

# Ventus 2 VCT plc

## Half-yearly Financial Report

for the six month period ended 31 August 2016



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Ventus 2 VCT plc owns a portfolio of operating renewable energy companies.

Registered No: 5667210

Front cover:  
Temporis engineer Robert Pollock  
attends Biggleswade Wind Farm.

I am pleased to present the financial report of Ventus 2 VCT plc (the "Company") for the six month period ended 31 August 2016.

The Company is now 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 electricity generation projects.

**Strategic Objectives**

The Company aims to provide stable tax-free dividends to shareholders from the management of its portfolio of renewable energy investments and to protect the capital of shareholders. The Company seeks to enhance the value of its investments by the active management of the assets operated by investee companies with a view to maximising asset longevity and optionality. To coincide with the completion of the project construction phase of the Company's evolution, the Board has recently completed a major review of its future strategy and will shortly release an announcement which summarises the conclusions of that review. Readers are strongly encouraged to take note of this announcement which will be released by Regulated News Service and will also be made available on the Company's website.

**Change to Valuation Assumption**

The Directors have reviewed the assumptions used in valuing the Company's investments and believe that a change in the operating life assumption from 20 to 25 years from date of first operation (albeit with an assumed reduction in availability in the final five years of operation) was required for wind energy assets. The reason for the change was that an active market for the sale of renewable energy projects has developed and, as part of that, participants have generally adopted a 25 year operating life assumption in valuing these assets. The change in operating life assumption for wind energy assets has had a positive impact on the valuation of investee companies that own wind farms. On the down-side, projected electricity prices have reduced during the period and this has had a negative impact on valuations. Further information about movements in value can be found in the Investment Manger's Report.

**Receipt of Deferred Consideration**

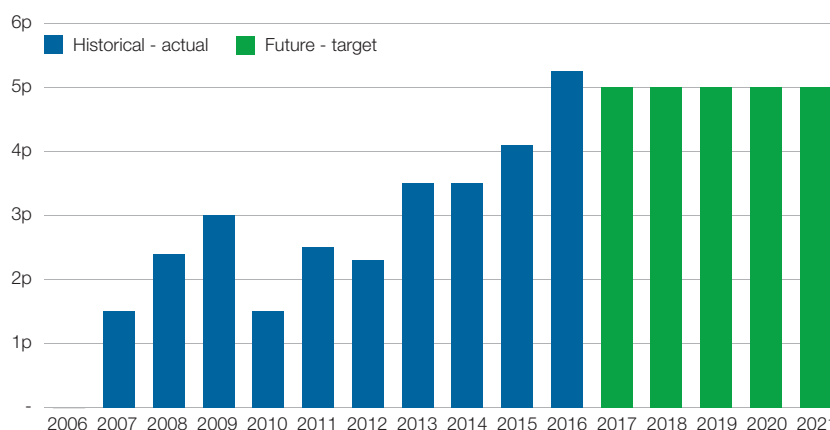
In April of this year, the Company received payment of the deferred consideration in respect of the sale of the ordinary share fund's holding in Craig Wind Farm Limited together with accrued interest, an amount of £819,000. The receipt of these proceeds has allowed the Company to meet the dividend target for the ordinary share fund for the year ended 29 February 2016 and contribute to near future dividends.

**Dividend policy**

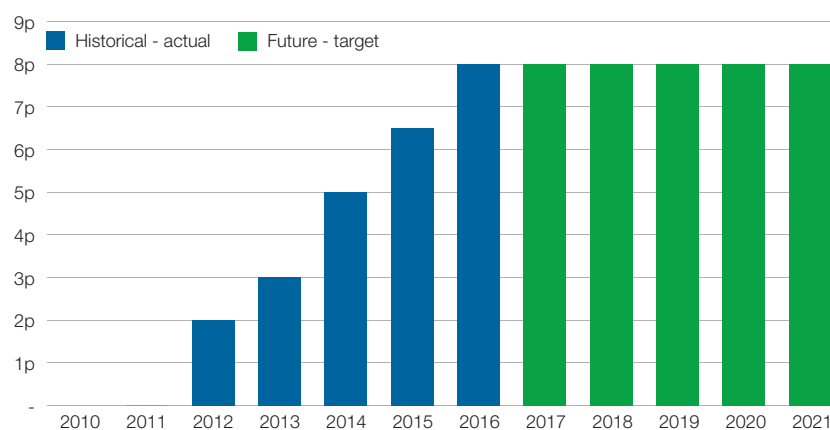
The interim dividends for the current financial year are set out below. As disclosed in the annual report and financial statements for the year ended 29 February 2016, the Directors anticipate a realistic target in the medium term beyond 29 February 2016 of 5.00p per ordinary share per annum, 8.00p per "C" share per annum and 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.

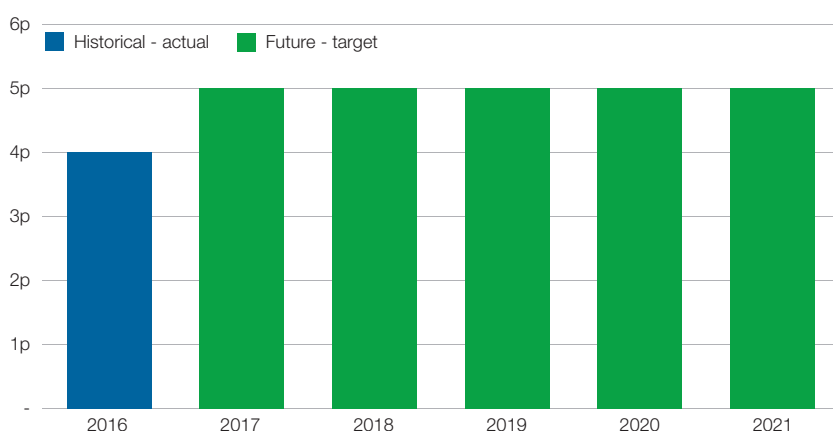
The charts below show historical annual dividends as well as target dividends for the next five years.

**Annual Dividends Declared per Ordinary Share**



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



**Annual Dividends Declared per "D" Share****Net Asset Value, Results and Dividend – Ordinary Shares**

At 31 August 2016, the net asset value ("NAV") of the ordinary share fund of the Company attributable to equity shareholders stood at £19,074,000 or 78.2p per ordinary share (29 February 2016: £19,176,000 or 78.6p per ordinary share).

The revenue profit attributable to ordinary shareholders for the six month period ended 31 August 2016 was £140,000 or 0.57p per ordinary share (six month period ended 31 August 2015: £583,000 or 2.40p per ordinary share). The revenue earned in the six month period ended 31 August 2016 was lower than that received in the corresponding period in the prior year during which a special dividend of £375,000 was received from Osspower Limited.

The capital gain attributable to ordinary shareholders for the period was £429,000 or 1.75p per ordinary share (six month period ended 31 August 2015: £751,000 or 3.07p per ordinary share), resulting in a net gain to ordinary shareholders for the period of £569,000 or 2.32p per ordinary share (six month period ended 31 August 2015: £1,334,000 or 5.47p per ordinary share).

The value of investments held by the Company's ordinary share fund at 31 August 2016 was £17,778,000 compared to £17,272,000 at 29 February 2016. The Investment Manager's Report provides further information about the valuation of all investee companies.

On 10 August 2016, the Company paid a final dividend of 2.75p per ordinary share in respect of the year ended 29 February 2016. The Company has declared an interim dividend of 2.50p per ordinary share which will be paid on 18 January 2017 to all ordinary shareholders on the register as at the close of business on 16 December 2016.

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

At the period end, the NAV per "C" share of the Company stood at £14,111,000 or 125.1p per "C" share (29 February 2016: £13,868,000 or 122.9p per "C" share).

The revenue profit attributable to "C" shareholders for the period was £486,000 or 4.30p per "C" share (six month period ended 31 August 2015: £361,000 or 3.20p per "C" share).

The capital gain attributable to "C" shareholders for the period was £265,000 or 2.35p per "C" share (six month period ended 31 August 2015: capital loss of £235,000 or 2.09p per "C" share), resulting in a net profit attributable to "C" shareholders for the six month period ended 31 August 2016 of £751,000 or 6.65p per "C" share (six month period ended 31 August 2015: £126,000 or 1.11p per "C" share).

The value of investments held at 31 August 2016 by the "C" share fund was £13,417,000 compared to £13,042,000 at 29 February 2016.

On 10 August 2016, the Company paid a final dividend of 4.50p per "C" share in respect of the year ended 29 February 2016. The Company has declared an interim dividend of 3.50p per "C" share which will be paid on 18 January 2017 to all "C" shareholders on the register as at the close of business on 16 December 2016.

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

At the period end, the NAV per "D" share of the Company stood at £2,455,000 or 123.30p per "D" share (29 February 2016: £2,565,000 or 128.8p per "D" share).

The revenue profit attributable to "D" shareholders for the period was £10,000 or 0.49p per "D" share (six month period ended 31 August 2015: £66,000 or 3.34p per "D" share).

The capital loss attributable to "D" shareholders for the period was £80,000 or 4.01p per "D" share (six month period ended 31 August 2015: capital gain of £188,000 or 9.41p per "D" share), resulting in a net loss attributable to "D" shareholders for the six month period ended 31 August 2016 of £70,000 or 3.52p per "D" share (six month period ended 31 August 2015: net gain of £254,000 or 12.75p per "D" share). The capital loss was attributable to the reduction in value of Darroch Power Limited, an investee company which owns and operates a hydroelectric scheme, primarily because of the reduction in projected electricity prices used in the discounted cash flow analysis. Further information on the investment valuation movements can be found in the Investment Manager's Report.

The value of investments held at 31 August 2016 in the "D" share fund was £2,299,000 compared to £2,359,000 at 29 February 2016.

On 10 August 2016, the Company paid a final dividend of 2.00p per "D" share in respect of the year ended 29 February 2016. The Company has declared an interim dividend of 1.50p per "D" share which will be paid on 18 January 2017 to all "D" shareholders on the

register as at the close of business on 16 December 2016.

#### VCT Qualifying Status

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

#### Key performance indicators

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

#### Results and dividends

##### For the six months ended 31 August 2016

	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>	£000
Revenue profit attributable to equity shareholders	140	0.57	486	4.30	10	0.49	636
Capital gain/(loss) attributable to equity shareholders	429	1.75	265	2.35	(80)	(4.01)	614
Net gain attributable to equity shareholders	569	2.32	751	6.65	(70)	(3.52)	1,250
Dividends paid during the year	(671)	(2.75)	(508)	(4.50)	(40)	(2.00)	(1,219)
Total movement in equity shareholders' funds	(102)	(0.43)	243	2.15	(110)	(5.52)	31
		%		%		%	%
Ongoing charges ratio <sup>2</sup>		3.76%		3.22%		3.28%	3.51%

	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>	£000
<b>As at 31 August 2016</b>							
Net asset value	19,074	78.2	14,111	125.1	2,455	123.3	35,640
Total shareholder return <sup>4</sup>	25,175	107.8	16,880	149.6	2,535	127.3	44,590

1 The "per share" value is determined in respect of the weighted average number of shares in issue during the period, except in respect of the dividends paid in the period, which is determined on the basis of the number of shares eligible to receive dividends at the time the dividends were paid.

2 The on-going charges ratio represents the Company's total operating expenditure during the period as a percentage of the NAV of the Company at the period end. The total annual running costs cap is set out in Note 4 to the financial statements.

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

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



# CHAIRMAN'S STATEMENT

Continued

## Key Information as at 31 August 2016

	Ordinary Shares	C Shares	D Shares
Net asset value as at 31 August 2016	£19.1m	£14.1m	£2.5m
Net asset value per share as at 31 August 2016	78.2p	125.1p	123.3p
Mid-market share price as at market close on 31 August 2016	67.0p	103.0p	106.0p
Cumulative dividends per share paid to date	29.6p	24.5p	4.0p
Total Return per share (NAV plus cumulative dividends paid)	107.8p	149.6p	127.3p
<b>Target dividend per share for year ending 28 February 2017:</b>			
Tax-free dividend *	5.00p	8.0p	5.0p
Equivalent pre-tax dividend to Higher Rate taxpayer **	7.4p	11.9p	7.4p
Equivalent pre-tax dividend to Additional Rate taxpayer **	8.1p	12.9p	8.1p
<b>Target dividend yield for year ending 28 February 2017 based on mid-market share price as at market close on 31 August 2016:</b>			
After tax	7.5%	7.8%	4.7%
Equivalent pre-tax dividend to Higher Rate taxpayer	11.1%	11.5%	7.0%
Equivalent pre-tax dividend to Additional Rate taxpayer	12.1%	12.5%	7.6%

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

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

**Alan Moore**

Chairman

31 October 2016

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 and each new investment with appropriately qualified advisers and, typically, by obtaining pre-approval from HMRC for each qualifying investment.*

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

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

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

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

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

*The future level of Government-mandated support for renewables has important implications for the industry and could impact the value of investments the Company has made in companies which own and operate renewable projects. However the Directors believe that 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 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 Directors have concluded that it is appropriate to continue to adopt the going concern basis in preparing the accounts. The Company's major cash flows are within the Company's control (namely dividends) or are reasonably predictable (namely the operating expenses). The Company is able to forecast cash inflows comprising proceeds from investments to a reasonable degree. Having reviewed a cash flow forecast for the next 18 months, the Board has a reasonable expectation that the Company is able to continue in operational existence for a period of at least 12 months from the date of this report.

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

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

The Responsibility Statement has been approved by the Board.

**Alan Moore**  
Chairman

31 October 2016

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

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

Under the current VCT regulations, new investments in renewable energy companies that benefit from Renewable Obligation Certificates or Feed-in Tariffs are excluded as qualifying investments for VCTs. As announced in the 2015 Autumn Statement, with effect from 6 April 2016, investments made in all remaining energy generation activities (including the export of electricity and the production of gas or other fuel) will not be regarded as a qualifying trade.

Further changes to VCT regulations were introduced in the Finance Act 2016 which will restrict VCTs to making only qualifying investments and certain limited investments for liquidity purposes; all other non-qualifying investments will be prohibited. This further restricts the Company in its ability to make investments which are non-qualifying for VCT purposes.

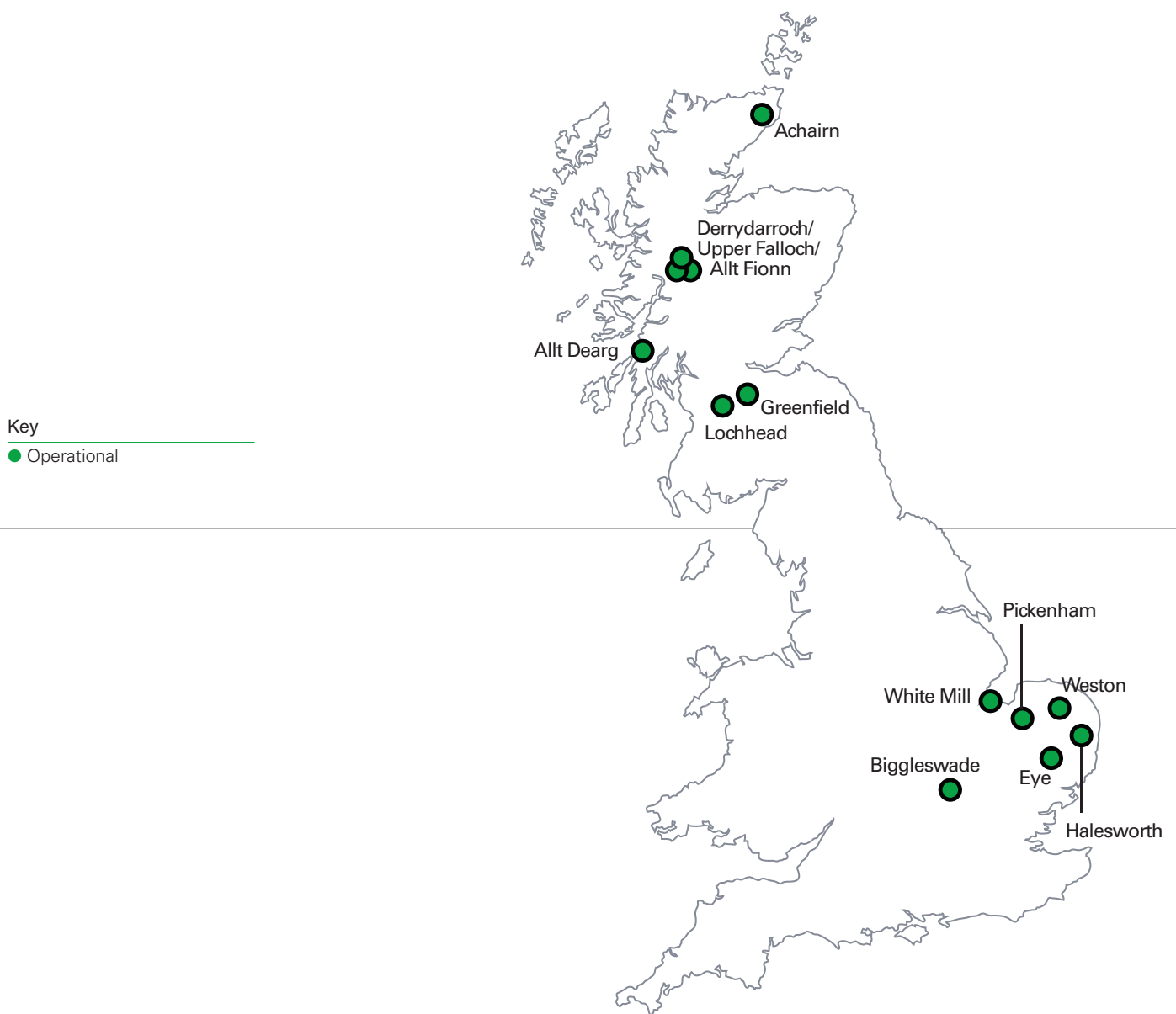
As such, the Company is limited in its ability to make further investments in accordance with the Investment Policy and, currently, has no plans to make further investments. The VCT restrictions described above do not affect any of the Company's existing investments.

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 2.3 megawatts.

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

The "D" share fund currently has 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 (2.8 megawatts combined).





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

	Capacity MW	Operational since	Location	Output as % of budget - 6 months ended 31 Aug 2016	Investment held by		
					Ordinary Share Fund	"C" Share Fund	"D" Share Fund
<b>Operational Wind</b>							
Achairn Energy Limited	6.00	May 2009	Caithness, Scotland	86.3%	•		
A7 Lochhead Limited	6.00	Jun 2009	Lanarkshire, Scotland	87.4%	•		
Greenfield Wind Farm Limited	12.30	Mar 2011	Lanarkshire, Scotland	89.7%	•	•	
Biggleswade Wind Farm Limited	20.00	Dec 2013	Bedfordshire	94.7%	•	•	
Eye Wind Power Limited	6.80	Apr 2014	Suffolk	85.9%	•		
BMGE Pickenham Ltd/ North Pickenham Energy Ltd	4.00	Apr 2014	Norfolk	109.5%	•	•	
BMGE Weston Ltd/ Weston Airfield Investments Ltd	4.00	Apr 2014	Norfolk	89.1%	•	•	
AD Wind Farmers Ltd (Allt Dearg Windfarmers LLP)	10.20	Dec 2012	Argyll and Bute, Scotland	96.6%		•	
White Mill Windfarm Limited	14.40	Aug 2012	Cambridgeshire	99.5%		•	
BMGE Halesworth Limited	10.25	Aug 2015	Suffolk	84.2%	•	•	•
<b>Operational Hydro</b>							
Osspower Limited (Allt Fionn)	1.99	Jul 2012	Near Loch Lomond, Scotland	107.0%	•		
Darroch Power Limited (Derrydarroch)	1.90	Dec 2015	Near Loch Lomond, Scotland	100.0%	•	•	•
Upper Falloch Power Limited	0.90	Dec 2015	Near Loch Lomond, Scotland	56.0%	•	•	•
<b>Operational Landfill Gas</b>							
Renewable Power Systems (Dargan Road) Limited	2.30	Aug 2009	Belfast, Northern Ireland	*	•		

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

# INVESTMENT MANAGER'S REPORT

Continued

The performance of the assets owned by the investee companies was generally satisfactory during the period. Availability of the turbines has been good but, generally, wind speeds have been below average.

The hydroelectric scheme operated by Upper Falloch Limited has performed below expectations predominantly 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 time the performance has significantly improved. However, this has highlighted a further, smaller issue in relation to the level of pressure in the pipeline. Further analysis of the underlying data is needed in order to determine whether generation levels now meet the original expectations. For that reason the investment in Upper Falloch Power Limited has been valued at cost.

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

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

	Ordinary Share	"C" Share	"D" Share
Percentage Loan-to-Value	52%	53%	62%
Average remaining tenor of loan (years)	12.2	12.7	14.8

## Ordinary share portfolio

A summary of the ordinary share fund's investment valuations as at 31 August 2016 and gains and losses during the six month period ended 31 August 2016 is given below:

	Voting rights as at 31 August 2016 %	Investment value			Investment cost			Unrealised gain/(loss) six months to 31 August 2016 £000	Investment value Total as at 29 February 2016 £000	Investment cost Total as at 29 February 2016 £000
		Shares as at 31 August 2016 £000	Loans as at 31 August 2016 £000	Total as at 31 August 2016 £000	Shares as at 31 August 2016 £000	Loans as at 31 August 2016 £000	Total as at 31 August 2016 £000			
<b>Operational wind</b>										
Achairn Energy Limited*	Q 40.40%	2,807	1,358	4,165	1,227	1,285	2,512	297	3,871	2,515
A7 Lochhead Limited*	Q 20.00%	654	-	654	568	-	568	64	590	568
Greenfield Wind Farm Limited*	PQ 16.65%	1,563	1,308	2,871	666	1,189	1,855	331	2,573	1,888
Biggleswade Wind Farm Limited*	Q 3.50%	313	291	604	86	264	350	26	578	350
Eye Wind Power Limited**	Q 35.38%	2,129	-	2,129	1,480	-	1,480	46	2,083	1,480
Bernard Matthews Green Energy Weston Limited*	Q 50.00%	844	-	844	500	-	500	(35)	879	500
Bernard Matthews Green Energy Pickenham Limited*	Q 50.00%	748	-	748	500	-	500	(9)	757	500
Bernard Matthews Green Energy Halesworth Limited**	Q 10.09%	743	-	743	351	-	351	22	721	351
<b>Operational companies in the wind sector</b>										
Firefly Energy Limited*	Q 50.00%	-	45	45	200	64	264	1	44	264
<b>Operational landfill gas</b>										
Renewable Power Systems (Dargan Road) Limited	Q 50.00%	675	982	1,657	780	896	1,676	14	1,699	1,732
<b>Operational small hydro</b>										
Osspower Limited	50.00%	2,906	-	2,906	300	-	300	(118)	3,024	300
Darroch Power Limited*	Q 11.46%	261	51	312	20	46	66	(40)	352	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	-	200	-	-	200
BEL Acquisition Limited*	1.91%	-	-	-	9	-	9	-	1	10
Sandsfield Heat & Power Limited	N/A	-	-	-	-	-	-	-	-	2,796
Redeven Energy Limited*	50.00%	-	-	-	-	130	130	-	-	130
<b>Total</b>		<b>13,712</b>	<b>4,066</b>	<b>17,778</b>	<b>6,895</b>	<b>3,905</b>	<b>10,800</b>	<b>599</b>	<b>17,272</b>	<b>13,689</b>

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 LLP.

\*\* 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 LLP.

# INVESTMENT MANAGER'S REPORT

Continued

## "C" share portfolio

A summary of the "C" share fund's investment valuations as at 31 August 2016 and gains and losses during the six months ended 31 August 2016 is given below:

		Investment value			Investment cost			Unrealised gain/(loss) six months to 31 August 2016	Investment value Total as at 29 February 2016	Investment cost Total as at 29 February 2016	
		Voting rights as at 31 August 2016 %	Shares as at 31 August 2016 £000	Loans as at 31 August 2016 £000	Total as at 31 August 2016 £000	Shares as at 31 August 2016 £000	Loans as at 31 August 2016 £000				Total as at 31 August 2016 £000
<b>Operational wind</b>											
Greenfield Wind Farm Limited*	PQ	12.50%	1,174	982	2,156	500	893	1,393	224	1,932	1,393
White Mill Windfarm Limited*	PQ	25.00%	2,193	349	2,542	1,000	318	1,318	143	2,399	1,318
AD Wind Farmers Limited*	Q	50.00%	1,156	-	1,156	1,000	-	1,000	(54)	1,210	1,000
Biggleswade Wind Farm Limited*	Q	21.50%	1,922	1,786	3,708	527	1,622	2,149	157	3,551	2,149
Weston Airfield Investments Limited*	Q	50.00%	1,627	-	1,627	1,000	-	1,000	(74)	1,701	1,000
North Pickenham Energy Limited*	Q	50.00%	1,463	-	1,463	1,000	-	1,000	(18)	1,481	1,000
Bernard Matthews Green Energy Halesworth Limited**	Q	5.63%	416	-	416	300	-	300	12	404	300
<b>Operational small hydro</b>											
Darroch Power Limited*	Q	4.22%	96	146	242	52	133	185	(15)	257	185
Upper Falloch Power Limited*	Q	2.79%	17	90	107	17	90	107	-	107	107
<b>Realised investments</b>											
Iceni Renewables Limited*		50.00%	-	-	-	400	18	418	-	-	418
<b>Total</b>			<b>10,064</b>	<b>3,353</b>	<b>13,417</b>	<b>5,796</b>	<b>3,074</b>	<b>8,870</b>	<b>375</b>	<b>13,042</b>	<b>8,870</b>

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 LLP.

\*\* 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 LLP.

## “D” share portfolio

A summary of the “D” share fund’s investment valuations as at 31 August 2016 and gains and losses during the six months ended 31 August 2016 is given below:

		Investment value			Investment cost			Unrealised gain/(loss) six months to 31 August 2016 £000	Investment value Total as at 29 February 2016 £000	Investment cost Total as at 29 February 2016 £000	
		Voting rights as at 31 August 2016 %	Shares as at 31 August 2016 £000	Loans as at 31 August 2016 £000	Total as at 31 August 2016 £000	Shares as at 31 August 2016 £000	Loans as at 31 August 2016 £000				Total as at 31 August 2016 £000
<b>Operational wind</b>											
Bernard Matthews Green Energy Halesworth Limited**	q	13.38%	987	-	987	712	-	712	30	957	712
<b>Operational small hydro</b>											
Darroch Power Limited*	q	25.50%	580	358	938	319	325	644	(90)	1,028	644
Upper Falloch Power Limited*	q	29.58%	185	189	374	185	189	374	-	374	374
<b>Total</b>			<b>1,752</b>	<b>547</b>	<b>2,299</b>	<b>1,216</b>	<b>514</b>	<b>1,730</b>	<b>(60)</b>	<b>2,359</b>	<b>1,730</b>

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 LLP.

\*\* 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 LLP.

## Valuation of Investments

It is the accounting policy of the Company to hold its investments at fair value. The Company’s investments in investee companies which operate renewable energy assets are valued using a discounted cash flow methodology. The Company has 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 7.25% to 9%.

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

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

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 the 31 August 2016 the Company has changed the valuation assumption for the operating life of a wind farm from 20 to 25 years from date of first operation (albeit with an assumed reduction in availability in the final five years of operation). The Directors believe that a change in the operating life assumption was required for wind energy assets as an active market for the sale of renewable energy projects has developed and, as part of that, participants have generally adopted a 25 year operating life assumption in valuing these assets. 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 effect of the change in the operating life has had a positive impact on the valuation of the investee companies which own wind farms.

The assumption for the operating lives of hydroelectric assets has not changed. The assumption used in the valuation models of the hydro investments is a rolling 25 year period 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 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 is expected to earn for the Company from providing generators to the landfill gas scheme over 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 for the remaining assumed operating lifetime of the underlying assets.

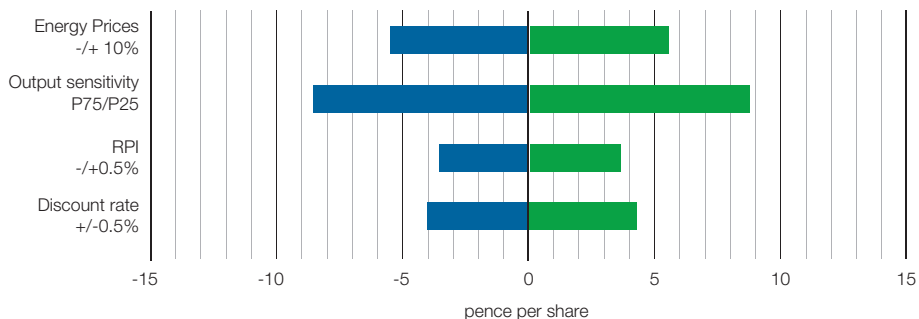
The price at which the output from the generating assets is sold is a factor of both wholesale electricity prices and Government subsidies. The selling price is often fixed in the medium term under power purchase agreements. For periods outside the terms of these agreements the assumed future prices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

	Ordinary Share	"C" Share	"D" Share
Percentage of investee companies with a fixed electricity price	75%	78%	33%
Average remaining tenor of the fixed electricity price (years)	4.2	4.6	0.6

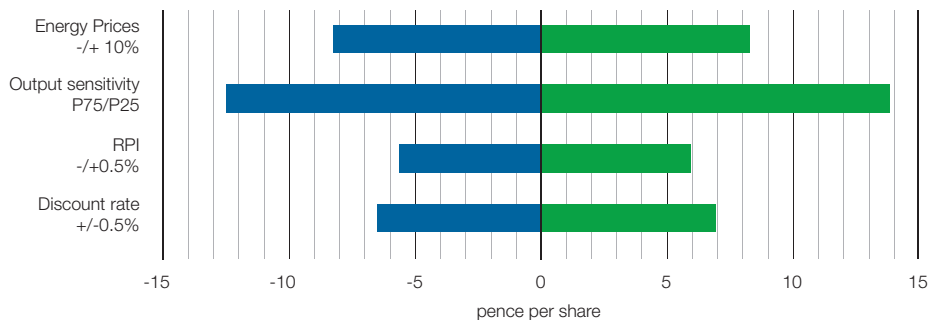
Specifically commissioned external consultant reports are used to estimate the expected generating output of the investee company's generating assets taking into account their type and location. The analysis set out below describes the sensitivity of each share fund's NAV to a higher (P75) or lower (P25)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

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

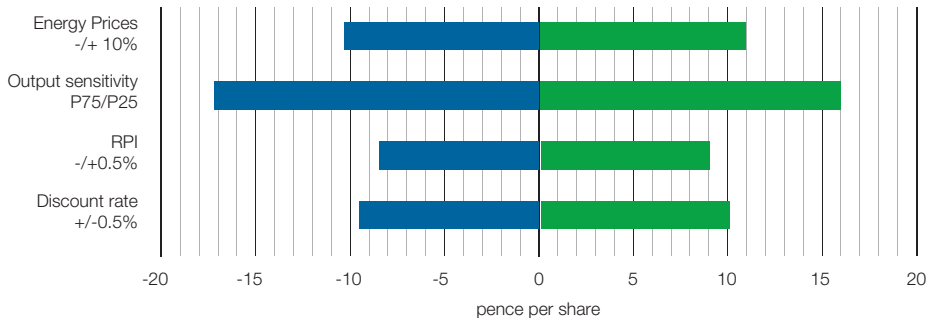
**Sensitivity of the NAV of Ordinary share fund to changes in key input assumptions**



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



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





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

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

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

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

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

### Risk Diversification

The geographical focus of the Company's portfolio is the UK and the majority of investments made to date are in the wind sector. Funds are invested in a range of companies with small-scale projects so project risk is not concentrated in only a few schemes. 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 fund the construction costs of each project through senior debt which is non-recourse to the Company. The Investment Manager is involved in assisting investee companies in negotiating the terms of this finance to ensure competitive terms are achieved. The interest rate is typically fixed for the duration of the loan so that investee companies are not exposed to changes in market interest rates.

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

## Maximum Exposures

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

### i) Investments in qualifying holdings

Under VCT regulations, at least 70% of the Company's funds should be invested in qualifying holdings. When there is an issue of new shares, the 70% requirement does not apply to the new funds raised for any accounting periods which end earlier than three years from the date of allotment of the new shares.

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

### ii) Concentration limits

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

**Temporis Capital LLP**  
Investment Manager

31 October 2016

# DIRECTORS AND ADVISERS

## **Directors**

Alan Moore OBE (Chairman)  
Paul Thomas  
Colin Wood

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## **Investment Manager and Registered Office**

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

## **Company Secretary**

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

## **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**

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

## **Internal Auditor**

Roffe Swayne  
Ashcombe Court  
Godalming  
Surrey GU7 1LQ

## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six month period ended 31 August 2016 which comprises the Condensed Statement of Comprehensive Income, the Condensed Statement of Financial Position, the Condensed Statement of Changes in Equity, the Condensed Statement of Cash Flows and the related explanatory notes.

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

## Directors' responsibilities

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

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

## Our responsibility

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

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

## Scope of review

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six month period ended 31 August 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## BDO LLP

Chartered Accountants  
London,  
United Kingdom

31 October 2016

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

# CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the six month period ended 31 August 2016

	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	7	-	1	1	-	-	-	-	-	-	-	1	1
Net unrealised gain/(loss) on investments	7	-	598	598	-	375	375	-	(60)	(60)	-	913	913
Income from investments		327	-	327	602	-	602	30	-	30	959	-	959
Investment management fees	4	(61)	(184)	(245)	(44)	(131)	(175)	(7)	(22)	(29)	(112)	(337)	(449)
Other expenses		(112)	-	(112)	(51)	-	(51)	(11)	-	(11)	(174)	-	(174)
<b>Profit/(loss) before taxation</b>		154	415	569	507	244	751	12	(82)	(70)	673	577	1,250
Taxation	5	(14)	14	-	(21)	21	-	(2)	2	-	(37)	37	-
<b>Profit/(loss) and total comprehensive income attributable to equity shareholders</b>		140	429	569	486	265	751	10	(80)	(70)	636	614	1,250
<b>Earnings per share</b>													
Basic and diluted earnings per share (p)	6	<b>0.57</b>	<b>1.75</b>	<b>2.32</b>	<b>4.30</b>	<b>2.35</b>	<b>6.65</b>	<b>0.49</b>	<b>(4.01)</b>	<b>(3.52)</b>			

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

The total column of this statement represents the 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 22 to 28 form an integral part of these Financial Statements.

# CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the six month period ended 31 August 2015

	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	7	-	85	85	-	-	-	-	-	-	-	85	85
Net unrealised gain/(loss) on investments	7	-	820	820	-	(125)	(125)	-	203	203	-	898	898
Income		780	-	780	471	-	471	83	-	83	1,334	-	1,334
Investment management fees	4	(58)	(172)	(230)	(44)	(133)	(177)	(6)	(18)	(24)	(108)	(323)	(431)
Other expenses		(121)	-	(121)	(43)	-	(43)	(8)	-	(8)	(172)	-	(172)
<b>Profit/(loss) before taxation</b>		601	733	1,334	384	(258)	126	69	185	254	1,054	660	1,714
Taxation	5	(18)	18	-	(23)	23	-	(3)	3	-	(44)	44	-
<b>Profit/(loss) and total comprehensive income attributable to equity shareholders</b>		583	751	1,334	361	(235)	126	66	188	254	1,010	704	1,714
<b>Return per share</b>													
Basic and diluted return per share (p)	6	<b>2.40</b>	<b>3.07</b>	<b>5.47</b>	<b>3.20</b>	<b>(2.09)</b>	<b>1.11</b>	<b>3.34</b>	<b>9.41</b>	<b>12.75</b>			

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 22 to 28 form an integral part of these Financial Statements.

# CONDENSED STATEMENT OF FINANCIAL POSITION

as at 31 August 2016

	Note	As at 31 August 2016				As at 29 February 2016 (audited)			
		Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Total £000
<b>Non-current assets</b>									
Investments	7	17,778	13,417	2,299	33,494	17,272	13,042	2,359	32,673
		17,778	13,417	2,299	33,494	17,272	13,042	2,359	32,673
<b>Current assets</b>									
Trade and other receivables		343	287	83	713	1,545	423	104	2,072
Cash and cash equivalents		1,017	488	88	1,593	422	428	104	954
		1,360	775	171	2,306	1,967	851	208	3,026
<b>Total assets</b>		19,138	14,192	2,470	35,800	19,239	13,893	2,567	35,699
<b>Current liabilities</b>									
Trade and other payables		(64)	(81)	(15)	(160)	(63)	(25)	(2)	(90)
<b>Net current assets</b>		1,296	694	156	2,146	1,904	826	206	2,936
<b>Net assets</b>		19,074	14,111	2,455	35,640	19,176	13,868	2,565	35,609
<b>Equity attributable to equity holders</b>									
Share capital		6,097	2,832	498	9,427	6,097	2,832	498	9,427
Capital redemption reserve		2,105	-	-	2,105	2,105	-	-	2,105
Share premium		-	-	1,433	1,433	-	-	1,433	1,433
Special reserve		13,472	7,725	-	21,197	13,472	7,725	-	21,197
Capital reserve – realised		(10,646)	(1,863)	(88)	(12,597)	(10,477)	(1,753)	(68)	(12,298)
Capital reserve – unrealised		7,951	5,028	569	13,548	7,353	4,653	629	12,635
Revenue reserve		95	389	43	527	626	411	73	1,110
<b>Total equity</b>		19,074	14,111	2,455	35,640	19,176	13,868	2,565	35,609
<b>Basic and diluted net asset value per share (p)</b>	8	<b>78.2</b>	<b>125.1</b>	<b>123.3</b>		<b>78.6</b>	<b>122.9</b>	<b>128.8</b>	

Approved by the Board and authorised for issue on 31 October 2016.

## Alan Moore

Chairman

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

Ventus 2 VCT plc. Registered No: 05667210



# CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six month period ended 31 August 2016

	Share capital £000	Capital redemption reserve £000	Share premium £000	Special reserve £000	Capital reserve realised £000	Capital reserve unrealised £000	Revenue reserve £000	Total £000
<b>Ordinary Shares</b>								
<b>At 1 March 2016</b>	6,097	2,105	-	13,472	(10,477)	7,353	626	19,176
Profit/(loss) and total comprehensive income for the period	-	-	-	-	(169)	598	140	569
Dividends paid in the period	-	-	-	-	-	-	(671)	(671)
<b>At 31 August 2016</b>	6,097	2,105	-	13,472	(10,646)	7,951	95	19,074
<b>"C" Shares</b>	£000	£000	£000	£000	£000	£000	£000	£000
<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 period	-	-	-	-	(110)	375	486	751
Dividends paid in the period	-	-	-	-	-	-	(508)	(508)
<b>At 31 August 2016</b>	2,832	-	-	7,725	(1,863)	5,028	389	14,111
<b>"D" Shares</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2016</b>	498	-	1,433	-	(68)	629	73	2,565
Profit/(loss) and total comprehensive income for the period	-	-	-	-	(20)	(60)	10	(70)
Dividends paid in the period	-	-	-	-	-	-	(40)	(40)
<b>At 31 August 2016</b>	498	-	1,433	-	(88)	569	43	2,455
<b>Total</b>	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 March 2016</b>	9,427	2,105	1,433	21,197	(12,298)	12,635	1,110	35,609
Profit/(loss) and total comprehensive income for the period	-	-	-	-	(299)	913	636	1,250
Dividends paid in the period	-	-	-	-	-	-	(1,219)	(1,219)
<b>At 31 August 2016</b>	9,427	2,105	1,433	21,197	(12,597)	13,548	527	35,640

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, as and if it is considered by the Board to be in the interests of the shareholders, and pay dividends.

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

# CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 31 August 2015

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

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

# CONDENSED STATEMENT OF CASH FLOWS

For the six month period ended 31 August 2016

	Ordinary Shares £000	"C" Shares £000	"D" Shares £000	Six months ended 31 August 2016 Total £000	Six months ended 31 August 2015 Total £000
<b>Cash flows from operating activities</b>					
Investment income received	717	745	54	1,516	1,162
Deposit interest received	2	-	-	2	-
Investment management fees paid	(246)	(175)	(30)	(451)	(432)
Other cash payments	(117)	(2)	-	(119)	(155)
<b>Net cash inflow from operating activities</b>	<b>356</b>	<b>568</b>	<b>24</b>	<b>948</b>	<b>575</b>
<b>Cash flows from investing activities</b>					
Purchases of investments	-	-	-	-	(1,414)
Disposal of investments	817	-	-	817	87
Proceeds from investments	93	-	-	93	153
<b>Net cash inflow/(outflow) from investing activities</b>	<b>910</b>	<b>-</b>	<b>-</b>	<b>910</b>	<b>(1,174)</b>
<b>Cash flows from financing activities</b>					
Dividends paid	(671)	(508)	(40)	(1,219)	(907)
<b>Net cash outflow from financing activities</b>	<b>(671)</b>	<b>(508)</b>	<b>(40)</b>	<b>(1,219)</b>	<b>(907)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>595</b>	<b>60</b>	<b>(16)</b>	<b>639</b>	<b>(1,506)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>422</b>	<b>428</b>	<b>104</b>	<b>954</b>	<b>2,464</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,017</b>	<b>488</b>	<b>88</b>	<b>1,593</b>	<b>958</b>

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

# EXPLANATORY NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six month period ended 31 August 2016

## 1. Accounting convention and policies

The half-yearly results which cover the six month period ended 31 August 2016 have been prepared on the basis of accounting policies set out in the statutory accounts of the Company for the year ended 29 February 2016. The half-yearly financial statements have been prepared under IAS 34 Interim Financial Reporting.

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

## 2. Use of estimates and judgments

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 the 31 August 2016 the Company has changed the valuation assumption for the operating life of a wind farm from 20 to 25 years from date of first operation (albeit with an assumed reduction in availability in the final five years of operation). The Directors believe that a change in the operating life assumption was required for wind energy assets as an active market for the sale of renewable energy projects has developed and, as part of that, participants have generally adopted a 25 year operating life assumption in valuing these assets. 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.

## 3. Publication of non-statutory accounts

These are not statutory accounts in accordance with S436 of the Companies Act 2006 and the financial information for the six month period ended 31 August 2016 and 31 August 2015 have not been audited but have been reviewed by the auditor.

Statutory accounts in respect of the year ended 29 February 2016 have been audited and reported on by the auditor and delivered to the Registrar of Companies and included the report of the auditor which was unqualified and did not contain a statement under S498(2) or S498(3) of the Companies Act 2006.

## 4. Investment management fees

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

The management fee paid to the Investment Manager for the six month period ended 31 August 2016 in respect of net asset value attributable to ordinary shareholders was £245,000 (six month period ended 31 August 2015: £230,000). The management fee paid to the Investment Manager for the six month period ended 31 August 2016 in respect of the net assets attributable to the "C" shareholders was £175,000 (six month period ended 31 August 2015: £177,000). The management fee paid to the Investment Manager for the six month period ended 31 August 2016 in respect of the net assets attributable to the "D" shareholders was £29,000 (six month period ended 31 August 2015: £24,000). No performance fee was earned by the Investment Manager during the six month period ended 31 August 2016.

## 5. Taxation

The Company has accrued £nil tax charge for the six month period ended 31 August 2016 in the ordinary share fund (six month period ended 31 August 2015: £nil tax charge), £nil tax charge for the six month period ended 31 August 2016 in the "C" share fund (six month period ended 31 August 2015: £nil tax charge), £nil tax charge for the six month period ended 31 August 2016 in the "D" share fund (six month period ended 31 August 2015: £nil tax charge).

The tax charges are accrued using an effective tax rate of 20% for the 2016/17 tax year and 20% for the 2015/16 tax year, however dividends and capital gains are not subject to tax resulting in a lower effective tax rate than the standard applicable rate in the UK.

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

## 6. Basic and diluted earnings per share

<b>For the six month period ended 31 August 2016</b>		<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>
Revenue return for the period	<i>p per share*</i>	0.57	4.30	0.49
<i>Based on:</i>				
Revenue return for the period	<i>£000</i>	140	486	10
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Capital gain/(loss) for the period	<i>p per share*</i>	1.75	2.35	(4.01)
<i>Based on:</i>				
Capital gain/(loss) for the period	<i>£000</i>	429	265	(80)
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 period	<i>p per share*</i>	2.32	6.65	(3.52)
<i>Based on:</i>				
Net profit/(loss) for the period	<i>£000</i>	569	751	(70)
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
<hr/>				
<b>For the six month period ended 31 August 2015</b>		<b>Ordinary Shares</b>	<b>"C" Shares</b>	<b>"D" Shares</b>
Revenue earnings for the period	<i>p per share</i>	2.40	3.20	3.34
<i>Based on:</i>				
Revenue earnings for the period	<i>£000</i>	583	361	66
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Capital gain/ (loss) for the period	<i>p per share</i>	3.07	(2.09)	9.41
<i>Based on:</i>				
Capital gain/ (loss) for the period	<i>£000</i>	751	(235)	188
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767
Net profit for the period	<i>p per share</i>	5.47	1.11	12.75
<i>Based on:</i>				
Net profit for the period	<i>£000</i>	1,334	126	254
Weighted average number of shares in issue	<i>number of shares</i>	24,392,655	11,283,207	1,990,767

\* 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.

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 7. Investments

For the six months ended 31 August 2016	Ordinary Shares			"C" Shares			"D" Shares			Total		
	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000
<b>Opening position</b>												
Opening cost	8,692	4,997	13,689	5,796	3,074	8,870	1,216	514	1,730	15,704	8,585	24,289
Closing 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)	-	(1)	-	-	-	-	-	-	(1)	-	(1)
Disposal proceeds	-	(92)	(92)	-	-	-	-	-	-	-	(92)	(92)
Realised gains	1	-	1	-	-	-	-	-	-	1	-	1
Unrealised gains/(losses)	575	23	598	375	-	375	(60)	-	(60)	890	23	913
Closing fair value	13,712	4,066	17,778	10,064	3,353	13,417	1,752	547	2,299	25,528	7,966	33,494
<b>Closing position</b>												
Closing cost	6,895	3,905	10,800	5,796	3,074	8,870	1,216	514	1,730	13,907	7,493	21,400
Closing realised losses	(652)	(228)	(880)	(464)	(17)	(481)	-	-	-	(1,116)	(245)	(1,361)
Closing unrealised gains	7,469	389	7,858	4,732	296	5,028	536	33	569	12,737	718	13,455
Closing fair value	13,712	4,066	17,778	10,064	3,353	13,417	1,752	547	2,299	25,528	7,966	33,494

During the six month period ended 31 August 2016 the ordinary share fund's investment of £1,796,000 in shares and £1,000,000 in loan stock of Sandsfield Heat & Power Limited was derecognised. This is reflected in the closing cost and realised losses balances.



Year ended 29 February 2016 (audited)	Ordinary Shares			"C" Shares			"D" Shares			Total		
	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000	Shares £000	Loan Stock £000	Total £000
<b>Opening position</b>												
Opening cost	8,783	5,103	13,886	5,759	2,898	8,657	712	-	712	15,254	8,001	23,255
Closing realised losses	(2,564)	(1,228)	(3,792)	(464)	(17)	(481)	-	-	-	(3,028)	(1,245)	(4,273)
Opening unrealised gains	6,469	412	6,881	4,472	227	4,699	-	-	-	10,941	639	11,580
Opening fair value	12,688	4,287	16,975	9,767	3,108	12,875	712	-	712	23,167	7,395	30,562
<b>During the year</b>												
Purchases at cost	24	76	100	70	223	293	504	514	1,018	598	813	1,411
Investment proceeds*	(90)	(182)	(272)	-	(47)	(47)	-	-	-	(90)	(229)	(319)
Realised gains/(losses)	90	-	90	(33)	-	(33)	-	-	-	57	-	57
Unrealised gains/(losses)	425	(46)	379	(115)	69	(46)	596	33	629	906	56	962
Closing 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>Closing position</b>												
Closing cost	8,692	4,997	13,689	5,796	3,074	8,870	1,216	514	1,730	15,704	8,585	24,289
Closing realised losses	(2,449)	(1,228)	(3,677)	(464)	(17)	(481)	-	-	-	(2,913)	(1,245)	(4,158)
Closing unrealised gains	6,894	366	7,260	4,357	296	4,653	596	33	629	11,847	695	12,542
Closing 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

\* Investment proceeds in the year ended 29 February 2016 includes £3,400 of liquidation proceeds received in respect of BEL Holdco. In addition, investment proceeds of £87,000 were received from the sale of Ben Glas Power Limited.

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

In order to determine the valuations of the investee companies as at 31 August 2016 (and 29 February 2016), the Company has applied a discount rate to the unleveraged cash flows to calculate the enterprise value of the investee company and has then 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 market value of senior debt in an investee company is its liquidation cost, i.e., the principal balance plus unpaid accrued interest, early repayment fees and swap break cost (if applicable). The market value of the mezzanine debt is determined by discounting the future principal and interest cash flows at a discount rate 9% with a cap on its value equal to 110% of face value.

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

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

As at 31 August 2016, each of the Company's investments held was valued using inputs which are considered to be Level 3 inputs and a reconciliation of the movements is in the table above.

7. Investments

As at 31 August 2016

	Carrying amount £000	Quoted prices in active markets for identical instruments Level 1 £000	Significant other observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000
Shares	25,528	-	-	25,528
Loan stock	7,966	-	-	7,966
<b>Total</b>	<b>33,494</b>	<b>-</b>	<b>-</b>	<b>33,494</b>

The following economic assumptions were used in the discounted cash flow valuations at:

	31 August 2016	29 February 2016
UK inflation rate	2.50%	2.50%
UK corporation tax rate	20% reducing to 19% from 1 April 2018, reducing further to 17% from 1 April 2021	20% reducing to 19% from 1 April 2018, reducing further to 18% from 1 April 2021
Euro/sterling exchange rate	1.20	1.38
Energy yield assumptions	P50 case	P50 case
Operating life wind energy assets	25 years from date of first operation	20 years from date of first operation
Operating life hydro projects	25 years from valuation date	25 years from valuation date
Discount rates	range from 7.25% to 9%	range from 7.25% to 9%

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

The key assumptions that have a significant impact on fair value in the discounted future cash flow valuations are the discount factors used (which range from 7.25% to 9%), the price at which power and associated benefits may be sold and the levels of electricity the investee companies' generating assets are likely to produce (which are taken from specialist consultant reports).

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

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

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

	Discount Factor +0.5% £000	Net Asset Value £000	Discount Factor -0.5% £000
Ordinary shares	18,095	19,074	20,109
"C" shares	13,372	14,111	14,893
"D" shares	2,265	2,455	2,658

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

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

### As at 31 August 2016

		Ordinary Shares	"C" Shares	"D" Shares
Net asset value per share	<i>p per share</i>	78.2	125.1	123.3
<i>Based on:</i>				
Net asset value	<i>£000</i>	19,074	14,111	2,455
Number of shares	<i>number of shares</i>	24,392,655	11,283,207	1,990,767

### As at 29 February 2016 (audited)

		Ordinary Shares	"C" Shares	"D" Shares
Net asset value per share	<i>p per share</i>	78.6	122.9	128.8
<i>Based on:</i>				
Net asset value	<i>£000</i>	19,176	13,868	2,565
Number of shares	<i>number of shares</i>	24,392,655	11,283,207	1,990,767

## 9. Dividends

A final dividend for the year ended 29 February 2016 of 2.75p per ordinary share was paid to ordinary shareholders on 10 August 2016.

An interim dividend of 2.50p per ordinary share has been declared for the six month period ended 31 August 2016 which will be paid on 18 January 2017 to all ordinary shareholders on the register as at close of business on 16 December 2016.

A final dividend for the year ended 29 February 2016 of 4.50p per "C" share was paid to "C" shareholders on 10 August 2016.

An interim dividend of 3.50p per "C" share has been declared for the six month period ended 31 August 2016 which will be paid on 18 January 2017 to all "C" shareholders on the register as at close of business on 16 December 2016.

A final dividend for the year ended 29 February 2016 of 2.00p per "D" share was paid to "D" shareholders on 10 August 2016.

An interim dividend of 1.50p per "D" share has been declared for the six month period ended 31 August 2016 which will be paid on 18 January 2017 to all "D" shareholders on the register as at close of business on 16 December 2016.

## 10. Contingencies, guarantees and financial commitments

The contingencies, guarantees and financial commitments of the Company were disclosed in the annual report and financial statements for the year ended 29 February 2016. All the guarantees disclosed therein remain in force.

# NOTES TO THE FINANCIAL STATEMENTS

Continued

## 11. 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.

	Ordinary Shares £000	"C" shares £000	"D" shares £000	Total £000
<b>Balances as at 31 August 2016</b>				
Investments - shares	13,712	10,064	1,752	25,528
Investments - loan stock	4,066	3,353	547	7,966
Accrued interest income	273	281	82	636
<b>Transactions for the six months ended 31 August 2016</b>				
Loan stock interest income	244	201	30	475
Dividend income	81	401	-	482
<b>Balances as at 31 August 2015</b>				
Investments - shares	13,529	9,653	1,419	24,601
Investments - loan stock	4,233	3,367	514	8,114
Accrued interest income	376	193	27	596
<b>Transactions in the six months ended 31 August 2015</b>				
Loan stock interest income	166	201	27	394
Dividend income	485	270	56	811
<b>Balances as at 29 February 2016 (audited)</b>				
Investments - shares	13,136	9,689	1,812	24,637
Investments - loan stock	4,135	3,353	547	8,035
Accrued interest income	255	207	51	513
Accrued dividends	408	217	53	678
<b>Transactions in the year ended 29 February 2016 (audited)</b>				
Loan stock interest income	515	400	51	966
Dividend income	1,503	871	110	2,484

## 12. Report distribution

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





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**TEMPORIS CAPITAL**

**Investment Manager**

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

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

