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**Gresham House**  
*Specialist asset management*

## **GRESHAM HOUSE RENEWABLE ENERGY VCT2 PLC**

### HALF-YEARLY REPORT

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For the six months ended 31 March 2020

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## SHAREHOLDER INFORMATION

### PERFORMANCE SUMMARY

|                                    | 17 June<br>2020 | 31 March<br>2020<br>Pence | 30 September<br>2019<br>Pence | 31 March<br>2019<br>Pence |
|------------------------------------|-----------------|---------------------------|-------------------------------|---------------------------|
| Net asset value per Ordinary Share |                 | 104.1                     | 115.8                         | 114.2                     |
| Net asset value per 'A' Share      |                 | 0.1                       | 0.1                           | 0.1                       |
| Cumulative dividends*              |                 | 51.3                      | 45.5                          | 45.5                      |
| Total Return*                      |                 | 155.5                     | 161.4                         | 159.8                     |
| Share Price – Ordinary (GV2O)      | 104.0p          | 104.0p                    | 110.0p                        | 110.0p                    |
| Share Price – A Shares (GV2A)      | 5.05p           | 5.05p                     | 5.05p                         | 5.05p                     |

\* for a holding of one Ordinary Share and A Share

### DIVIDENDS

|              |                   | Ordinary<br>Shares | 'A'<br>Shares | Total |
|--------------|-------------------|--------------------|---------------|-------|
| 2011 Final   | 30 March 2012     | 3.5                | –             | 3.5   |
| 2012 Final   | 28 March 2013     | 5.0                | –             | 5.0   |
| 2013 Special | 28 February 2014  | 7.3                | 3.7           | 11.0  |
| 2013 Final   | 28 March 2014     | 5.0                | –             | 5.0   |
| 2015 Interim | 18 September 2015 | 5.0                | –             | 5.0   |
| 2016 Interim | 16 September 2016 | 5.0                | –             | 5.0   |
| 2017 Interim | 15 September 2017 | 5.0                | –             | 5.0   |
| 2018 Interim | 14 December 2018  | 5.5                | 0.5           | 6.0   |
| 2019 Interim | 20 December 2019  | 5.3                | 0.5           | 5.8   |
|              |                   | 46.6               | 4.7           | 51.3  |

The next dividend is expected to be paid in December 2020 and will be announced in November 2020.

Dividends are paid by the registrar on behalf of the VCT. Shareholders who wish to have dividends paid directly into their bank account and did not complete these details on their original application form can complete a mandate form for this purpose. Forms can be obtained from Link Asset Services, whose contact details are shown on the back cover.

Shareholder information is continued on page 22.

## CHAIRMAN'S STATEMENT

I am pleased to present the Half Yearly Report of Gresham House Renewable Energy VCT2 plc for the period ended 31 March 2020.

Overall performance in the first half of the year, which has a significantly lower contribution on annual performance than the second half of the year, has been below forecasts in generation as well as revenue terms. Solar irradiation was weak during the winter months, with the strong sunshine in March coming too late to change the overall picture. Weaker technical performance from some of the older assets in the portfolio, and a decline in electricity power prices 31% down year on year to the end of March, that accelerated with the COVID-19 pandemic, also created headwinds.

The pandemic outbreak together with the oil price war between Russia and the OPEC countries led by Saudi Arabia caused significant volatility in the financial markets with the FTSE 100 falling 25% in the three months to the end of March, the biggest quarterly contraction in London-listed share values since the aftermath of Black Monday in October 1987. Furthermore, in the first three months of this year, the UK experienced the sharpest economic contraction since the peak of the financial crisis (Q4 2008). The 5.8% single-month fall in March was the biggest on record (since 1997).

The resultant lockdown that commenced on 23 March has had minimal impact on the VCT's commercial operations given that the majority of the VCT's assets require a relatively low level of human presence.

### INVESTMENT PORTFOLIO

At the period end, the VCT held a portfolio of 16 investments, which were valued at £30.1m. There were two additions to the portfolio during the period, being a new investment of £0.6m into Bio-bean in October 2019 and a new investment of £1.0m into Rezatec in January 2020.

The portfolio is analysed (by value) between the different types of assets as follows:

|                      |       |
|----------------------|-------|
| Ground-mounted Solar | 82.1% |
| Rooftop Solar        | 9.1%  |
| Small Wind           | 3.6%  |
| Non-renewable        | 5.2%  |

The Board has reviewed the investment valuations at the half year date. The value of the portfolio has been revised downwards, due in large part to the impact of the COVID-19 pandemic on inflation expectations, power prices and UK Corporation Tax rates. The adjustments have resulted in a net revaluation decrease of £1.1m, or 3.8%, in the period to 31 March 2020. This revaluation decrease and the VCT's running costs for the half year have resulted in a decrease in the NAV of approximately 5.9p per share.

Further detail on the investment portfolio is provided in the Investment Adviser's Report on pages 5 to 12.

### NET ASSET VALUE AND RESULTS

At 31 March 2020, the Net Asset Value ("NAV") per Ordinary Share stood at 104.1p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 104.2p per "pair" of Shares. The movement in the NAV per share during the half year is detailed in the table below:

|                                                      | Pence per 'pair' of Shares |
|------------------------------------------------------|----------------------------|
| NAV as at 1 October 2019                             | 115.9                      |
| Less payment of interim dividend on 20 December 2019 | (5.8)                      |
| Less Valuation decrease                              | (5.9)                      |
| NAV as at 31 March 2020                              | 104.2                      |

## CHAIRMAN'S STATEMENT (CONTINUED)

### NET ASSET VALUE AND RESULTS (CONTINUED)

Total dividends paid to date for a combined holding of one Ordinary Share and one 'A' Share stand at 51.3p. Total Return (NAV plus cumulative dividends) since inception has decreased by 3.7% in the period and now stands at 155.5p, compared to the cost to investors in the initial fundraising of £1.00 or 70.0p net of income tax relief.

The loss on ordinary activities after taxation for the half year was £1,473,000, comprising a revenue loss of £297,000 and a capital loss of £1,176,000 as shown in the Income Statement on page 13.

Updated Key Information Documents ("KIDs") are now available on the Gresham House website. The information in the KIDs is required by law to be disclosed to investors, and all figures and scenarios are calculated in accordance with the rules set by the FCA. In consequence, the risk and scenario analysis contained in these documents may therefore not represent the Board's view of likely returns on investments, particularly when the Ordinary share and A share KIDs are viewed separately.

### DIVIDENDS

On 21 November 2019, the Board declared dividends in respect of the year ended 30 September 2019 of 5.3133p per Ordinary Share and 0.4867p per A Share. These dividends were paid on 20 December 2019 to Shareholders on the register at 29 November 2019.

### FUNDRAISING AND INVESTMENT ACTIVITIES

The VCT did not raise any funds during the period ended 31 March 2020. As reported previously, the VCT undertook two top-up fundraisings in 2018, raising a total of £5.7m for this VCT and £5.7m for VCT1. For your VCT, a total of 4,647,144 Ordinary and 5,684,428 'A' Shares were issued in respect of the offers.

These new funds have provided the opportunity for the VCT to make a small number of new VCT qualifying investments and provide the VCT with some additional flexibility that will help it to maintain the new 80% qualification threshold. In October 2019, the VCT invested a portion of this funding into Bio-bean, a company that recycles used coffee grounds into efficient, sustainable products for both consumer and industrial applications. In January 2020, the VCT invested a further £1.0m into Rezatec, a geospatial data analytics company. Further information on these two companies is included in the Investment Adviser's Report on pages 5 to 12.

### SHARE BUYBACKS

The Board has decided that the VCT will not be buying in Shares for the foreseeable future as highlighted in the Annual Report, as the VCT needs to conserve such cash as it generates for the running of the VCT and the payment of dividends.

The Board is however aware that from time to time some Shareholders may wish to realise part or all of their investment and has therefore taken steps to try to ensure that there is a liquid market in the VCT's shares. Shareholders considering selling their Shares should contact the broker for the VCT, whose details are shown on the Shareholder Information page.

### BOARD COMPOSITION

The Board comprises three non-executive directors with a broad range of experience and we continue to work closely with the Board of the sister company, Gresham House Renewable Energy VCT1 plc.

## CHAIRMAN'S STATEMENT (CONTINUED)

### ANNUAL GENERAL MEETING

The VCT's ninth AGM was due to be held on 17 March 2020. Unfortunately, due to COVID-19 the venue and facilities for the AGM were closed and the AGM was postponed.

The AGM has been rescheduled to 25 June 2020. Due to the Government's guidance that non-essential contact should be avoided, we have had to restrict access to the AGM. We would encourage you to vote through the share portal service. We welcome any questions in advance of the AGM and ask you to submit your questions through the Company Secretary at [GreshamVCTs@jtc.com](mailto:GreshamVCTs@jtc.com). Questions and answers will be included on the Gresham House Renewable VCT website.

### OUTLOOK

While COVID-19 presents an unprecedented challenge to the country and economy, the Board believes that the long-term outlook for the portfolio as a whole remains positive, with returns from the installed base of assets expected to continue to generate steady cash flows despite the challenging environment currently faced.

The majority, by value and revenue, of the VCT's assets are ground mounted solar parks and roof-mounted solar installations. Solar farms, by their nature, require a relatively low level of human presence and we therefore expect to continue normal commercial operations without significant disruption. The impact of COVID-19, and the Government's response to it, should therefore remain relatively limited under normal operations.

Meanwhile, I would encourage you to take a look at the Gresham House website ([greshamhouse.com/real-assets/new-energy/](http://greshamhouse.com/real-assets/new-energy/)) where you can find all of the information regarding the VCT and where, from time to time, the Investment Adviser will be publishing updates on the performance of the VCT.

### CHRISTIAN YATES CHAIRMAN

17 June 2020

## INVESTMENT ADVISER'S REPORT

### PORTFOLIO HIGHLIGHTS

Gresham House Renewable Energy VCT2 plc (the "VCT", formerly Hazel Renewable Energy VCT2 plc) remains principally invested in a diversified portfolio of well-constructed renewable energy projects that access long-term UK government-backed Feed-in-Tariff (FiT) and Renewable Obligation Certificate (ROC) support mechanisms which provide revenues predominantly linked to the Retail Price Index (RPI). The exposure to renewable energy generation, the high proportion of income that is RPI linked and government-backed and the stable nature of the portfolio's cashflows makes the portfolio an attractive asset for the VCT.

The vast majority of the assets generate solar power. The solar assets are relatively old compared to other solar farms across the UK – the VCT's solar assets are on average 8.1 years old whereas over 90% of total solar capacity in the UK has been installed in the 8 years to December 2019. This gives them the advantage of having secured higher FIT and ROC incentives than newer assets. This means that the majority of their income comes from renewable incentive schemes rather than from selling electricity, with only 9% of revenues being variable. The downside of having older assets is that they require more maintenance to keep them operating effectively. These maintenance costs are budgeted, and in fact the portfolio has cash reserves retained to repair and replace the older equipment, such as the inverters. Work to replace some of the older equipment that is having a material impact on performance is already underway.

The COVID-19 pandemic began having a serious and unprecedented effect on the UK economy in March. This has had the following effects on the value and operations of the portfolio:

- Power prices, which were already weakening towards the end of 2019, have fallen significantly since the new year. Third party forecasts, used to model future revenues, have been updated since December and show sustained lower power prices going on into the future. The VCT is, however, to an extent protected from this as only 9% of revenues come from wholesale power sales. We believe that this relatively low exposure to power prices for a renewable generating portfolio is a benefit that outweighs the corresponding challenges of having an older asset base that requires increased attention and maintenance.
- Government safe working guidelines caused delays in performing repairs and Operations and Maintenance (O&M) work. The Investment Adviser ensured that the O&M contractors adhered to safe working protocols and has worked with them to mitigate the impacts of travel restrictions and safe working obligations. Since solar generating assets can perform with relatively little day to day human interaction the impact has been limited.
- As a result of the expenditure required to combat the pandemic, the Government has reversed the cuts in Corporation Tax that were set to apply from 1 April 2020, negatively impacting on future distributable profits and cash flows from the underlying investments.
- With the significant economic shock and the resulting Government actions to mitigate any long-term impacts, there are likely to be impacts on inflation. With much of the portfolio's revenue being inflation linked (as well as the third-party debt owed by the portfolio) any inflation changes will have an impact on net revenues going forward. With uncertainty as to what the inflation impacts will be, whether inflationary or deflationary over the medium and long term, the short-term inflation assumption has been reduced to reflect the current economic shock, with medium and long-term rates based on market-implied inflation expectations.

In summary, in relation to COVID-19 and its potential effects on the economy, the portfolio is largely insulated from the negative effects. However, to be prudent, we have addressed the potential downsides in the valuation.

During the half year, the VCT made two new investments. £615,000 was invested in October 2019 in Bio-bean Limited, the world's largest recycler of waste coffee grounds, that produces sustainable, clean fuels as well as advanced biochemicals for use in the food industry.

## INVESTMENT ADVISER'S REPORT (CONTINUED)

### PORTFOLIO HIGHLIGHTS (CONTINUED)

In January, £1m was invested in Rezatec Limited, a software developer that applies Artificial Intelligence based algorithms to a range of earth observation data sources (satellite imagery, soil data, weather data, topographic data etc.) to generate an information services platform to help monitor land-based assets in the forestry, agriculture and infrastructure verticals.

An annual dividend of 5.8p (5.3133p per Ordinary Share and 0.4867p per A Share) was paid on 20 December 2019.

### PORTFOLIO COMPOSITION

#### Portfolio Composition by Asset Type and Impact on NAV

| Asset Type                               | 31 March 2020 |                |                      | 30 September 2019 |                      |
|------------------------------------------|---------------|----------------|----------------------|-------------------|----------------------|
|                                          | kWp           | Value ('000)   | % of Portfolio Value | Value ('000)      | % of Portfolio Value |
| Ground-mounted Solar (FiT)               | 20,325        | £22,059        | 73.3%                | £22,387           | 75.4%                |
| Ground-mounted Solar (ROC)               | 8,699         | £2,653         | 8.8%                 | £3,179            | 10.7%                |
| <b>Total ground-mounted Solar</b>        | <b>29,024</b> | <b>£24,712</b> | <b>82.1%</b>         | <b>£25,566</b>    | <b>86.1%</b>         |
| Rooftop Solar (FiT)                      | 4,314         | £2,723         | 9.1%                 | £2,920            | 9.8%                 |
| <b>Total Solar</b>                       | <b>33,338</b> | <b>£27,435</b> | <b>91.2%</b>         | <b>£28,486</b>    | <b>95.9%</b>         |
| Wind Assets (FiT)                        | 1,420         | £1,089         | 3.6%                 | £1,221            | 4.1%                 |
| <b>Total renewable generating assets</b> | <b>34,758</b> | <b>£28,524</b> | <b>94.8%</b>         | <b>£29,707</b>    | <b>100.0%</b>        |
| Venture Capital Investments              | N.A.          | £1,564         | 5.2%                 | —                 | 0.0%                 |
| <b>TOTAL</b>                             | <b>34,758</b> | <b>£30,088</b> | <b>100.0%</b>        | <b>£29,707</b>    | <b>100.0%</b>        |

The 34.8MWp of renewable energy projects in the portfolio generated 9,644,365 kilowatt-hours of electricity over the half year, sufficient to meet the annual electricity consumption of c.2,800 homes.

### PORTFOLIO SUMMARY

Total solar portfolio revenues were 8.4% behind forecast for the period. Lower than expected power prices and technical underperformance at the older ground-mounted solar assets were the main contributing factors for revenues being behind forecasts.

In revenue terms, the electricity generated by the entire asset base earned £3.2 million in the 6-month period which was 8.6% behind forecasts. £2.96 million of this amount was generated by the solar ground-mounted and rooftop assets and the remainder by the small wind turbine portfolio, as shown below.

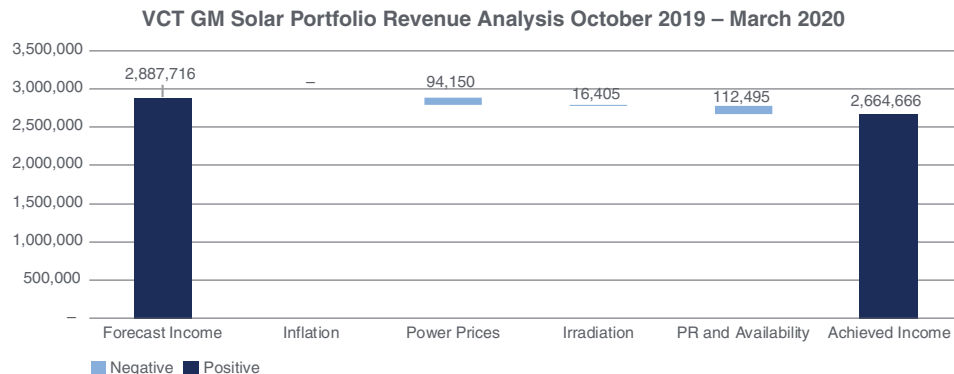
#### Portfolio Revenues by Asset Type (£ Sterling)

| Asset Type                        | Forecast Revenue | Actual Revenue   | Revenue Performance |
|-----------------------------------|------------------|------------------|---------------------|
| Ground-mounted Solar (FiT)        | 2,501,591        | 2,317,876        | 92.7%               |
| Ground-mounted Solar (ROC)        | 386,125          | 346,790          | 89.8%               |
| <b>Total Ground-mounted Solar</b> | <b>2,887,716</b> | <b>2,664,666</b> | <b>92.3%</b>        |
| Rooftop Solar                     | 346,017          | 299,151          | 86.5%               |
| <b>Total Solar</b>                | <b>3,233,733</b> | <b>2,963,817</b> | <b>91.7%</b>        |
| Wind Assets                       | 271,168          | 241,096          | 88.9%               |
| <b>TOTAL</b>                      | <b>3,504,901</b> | <b>3,204,913</b> | <b>91.4%</b>        |

## INVESTMENT ADVISER'S REPORT (CONTINUED)

### PORTFOLIO SUMMARY (CONTINUED)

The most material revenue shortfall was suffered by the ground-mounted solar assets, with total revenue of £2,664,666 being 92.3% of forecast. The major components of this shortfall are (1) the reduction in power prices reducing revenue by 3% and (2) a 4% reduction in performance as a result of technical issues attributable to the age of the assets (approaching nine years for the FiT-remunerated ground-mounted solar assets). This is shown in the chart below.



As noted above, the reduction in availability and performance is to be expected and the Investment Adviser has projects underway to address this where the business case supports the works, using cash reserved for this purpose.

The revenue is affected by:

- Renewable energy resources (solar irradiation or wind, as relevant);
- The performance of the assets in converting the resources into revenue (ie how the assets are performing, whether they are breaking down, etc); and
- The revenue per unit of energy generated.

These will each be explored in more detail below.

### RENEWABLE ENERGY RESOURCES

The weight of the portfolio is in solar (96% by capacity and value of the renewable assets, 91% of total portfolio). The half year covered by this report has lower solar resources than the summer months. Solar irradiation was 0.22% behind forecasts and was lower than the positive 2.6% figure achieved over the previous half-year. Project by project, measurements varied between 89% and 104.6% of forecast levels for the eight ground-mounted solar projects in the portfolio. Each 1.0% change, in absolute terms, in irradiation for this portfolio results in a £111,000 movement in annual revenues.

## INVESTMENT ADVISER'S REPORT (CONTINUED)

### TECHNICAL PERFORMANCE

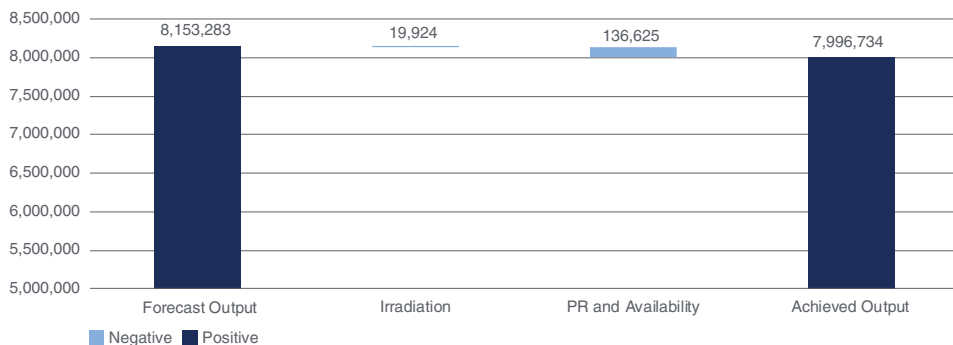
The table below shows the technical performance for each of the groups of assets. The reasons for the changes are then explained.

#### Portfolio Technical Performance by Asset Type

| Asset Type                        | Forecast Output  | Actual Output    | Technical Performance |
|-----------------------------------|------------------|------------------|-----------------------|
| Ground-mounted Solar (FiT)        | 5,682,898        | 5,346,597        | 94.1%                 |
| Ground-mounted Solar (ROC)        | 2,470,385        | 2,650,138        | 107.3%                |
| <b>Total Ground-mounted Solar</b> | <b>8,153,283</b> | <b>7,996,735</b> | <b>98.1%</b>          |
| Rooftop Solar                     | 1,011,652        | 936,295          | 92.6%                 |
| <b>Total Solar</b>                | <b>9,164,935</b> | <b>8,933,030</b> | <b>97.5%</b>          |
| Wind Assets                       | 800,060          | 711,336          | 88.9%                 |
| <b>TOTAL</b>                      | <b>9,964,995</b> | <b>9,644,366</b> | <b>96.8%</b>          |

The causes of the reduction in output of the ground-mounted performance is split out below:

#### VCT GM Solar Portfolio Technical Analysis October 2019 – March 2020



The ground-mounted solar asset base was 1.9% behind its forecast level of generation.

As solar installations age some of the key components, e.g. inverters, need to be replaced as they reach the end of their expected useful life. The older FiT assets are now approaching this stage and have experienced some loss of generation due to faults in this older equipment. The Investment Adviser reviews the performance of these components on a regular basis and is working with contractors to arrange for the renewal and replacement of these older components. The work will be funded by inverter maintenance reserves under the debt facility, meaning that no additional capital investment is required.

In addition, damp weather during the winter months can cause moisture ingress in certain components such as DC cable connectors and this has also had a slightly negative impact on the performance of the older FiT assets. The Investment Adviser is working with contractors to replace and repair affected components.

## INVESTMENT ADVISER'S REPORT (CONTINUED)

### TECHNICAL PERFORMANCE (CONTINUED)

The Investment Adviser issued updated health and safety guidance to contractors reflecting guidelines and directives issued by the UK Government. There was a negative impact on corrective and preventative maintenance work schedules as a result of this. In addition, international travel bans prevented specialist staff from inverter manufacturers travelling to the UK to perform highly specialised work.

Some of these restrictions have been eased and contractors have been instructed to find other solutions that can be implemented without breaching health and safety policies and Government directives.

Generation of the rooftop solar portfolio was 7.4% lower than forecast. Irradiation cannot be measured at roof-mounted solar installations as it is not cost effective to install pyranometers but there is no reason to assume that the irradiation at these sites was materially below forecast and so the likely explanation is due to component or metering faults which will be addressed as soon as contractors can gain access to these sites.

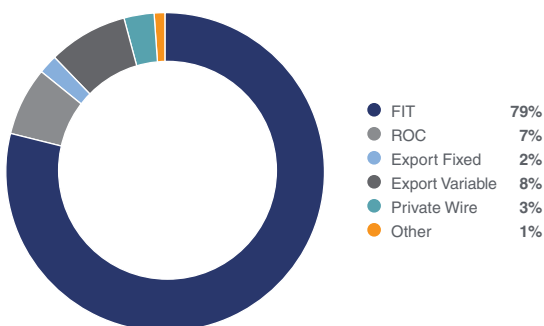
The small wind portfolio performed 11.1% lower than forecast, continuing the poor performance experienced in recent years. Small wind accounts for only 4.1% of the portfolio in terms of capacity.

### REVENUE PER KILOWATT HOUR OF RENEWABLE ENERGY GENERATED

The revenue comes from both government incentives put in place to encourage the installation of renewable energy generation capacity as well as the sale of electricity generated. The assets owned by the VCT are relatively old, some 9 years old, and so secured relatively higher levels of incentives (FiT and ROC) than assets that were built more recently. This means that a relatively high proportion of revenues are incentives that do not suffer from market or pricing risk and instead increase with RPI, as shown below.

By asset type, 88% of revenues (being 79% FiT, 7% ROC, 2% Export Fixed as set out in the chart below) were RPI-linked while 12% came from the sale of power (being 8% Export Variable, 3% Private Wire and 1% Other Variable) and are not RPI linked.

**Renewable Energy VCT Portfolio – Revenue Profile**  
October 2019 – March 2020



The high proportion of overall income that is RPI-linked, backed by fixed subsidies, and therefore not exposed to wholesale power prices, is a significant driver of value in this portfolio, which has been largely insulated from the very significant reduction in the wholesale price of electricity experienced since the new year (up to 40% reduction), and greatly exacerbated by the COVID-19 pandemic.

## INVESTMENT ADVISER'S REPORT (CONTINUED)

### OPERATING COSTS

The vast majority of the cost base is fixed and/or contracted and includes rent, business rates, and regular operations and maintenance (O&M) costs as the major categories.

The main cost item that shows variability from year-to-year is repair and maintenance costs. Repair and maintenance spend involving solar panels and inverters, the key components of a solar project, is covered by the maintenance reserves totalling £3.1 million that are in place for all the ground-mounted solar assets and for the majority of the roof-mounted solar assets. Other repair and maintenance costs were within the £95,000 budget set for the half year.

### NEW INVESTMENTS

In October 2019, after the year end, the VCT made a new investment of £615,000 into Bio-bean Limited, the world's largest recycler of waste coffee grounds. This investment represented 15% of the £4 million funding round announced by Bio-bean in April 2019. The VCTs' investment formed the final part of that round, and valued Bio-bean at £7.6 million. The investment comprised of £400,000 of equity and £215,000 of debt.

Bio-bean sources waste coffee grounds from major retail coffee chains by offering the cheapest and most sustainable avenue for disposing of them. Bio-bean then converts these into pellets for combustion in biomass-fed energy generators or coffee logs for use in wood burning stoves which it sells through large supermarket and home improvement chains as well as online. Natural Coffee Extract for use in the food industry is also produced from the waste coffee grounds.

The COVID-19 pandemic has had a negative impact on Bio-bean as the company is dependent on the continuous supply of waste coffee grounds from major coffee retail chains. The lockdown means that these deliveries have been suspended, however, due to a large stockpile of waste coffee grounds, efforts by management to diversify supply (albeit at an increased acquisition price), robust demand for its clean fuels, and a careful approach by management with a focus on minimising cash burn, has meant that the impact on the business will not be significant should the economy largely reopen by August.

At the time of the VCT's investment, its advanced biochemicals business centred around producing Natural Coffee Extract and Natural Coffee Flavour, advanced biochemicals for use in the food chain, was at its infancy, but with significant growth projected following the investment as the products and markets are developed. Natural Coffee Extract from waste coffee grounds has successfully gone through the regulatory approval process that permits its use in the food chain, and Bio-bean has lined up a diverse range of potential customers who have shown interest. The pandemic has unfortunately meant a delay in sales as customers have had to focus on business-critical areas.

In January, the VCT invested £1m in Rezatec Limited, a software developer that applies Artificial Intelligence based algorithms to a range of earth observation data sources (satellite imagery, soil data, weather data, topographic data etc.) to infrastructure verticals. Access to the platform is sold, on a subscription-basis, to commercial forestry operators for inventory management (analysis of current state of forest assets) and as an ongoing monitoring tool, to utility infrastructure owners for water pipeline and power transmission network risk analyses, and to agriculture companies processing crops, for yield and logistics optimisation.

Rezatec has won over key industry players in countries around the world that include the USA, Canada and India which have large forestry and agricultural sectors as well as infrastructure over a large physical footprint.

## INVESTMENT ADVISER'S REPORT (CONTINUED)

### NEW INVESTMENTS (CONTINUED)

The VCT's investment was part of a £5m round into which the Baronsmead VCTs, managed by Gresham House plc, also invested.

Rezatec, has not seen a meaningful impact on its business as a result of the COVID-19 pandemic. Its platform is designed to help its customers increase efficiency, and sales pipeline conversion does not require physical meetings. It has sufficient funding in place not to necessitate further fundraising until the end of 2021, even if pipeline conversion slows down. The management team nevertheless took the prudent approach of suspending new hiring.

### PORTFOLIO VALUATION

The Net Asset Value ("NAV") of the portfolio is comprised of the valuation of future projected cash flows generated by the renewable energy assets, as well as the cash held by the companies in the portfolio and the cash held by the VCT, and also includes the value of new investments in Bio-bean and Rezatec. The NAV total return is the value of the net assets of the VCT and the cash that has been distributed to shareholders since launch.

This half year's movements in the value of the portfolio are detailed below.

The impact of the COVID-19 pandemic on Corporation Tax rates, power price forecasts and short-term inflation expectations, as well as the substantial increase in O&M costs for the small wind turbine fleet, outlined above, have been reflected in lower valuations of the renewable energy generation assets where these factors have an adverse impact on projected future cash flows.

Medium and long-term inflation expectations implied by the pricing of publicly-traded UK Government gilts have come below the 3.0% level previously used in the VCT's financial model. The Investment Adviser now assumes 2.9% from September 2022. Shorter term inflation forecasts are harder to obtain and show a greater range. The first meaningful readings of inflation from the UK and the rest of the developed world that have come in after the COVID-19 pandemic, show significantly lower levels. The Investment Adviser has therefore decided in favour of cutting its forecast of inflation (Retail Price Index) to 2.5% from 3.0% for the period 1 April 2020 to 30 September 2022.

Reflecting the 40% reduction in wholesale power prices from the peak in 2019, the forecast revenues from the sale of power have come down significantly for the two-year, short term horizon, and have fallen by between zero and ten percent for the medium and longer term. For the short term, the Investment Adviser has taken a prudent approach and used levels that assume a slower recovery than the consultants whose medium and long term power price projections are used.

Forecasts of future cash flows for the renewable energy assets now assume that the planned cut in the Corporation Tax rate to 17% has been cancelled, with Corporation Tax staying at 19% for the foreseeable future.

All other key assumptions for the revenues and operating costs of the projects remain the same as they were last year, with the exception of O&M rates for the small wind turbine fleet which have risen by between 45% and 60% from previous levels.

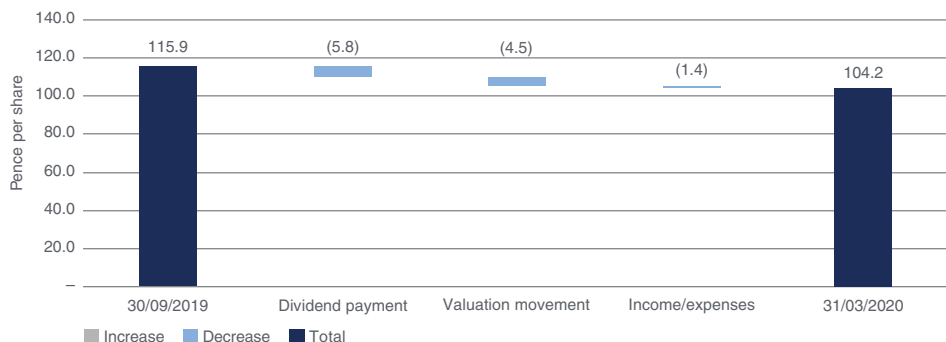
Another important factor is the fact that aggregate cash balances across the VCT were used to fund a 5.8p dividend, paid to shareholders in the half year, and VCT-level expenses of 1.4p. The payment of the dividend means that the NAV will fall but the total return to shareholders increases by the same amount.

The NAV has moved down from 115.9p to 104.2p as a result of the above.

## INVESTMENT ADVISER'S REPORT (CONTINUED)

### PORTFOLIO VALUATION (CONTINUED)

Movement in NAV per share from September 2019 – March 2020



### OUTLOOK

The Investment Adviser's immediate focus is to ensure that impact of the COVID-19 pandemic on the portfolio continues to be limited.

Wholesale power prices which have a small representation in the portfolio's revenues are outside the Investment Adviser's control, however opportunities will be sought to enter long-term power purchase agreements (contracts to sell the power) if prices spike up in a quicker than anticipated fashion.

Contractors will continue to be monitored to assess whether they are doing everything that is allowable within the rules and regulations to improve performance at the older ground-mounted sites that have suffered from a drop in technical performance as well as all the other sites that have continued to perform well. Any changes to safe working regulations will be monitored closely so that generation can be restored at the small percentage of rooftop solar installations that are offline.

The other area of continued focus is the replacement of poorly performing equipment. Arrangements will be made for the Lake Farm project to be repowered soon after work on the Kingston Farm project is complete.

The COVID-19 pandemic is likely to have a long-lasting impact. The renewable generation business, particularly assets with a high degree of government subsidies have only suffered a minor impact. In the event of a prolonged economic slump, these assets may be favoured to a higher degree than they have been to date by financial markets, particularly if the unprecedented amount of government stimulus eventually triggers inflation.

### GRESHAM HOUSE ASSET MANAGEMENT LIMITED

17 June 2020

## UNAUDITED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 MARCH 2020

|                                                             | Six months ended<br>31 March 2020 |                  |                | Six months ended<br>31 March 2019 |                  |                | Year<br>ended<br>30 Sept<br>2019 |
|-------------------------------------------------------------|-----------------------------------|------------------|----------------|-----------------------------------|------------------|----------------|----------------------------------|
|                                                             | Revenue<br>£'000                  | Capital<br>£'000 | Total<br>£'000 | Revenue<br>£'000                  | Capital<br>£'000 | Total<br>£'000 | Total<br>£'000                   |
| Income                                                      | 90                                | –                | 90             | 52                                | –                | 52             | 94                               |
| (Losses)/gains on investments                               | –                                 | (1,134)          | (1,134)        | –                                 | 657              | 657            | 1,305                            |
|                                                             | 90                                | (1,134)          | (1,044)        | 52                                | 657              | 709            | 1,399                            |
| Investment management fees                                  | (125)                             | (42)             | (167)          | (136)                             | (46)             | (182)          | (352)                            |
| Other expenses                                              | (262)                             | –                | (262)          | (133)                             | –                | (133)          | (249)                            |
| <b>(Loss)/profit on ordinary activities before taxation</b> | <b>(297)</b>                      | <b>(1,176)</b>   | <b>(1,473)</b> | <b>(217)</b>                      | <b>611</b>       | <b>394</b>     | <b>798</b>                       |
| Tax on total comprehensive income and ordinary activities   | –                                 | –                | –              | –                                 | –                | –              | –                                |
| <b>(Loss)/profit attributable to equity Shareholders</b>    | <b>(297)</b>                      | <b>(1,176)</b>   | <b>(1,473)</b> | <b>(217)</b>                      | <b>611</b>       | <b>394</b>     | <b>798</b>                       |
| <b>Earnings per Ordinary Share</b>                          | <b>(1.1p)</b>                     | <b>(4.5p)</b>    | <b>(5.6p)</b>  | <b>(0.9p)</b>                     | <b>2.5p</b>      | <b>1.6p</b>    | <b>3.2p</b>                      |
| <b>Earnings per 'A' Share</b>                               | <b>–</b>                          | <b>–</b>         | <b>–</b>       | <b>–</b>                          | <b>–</b>         | <b>–</b>       | <b>–</b>                         |

The total column within the Income Statement represents the Statement of Total Comprehensive Income of the VCT prepared in accordance with Financial Reporting Standards ("FRS 102"). The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 (updated in October 2019) by the Association of Investment Companies ("AIC SORP").

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement as noted above.

## UNAUDITED BALANCE SHEET

AS AT 31 MARCH 2020

|                                                                | Note | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 | 30 September<br>2019<br>£'000 |
|----------------------------------------------------------------|------|---------------------------|---------------------------|-------------------------------|
| <b>Fixed assets</b>                                            |      |                           |                           |                               |
| Investments                                                    | 9    | 30,088                    | 29,605                    | 29,707                        |
| <b>Current assets</b>                                          |      |                           |                           |                               |
| Debtors                                                        |      | 282                       | 275                       | 305                           |
| Cash at bank and in hand                                       |      | 254                       | 1,066                     | 1,336                         |
|                                                                |      | 536                       | 1,341                     | 1,641                         |
| <b>Creditors:</b> amounts falling due within one year          |      | (114)                     | (101)                     | (163)                         |
| <b>Net current assets</b>                                      |      | 422                       | 1,242                     | 1,478                         |
| <b>Creditors:</b> amounts falling due after more than one year |      | (3,274)                   | (960)                     | (895)                         |
| <b>Net assets</b>                                              |      | <b>27,236</b>             | <b>29,885</b>             | <b>30,290</b>                 |
| <b>Capital and reserves</b>                                    |      |                           |                           |                               |
| Called up share capital                                        |      | 71                        | 72                        | 71                            |
| Share premium                                                  |      | 9,734                     | 9,732                     | 9,734                         |
| Treasury Shares                                                |      | (3,403)                   | (2,792)                   | (3,403)                       |
| Capital redemption reserve                                     |      | 1                         | 1                         | 1                             |
| Special reserve                                                | 8    | 6,394                     | 7,364                     | 7,975                         |
| Revaluation reserve                                            | 8    | 16,388                    | 16,914                    | 17,522                        |
| Capital reserve – realised                                     | 8    | (1,351)                   | (1,307)                   | (1,309)                       |
| Revenue reserve                                                | 8    | (598)                     | (99)                      | (301)                         |
| <b>Equity shareholders' funds</b>                              |      | <b>27,236</b>             | <b>29,885</b>             | <b>30,290</b>                 |
| <b>Net asset value per Ordinary Share</b>                      |      | <b>104.1p</b>             | <b>114.2p</b>             | <b>115.8p</b>                 |
| <b>Net asset value per 'A' Share</b>                           |      | <b>0.1p</b>               | <b>0.1p</b>               | <b>0.1p</b>                   |
|                                                                |      | <b>104.2p</b>             | <b>114.3p</b>             | <b>115.9p</b>                 |

# UNAUDITED STATEMENT OF CHANGES IN EQUITY

## FOR THE SIX MONTHS ENDED 31 MARCH 2020

|                                                           | Called up<br>Share<br>capital<br>£'000 | Share<br>Premium<br>account<br>£'000 | Shares<br>not yet<br>allotted<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Treasury<br>Shares<br>£'000 | Special<br>reserve<br>£'000 | Revaluation<br>reserve<br>£'000 | Capital<br>Reserve –<br>realised<br>£'000 | Revenue<br>reserve<br>£'000 | Total<br>£'000 |
|-----------------------------------------------------------|----------------------------------------|--------------------------------------|----------------------------------------|-------------------------------------------|-----------------------------|-----------------------------|---------------------------------|-------------------------------------------|-----------------------------|----------------|
| <b>As at 30 September 2018</b>                            | <b>68</b>                              | <b>7,531</b>                         | <b>1,035</b>                           | <b>–</b>                                  | <b>(2,792)</b>              | <b>9,724</b>                | <b>16,257</b>                   | <b>(1,261)</b>                            | <b>118</b>                  | <b>30,680</b>  |
| Total comprehensive income                                | –                                      | –                                    | –                                      | –                                         | –                           | –                           | 1,217                           | –                                         | (419)                       | 798            |
| Transfer of net realised gain to Capital reserve-realised | –                                      | –                                    | –                                      | –                                         | –                           | –                           | 48                              | (48)                                      | –                           | –              |
| <b>Transactions with owners</b>                           |                                        |                                      |                                        |                                           |                             |                             |                                 |                                           |                             |                |
| Dividend paid                                             | –                                      | –                                    | –                                      | –                                         | –                           | (1,668)                     | –                               | –                                         | –                           | (1,668)        |
| Repurchase of Shares                                      | –                                      | –                                    | –                                      | 1                                         | (611)                       | –                           | –                               | –                                         | –                           | (610)          |
| Issue of Shares                                           | 3                                      | 2,203                                | –                                      | –                                         | –                           | (81)                        | –                               | –                                         | –                           | 2,125          |
| Unallotted Shares                                         | –                                      | –                                    | (1,035)                                | –                                         | –                           | –                           | –                               | –                                         | –                           | (1,035)        |
| <b>As at 30 September 2019</b>                            | <b>71</b>                              | <b>9,734</b>                         | <b>–</b>                               | <b>1</b>                                  | <b>(3,403)</b>              | <b>7,975</b>                | <b>17,522</b>                   | <b>(1,309)</b>                            | <b>(301)</b>                | <b>30,290</b>  |
| Total comprehensive loss                                  | –                                      | –                                    | –                                      | –                                         | –                           | –                           | (1,176)                         | –                                         | (297)                       | (1,473)        |
| Transfer of net realised gain to Capital reserve-realised | –                                      | –                                    | –                                      | –                                         | –                           | –                           | 42                              | (42)                                      | –                           | –              |
| <b>Transactions with owners</b>                           |                                        |                                      |                                        |                                           |                             |                             |                                 |                                           |                             |                |
| Dividend paid                                             | –                                      | –                                    | –                                      | –                                         | –                           | (1,581)                     | –                               | –                                         | –                           | (1,581)        |
| <b>As at 31 March 2020</b>                                | <b>71</b>                              | <b>9,734</b>                         | <b>–</b>                               | <b>1</b>                                  | <b>(3,403)</b>              | <b>6,394</b>                | <b>16,388</b>                   | <b>(1,351)</b>                            | <b>(598)</b>                | <b>27,236</b>  |

# UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

|                                                              | 31 March<br>2020<br>£'000 | 31 March<br>2019<br>£'000 | 30 September<br>2019<br>£'000 |
|--------------------------------------------------------------|---------------------------|---------------------------|-------------------------------|
| <b>Cash flows from operating activities</b>                  |                           |                           |                               |
| (Loss)/profit on ordinary activities before taxation         | (1,473)                   | 394                       | 798                           |
| Losses/(gains) on investments                                | 1,134                     | (657)                     | (1,305)                       |
| Decrease/(increase) in other debtors                         | 23                        | (1)                       | (31)                          |
| (Decrease)/increase in other creditors                       | (49)                      | 24                        | (15)                          |
| <b>Net cash outflow from operating activities</b>            | <b>(365)</b>              | <b>(240)</b>              | <b>(553)</b>                  |
| <b>Cash flows from investing activities</b>                  |                           |                           |                               |
| Purchase of investments                                      | (1,615)                   | (5)                       | (5)                           |
| Sale of investments/loan note redemptions                    | 100                       | 1,645                     | 546*                          |
| <b>Net cash (outflow)/inflow from investing activities</b>   | <b>(1,515)</b>            | <b>1,640</b>              | <b>541</b>                    |
| <b>Net cash (outflow)/inflow before financing activities</b> | <b>(1,880)</b>            | <b>1,400</b>              | <b>(12)</b>                   |
| <b>Cash flows from financing activities</b>                  |                           |                           |                               |
| Equity dividends paid                                        | (1,581)                   | (1,668)                   | (1,668)                       |
| Long term loans                                              | 2,379                     | (2,147)                   | (501)*                        |
| Purchase of own Shares                                       | –                         | (612)                     | (611)                         |
| Issue of Shares                                              | –                         | 2,205                     | 1,090^                        |
| Share issue costs                                            | –                         | (115)                     | –                             |
| Funds held in respect of Shares not yet allotted             | –                         | (1,035)                   | –^                            |
| <b>Net cash inflow/(outflow) from financing activities</b>   | <b>798</b>                | <b>(3,372)</b>            | <b>(1,690)</b>                |
| <b>Net decrease in cash</b>                                  | <b>(1,082)</b>            | <b>(1,972)</b>            | <b>(1,702)</b>                |
| Cash and cash equivalents at start of period                 | 1,336                     | 3,038                     | 3,038                         |
| <b>Cash and cash equivalents at end of period</b>            | <b>254</b>                | <b>1,066</b>              | <b>1,336</b>                  |
| <b>Cash and cash equivalents comprise:</b>                   |                           |                           |                               |
| Cash at bank in hand                                         | 254                       | 1,066                     | 1,336                         |
| <b>Total cash and cash equivalents</b>                       | <b>254</b>                | <b>1,066</b>              | <b>1,336</b>                  |

\* In December 2018 the loan note investment made in Lunar 2 Limited by the VCT was repaid. Instead of the VCT receiving the cash proceeds from this repayment, the amount was instead credited to the outstanding loan balance due to Lunar 2 Limited from the VCT and included within amounts falling due after more than one year.

^ In October 2018 the VCT issued additional shares to participating investors. A portion of the cash proceeds for these share subscriptions were received during the prior year and accounted for as Funds held in respect of Shares not yet allotted in the prior year. The remaining balance of the cash proceeds due to the VCT for these share subscriptions was received during the year ended 30 September 2019.

## SUMMARY OF INVESTMENT PORTFOLIO AND MOVEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

### INVESTMENT PORTFOLIO AS AT 31 MARCH 2020

| Qualifying and partially qualifying investments | Operating sites              | Sector           | Cost<br>£'000 | Valuation<br>£'000 | Unrealised<br>gain/(loss)<br>in period<br>£'000 | % of<br>portfolio<br>by value |
|-------------------------------------------------|------------------------------|------------------|---------------|--------------------|-------------------------------------------------|-------------------------------|
| Lunar 2 Limited*                                | South Marston,<br>Beechgrove | Ground Solar     | 1,331         | 16,463             | 5                                               | 54.3%                         |
| Lunar 1 Limited*                                | Kingston Farm,<br>Lake Farm  | Ground Solar     | 125           | 2,504              | (131)                                           | 8.2%                          |
| Ayshford Solar<br>(Holding) Limited*            | Ayshford                     | Ground Solar     | 1,348         | 1,965              | (228)                                           | 6.5%                          |
| New Energy Era Limited                          | Wychwood<br>Solar Farm       | Ground Solar     | 884           | 1,727              | (88)                                            | 5.7%                          |
| Vicarage Solar Limited                          | Parsonage Farm               | Ground Solar     | 871           | 1,365              | (114)                                           | 4.5%                          |
| Rezatec Limited                                 | United Kingdom               | Data analytics   | 1,000         | 1,000              | —                                               | 3.3%                          |
| Hewas Solar Limited                             | Hewas                        | Roof Solar       | 1,000         | 963                | 9                                               | 3.2%                          |
| Gloucester Wind Limited                         | Gloucester                   | Roof Solar       | 1,000         | 887                | (128)                                           | 2.9%                          |
| Tumblewind Limited*                             | Priory Farm                  | Small Wind/Solar | 1,226         | 688                | (198)                                           | 2.3%                          |
| HRE Willow Limited                              | HRE Willow                   | Small Wind       | 875           | 634                | (40)                                            | 2.1%                          |
| Bio-bean Limited                                | Cambridgeshire               | Clean energy     | 615           | 564                | (50)                                            | 1.9%                          |
| St Columb Solar Limited                         | St Columb                    | Roof Solar       | 650           | 557                | (31)                                            | 1.8%                          |
| Minsmere Power Limited                          | Minsmere                     | Small Wind/Solar | 975           | 317                | (58)                                            | 1.0%                          |
| Penhale Solar Limited                           | Penhale                      | Roof Solar       | 825           | 316                | (48)                                            | 1.0%                          |
| Small Wind Generation<br>Limited                | Small Wind<br>Generation     | Small Wind       | 975           | 138                | (34)                                            | 0.5%                          |
|                                                 |                              |                  | 13,700        | 30,088             | (1,134)                                         | 99.2%                         |
| Cash                                            |                              |                  |               | 254                |                                                 | 0.8%                          |
| <b>Total investments</b>                        |                              |                  |               | 30,342             |                                                 | 100.0%                        |

### INVESTMENT DISPOSALS

| Qualifying and partially qualifying investments | Valuation<br>30 September<br>2019 |               | Proceeds<br>£'000 | Profit vs.<br>cost<br>£'000 | Realised<br>gain<br>£'000 |
|-------------------------------------------------|-----------------------------------|---------------|-------------------|-----------------------------|---------------------------|
|                                                 | Cost<br>£'000                     | 2019<br>£'000 |                   |                             |                           |
| Tumblewind Limited*                             | 100                               | 100           | 100               | —                           | —                         |
|                                                 | 100                               | 100           | 100               | —                           | —                         |

\* Partially qualifying investment

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Gresham House Renewable Energy VCT 2 plc ("the VCT") is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales.

### 2. ACCOUNTING POLICIES – BASIS OF ACCOUNTING

The unaudited half-yearly results cover the six months to 31 March 2020 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 30 September 2019 which were prepared under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the Statement of Recommended Practice ("SORP") "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies ("AIC") and revised in October 2019.

3. All revenue and capital items in the Income Statement derive from continuing operations.
4. The VCT has only one class of business and derives its income from investments made in shares, securities and bank deposits.
5. Net asset value per share at the period end has been calculated on 26,133,036 Ordinary Shares and 39,463,845 'A' Shares, being the number of shares in issue at the period end, excluding Treasury Shares.
6. Return per share for the period has been calculated on 26,133,036 Ordinary Shares and 39,463,845 'A' Shares, being the weighted average number of shares in issue during the period, excluding Treasury Shares.

### 7. DIVIDENDS

|                                 | Revenue<br>£'000 | Capital<br>£'000 | Period ended<br>31 March<br>2020<br>Total<br>£'000 | Year ended<br>30 September<br>2019<br>Total<br>£'000 |
|---------------------------------|------------------|------------------|----------------------------------------------------|------------------------------------------------------|
| <b>Dividends paid</b>           |                  |                  |                                                    |                                                      |
| 2019 Interim Ordinary – 5.3133p | –                | 1,389            | 1,389                                              | –                                                    |
| 2019 Interim A – 0.4867p        | –                | 192              | 192                                                | –                                                    |
| 2018 Interim Ordinary – 5.4958p | –                | –                | –                                                  | 1,466                                                |
| 2018 Interim A – 0.5042p        | –                | –                | –                                                  | 202                                                  |
|                                 | –                | 1,581            | 1,581                                              | 1,668                                                |

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

### 8. RESERVES

|                            | Period ended<br>31 March<br>2020<br>£'000 | Year ended<br>30 September<br>2019<br>£'000 |
|----------------------------|-------------------------------------------|---------------------------------------------|
| Share premium              | 9,734                                     | 9,734                                       |
| Treasury Shares            | (3,403)                                   | (3,403)                                     |
| Capital redemption reserve | 1                                         | 1                                           |
| Special reserve            | 6,394                                     | 7,975                                       |
| Revaluation reserve        | 16,388                                    | 17,522                                      |
| Capital reserve-realised   | (1,351)                                   | (1,309)                                     |
| Revenue reserve            | (598)                                     | (301)                                       |
|                            | 27,165                                    | 30,219                                      |

The Special reserve is available to the VCT to enable the purchase of its own shares in the market without affecting its ability to pay dividends. The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves.

### 9. INVESTMENTS

The fair value of investments is determined using the detailed accounting policies as referred to in note 2.

The VCT has categorised its financial instruments using the fair value hierarchy as follows:

Level 1 Reflects financial instruments quoted in an active market;

Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and

Level 3 Reflects financial instruments that use valuation techniques that are not based on observable market data (unquoted equity investments and loan note investments).

|                     | 31 March         |                  |                  |               | 30 September     |                  |                  |               |
|---------------------|------------------|------------------|------------------|---------------|------------------|------------------|------------------|---------------|
|                     | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | 2020<br>£'000 | Level 1<br>£'000 | Level 2<br>£'000 | Level 3<br>£'000 | 2019<br>£'000 |
| Unquoted loan notes | —                | —                | 1,992            | 1,992         | —                | —                | 906              | 906           |
| Unquoted equity     | —                | —                | 28,096           | 28,096        | —                | —                | 28,801           | 28,801        |
|                     | —                | —                | 30,088           | 30,088        | —                | —                | 29,707           | 29,707        |

Reconciliation of fair value for Level 3 financial instruments held at the period end:

|                                           | Unquoted<br>loan notes<br>£'000 | Unquoted<br>equity<br>£'000 | Total<br>£'000 |
|-------------------------------------------|---------------------------------|-----------------------------|----------------|
| Balance at 30 September 2019              | 906                             | 28,801                      | 29,707         |
| <i>Movements in the income statement:</i> |                                 |                             |                |
| Unrealised loss in the income statement   | (29)                            | (1,105)                     | (1,134)        |
|                                           | (29)                            | (1,105)                     | (1,134)        |
| Purchased at cost                         | 1,215                           | 400                         | 1,615          |
| Sales proceeds/redemption of loan notes   | (100)                           | —                           | (100)          |
| Balance at 31 March 2020                  | 1,992                           | 28,096                      | 30,088         |

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

### 10. RISKS AND UNCERTAINTIES

Under the Disclosure and Transparency Directive, the Board is required in the VCT's half-year results to report on principal risks and uncertainties facing the VCT over the remainder of the financial year.

The Board has concluded that the key risks facing the VCT over the remainder of the financial period are as follows:

- (i) investment risk associated with investing in small and immature businesses;
- (ii) market risk in respect of the various assets held by the investee companies;
- (iii) failure to maintain approval as a VCT; and
- (iv) economic risk due to the on-going COVID-19 pandemic.

In order to make VCT qualifying investments, the VCT has to invest in small businesses which are often immature. The Investment Adviser follows a rigorous process in vetting and careful structuring of new investments and, after an investment is made, close monitoring of the business is conducted. The Investment Adviser also seeks to diversify the portfolio to some extent by holding investments which operate in various sectors. The Board is satisfied with this approach.

The VCT's compliance with the VCT regulations is continually monitored by the VCT Status Adviser, who reports regularly to the Board on the current position. The VCT has reappointed Philip Hare & Associates LLP as VCT Status Adviser, who will work closely with the Investment Adviser and provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level.

The Board is fully aware of the severity of the current COVID-19 pandemic and its significant impact on economic activity and the ability of companies to continue to do business. The Board in conjunction with the Investment Adviser continues to monitor the current situation and its potential long term impact on the VCT's investments. Further detail of the impact of the pandemic on the VCT is provided in note 11.

### 11. GOING CONCERN

In assessing the VCT as a going concern, the Directors have considered the forecasts which reflect the proposed strategy for portfolio investments and the current economic outlook.

The Directors consider the VCT to be well placed to operate through the COVID-19 pandemic, as the VCT has sufficient liquidity to pay its liabilities as and when they fall due and has no third party debt obligations. The VCT has made long-term, unlisted investments and is therefore unaffected by the current volatility in financial markets. The majority of the VCT's assets require a relatively low level of human presence and despite lockdown have been able to largely maintain normal commercial operations without significant disruption.

The Board confirms that it is satisfied that the VCT has adequate resources to continue in business for the foreseeable future. For this reason, the Board believes that the VCT continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

12. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (CONTINUED)

13. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the “Statement: Half-Yearly Financial Reports” issued by the UK Accounting Standards Board and the Half-Yearly Report includes a fair review of the information required by:
- a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.
14. Copies of the Half-Yearly Report will shortly be sent to Shareholders who have elected this communication preference. Further copies can be obtained from the VCT’s registered office or can be downloaded from <https://greshamhouse.com/real-assets/new-energy/>

## SHAREHOLDER INFORMATION (CONTINUED)

### SELLING SHARES

The VCT is not currently buying in shares as the VCT needs to conserve such cash as it generates for the running of the VCT and the payment of dividends. The Board reviews the buyback policy from time to time and may make changes if it considers that to be in the best interest of Shareholders as a whole. The VCT is only able to make market purchases of shares, so Shareholders will need to use a stockbroker to sell any shares. Disposing of shares is likely to have significant tax implications, so Shareholders are urged to contact their independent financial adviser before making a decision. If you are considering selling your shares or wish to buy shares in the secondary market, please contact the VCT's Corporate Broker, Panmure Gordon (UK) Limited ("Panmure"). Panmure can be contacted as follows:

Chris Lloyd  
0207 886 2716  
chris.lloyd@panmure.com

Paul Nolan  
0207 886 2717  
paul.nolan@panmure.com

### NOTIFICATION OF CHANGE OF ADDRESS

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address, or other amendment, this should be notified to the VCT's registrar, Link Asset Services, under the signature of the registered holder.

### OTHER INFORMATION FOR SHAREHOLDERS

Up-to-date VCT information (including financial statements, share prices and dividend history) is available on the Investment Adviser's website at:

<https://greshamhouse.com/real-assets/new-energy/>

If you have any queries regarding your shareholding in Gresham House Renewable Energy VCT1 plc, please contact the registrar on the above number or visit Link's website at [www.linkassetservices.com](http://www.linkassetservices.com) and click on "Shareholders and Investors" and then "Shareholder Services UK".

## COMPANY INFORMATION

### DIRECTORS

Christian Yates (Chairman)

Matthew Evans

Giles Clark

### COMPANY SECRETARY AND REGISTERED OFFICE

(up to 30 October 2019)

Grant Whitehouse

6th Floor, St. Magnus House

3 Lower Thames Street

London EC3R 6HD

### COMPANY SECRETARY AND REGISTERED OFFICE

(from 30 October 2019 onwards)

JTC (UK) Limited

The Scalpel 18th floor

52 Lime Street

London EC 3M 7AF

### REGISTERED NO.

07378395

### INVESTMENT ADVISER

Gresham House Asset Management Limited

5 Cheapside

London EC2V 6AA

Tel: 020 3837 6270

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

### ADMINISTRATOR

JTC (UK) Limited

The Scalpel 18th floor

52 Lime Street

London EC 3M 7AF

Tel: 020 7409 0181

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

### REGISTRAR

Link Asset Services

The Registry

34 Beckenham Road

Beckenham

Kent BR3 4TU

Tel: 0871 664 0324

(calls cost 12p per minute plus network extras, lines open Monday to Friday 9:00 a.m. to 5:30 p.m.)

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

FOR YOUR NOTES





**Gresham House**  
*Specialist asset management*