (decrease)/ increase	(494)	238	18	(238)
As at 28 February 2018	<u>383</u>	<u>463</u>	<u>32</u>	<u>878</u>

	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
As at 1 March 2016	422	428	104	954
Net increase/(decrease)	455	(203)	(90)	162
As at 28 February 2017	<u>877</u>	<u>225</u>	<u>14</u>	<u>1,116</u>

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

	<i>As at 28 February 2018</i>			
	<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>	<b>Total</b>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade payables	-	-	31	31
Other payables	11	11	2	24
Accruals	72	29	5	106
	<u>83</u>	<u>40</u>	<u>38</u>	<u>161</u>

	<i>As at 28 February 2017</i>			
	<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>	<b>Total</b>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade payables	14	-	-	14
Other payables	12	20	2	34
Accruals	58	27	4	89
	<u>84</u>	<u>47</u>	<u>6</u>	<u>137</u>

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

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### 13. Share capital

	Ordinary Shares		"C" Shares		"D" Shares		Total	
	<i>Number of shares of 25p each</i>	<i>£000</i>	<i>Number of shares of 25p each</i>	<i>£000</i>	<i>Number of shares of 25p each</i>	<i>£000</i>		<i>Number of shares of 25p each</i>
<b>Authorised</b>								
<b>At 1 March 2017</b>	50,000,000	12,500	20,000,000	5,000	20,000,000	5,000	90,000,000	22,500
<b>At 28 February 2018</b>	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	
	<i>Number of shares of 25p each</i>	<i>£000</i>	<i>Number of shares of 25p each</i>	<i>£000</i>	<i>Number of shares of 25p each</i>	<i>£000</i>		<i>Number of shares of 25p each</i>
<b>Allotted, called up and fully paid</b>								
<b>At 1 March 2017</b>	24,392,655	6,097	11,329,107	2,832	1,990,767	498	37,712,529	9,427
<b>At 28 February 2018</b>	24,395,655	6,097	11,329,107	2,832	1,990,767	498	37,712,529	9,427

	Ordinary Shares		"C" Shares		"D" Shares		Total	
	<i>Number of shares of 25p each</i>	<i>£000</i>	<i>Number of shares of 25p each</i>	<i>£000</i>	<i>Number of shares of 25p each</i>	<i>£000</i>		<i>Number of shares of 25p each</i>
<b>Authorised</b>								
<b>At 1 March 2016</b>	50,000,000	12,500	20,000,000	5,000	20,000,000	5,000	90,000,000	22,500
<b>At 28 February 2017</b>	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	
	<i>Number of shares of 25p each</i>	<i>£000</i>	<i>Number of shares of 25p each</i>	<i>£000</i>	<i>Number of shares of 25p each</i>	<i>£000</i>		<i>Number of shares of 25p each</i>
<b>Allotted, called up and fully paid</b>								
<b>At 1 March 2016</b>	24,392,655	6,097	11,329,107	2,832	1,990,767	498	37,712,529	9,427
<b>At 28 February 2017</b>	24,392,655	6,097	11,329,107	2,832	1,990,767	498	37,712,529	9,427

At 28 February 2018, 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 pages 27 to 31. The number of shares disclosed above includes 45,900 "C" shares which are held in treasury.

**14. Basic and diluted net asset value per share**

The net asset value per ordinary share of 78.2p as at 28 February 2018 (2017: 81.0p) is based on net assets of £19,074,000 (2017: £19,763,000) divided by 24,392,655 ordinary shares in issue at that date (2017: 24,392,655 ordinary shares). The net asset value per "C" share of 134.2p as at 28 February 2018 (2017: 130.8p) is based on net assets of £15,147,000 (2017: £14,762,000) divided by 11,283,207 "C" shares in issue at that date (2017: 11,283,207 "C" shares). The net asset value per "D" share of 126.2p (2017: 132.2p) as at 28 February 2018 is based on net assets of £2,513,000 (2017: £2,632,000) divided by 1,990,767 "D" shares in issue at that date (2017: 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 Company has nothing further to report subsequent to the year end.

**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 28 February 2018*

<b>Ordinary Shares</b>	<i>£000</i>	<i>Interest rate p.a. %</i>	<i>Weighted average interest rate p.a. %</i>	<i>Weighted average period to maturity</i>
<i>At fair value through profit or loss:</i>				
Ordinary shares	15,094	n/a	n/a	n/a
Loan stock	3,481	0% - 13.5%	12.34%	7.8 years
<i>Loans and receivables:</i>				
Cash	383	0% - 0.38%	0.1%	n/a
Accrued interest income	175	n/a	n/a	n/a

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<b>"C" Shares</b>	<i>£000</i>	<i>Interest rate p.a.</i> %	<i>Weighted average interest rate p.a.</i> %	<i>Weighted average period to maturity</i>
<i>At fair value through profit or loss:</i>				
Ordinary shares	11,776	n/a	n/a	n/a
Loan stock	2,738	0% - 13%	12.69%	7.5 years
<i>Loans and receivables:</i>				
Cash	463	0% - 0.38%	0.0%	n/a
Accrued interest income	203	n/a	n/a	n/a
<b>"D" Shares</b>	<i>£000</i>	<i>Interest rate p.a.</i> %	<i>Weighted average interest rate p.a.</i> %	<i>Weighted average period to maturity</i>
<i>At fair value through profit or loss:</i>				
Ordinary shares	1,850	n/a	n/a	n/a
Loan stock	547	10.50%	10.50%	15.3 years
<i>Loans and receivables:</i>				
Cash	32	0% - 0.38%	0.1%	n/a
Accrued interest income	121	n/a	n/a	n/a
<i>As at 28 February 2017</i>				
<b>Ordinary Shares</b>	<i>£000</i>	<i>Interest rate p.a.</i> %	<i>Weighted average interest rate p.a.</i> %	<i>Weighted average period to maturity</i>
<i>At fair value through profit or loss:</i>				
Ordinary shares	14,689	n/a	n/a	n/a
Loan stock	3,909	0% - 13.5%	12.44%	8.8 years
<i>Loans and receivables:</i>				
Cash	877	0% - 0.38%	0.1%	n/a
Accrued interest income	275	n/a	n/a	n/a
<b>"C" Shares</b>	<i>£000</i>	<i>Interest rate p.a.</i> %	<i>Weighted average interest rate p.a.</i> %	<i>Weighted average period to maturity</i>
<i>At fair value through profit or loss:</i>				
Ordinary shares	10,920	n/a	n/a	n/a
Loan stock	3,324	0% - 13%	12.74%	8.2 years
<i>Loans and receivables:</i>				
Cash	225	0% - 0.38%	0.0%	n/a
Accrued interest income	295	n/a	n/a	n/a



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"D" Shares	£000	Interest rate p.a. %	Weighted average interest rate p.a. %	Weighted average period to maturity
<i>At fair value through profit or loss:</i>				
Ordinary shares	1,962	n/a	n/a	n/a
Loan stock	547	10.50%	10.50%	16.3 years
<i>Loans and receivables:</i>				
Cash	14	0% - 0.38%	0.2%	n/a
Accrued interest income	114	n/a	n/a	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 is accrued on interest income receivable amounts which have been deferred for payment by investee companies.

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 guarantees and financial liabilities 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 28 February 2018 the Company had no outstanding borrowings (2017: £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 £1,858,000 or 349.81% (2017: £1,860,000 or 99.61%) and an increase or decrease in net asset value of the same amount or 9.74% (2017: 9.41%).

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 £1,451,000 or 112.69% (2017: £1,424,000 or 79.27%) and an increase or decrease in net asset value of the same amount or 9.58% (2017: 9.65%).

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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 £240,000 or 201.43% (2017: £251,000 or 184.49%) and an increase or decrease in net asset value of the same amount or 9.54% (2017: 9.53%).

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 investments and 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.

### 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.

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 £8.2 million (2017: £9.6 million) of which the ordinary share fund is exposed to £4.1 million (2017: £5.1 million), the “C” share fund is exposed to £3.4 million (2017: £3.9 million) and the “D” share fund is exposed to £0.7 million (2017: £0.6 million).

The tables below set out the amounts receivable by the Company which were past due but not individually impaired as at 28 February 2018 and the extent to which they are past due.

### Amounts past due 28 February 2018:

<b>Ordinary Shares</b>	<i>Total</i>	<i>0 - 6</i>	<i>6 - 12</i>	<i>Over 12</i>
	<i>£000</i>	<i>months</i>	<i>months</i>	<i>months</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Loan	319	319	-	-
Accrued interest	54	27	6	21
Past due	<u>373</u>	<u>346</u>	<u>6</u>	<u>21</u>

The amounts past due for payment represent interest due on loan investments with Darroch Power Limited, Upper Falloch Power Limited and Biggleswade Wind Farm Limited. In the analysis, the loan principal amount on which the interest has accrued is included as past due as required by IFRS 7. The loan principal which was actually past due for payment at 28 February 2018 was £12,000 for Biggleswade Wind Farm Limited and the loan interest past due was £7,000 for Darroch Power Limited, £12,000 for Upper Falloch Power Limited, £16,000 for Biggleswade Wind Farm Limited and £19,000 for Bernard Matthews Green Energy Halesworth Limited.

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<b>"C" Shares</b>	<i>Total</i>	<i>0 - 6</i>	<i>6 - 12</i>	<i>Over 12</i>
	<i>£000</i>	<i>months</i>	<i>months</i>	<i>months</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Loan	1,710	1,710	-	-
Accrued interest	171	114	16	41
Past due	1,881	1,824	16	41

The amounts past due for payment represent interest due on loan investments with Bernard Matthews Green Energy Halesworth Limited, Biggleswade Wind Farm Limited, Darroch Power Limited and Upper Falloch Power Limited. In the analysis, the loan principal amount on which the interest has accrued is included as past due as required by IFRS 7. The loan principal which was actually past due for payment at 28 February 2018 was £75,000. The loan interest which was actually past due for payment at 28 February 2018 for Bernard Matthews Green Energy Halesworth Limited was £19,000, for Darroch Power Limited was £21,000, for Biggleswade Wind Farm Limited was £98,000 and for Upper Falloch Limited was £33,000.

<b>"D" Shares</b>	<i>Total</i>	<i>0 - 6</i>	<i>6 - 12</i>	<i>Over 12</i>
	<i>£000</i>	<i>months</i>	<i>months</i>	<i>months</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Loan	514	514	-	-
Accrued interest	121	35	34	52
Past due	635	549	34	52

The amounts past due for payment represent interest due on loan investments with Darroch Power Limited and Upper Falloch Power Limited. In the analysis, the loan principal amount on which the interest has accrued is included as past due as required by IFRS 7. The loan principal which was actually past due for payment at 28 February 2018 was £nil. The loan interest which was actually past due for payment at 28 February 2018 for Darroch Power Limited was £52,000 and for Upper Falloch Limited was £69,000.

### **Amounts past due 28 February 2017:**

<b>Ordinary Shares</b>	<i>Total</i>	<i>0 - 6</i>	<i>6 - 12</i>	<i>Over 12</i>
	<i>£000</i>	<i>months</i>	<i>months</i>	<i>months</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Loan	77	77	-	-
Accrued interest	34	6	14	14
Receivables past due	111	83	14	14

The amounts past due for payment represent interest due on loan investments with Bernard Matthews Green Energy Halesworth Limited, Darroch Power Limited and Upper Falloch Limited. In the analysis, the loan principal amount on which the interest has accrued is included as past due as required by IFRS 7. The loan principal which was past due for payment at 28 February 2017 for Bernard Matthews Green Energy Halesworth Limited, Darroch Power Limited and Upper Falloch Limited was £nil. The loan interest which was actually past due for payment at 28 February 2017 for Bernard Matthews Green Energy Halesworth Limited was £17,000, for Darroch Power Limited was £10,000 and for Upper Falloch Limited was £7,000.

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<b>"C" Shares</b>	<i>Total</i>	<i>0 - 6</i>	<i>6 - 12</i>	<i>Over 12</i>
	<i>£000</i>	<i>months</i> <i>£000</i>	<i>months</i> <i>£000</i>	<i>months</i> <i>£000</i>
Loan	223	223	-	-
Accrued interest	67	15	38	14
Receivables past due	290	238	38	14

The amounts past due for payment represent interest due on loan investments with Bernard Matthews Green Energy Halesworth Limited, Darroch Power Limited and Upper Falloch Limited. In the analysis, the loan principal amount on which the interest has accrued is included as past due as required by IFRS 7. The loan principal which was actually past due for payment at 28 February 2017 was £nil. The loan interest which was actually past due for payment at 28 February 2017 for Bernard Matthews Green Energy Halesworth Limited was £17,000, for Darroch Power Limited was £30,000 and for Upper Falloch Limited was £20,000.

<b>"D" Shares</b>	<i>Total</i>	<i>0 - 6</i>	<i>6 - 12</i>	<i>Over 12</i>
	<i>£000</i>	<i>months</i> <i>£000</i>	<i>months</i> <i>£000</i>	<i>months</i> <i>£000</i>
Loan	514	514	-	-
Accrued interest	115	33	82	-
Receivables past due	629	547	82	-

The amounts past due for payment represent interest due on loan investments with Darroch Power Limited and Upper Falloch Limited. In the analysis, the loan principal amount on which the interest has accrued is included as past due as required by IFRS 7. The loan principal which was actually past due for payment at 28 February 2017 was £nil. The loan interest which was actually past due for payment at 28 February 2017 for Darroch Power Limited was £73,000 and for Upper Falloch Limited was £42,000.

### 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 15 January 2010, the Company registered a charge over its shares in Greenfield Wind Farm Limited to The Co-operative Bank plc as security for a senior loan facility of £18.3 million raised by Greenfield Wind Farm Limited to finance the construction costs of the wind farm. The liability of the Company under this charge of shares is limited to the value of the Company's investment in shares of Greenfield Wind Farm Limited.

On 17 May 2011, the Company registered a charge over its shares in Osspower Limited to The Co-operative Bank plc as security for a senior loan facility of £6.5 million raised by Osspower Limited to finance the construction of its first hydro scheme (Allt Fionn Ghlinne). This share charge was cancelled on 22 May 2014 when Osspower Limited repaid the loan. On 22 May 2014, the Company registered a charge over its shares in Osspower Limited to GCP Hydro 1 Limited as security for a senior loan facility of £7 million. 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.

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On 26 July 2011, the Company registered a charge over its shares in White Mill Windfarm Limited to The Co-operative Bank plc as security for a senior loan facility of up to £15.5 million raised by White Mill Windfarm Limited to finance the construction costs of its 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 White Mill Windfarm Limited. The Co-operative Bank plc sold its loan to L1 Renewables Limited and a corresponding charge is now outstanding to L1 Renewables Limited.

On 31 January 2013, the Company registered a charge over its shares in Biggleswade Wind Farm Limited to The Co-operative Bank plc as security for a senior loan facility of up to £22.5 million raised by Biggleswade Wind Farm Limited to finance the construction costs of its 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 Biggleswade Wind Farm Limited. The Co-operative Bank plc sold its loan to L1 Renewables Limited and a corresponding charge is now outstanding to L1 Renewables Limited.

On 9 September 2014, the Company registered a share charge over its shares in Bernard Matthews Green Energy Halesworth Limited to GCP Onshore Wind 1 Limited as security for a senior loan facility of £8.4 million raised by Bernard Matthews Green Energy Halesworth Limited to finance the construction costs of its 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 Bernard Matthews Green Energy Halesworth 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 is limited to the value of the Company's investment in the shares of Eye Wind Power Limited. The charge held by GCP onshore Wind 1 Limited over the Company's shares in Eye Wind Power Limited was satisfied on 10 July 2017.

The charges held by GCP Onshore Wind 1 Limited over the Company's shares in North Pickenham Energy Limited, Bernard Matthews Green Energy Pickenham Limited, Weston Airfield Investments Limited and Bernard Matthews Green Energy Weston Limited were satisfied during the year.

The Company had no other contingencies, financial commitments or guarantees as at 28 February 2018.

**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.

	<i>As at 28 February 2018</i>			
	Ordinary Shares	"C" shares	"D" shares	Total
	£000	£000	£000	£000
<b>Balances</b>				
Investments - shares	15,094	11,776	1,850	28,720
Investments - loan stock	3,481	2,738	547	6,766
Accrued interest income	175	203	121	499
<b>Transactions</b>				
Loan stock interest income	434	363	71	868
Dividend income	367	757	-	1,124

	<i>As at 28 February 2017</i>			
	Ordinary Shares	"C" shares	"D" shares	Total
	£000	£000	£000	£000
<b>Balances</b>				
Investments - shares	14,688	10,920	1,962	27,570
Investments - loan stock	3,909	3,325	547	7,781
Accrued interest income	275	295	115	685
Accrued dividends	64	39	-	103
<b>Transactions</b>				
Loan stock interest income	484	402	64	950
Dividend income	514	613	-	1,127

**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.

## Notice of Annual General Meeting

The AGM will be preceded by a presentation by the Investment Manager at 11.30am. All shareholders are invited to attend. Notice is hereby given that the AGM of Ventus 2 VCT plc will be held at 12.15pm on Tuesday, 24 July 2018 at the offices of Howard Kennedy LLP, No. 1 London Bridge, London, SE1 9BG, for the purpose of considering and, if thought fit, passing the following, all of which will be proposed as ordinary resolutions:

### Ordinary Business

1. To receive the Company's audited Annual Report and Financial Statements for the year ended 28 February 2018.
2. To declare a final dividend of 2.50p per ordinary share and 4.50p per "C" share in respect of the year ended 28 February 2018.
3. To approve the Directors Remuneration Report for the year ended 28 February 2018.
4. To re-elect Mr Paul Thomas as a Director of the Company.
5. To re-elect Mr Alan Moore as a Director of the Company.
6. To re-elect Mr Colin Wood as a Director of the Company.
7. 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.
8. To authorise the Directors to determine the remuneration of the Auditor.

By order of the Board  
**The City Partnership (UK) Limited**  
Secretary  
31 May 2018