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**Gresham House**

*Specialist asset management*

**GRESHAM HOUSE RENEWABLE ENERGY VCT 2 PLC**

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**HALF-YEARLY REPORT FOR THE SIX MONTHS  
ENDED 31 MARCH 2019**

## SHAREHOLDER INFORMATION

### Performance summary

	<b>24 May 2019</b>	<b>31 Mar 2019</b>	<b>30 Sep 2018</b>	<b>31 Mar 2018</b>
		<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Net asset value per Ordinary Share		114.2	119.1	113.4
Net asset value per 'A' Share		0.1	0.1	0.1
Cumulative dividends *		<u>45.5</u>	<u>39.5</u>	<u>39.5</u>
Total Return *		<u><u>159.8</u></u>	<u><u>158.7</u></u>	<u><u>153.0</u></u>
Share Price – Ordinary (GV20)	110.0p	110.0p	111.0p	112.0p
Share Price – A Shares (GV2A)	5.05p	5.05p	5.05p	5.05p

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

### Dividends

		<b>Ordinary Shares</b>	<b>'A' Shares</b>	<b>Total</b>
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
		<u>41.3</u>	<u>4.2</u>	<u>45.5</u>

The next dividend is expected to be paid in December 2019 and will be announced in November 2019.

Dividends are paid by the registrar on behalf of the Company. 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 the inside back cover.**

## CHAIRMAN'S STATEMENT

I am pleased to present the Half-Yearly Report for Gresham House Renewable Energy VCT 2 plc (formerly Hazel Renewable Energy VCT2 plc), covering the period ended 31 March 2019.

As Shareholders will be aware, the Company has undergone some changes over the previous 18 months, following the sale of the business of the Investment Adviser to Gresham House plc in October 2017. In March 2019, the Company changed its name to Gresham House Renewable Energy VCT 2 plc to align it with the changes to the investment advisory arrangements. The main focus for the Board and Investment Adviser during the period under review has been on maximising efficiencies at the operating sites owned by the investee companies. In addition, the Investment Adviser has been screening new investment opportunities with a view to deploying the proceeds from the recent fundraisings.

### **Investment portfolio**

At the period end the Company held a portfolio of 15 investments, valued at a total of £29.6 million. There was one small addition to the portfolio during the period, this being a follow-on investment of £5,000 into ChargePoint Services Limited as part of its recent funding round. There were no full disposals during the period, although the loan note investment in Lunar 2 Limited was repaid at par.

The Board has reviewed the investment valuations at the half-year date. Valuations are derived from cash flow models and the Board pays particular attention to the discount rates used to ensure that these are in line with industry standards. Irradiation levels were significantly higher than normal during the summer of 2018, resulting in enhanced revenue generation from the solar assets, in particular the ground mounted solar investments which contributed 86.3% of the portfolio revenues generated. These factors, together with the benefit of continuing to amortise the long-term debt in the leveraged assets, have resulted in a valuation uplift, most notably in Lunar 2 Limited. There have also been some smaller valuation reductions across the remainder of the portfolio, as assets such as the wind portfolio performed below expectations. The adjustments have resulted in a net uplift of £657,000 or 2.3% in the fair value of the investment portfolio as at 31 March 2019.

Further detail on performance of the investment portfolio is provided in the Investment Advisor's Report on pages 4 to 11.

### **Net asset value and results**

At 31 March 2019, the net asset value ("NAV") per Ordinary Share stood at 114.2p and the NAV per 'A' Share stood at 0.1p, producing a total, per combined Shareholding, of 114.3p. This represents an increase of 1.1p or 1.1% since 30 September 2018, a after adjusting for the dividends paid in December 2018. The increase in the adjusted NAV per Share is attributable to the portfolio valuation adjustments noted above, which have offset some of the impact of the dividends paid in December 2018 and the VCT running costs over the period.

## CHAIRMAN'S STATEMENT (continued)

### Net asset value and results (continued)

Analysis of movements in Net Assets over the period	Net Assets £	Per Shareholding
		of 1 Ord and 1 'A' Share Pence
As at 30 September 2018	30,680	119.20
Net investment valuation uplift in the period	657	2.70
VCT running costs for the period	(263)	(1.10)
Impact of fundraising and share buybacks	479	(0.25)
Dividends paid to Shareholders in December 2018	(1,601)	(6.00)
Management A Share dividends	(67)	(0.25)
<b>As at 31 March 2019</b>	<b>29,885</b>	<b>114.30</b>

Total Return (total NAV plus cumulative dividends paid to date) stands at 159.8p for a holding of one Ordinary Share and one 'A' Share, compared to the cost for subscribers in the original Share offer, net of income tax relief, of 70.0p. This represents an annualised tax-free return ("IRR") of 7.1%, or 13.0% when taking into account the initial tax relief of 30%.

### Fundraising

As reported previously, following the successful fundraising in March 2018, the Company launched a further Top-up Offer in September 2018. The Offer raised £4.1 million for the Company, alongside £3.2 million for Gresham House Renewable Energy VCT 1 plc ("VCT 1"). The Board has set aside the major proportion of the funds raised for new VCT Qualifying investments. This will help to ensure that the Company can continue to comfortably maintain its VCT qualifying status as the increased threshold of 80% comes into effect.

### Share Buybacks

The Company will not be buying in Shares for the foreseeable future as it seeks to make new VCT Qualifying investments, so as to maintain its qualifying status under the new more stringent rules introduced in November 2017. The Board will keep the situation under review and, as and when liquidity and VCT Qualification permit, reconsider reopening Share Buybacks. Meanwhile, the Board will endeavour to encourage the development of the secondary market in the Company's Shares.

During the period, the Company purchased a total of 552,738 Ordinary Shares at an average price of 110.6p per Share, and a total of 552,738 'A' Shares at an average price of 0.1p.

Contact details for Shareholders considering selling Shares are shown on the Shareholder Information page.



## CHAIRMAN'S STATEMENT (continued)

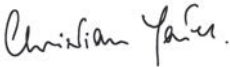
### Dividends

As previously announced the Company expects to pay its annual dividend in December as this is well aligned with receipt of summer power generation revenues by many of the investee companies. The Board expects to announce the annual dividend for 2019 in November. The quantum of the dividend will depend on the levels of income generated over the year and particularly the forthcoming summer. The Company continues to target a dividend of at least 5.0p per annum.

### Outlook

Now that the Hazel Capital team is fully integrated into the Gresham House organisation, the Company is able to benefit from the greater resources that are now available to it. We expect this to deliver rewards by continuing to improve efficiencies within the existing portfolio, as well as providing a small number of attractive new additions.

I expect to be in touch with Shareholders in November when the annual dividend is announced and then in the Annual Report which we expect to publish in January 2020.



**Christian Yates**  
Chairman

28 May 2019

# INVESTMENT ADVISER'S REPORT

## About the Investment Adviser

Gresham House Asset Management Limited ("GHAM") is the Investment Adviser to Gresham House Renewable Energy VCT 2 plc (the "Company", formerly Hazel Renewable Energy VCT2 plc) and Gresham House Renewable Energy VCT 1 plc ("VCT 1", formerly Hazel Renewable Energy VCT1 plc, together the "Companies"). GHAM is owned by Gresham House plc, an AIM quoted specialist alternative asset manager providing funds, direct investments and tailored investment solutions, including co-investment across a range of highly differentiated alternative investment strategies. GHAM's expertise includes strategic public equity and private assets, forestry, renewable energy, housing and infrastructure.

Gresham House plc acquired the business of Hazel Capital LLP on 31 October 2017. As part of new arrangements within GHAM, the Companies sit within the Gresham House New Energy division, benefitting from continuity of key investment executives (strengthened by the addition of Ed Simpson, formerly a Partner at Downing, in February 2019). In addition, the Renewable Energy VCTs benefit from the experience of managing VCTs that the recent acquisition of the Livingbridge Baronsmead VCTs by Gresham House brings.

## Portfolio Highlights

The Investment Adviser is pleased to report that the portfolio of assets owned by the Company performed above expectations in the six months to 31 March 2019. There were no acquisitions to report in the period, with the exception of a £5,000 incremental investment in ChargePoint Services Limited, a provider of electric vehicle charging infrastructure. There were no full disposals during the period, however the loan note investment in Lunar 2 Limited was repaid at par.

The Companies remain 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 which are predominantly linked to the Retail Price Index (RPI).

The total generation capacity of assets owned by the Companies is 34.88MWp (see table on page 5), with the Company having a 50% equity interest in the SPVs that own the assets.

During the period from 1 October 2018 to 31 March 2019, the Company's Net Asset Value per share, after adjusting for the payment of the annual dividend of 6.0p (5.50p per Ordinary Share and 0.505p per A Share) on 14 December 2018, increased by 1.1p to 114.3p.

Portfolio revenues were 2.21% ahead of forecast for the period (0.18% ahead of forecast in the year ending 30 September 2018). Performance varied significantly across major segments of the portfolio with ground-mounted solar assets, that account for 71.4% of the portfolio valuation, earning 6.22% ahead of forecast on one end, and the small wind turbine fleet, that accounts for 5.0% of the portfolio valuation, delivering 32.64% below forecast at the other end.

The performance in generation terms was 1.05% ahead of forecast in the period (0.08% below forecast in the year ending 30 September 2018).

## INVESTMENT ADVISER'S REPORT (continued)

### Portfolio Highlights (continued)

The Investment Adviser has been actively evaluating new investment opportunities in the clean technology space to deploy the £5.7m of additional funds raised in 2018 via two Top-Up Offers launched in February and September 2018. The Investment Adviser is in due diligence phase for three opportunities in the clean technology sector and expects to be able to report on the successful conclusion of at least one new investment in the annual report for the year ending 30 September 2019.

### Portfolio Composition

#### Portfolio Composition by Asset Type

Asset Type	Megawatt-peak (MWp)	Value £'000	% of Portfolio
Ground-mounted Solar (FiT)	20.29	£21,140	71.4%
Ground-mounted Solar (ROC)	8.70	£3,232	10.9%
<b>Total Ground-mounted Solar</b>	<b>28.99</b>	<b>£24,372</b>	<b>82.3%</b>
Rooftop Solar	4.42	£3,208	10.9%
<b>Total Solar</b>	<b>33.41</b>	<b>£27,580</b>	<b>93.2%</b>
Wind Assets	1.47	£1,487	5.0%
<b>Total Solar and Wind</b>	<b>34.88</b>	<b>£29,067</b>	<b>98.2%</b>
Charge Point Services	-	£538	1.8%
<b>Total Portfolio</b>	<b>34.88</b>	<b>£29,605</b>	<b>100.0%</b>
VCT level adjustments		£280	
<b>VCT NAV</b>		<b>£29,885</b>	

The composition of the Companies' portfolio is set out in the table above.

### Portfolio Performance

The 34.88MWp renewable energy projects in the portfolio generated 10,056 Megawatt-hours (MWh) of electricity over the half-year, sufficient to meet the annual electricity consumption of c.2,905 homes.

The solar projects within the portfolio (ground and roof-mounted installations) which comprise 33.41MWp, accounted for 95.3% of the generation output performance. These assets earned revenues ahead of expectations (4.9% ahead) during the period (0.08% below in the year ending 30 September 2018). They accounted for 93.2% of the portfolio valuation as at 31 March 2019.

While overall output performance was above expectations, generation versus forecast levels varied significantly over the 6-month period. The period started very well with October turning out to be a very sunny month. Irradiation fell short of expectations in the November to January period, only to recover substantially in February and March.

## INVESTMENT ADVISER'S REPORT (continued)

### Portfolio Performance (continued)

Electricity Generation by Asset Type				
Asset Type	Forecast Output (MWh)	Actual Output (MWh)	Technical Performance	% of generation output
Ground-mounted Solar (FIT)	5,748	5,899	102.62%	58.7%
Ground-mounted Solar (ROC)	2,477	2,739	110.59%	27.2%
<b>Total Ground-mounted Solar</b>	<b>8,225</b>	<b>8,638</b>	<b>105.02%</b>	<b>85.9%</b>
Rooftop Solar	1,020	940	92.11%	9.4%
<b>Total Solar</b>	<b>9,245</b>	<b>9,578</b>	<b>103.59%</b>	<b>95.3%</b>
Wind Assets	707	478	67.54%	4.7%
<b>Total Solar &amp; Wind</b>	<b>9,952</b>	<b>10,056</b>	<b>101.05%</b>	<b>100.0%</b>

The eight ground-mounted solar installations, which have a total generation capacity of 29.0MW, accounted for 85.9% of the electricity generated and this was 5.02% above forecasts (0.33% above in the year ending 30 September 2018). This segment accounts for 82.3% of the portfolio.

The roof-mounted solar asset portfolio which has capacity of 4.42MW, accounted for 10.9% of the portfolio and 9.4% of the total electricity generated. This was 7.89% below expectations (3.4% below in the year ending 30 September 2018).

The small wind turbines, which have total generation capacity of 1.47MW, accounted for 5.0% of the portfolio and 4.7% of the total electricity generated. Performance continued to be below expectations, at 67.54% of forecasts. This number may be revised up to an estimated 72% of expectations once reliable data for the HY-5 fleet which is undergoing a repair programme is obtained.

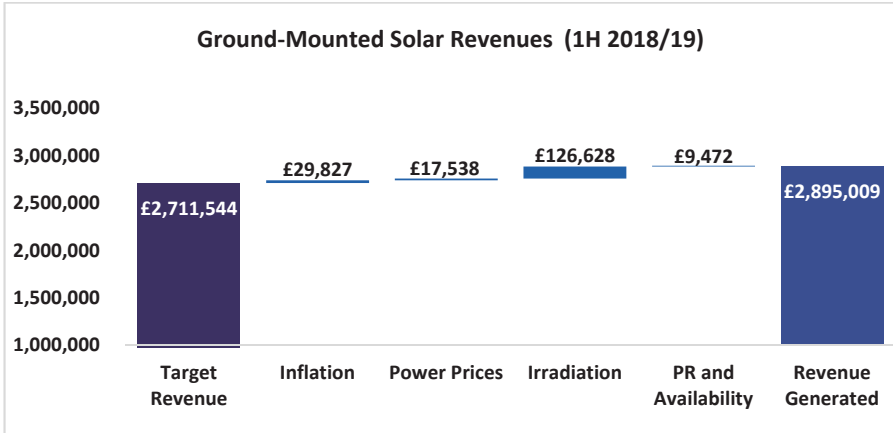
In revenue terms, the electricity generated by the entire asset base earned £3.36 million in the period, which was 2.21% ahead of forecast. £2.90m of this amount was generated by the ground-mounted solar assets, £0.29m by the rooftop assets and the remainder by the small wind turbine portfolio.

### Portfolio Revenues by Asset Type

Asset Type	Forecast Revenue (£m)	Actual Revenue (£m)	Revenue vs Forecast	% of Generation Revenues
Ground-mounted Solar (FIT)	2.37	2.52	106.22%	75.0%
Ground-mounted Solar (ROC)	0.34	0.38	110.55%	11.3%
<b>Total Ground-mounted Solar</b>	<b>2.71</b>	<b>2.90</b>	<b>106.77%</b>	<b>86.3%</b>
Rooftop Solar	0.33	0.29	91.04%	8.6%
<b>Total Solar</b>	<b>3.04</b>	<b>3.19</b>	<b>104.90%</b>	<b>94.9%</b>
Wind Assets	0.25	0.17	67.36%	5.1%
<b>Total Solar &amp; Wind</b>	<b>3.29</b>	<b>3.36</b>	<b>102.21%</b>	<b>100.0%</b>

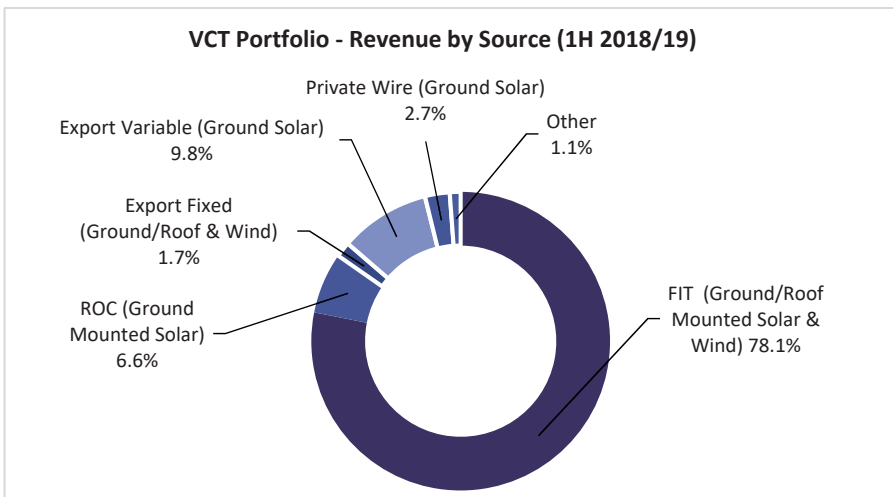
# INVESTMENT ADVISER'S REPORT (continued)

## Portfolio Performance (continued)



The ground-mounted solar portfolio benefited from the rare, simultaneous occurrence of several positive factors - higher than forecast inflation, power prices, and irradiation, as well as better-than-expected asset-level technical performance.

By asset type, 87.5% of revenues (being 78.1% FIT, 6.6% ROC, 1.7% Export Fixed and 1.1% Other, as set out in the chart below) were RPI-linked while 9.8% came from the sale of power (Export Variable), of which 3.8% in absolute terms is under fixed-price contracts running until October 2019.



# INVESTMENT ADVISER'S REPORT (continued)

## Portfolio Performance (continued)

The FiT-remunerated ground-mounted solar assets, that earn FiTs as well as income from the sale of power in the wholesale market, accounted for 75.0% of the portfolio level income. The ROC-remunerated ground-mounted solar assets, that earn ROCs and variable export revenues, accounted for 11.3%, and the roof-mounted solar assets, that earn FiTs and fixed export tariffs, accounted for 8.6%.

## Overall Portfolio and Operational Review

The analysis of performance is based on three pillars. The first covers macro factors including inflation, power prices, variable components of subsidies and climactic conditions. The second category covers technical performance, and the third category covers costs.

### Macro

Solar irradiation was 4.7% ahead of forecasts on a capacity-weighted basis, extending the period of good sunshine that commenced in May 2018. Project by project, measurements varied between 97.3% and 116.3% of forecast levels for the eight ground-mounted solar projects in the portfolio. Each 1% change, in absolute terms, in irradiation for this portfolio results in a £107,000 movement in annual revenues.

The portfolio's revenues were helped by inflation as both FiT and ROC payments are index-linked to the RPI. FiTs and ROCs increased in price by 4.1% on 1 April 2018. The RPI has drifted down from these levels in the last year, and has fallen to 2.7% for the purposes of the annual tariff adjustments from 1 April 2019, below the 3% level used in long-term forecasts. For every 1% increase in absolute terms, in inflation, annual portfolio revenues rise by £96,000.

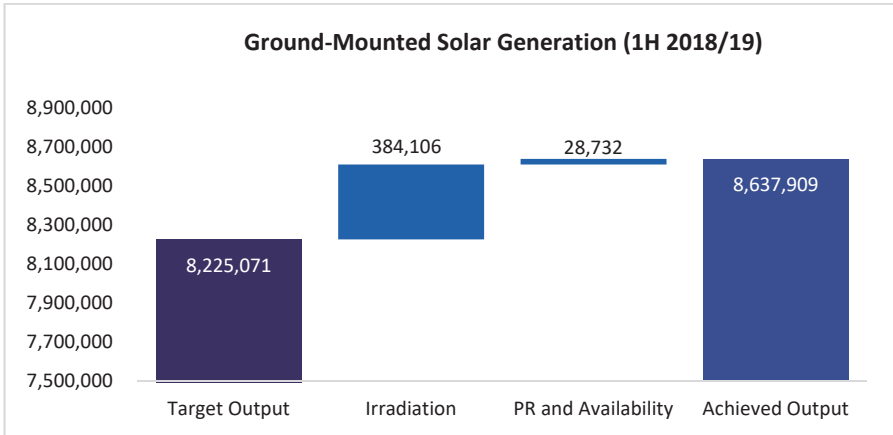
### Technical Performance

The ground-mounted solar asset base exceeded its target level of generation. The ground-mounted solar benefited from strong solar irradiation at the beginning and end of the half-year period, and also performed better than expected, when adjusted for irradiation. This was due to low panel surface temperatures during this period of the year.

However, the rooftop solar portfolio fell 7.89% short of its target level of generation. This portfolio, for which solar irradiation cannot be measured, tends to underperform in winter months due to a geographical effect, as it is located across mid and northern parts of England as well as Scotland, where daylight hours are significantly shorter in winter. Another contributing factor was the impact of upgrading meter modems for part of the portfolio on meter readings. The upgrade programme resulted in generation not being reported. The resulting unrecorded revenue is expected to be recovered in future periods.

# INVESTMENT ADVISER'S REPORT (continued)

## Technical Performance (continued)



A comprehensive technical review was undertaken in the year ending 30 September 2018 and a decision was taken to accelerate the replacement of inverters (which would typically be replaced after 10 years), on the basis that this would yield an attractive payback profile, and would use cash already reserved for this purpose under the debt facility reserves. The Investment Adviser is currently selecting a suitable engineering firm to carry out the work within the budget allocated and in compliance with strict requirements in relation to minimising downtime.

The programme of repair that was initiated in the spring of 2018 for the Huaying HY-5 installations is progressing well. It had been decided that only the installations where the incremental sum invested would generate a payback period of less than or equal to six years, would be repaired. This amounted to 67 of the 92, however the number has come down to 65 after a closer inspection revealed more significant problems with two installations. At the time of writing, 58% of the turbines had been repaired with the work expected to be completed in the third quarter of the financial year.

### Operating Costs

The third factor that determines performance is 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 cost base is substantially inflation-linked (RPI) and will benefit from RPI coming in at 30 basis points lower, offsetting the effect of a reduction in revenues. For every 1% increase in inflation, in absolute terms, portfolio costs excluding depreciation rise by £22,000.

The main cost item that shows variability from year-to-year is repair and maintenance costs. These are closely monitored and compared with a budget that is set every year. Repair and maintenance spend, if it involves replacing or repairing solar panels and inverters, the key components of a solar project, is covered by the maintenance reserves totalling £2.9m that are in place for all the ground-mounted solar assets and for most of the roof-mounted solar assets.

## INVESTMENT ADVISER'S REPORT (continued)

### Operating costs (continued)

In addition, there are some one-off costs that were not covered by reserves such as meter and SIM card replacements, pigeon-proofing for the roof-mounted solar assets and cable replacement for the ground-mounted assets. The total cost in the half year was £121,700 in the context of a £190,000 budget set for the year. Close to half of the expenditure related to the replacements of meters, work that is expected to be a one-off. This cost item tends to be higher in winter months for solar installations due to the Investment Adviser's policy of scheduling these works in months where solar generation is low.

There was a further £49,500 of expenditure on repairing the Huaying HY-5 small wind turbine installations which the Investment Adviser commissioned under a separate budget allocation.

### Valuation

After adjusting for the effect of the small investment in ChargePoint and the loan note redemption in respect of Lunar 2 Limited, the total portfolio valuation increased by £657,000 during the period. The Total Return to Shareholders also increased from 158.7p to 159.8p.

Elements of NAV	31 Mar 2019 (£'000)	% of portfolio	30 Sep 2018 (£'000)	% of portfolio
FIT-remunerated ground-mounted solar projects	21,140	71.4%	21,686	70.9%
ROC-remunerated ground-mounted solar projects	3,232	10.9%	3,275	10.7%
Rooftop solar projects	3,208	10.9%	3,389	11.1%
Small wind turbines	1,487	5.0%	1,738	5.7%
ChargePoint Services	538	1.8%	500	1.6%
<b>Total Portfolio Valuation</b>	<b>29,605</b>	<b>100.0%</b>	<b>30,588</b>	<b>100.0%</b>
<i>VCT level adjustments</i>	280		92	
<b>VCT NAV</b>	<b>29,885</b>		<b>30,680</b>	
NAV per share (Ordinary and A combined)	<b>114.3p</b>		<b>119.2p</b>	

The decrease in the NAV over the period principally resulted from the payment of dividends totalling 6.0p per share on 14 December 2018.

There were no changes to any of the assumptions, including discount rates, used to value the assets over the half year period.

The upward movement in the NAV of 1.1p per share, when adjusted for the 6.0p dividend, can be attributed to the impact (0.7p) on the working capital position of higher than forecast revenues over the very sunny summer months in 2018, as well as the positive effect (0.5p) of bringing periods of higher positive cashflows one half year forward, to reflect the fact that the modelled asset life is now six months less, in the discounted cash flow model used to value the portfolio. Less significant, positive adjustments (0.1p) resulted from issuing Top-Up shares at a premium to the NAV and the Company purchasing its own shares at a discount to NAV. The payment of the performance incentive to the Investment Adviser had a negative contribution of 0.2p.



## **INVESTMENT ADVISER'S REPORT (continued)**

### **Valuation (continued)**

The Investment Adviser believes that the discount rates used for all the assets are consistent with what other owners of solar assets use while valuing their own portfolios, and its experience gained from selling similar assets in other areas of its business. The rates used were 6.5% on a levered basis for the FIT remunerated ground-mounted solar assets, 6.75% on a levered basis for the ROC-remunerated ground-mounted solar projects and rooftop solar projects, and 7.5% for the wind turbine assets.

In the longer term, the potential to create additional value through the extension of land leases beyond their current 25-year term and through upgrading the equipment using improved technology with much better yields may arise. The Investment Adviser is actively exploring these opportunities, however the additional value is not reflected in the current valuation.

### **Outlook**

The Investment Adviser closely monitors the portfolio of renewable energy generation assets and continues to target improvements in yield and reductions in risk across the portfolio, and to evaluate incremental maintenance capital expenditure and replacement decisions where these can be justified in economic terms.

The Investment Adviser is also focused on enhancing value through non-technical means such as extensions of leases for the ground-mounted solar sites, and the further reduction of operating costs. A key current focus is the deployment of funds raised in the Top-Up. As stated in the Top-Up prospectus, asset-backed renewable energy generation investments are no longer qualifying under current VCT rules.

The Investment Adviser has screened over 200 opportunities in order to identify investments in line with the Company's mandate and the Investment Adviser's expertise and track record; and specific investment criteria designed to eliminate opportunities that are at the higher end of the risk spectrum for small companies.

The Investment Adviser has decided to progress into active due diligence phase three opportunities it has identified in the sustainable housing, asset optimisation software and waste management/recycling sectors. The Investment Adviser expects to have completed at least one of these investments by the end of the financial year on 30 September 2019.

The investment identification and evaluation process has been enhanced by the acquisition by Gresham House Plc of the fund and investment management business of Livingbridge VC LLP, which includes the two Baronsmead VCTs. The addition of eight specialist investment and research professionals covering both public and private market opportunities will provide broader coverage and increased deal flow when investing the top-up funds.

**Gresham House Asset Management Limited**

28 May 2019

## UNAUDITED BALANCE SHEET

as at 31 March 2019

	<b>31 Mar 2019 £'000</b>	<b>31 Mar 2018 £'000</b>	<b>30 Sep 2018 £'000</b>
<b>Fixed assets</b>			
Investments	29,605	30,096	30,588
<b>Current assets</b>			
Debtors	275	415	274
Cash at bank and in hand	1,066	1,600	3,038
	<u>1,341</u>	<u>1,991</u>	<u>3,312</u>
<b>Creditors: amounts falling due within one year</b>	<u>(101)</u>	<u>(294)</u>	<u>(113)</u>
<b>Net current assets</b>	<u><b>1,242</b></u>	<u><b>1,697</b></u>	<u><b>3,199</b></u>
<b>Creditors: amounts falling due after more than one year</b>	(960)	(5,185)	(3,107)
<b>Net assets</b>	<u><u><b>29,885</b></u></u>	<u><u><b>26,632</b></u></u>	<u><u><b>30,680</b></u></u>
<b>Capital and reserves</b>			
Called up share capital	72	62	68
Share premium	9,732	3,985	7,531
Funds held in respect of shares not yet allotted	-	1,598	1,035
Treasury Shares	(2,792)	(2,792)	(2,792)
Capital redemption reserve	1	-	-
Special reserve	7,364	9,840	9,724
Revaluation reserve	16,914	14,865	16,257
Capital reserve - realised	(1,307)	(1,241)	(1,261)
Revenue reserve	(99)	315	118
<b>Equity shareholders' funds</b>	<u><u><b>29,885</b></u></u>	<u><u><b>26,632</b></u></u>	<u><u><b>30,680</b></u></u>
<b>Net asset value per Ordinary Share</b>	<u><b>114.2p</b></u>	<u><b>113.4p</b></u>	<u><b>119.1p</b></u>
<b>Net asset value per 'A' Share</b>	<u><b>0.1p</b></u>	<u><b>0.1p</b></u>	<u><b>0.1p</b></u>
	<u><u><b>114.3p</b></u></u>	<u><u><b>113.5p</b></u></u>	<u><u><b>119.2p</b></u></u>

## STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2019

	Called up Share capital £'000	Share Premium account £'000	Shares not yet allotted £'000	Capital redemption reserve £'000	Treasury Shares £'000	Special reserve £'000	Revaluation reserve £'000	Capital Reserve - realised £'000	Revenue reserve £'000	Total £'000
<b>As at 30 September 2017</b>	62	3,985	-	-	-	9,840	15,504	(1,200)	6	28,197
Total comprehensive income	-	-	-	-	-	-	753	(61)	112	804
<b>Transactions with owners</b>										
Repurchase of Shares	-	-	-	-	(2,792)	-	-	-	-	(2,792)
Issue of Shares	6	3,546	-	-	-	(116)	-	-	-	3,436
Unallotted Shares	-	-	1,035	-	-	-	-	-	-	1,035
<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	-	-	-	-	-	-	657	(46)	(217)	394
<b>Transactions with owners</b>										
Dividend paid	-	-	-	-	-	(1,668)	-	-	-	(1,668)
Repurchase of shares	-	-	-	1	-	(612)	-	-	-	(611)
Issue of Shares	4	2,201	(1,035)	-	-	(80)	-	-	-	1,090
<b>As at 31 March 2019</b>	<b>72</b>	<b>9,732</b>	<b>-</b>	<b>1</b>	<b>(2,792)</b>	<b>7,364</b>	<b>16,914</b>	<b>(1,307)</b>	<b>(99)</b>	<b>29,885</b>

## UNAUDITED INCOME STATEMENT

for the six months ended 31 March 2019

	Six months ended 31 Mar 2019			Six months ended 31 Mar 2018			Year ended 30 Sep 2018
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	52	-	52	701	-	701	771
Gains/(losses) on investments							
Unrealised	-	657	657	-	(639)	(639)	786
Realised	-	-	-	-	5	5	-
	52	657	709	701	(634)	67	1,557
Investment management fees	(136)	(46)	(182)	(139)	(46)	(185)	(377)
Other expenses	(133)	-	(133)	(253)	-	(253)	(376)
<b>(Loss)/return on ordinary activities before taxation</b>	<b>(217)</b>	<b>611</b>	<b>394</b>	<b>309</b>	<b>(680)</b>	<b>(371)</b>	<b>804</b>
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	-
<b>(Loss)/return attributable to equity Shareholders</b>	<b>(217)</b>	<b>611</b>	<b>394</b>	<b>309</b>	<b>(680)</b>	<b>(371)</b>	<b>804</b>
<b>(Loss)/return per Ordinary Share</b>	<b>(0.9p)</b>	<b>2.5p</b>	<b>1.6p</b>	<b>1.3p</b>	<b>(2.8p)</b>	<b>(1.5p)</b>	<b>3.4p</b>
<b>Return 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 Company 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 February 2018) 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 STATEMENT OF CASH FLOWS

for the six months ended 31 March 2019

	31 Mar 2019 £'000	31 Mar 2018 £'000	30 Sep 2018 £'000
<b>Cash flows from operating activities</b>			
Return/(loss) on ordinary activities before taxation	394	(371)	804
(Gains)/losses on investments	(657)	634	(786)
(Increase)/decrease in other debtors	(1)	32	174
Increase/(decrease) in other creditors	24	(26)	(16)
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(240)</u>	<u>269</u>	<u>(176)</u>
<b>Cash flows from investing activities</b>			
Purchase of investments	(5)	-	-
Sale of investments/loan note redemptions	1,645	660	688
<b>Net cash inflow from investing activities</b>	<u>1,640</u>	<u>660</u>	<u>688</u>
<b>Net cash inflow before financing activities</b>	1,400	929	864
<b>Cash flows from financing activities</b>			
Equity dividends paid	(1,668)	-	-
Fundraising proceeds	-	1,598	-
Long term loans	(2,147)	1,526	347
Purchase of own Shares	(612)	(2,541)	(2,792)
Issue of Shares	2,205	-	3,496
Share issue costs	(115)	-	-
Funds held in respect of Shares not yet allotted	(1,035)	-	1,035
<b>Net cash (outflow)/inflow from financing activities</b>	<u>(3,372)</u>	<u>583</u>	<u>2,086</u>
<b>Net (decrease)/increase in cash</b>	(1,972)	1,512	2,950
Cash and cash equivalents at start of period	3,038	88	88
<b>Cash and cash equivalents at end of period</b>	<u>1,066</u>	<u>1,600</u>	<u>3,038</u>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank in hand	1,066	1,600	3,038
<b>Total cash and cash equivalents</b>	<u>1,066</u>	<u>1,600</u>	<u>3,038</u>

## SUMMARY OF INVESTMENT PORTFOLIO AND MOVEMENTS

for the Period ended 31 March 2019

Investment Portfolio as at 31 March 2019

Qualifying and partially qualifying investments	Operating sites	Sector	Cost	Valuation	Unrealised gain/(loss) in period	% of portfolio by value
			£'000	£'000	£'000	
Lunar 2 Limited*	South Marston, Beechgrove	Ground Solar	1,331	15,347	1,055	50.0%
Lunar 1 Limited*	Kingston Farm, Lake Farm	Ground Solar	125	2,617	12	8.5%
Ayshford Solar (Holding) Limited*	Ayshford	Ground Solar	1,348	2,200	32	7.2%
New Energy Era Limited	Wychwood Solar Farm	Ground Solar	884	1,750	37	5.6%
Vicarage Solar Limited	Parsonage Farm	Ground Solar	871	1,426	(5)	4.6%
Hewas Solar Limited	Hewas	Roof Solar	1,000	1,168	(49)	3.8%
Gloucester Wind Limited	Gloucester	Roof Solar	1,000	1,060	13	3.5%
Tumblewind Limited*	Priory Farm	Small Wind/Solar	1,326	1,031	(76)	3.4%
HRE Willow Limited	HRE Willow	Small Wind	875	763	(111)	2.5%
St Columb Solar Limited	St Columb	Roof Solar	650	605	11	2.0%
Chargepoint Services Limited		Vehicle charging	505	538	33	1.8%
Minsmere Power Limited	Minsmere	Small Wind/Solar	975	468	(63)	1.5%
Penhale Solar Limited	Penhale	Roof Solar	825	376	(154)	1.2%
Small Wind Generation Limited	Small Wind Generation	Small Wind	975	256	(78)	0.8%
Sunhazel UK Limited		Roof Solar	1	-	-	0.0%
			<u>12,691</u>	<u>29,605</u>	<u>657</u>	<u>96.4%</u>
<b>Cash</b>				<u>1,066</u>		<u>3.6%</u>
<b>Total investments</b>				<u>30,671</u>		<u>100.0%</u>

### Investment Disposals

Qualifying investments	Cost	Valuation 30 September 2018	Proceeds	Profit vs. cost	Realised gain
	£'000	£'000	£'000	£'000	£'000
Lunar 2 Limited ( <i>repayment of Qualifying loan notes</i> )	1,645	1,645	1,645	-	-
	<u>1,645</u>	<u>1,645</u>	<u>1,645</u>	<u>-</u>	<u>-</u>

\*Partially qualifying investment

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

### 1. General information

Gresham House Renewable Energy VCT 2 plc (“the Company”) 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 2018 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 30 September 2018 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”) revised February 2018.

3. All revenue and capital items in the Income Statement derive from continuing operations.

4. The Company 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 24,098,052 Ordinary Shares and 36,391,846 ‘A’ Shares, being the weighted average number of shares in issue during the period, excluding Treasury Shares.

### 7. Dividends

	Period ended 31 Mar 2019			Year ended 30 Sep 2018
	Revenue £’000	Capital £’000	Total £’000	Total £’000
<b>Payable</b>				
2018 Interim Ordinary – 5.4958p	99	1,367	1,466	-
2018 Interim A – 0.5042p	-	202	202	-
	<u>99</u>	<u>1,569</u>	<u>1,668</u>	<u>-</u>

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

### 8. Reserves

	Period ended 31 Mar 2019 £'000	Year ended 30 Sept 2018 £'000
Capital redemption reserve	1	-
Share premium reserve	9,732	7,531
Special reserve	7,364	9,724
Revaluation reserve	16,914	16,257
Funds held in respect of shares not yet allotted	-	1,035
Treasury Shares	(2,792)	(2,792)
Capital reserve-realised	(1,307)	(1,261)
Revenue reserve	(99)	118
	29,813	30,612

The Revenue reserve, Capital reserve - realised and Special reserve are distributable reserves. Distributable reserves are reduced by unrealised holding losses of £1,738,000, which are included in the Revaluation reserve. Distributable reserves at 31 March 2019 were £4,223,000.

### 9. Investments

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

The Company 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 Mar				30 Sep			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	2019 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2018 £'000
Loan notes	-	-	1,111	1,111	-	-	2,756	2,756
Unquoted equity	-	-	28,494	28,494	-	-	27,832	27,832
	-	-	29,605	29,605	-	-	30,588	30,588



## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

### 9. Investments (continued)

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

	Unquoted loan notes £'000	Unquoted equity £'000	Total £'000
Balance at 30 September 2018	2,756	27,832	30,588
<i>Movements in the income statement:</i>			
Unrealised gains in the income statement	-	657	657
Realised gains in the income statement	-	-	-
	<u>-</u>	<u>657</u>	<u>657</u>
Purchased at cost	-	5	5
Sales proceeds/redemption of loan notes	<u>(1,645)</u>	<u>-</u>	<u>(1,645)</u>
Balance at 31 March 2019	<u>1,111</u>	<u>28,494</u>	<u>29,605</u>

### 10. Risks and uncertainties

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

The Board has concluded that the key risks facing the Company 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; and
- (iii) failure to maintain approval as a VCT.

In order to make VCT qualifying investments, the Company 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 Company's compliance with the VCT regulations is continually monitored by the Administration Adviser, who reports regularly to the Board on the current position. The Company has reappointed Philip Hare & Associates LLP, 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.

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

### 11. Going concern

The Directors have reviewed the Company's financial resources at the period end and conclude that the Company is well placed to manage its business risks.

The Board confirms that it is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, the Board believes that the Company 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.

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 be sent to Shareholders shortly. Further copies can be obtained from the Company's registered office or can be downloaded from <https://newenergy.greshamhouse.com/investor-relations-vct2/>

## SHAREHOLDER INFORMATION (continued)

### Selling shares

The Company operates a policy of buying its own shares for cancellation from time to time. The Company 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 Company'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

Downing LLP is able to provide details of close periods and the price at which the Company has bought in shares. Contact details are shown on the back cover of this document.

### 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 Company's registrar, Link Asset Services, under the signature of the registered holder.

### Other information for Shareholders

Up to date Company information (including company announcements, share prices and dividend history) may be obtained from the Gresham House website:

<https://newenergy.greshamhouse.com/investor-relations-vct2/>

If you have any queries regarding your shareholding in Gresham House Renewable Energy VCT 2 plc, please contact the registrar on the number shown on the back cover or visit Link's website at [www.linkassetsservices.com](http://www.linkassetsservices.com) and click on "Shareholders".

**Directors**

Christian Yates (Chairman)  
Matthew Evans  
Giles Clark

**Company Secretary and Registered Office**

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London EC3R 6HD

Registered No. 07378395

**Investment Adviser**

Gresham House Asset Management Limited  
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London EC2V 6AA  
Tel: 020 3837 6270  
[www.greshamhouse.com](http://www.greshamhouse.com)

**Administration Adviser**

Downing LLP  
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[www.downing.co.uk](http://www.downing.co.uk)

**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)