31 March
2022

Gresham House Renewable Energy VCT 1 plc

Half-Yearly Report for the six months ended 31 March 2022

Since 1857
Gresham House
Specialist asset management

The 34.4MWp of renewable energy projects co-owned by Gresham House Renewable Energy VCT 1 plc ("VCT") and Gresham House Renewable Energy VCT 2 plc ("VCT 2") generated 9,810,747 kilowatt-hours of electricity over the six month period, sufficient to meet the annual electricity consumption of 2,840 homes. The Investment Adviser estimates that the carbon dioxide savings achieved by generating this output from solar and wind versus gas-fired power, are equivalent to what 5,700 mature trees would remove from the atmosphere.

Overview

Financial Statements

Other Information

Investment objectives

Gresham House Renewable Energy VCT 1 plc is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995. Following the adoption of the new Investment Policy on 13 July 2021 (the "New Investment Policy"), the VCT's principal objective is to manage the VCT with the intention of realising the sale or monetisation otherwise of all remaining assets in the portfolio in a prudent manner consistent with the principles of good investment management and with a view to returning value to shareholders in an orderly manner, whilst protecting the tax position of shareholders.

The VCT will pursue its investment objective by effecting an orderly realisation of its assets in a manner that seeks to achieve a balance between maximising the value received from those assets and making timely returns of capital to shareholders. This process might include sales of individual assets or running of the portfolio in accordance with the existing terms of the assets, or a combination of both.

The detailed investment policy adopted to achieve the investment objectives was set out in the VCT's Strategic Report of the Annual Report on pages 20 to 31.

For more information visit
https://greshamhouse.com/real-assets/new-energy-sustainable-infrastructure/

Shareholder information

Performance summary

	27June 2022 Pence	31 March 2022 Pence	30 September 2021 Pence	31 March 2021 Pence
Net asset value per Ordinary Share		90.8	90.1	92.5
Net asset value per 'A' Share		0.1	0.1	0.1
Cumulative dividends*		57.1	57.1	57.1
Total Return*		**148.0**	**147.3**	**149.7**
Share Price – Ordinary (GV1O)	88.0	88.0	91.0	97.0
Share Price – A Shares (GV1A)	5.05	5.05	5.05	5.05

* for a holding of one Ordinary Share and A Share

Dividends

		Ordinary Shares Pence	'A' Shares Pence	Total Pence
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
2020 Interim	31 December 2020	5.3	0.5	5.8
		51.9	**5.2**	**57.1**

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 page 18.

Shareholder information is continued on page 17.

Chairman's statement

I am pleased to present the Half-Yearly Report of Gresham House Renewable Energy VCT 1 plc ("VCT") for the period ended 31 March 2022.

Gill Nott
Chairman

The period under review has less solar irradiation than the second half of the year over the spring and summer months. The total revenue from the renewable assets was just 0.3% behind budget, at £3.5 million. This was despite higher than expected irradiation (6.7%) as some of the assets are showing signs of their age and under performing.Much time and effort has been spent over the period on correcting the problems that have occurred. Inevitably there are cost attached to such repairs and this has impacted the cash flow available to the VCT, however I am pleased to report that the work carried out in the last financial year on three major assets has resulted in very significantly improved performance for those sites, and we anticipate that the further work being undertaken will similarly improve performance shortly.

Turning to the matter of the sale of the solar assets, it had been hoped that the sales process, commenced in the late summer of 2021, would have been concluded by the end of 2021. However, certain issues were uncovered during the due diligence process which were complex and/or requiring negotiation with third parties, resulted in the process being more protracted than expected. These issues have taken some time to resolve to the satisfaction of the potential purchaser. A couple of key issues remain outstanding, but it is hoped that these can be addressed soon so that a sale can be agreed and closed. Given the age of the portfolio, it is not wholly unsurprising that potential buyers raised additional concerns largely relating to warranties and performance of the equipment.

Investment portfolio

At the period end, the VCT held a portfolio of 16 investments, which were valued at £27.2 million.

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

Ground mounted solar	80.1%
Rooftop solar	8.5%
Small wind	4.3%
Non-renewable assets	7.1%

The Board has reviewed the investment valuations at the half-year and notes that the valuation of the portfolio has not changed and remains at £27.2 million. Although the overall valuation of the 16 investments has not changed since the valuation at year end, there have been some movements in value between the different types of assets.

Whilst the valuation of the portfolio at the half-year has been positively impacted by the increase in power prices in the six month period and by the increases in inflation projections, with most of the revenue being linked to RPI, this increases the overall profitability, and therefore valuation of the assets, these have been offset by two key factors with the result that the valuation of the portfolio has remained flat. Firstly, an increase in the discount rate used by 50bp to 6.25% for the solar assets, as explained below, and secondly a doubling of the allowance made for the financial and administrative management fees of the underlying companies.

The Board felt it prudent to adopt a more conservative approach to the discount rate taking into consideration a backdrop of high inflation and rising interest rates. It should be noted that the revised rate is now more in line with the sector and other similar portfolios. The sales process has indicated that the allowances made for the financial and administrative management fees for the underlying companies were insufficient given rising costs and the complexity of managing a portfolio of this type and age. The Board therefore decided to increase these costs.

As referred to above several problems have emerged during the sale process. One in particular is worthy of mention, although the Board do not expect it to be a problem in the longer-term. The solar farm at South Marston sells its power to Honda, but Honda is leaving the site and selling it to a third party. The negotiations are proving complex and there is thus some uncertainty as to the contractual arrangements for the sale of power going forward, although it seems unlikely that the purchaser of the Honda site would not want to have access to an existing and proven supply of renewable energy on its doorstep.

Venture Capital investments

The VCT also holds two investments that are not in renewable energy. A follow-on investment of £67,500 was made into bio-bean Limited ("bio-bean") in December 2021 to fund the growth and development of the business. The valuation of bio-bean has been held at cost as at 31 March 2022, while the valuation of the VCT's investment into Rezatec has increased by £0.2 million or 24.7% since the investment was made, driven by non-cash interest income accumulating on the preference shares in Rezatec.

Further detail on the investment portfolio is provided in the Investment Adviser's Report on pages 4 to 8.

Net asset value and results

At 31 March 2022, the Net Asset Value ("NAV") per Ordinary Share stood at 90.8p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 90.9p 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 2021	90.2
Plus NAV increase	0.7
NAV as at 31 March 2022	90.9

Total dividends paid to date for a combined holding of one Ordinary Share and one 'A' Share stand at 57.1p (September 2021: 57.1p). The NAV Total Return (NAV plus cumulative dividends) has increased by 0.5% in the six months and now stands at 148.0p excluding the initial 30% VCT tax relief, compared to the cost to investors in the initial fundraising of £1.00 or 70.0p net of income tax relief.

The profit on ordinary activities after taxation for the half-year was £0.2 million (March 2021: £2.1 million loss), comprising a revenue profit of £297,000 (March 2021: £229,000) and a capital loss of £115,000 (March 2021: capital loss of £2.3 million) as shown in the Income Statement on page 9.

2022 Annual General Meeting ("AGM")

The VCT's eleventh AGM was held on 23 March 2022 at 11.00 a.m. and all resolutions were passed by way of a poll.

Outlook

As we look ahead the portfolio is in much better shape than it was this time last year thanks to all the effort that has gone into repairs and renewals. We very much hope that a sale of the solar assets will be satisfactorily concluded in the near term. However, if despite all the efforts made by the Board and the Investment Adviser, with the sale process led by EY, this proves not to be possible then, so as to comply with shareholders wishes to wind up the company, the VCT will have to continue until the time is right to re-market the assets. We would expect this re-marketing to take place once the full financial year results are known and the aforementioned issues have been resolved.

Gill Nott
Chairman

29June 2022

Investment Adviser's report

Portfolio highlights

Gresham House Renewable Energy VCT 1 plc remains principally invested in the renewable energy projects that the VCT and VCT 2 have co-owned for a period of eight to eleven years, depending on the asset, with the value of these projects representing well over 90% of the value of the portfolio. The total generation capacity of assets co-owned by the VCT is 34.4MWp. The VCT also has two venture capital investments.

During the half-year the sale process of the solar energy projects that are owned jointly with Gresham House Renewable Energy VCT 2 plc ("VCT 2"), was progressed. The two VCTs appointed EY to prepare and run the sales process. A number of parties carried out initial due diligence on the portfolio, and submitted non-binding offers subject to further due diligence. One potential buyer was granted exclusivity to perform detailed due diligence and engagement with that party is ongoing.

The Investment Adviser has, in the meantime, continued to manage the assets as if holding them for the long-term, whilst also supporting the Board of the VCT and its advisers in advancing the sale process.

The Investment Adviser has undertaken a valuation exercise and provided the Directors with several valuation scenarios based on different assumptions. The Directors have the responsibility of valuing these assets. Although there is a sales process in progress, it should be noted that the valuation is based on a long-term hold basis.

The vast majority of the assets held by the VCT produce solar power. The solar portfolio is relatively old compared to other solar farms across the UK. They are older than well over 90% of total solar capacity in the UK, but this means that the VCT's solar farms have secured higher incentives than most other solar installations in the UK.

The total revenue from renewable energy generation was £3,521,029 and of this, £3,058,789 was from government incentives and inflation-linked contracts. The total revenue from the renewable assets was 0.3% behind budget.

The downside of the VCT's older assets is the additional maintenance required to keep them operating effectively. Projects to repair or replace certain components across the three worst performing older sites were completed during the last financial year. Performance since completion of the works has been encouraging, with consistently increased output and reliability at Kingston Farm and Lake Farm with new, 10-year warranties on some of the key equipment (replacement inverters) and UK based technical staff available for ongoing repairs or maintenance. The repairs at Beechgrove Farm highlighted other issues which have since been repaired under warranty during this half-year. These further repairs are expected to deliver increased output during the second half of this financial year.

In terms of available resources, the half-year benefited from strong solar irradiation which came in at 6.7% ahead of budget. This should have resulted in better generation performance but there were technical issues at two of the ground mounted sites (Beechgrove and Ayshford Court, as described below) and poorer than expected performance of the roof mounted portfolio. These legacy issues have been addressed through a successful warranty claim and repair works.

In terms of the wider economy, the effects on the portfolio are summarised below:

- Power prices were significantly reduced through the pandemic and price fixes were therefore sought in 2020 and early 2021, as soon as Power Purchase Agreement ("PPA") providers began offering above the budgeted levels at the time. Fixing the prices under PPAs provided security of revenues. However, the fixed prices meant that the portfolio has not been able to benefit from the increases in wholesale power prices during the autumn and the further increases that have been experienced after the Russian invasion of Ukraine. These PPAs have started to expire and all will have expired by the end of 2022. Assuming power price projections remain high, the assets should have the opportunity to earn significantly higher revenue from the sale of electricity (either on the wholesale market or on new PPAs with higher prices) on expiry of the current PPAs.
- Whilst all works had to be suspended on residential roof mounted solar installations last year as engineers were not permitted to enter properties during lockdown, much of these have now been carried out. Nevertheless, there continue to be some residents who are shielding or are reticent to allow people into their homes and so there are some repairs still outstanding.
- With much of the portfolio's revenue being inflation linked, higher inflation increases the profitability of the assets and therefore their value, even though most of the cost base and the debt facilities are also inflation-linked.

The VCT also holds newer investments in growth businesses; bio-bean Limited, the world's largest recycler of waste coffee grounds, which produces sustainable, clean fuels as well as advanced biochemicals for use in the food industry; and Rezatec Limited ("Rezatec"), a climate technology company and software developer. Rezatec 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 sectors. Both businesses continued to grow revenues in the period, though fell short of their business plan objectives due to a number of factors that will be covered later in the report.

Portfolio composition

Portfolio composition by asset type

		31 March 2022		30 September 2021	
Asset Type	**kWp**	**Value ('000)**	**% of Portfolio value**	**Value ('000)**	**% of Portfolio value**
Ground mounted solar (FIT)*	20,325	£19,455	71.6%	£19,341	71.2%
Ground mounted solar (ROC)**	8,699	£2,295	8.5%	£2,264	8.3%
Total ground mounted solar	***29,024***	***£21,750***	***80.1%***	***£21,605***	***79.5%***
Rooftop solar (FIT)	4,304	£2,311	8.5%	£2,602	9.5%
Total solar	***33,328***	***£ 24,061***	***88.6%***	***£24,207***	***89.0%***
Wind assets (FIT)	1,030	£1,177	4.3%	£1,172	4.3%
Total renewable generating assets	***34,358***	***£25,238***	***92.9%***	***£25,379***	***93.3%***
Venture Capital investments	N.A.	£1,942	7.1%	£1,814	6.7%
TOTAL	**34,358**	**£27,180**	**100.0%**	**£27,193**	**100.0%**

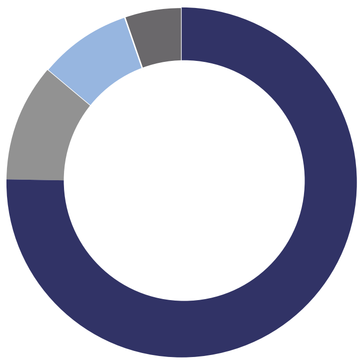
* Feed in Tariff (FIT)
** Renewables Obligation Certificate (ROC)

The 34.4MWp of renewable energy projects in the portfolio of the VCT and VCT 2 generated 9,810,747 kilowatt-hours of electricity over the six months, sufficient to meet the annual electricity consumption of circa 2,840 homes. The Investment Adviser estimates that the carbon dioxide savings achieved by generating this output from solar and wind versus gas-fired power, are equivalent to what circa 5,700 mature trees would remove from the atmosphere. During the half-year, residential rooftops of 5kWp capacity were written off as the costs of rectification could not be justified by the projected revenues even once repaired.

Portfolio summary

Approximately 93% of the portfolio value, and over 99% of the income for the portfolio, is derived from the renewable energy generation assets.

Renewable energy revenue by asset type



The performance against budget is shown below:

Portfolio revenues by asset type (£ Sterling)

Asset type	**Budgeted revenue**	**Actual revenue**	**Revenue performance**
Ground mounted solar (FIT)	£2,582,878	£2,648,266	102.5%
Ground mounted solar (ROC)	£375,938	£380,968	101.3%
Roof mounted solar	£343,256	£306,042	89.2%
Wind assets	£231,071	£185,753	80.4%
TOTAL	**£3,533,143**	**£3,521,029**	**99.7%**

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 (i.e. how the assets are performing, any technical issues, etc); and
- The revenue per unit of energy generated.

These themes will be expanded on below.

Renewable energy resources

The portfolio is heavily weighted to solar (96% by capacity of the renewable assets, and 89% of total portfolio by value).

During the year the assets benefited from better solar resources than budgeted, with solar irradiation being 6.7% ahead for the half year.

Technical performance

The table below shows the technical performance for each of the groups of assets.

Portfolio technical performance by asset type (kWh)

Asset type	Budgeted output	Actual output	Technical performance	Actual output (in the same period last year)
Ground mounted solar (FIT)	5,743,540	5,917,840	103.0%	4,345,581
Ground mounted solar (ROC)	2,455,190	2,441,622	99.5%	2,296,349
Roof mounted solar	998,414	934,415	93.6%	920,595
Wind assets	642,972	516,870	80.4%	535,070
TOTAL	**9,840,116**	**9,810,747**	**99.7%**	**8,097,595**

The ground mounted solar (FIT) assets performed ahead of budgets and significantly ahead of the same period last year.

The results of the successful repowering works at Kingston Farm and Lake Farm (each with 4.98MW capacity, FIT assets) were evident with Kingston Farm performing better than budget, even when adjusting for better irradiation. The figures for Lake Farm were slightly lower than budget when adjusted for irradiation but nevertheless a significant improvement compared to the previous year.

Beechgrove's (3.98MW, FIT) repowering works were completed just before the end of the last financial year, however performance was held back by another issue, cracking connectors at the back of its solar panels which in turn were causing isolation faults on the system. Following a root cause analysis this degradation of the connectors was found to be caused by the high salt content in the air due to the site's proximity to the sea. A warranty claim was initiated against Jinko Solar, the manufacturer, and replacement works involving the blanket replacement of all original connectors with ones made from an improved polymer, which can withstand the marine environment, are now taking place. The early signs are that these will result in a significant improvement from the second half of this financial year and going forward for the long-term.

Overall, the replacement works are expected to have a payback of under five years and were largely paid for from cash held in reserves for performing such works.

Ayshford Court (5.45MW, ROC) also exhibited lower than expected performance. This was caused by a small number of failing solar modules taking down entire strings across several modules. The string-based configuration of many solar plants means that a small number of module failures can take large parts of the plant offline. The solution to this is close monitoring and a rearrangement and redistribution of the solar modules such that the faulty modules are grouped together. These works were carried out in March and April 2022. A warranty claim is also in progress against the manufacturer.

South Marston (4.97MW FIT) has historically sold all its power to a Honda production plant adjacent to the site at Swindon. Honda has closed down this facility and its exit is leading to changes of contractual arrangements for the sale of power and potentially for the technical set-up of the grid connection. The The Investment Adviser is working with Honda and the new site owner to ensure continuity of supply of power by the solar farm.

Generation of the rooftop solar portfolio was 6.4% lower than budget and slightly up on the same period last year. Irradiation cannot be measured at roof mounted solar installations as it is not cost effective to install pyranometers but one can assume that the irradiation at these sites was in line with the irradiation at the ground mounted assets. The Investment Adviser continues to work with the O&M contractors and landlords to get access to the rooftop installations that are underperforming, to effect repairs as soon as possible.

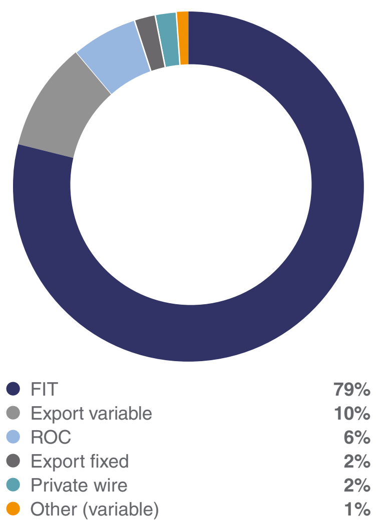
The small wind portfolio performed 19.6% lower than budget, continuing the poor performance experienced in recent years. Small wind accounts for only 3% of the portfolio in terms of capacity. In the last financial year, the fleet of Huaying HY5 wind turbines, which was plagued with technical issues and had been a net cash drain, was disposed of. The VCT continues to own the fleet of R9000 wind turbines, which have generally performed better and have the support of an experienced O&M contractor with easy access to spare parts.

Revenue per kilowatt hour of renewable energy generated

The UK Government has used several mechanisms to encourage investment into renewable energy generation, including the Feed in Tariff ("FIT") and Renewables Obligation Certificate ("ROC") support mechanisms.

The VCT's renewable assets benefit from these schemes which provide revenues predominantly linked to the Retail Price Index ("RPI"). As both the costs and perceived risks of building new renewable energy generating capacity have fallen, so have the value of the incentives offered for new installations. For example, an asset that generates electricity from solar power that was commissioned and accredited for the FIT before the end of July 2011 received just under 40 pence for every kilowatt hour (kWh) of electricity it produced (with the added extra of a floor price support to ensure it may also sell this power at a reasonable price). The incentives for new capacity have fallen consistently since the assets owned by the VCT were commissioned, and new solar installations built today receive no such incentives and must rely on selling power for their income. In the six months to the end of March 2022 the average spot price (day ahead) of power was 13 pence per kWh so a new asset selling power at the spot price would earn 13 pence, whereas an older solar asset, like some of those owned by the VCT, could earn at a minimum 3.95 pence per kWh for exporting the power (given the FIT export price floor) plus 39.75 pence per kWh FIT generation revenue. The significance of these government backed incentives is shown by the following chart.

VCT portfolio revenue profile during period 1 October 2021 – 31 March 2022



This shows that of the total revenues of £3,521,029 in the half-year, 85% was earned from government backed incentives for generating renewable electricity. Included within export revenue above, a further 4% is inflation linked, either through the FIT export floor price for selling electricity or contracts for the sale of electricity, taking the government backed or RPI linked revenues to 89% of the total.

Such a high proportion of income that is fixed by the government, is RPI linked and is not exposed to wholesale power prices, is a significant driver of value in this portfolio. This enabled the portfolio to be largely insulated from the very significant reduction in the wholesale price of electricity experienced during the pandemic. Whilst predictable, government backed revenues reduce the risk, given the low power prices through the first few months of the pandemic, when prices increased the assets entered into fixed price contracts of various lengths to sell power. This further reduced the risk of variability in revenues from wholesale power price fluctuations. This was beneficial when coming out of the pandemic but it has also meant that the assets have not benefited from the increase in wholesale power prices resulting from the war in Ukraine from February 2022. The PPA contracts will expire during 2022 and so new contracts, at higher prices, are expected to be available at the relevant time.

Operating costs

The vast majority of the cost base is fixed and/or contracted and includes rent, business rates, and regular O&M costs.

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 cash held in the maintenance reserves. At the year end these reserves totalled £1.1 million and are in place for all the ground mounted solar assets and for the majority of the roof mounted solar assets. During the year £0.2 million was spent on the works at Beechgrove.

The Investment Adviser has historically modelled its charges for managing the SPVs as being the relevant charges to include for future periods. However, feedback from the sales process has indicated that third parties would charge more to account for the complexity of managing a portfolio of this type and age and which includes leverage and a large number of distributed roof mounted solar assets. The Investment Adviser has therefore updated the ongoing cost assumptions used in the portfolio valuation to reflect a 100% increase.

Venture Capital investments

The VCT holds an investment of £0.70 million (including the £67,500 additional investment made in the half-year) in bio-bean, the world's largest recycler of waste coffee grounds. 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 coffee logs for use in wood burning stoves as well as into pellets for combustion in biomass-fed energy generators. It sells the logs online, through large supermarkets and through home improvement chains. bio-bean also markets and sells dried coffee grounds for use in a diverse set of applications including cosmetics, bioplastics and the automotive industry. Demand for the coffee logs (the main product) remains strong; it was adversely impacted by a warm spring but high energy costs are likely to benefit it over the longer-term. The new, higher margin dried coffee grounds is a developing market, with first revenues achieved during the half-year and a pipeline of business development opportunities that could lead to a significantly improved profit outlook.

The key challenge will be to realise the investment in this growth business in line with the disposal of the other VCT assets. The market for secondary stakes in private, venture capital funded companies is less liquid than the market for renewable energy investments.

The VCT's other growth investment, Rezatec Limited ("Rezatec"), has also made steady progress in the period, but not at the pace envisaged by the company's management at the time of the investment in January 2020. Companies with subscription-based business models such as Rezatec are valued on the basis of Annual Recurring Revenue (ARR), and the growth in this metric (Compound Annual Growth Rate (CAGR) of 86% over the last five years) has been slower than forecast.

The investment by the VCT was structured in a way that provided an element of protection against slower than expected growth and the dilution that can come with additional funding rounds.

Portfolio valuation

Whilst the Investment Adviser is supporting the proposed sale of the VCT's renewable assets and notes that a firm offer to purchase the assets will be the best indication of value, consistent with prior years the Net Asset Value ("NAV") of the renewable portfolio is imputed from 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. The NAV of the overall portfolio also includes the value of the venture capital investments into bio-bean and Rezatec.

The future cash flow projections for renewable assets are impacted by:

- → Renewable resources. Despite this year having higher solar irradiation than budgeted, we have not changed the assumptions on irradiation.
- → Technical performance. As noted above, the repairs at Lake Farm and Kingston Farm resolved their historic performance issues, but the repairs at Beechgrove identified unrelated issues that needed to be resolved during the half-year. Ayshford Court suffered technical issues that were repaired. Despite expectations that these repairs will bring performance back up to budget, we have not taken the benefits immediately as there is not a long enough history of post repowering performance.
- → Prices. Power price forecasts that were initially adversely impacted by COVID-19 have now risen well over pre-pandemic levels due to rising commodity prices and acceleration of demand post the lockdowns ending and the Russian Federation's invasion of Ukraine. The latest forecasts provided by a leading market consultant, and current offers for PPAs from purchasers for the power generated are used.
- → Costs. Up-to-date costs for the assets are included, reflecting all commercial negotiations and also expectations for lower maintenance costs after the older assets are repaired. The asset management costs going forward have been doubled from those charged by the Investment Adviser, following feedback from the sales process.
- → Corporation tax. The actual corporation tax paid will impact on the cash available to shareholders.
- → Inflation. With most of the revenues being linked to RPI, any increase in inflation projections increases the overall profitability, and therefore valuation of the assets.

Once the free cash projected to be generated by the assets is calculated, the value of these cash flows has to be estimated. The Investment Adviser notes that these cash flows are supported by a very high proportion of government backed and index linked revenues. In the current financial market, such cash flows are dependable and therefore valuable. With greater certainty of output at the three large ground mounted solar assets that comprise 40% of the installed capacity there is greater visibility on the returns on these assets. The discount rates used reflect the Investment Adviser's experience in the market and evidence of third-party transactions, as well as based on feedback from the VCT's advisers who are marketing the portfolio for sale.

The discount rates used to value the future cash flows have been increased by 0.5% for the solar asset portfolio since the end of the financial year and remain unchanged at 6.75% for the small wind portfolio (2021: 5.5% to 6.75%).

The technical assumptions, including the performance ratio (the efficiency of converting solar power into electricity), have been changed for the Kingston Farm, Lake Farm, Beechgrove Farm and Ayshford Court assets. The successful repairs of the first three are reflected in improved output, although the full potential increase has not been included until actual performance demonstrates this. A small number of module failures at Ayshford Court took down entire strings with several modules. The lower than expected performance, although repair work was carried out in March and April 2022, raised the need for a reduction in the value of Ayshford Court.

There has been an increase in inflation projections to reflect the increased inflation experienced during the half year and higher levels of market inflation expectations.

The value of the new investments in bio-bean and Rezatec has been determined using International Private Equity Valuation Guidelines and are held at a valuation of £1.9 million, including the £67,500 additional investment in bio-bean made during the half-year. The total invested is £1.7 million. The increase in the value of the Rezatec stake is due to the rolling-up of non cash interest payments.

Outlook

The Investment Adviser's continued focus is to ensure that the assets operate at or above budget whilst it supports the ongoing sale process, especially in relation to demonstrating the solid generation profile of the projects and addressing the contractual status of the grid connection arrangement at South Marston. The repairs of the underperforming assets that were completed in the last financial year appear to have been successful, as have warranty claims for the Beechgrove ground mounted solar asset and these have provided greater visibility and reliability of revenues. The performance assumptions for these assets as well as the Ayshford Court solar project have been mildly marked down in the valuation model in order to reflect the fact that there is, at this moment, not a long enough history of performance data post the repairs.

There is an observable impact of age on many of the assets that have not yet been repowered in the portfolio. The Investment Adviser remains vigilant for the purpose of spotting any signs of degradation early so that the impact on availability can be managed and reduced. Further maintenance provisions have been incorporated into the financial model to cover the risk of higher maintenance expenditure on roof mounted assets.

The higher inflation outlook, whilst of concern from the point of view of the wider UK and global economy, is positive for the owners of subsidised UK renewable assets. Although most costs also rise in line with inflation, as does the cost of servicing the two debt facilities, the net benefit of increased inflation is strongly positive since it increases the inflation linked revenues more than it increases the costs. All eight ground mounted solar assets will have come out of their fixed price power purchase agreements by the end of 2022, and assuming power prices remain high, should have the opportunity to enjoy prices substantially higher than those locked in during 2020 and early 2021.

It is however very challenging to predict the future course of inflation and power prices, with the range of forecasts for medium to long-term inflation being very diverse. There are plausible future scenarios that could bring the levels of inflation as well as power prices down substantially from current levels.

The risk of government intervention to ease budgetary constraints and pressures on consumers in the future cannot be ruled out entirely. Renewable energy projects in the portfolio are not expected to be subject to a "windfall tax" according to the UK Government's latest announcement but should power prices stay elevated for very long, a windfall tax on smaller renewable generation assets could come back on the agenda or potentially other energy market reform measures.

Gresham House Asset Management Limited
29 June 2022

Unaudited Income Statement

For the six months ended 31 March 2022

	Six months ended 31 March 2022			Six months ended 31 March 2021			Year ended 30 September 2021
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	589	–	589	521	–	521	576
(Losses)/gains on investments							
Unrealised	–	(80)	(80)	–	(2,280)	(2,280)	(2,628)
Realised	–	–	–	–	16	16	–
	589	(80)	509	521	(2,264)	(1,743)	(2,052)
Investment advisory fees	(103)	(35)	(138)	(115)	(38)	(153)	(291)
Other expenses	(189)	–	(189)	(177)	–	(177)	(351)
Profit/(loss) on ordinary activities before taxation	297	(115)	182	229	(2,302)	(2,073)	(642)
Tax on total comprehensive income and ordinary activities	–	–	–	–	–	–	–
Profit/(loss) attributable to equity shareholders	297	(115)	182	229	(2,302)	(2,073)	(2,694)
Earnings per Ordinary Share	**1.2p**	**(0.4p)**	**0.7p**	**0.9p**	**(9.0p)**	**(8.1p)**	**(10.6p)**
Earnings per 'A' Share	**–**	**–**	**–**	**–**	**–**	**–**	**–**

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 April 2021) 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 2022

	Notes	31 March 2022 £'000	31 March 2021 £'000	30 September 2021 £'000
Fixed assets				
Investments		–	28,038	–
Current assets				
Investments	9	27,180	–	27,193
Costs incurred on sale of VCT's assets		387	–	181
Debtors		52	220	60
Cash at bank and in hand		1	54	31
		27,620	275	27,465
Creditors: amounts falling due within one year		(1,876)	(1,348)	(1,901)
Net current assets/(liabilities)		**25,744**	**(1,073)**	**25,564**
Creditors: amounts falling due after more than one year		(2,532)	(3,314)	(2,534)
Net assets		**23,212**	**23,651**	**23,030**
Capital and reserves				
Called up share capital		69	69	69
Share premium account	8	9,541	9,541	9,541
Treasury shares	8	(2,991)	(2,991)	(2,991)
Special reserve	8	4,171	4,171	4,171
Revaluation reserve	8	14,976	14,613	15,056
Capital redemption reserve	8	3	3	3
Capital reserve – realised	8	(2,274)	(1,448)	(2,239)
Revenue reserve	8	(283)	(307)	(580)
Equity shareholders' funds		**23,212**	**23,651**	**23,030**
Net asset value per Ordinary Share		**90.8p**	**92.5p**	**90.1p**
Net asset value per 'A' Share		**0.1p**	**0.1p**	**0.1p**
		90.9p	**92.6p**	**90.2p**

Unaudited Statement of Changes in Equity

For the six months ended 31 March 2022

	Called up share capital £'000	Share premium account £'000	Treasury shares £'000	Special reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Capital reserve– realised £'000	Revenue reserve £'000	Total £'000
As at 30 September 2020	69	9,541	(2,991)	5,714	16,893	3	(1,426)	(536)	27,267
Total comprehensive loss	–	–	–	–	(2,644)	–	(6)	(44)	(2,694)
Transfer of net realised loss to Capital reserve – realised	–	–	–	–	807	–	(807)	–	–
Transaction with owners									
Dividends paid	–	–	–	(1,543)	–	–	–	–	(1,543)
As at 30 September 2021	69	9,541	(2,991)	4,171	15,056	3	(2,239)	(580)	23,030
Total comprehensive (loss)/profit	–	–	–	–	(80)	–	(35)	297	182
Transaction with owners									
Dividends paid	–	–	–	–	–	–	–	–	–
As at 31 March 2022	**69**	**9,541**	**(2,991)**	**4,171**	**14,976**	**3**	**(2,274)**	**(283)**	**23,212**

Unaudited Statement of Cash Flows

For the six months ended 31 March 2022

	31 March 2022 £'000	31 March 2021 £'000	30 September 2021 £'000
Cash flows from operating activities			
Gain/(loss) on ordinary activities before taxation	182	(2,073)	(2,694)
Losses on investments	80	2,280	2,628
Dividend Income	(570)	-	(522)
Interest Income	(18)	-	(54)
Decrease in other debtors	4	9	1
(Decrease)/increase in other creditors	(180)	1,215	161
Net cash (outflow)/inflow from operating activities	(502)	1,431	(480)
Cash flows from investing activities			
Purchase of investments	(67)	(13)	(13)
Sale of investments/ loan note redemptions	-	122	137
Cost incurred as part of the sale of VCT's assets	(51)	-	(19)
Interest received	22	-	223
Dividend income received	570	-	315
Net cash inflow from investing activities	474	109	643
Net cash (outflow)/inflow before financing activities	(28)	1,540	163
Cash flows from financing activities			
Equity dividends paid	-	(1,543)	(1,543)
Long-term loans	(2)	-	1,354
Net cash outflow from financing activities	(2)	(1,543)	(189)
Net decrease in cash	(30)	(3)	(26)
Cash and cash equivalents at start of period	31	57	57
Cash and cash equivalents at end of period	1	54	31
Cash and cash equivalents comprise:			
Cash at bank and in hand	1	54	31
Total cash and cash equivalents	1	54	31

Summary of Investment Portfolio and Movements

For the six months ended 31 March 2022

Investment portfolio as at 31 March 2022

Qualifying and partially qualifying investments	Operating sites	Sector	Cost £'000	Valuation £'000	Unrealised gain/(loss) in period £'000	% of portfolio by value
Lunar 2 Limited*	South Marston, Beechgrove	Ground solar	1,330	14,264	155	52.5%
Lunar 1 Limited*	Kingston Farm, Lake Farm	Ground solar	125	2,281	63	8.4%
New Energy Era Limited	Wychwood Solar Farm	Ground solar	884	1,767	(17)	6.5%
Ayshford Solar (Holding) Limited*	Ayshford	Ground solar	827	1,373	11	5.1%
Rezatec Limited	United Kingdom	Clean energy	1,000	1,246	61	4.6%
Vicarage Solar Limited	Parsonage Farm	Ground solar	871	1,143	(86)	4.2%
Tumblewind Limited*	Priory Farm	Small wind/solar	979	922	19	3.4%
Gloucester Wind Limited	Gloucester	Roof solar	1,000	780	(77)	2.9%
HRE Willow Limited	HRE Willow	Small wind	875	710	9	2.6%
bio-bean Limited	Cambridgeshire	Clean energy	695	695	–	2.6%
Hewas Solar Limited	Hewas	Roof solar	1,000	683	(149)	2.5%
St Columb Solar Limited	St Columb	Roof solar	650	491	(42)	1.8%
Penhale Solar Limited	Penhale	Roof solar	825	358	(23)	1.3%
Minsmere Power Limited	Minsmere	Small wind/solar	975	323	(1)	1.2%
Small Wind Generation Limited	Small Wind Generation	Small wind	975	144	(3)	0.4%
Lunar 3 Limited*		Ground solar	1	–	–	0.0%
			13,012	27,180	(80)	
Cash at bank and in hand				1		
Total investments				27,181		100.0%

* Partially qualifying investment

Investment disposals

There were no Investment disposals during the half-year to 31 March 2022.

Notes to the Unaudited Financial Statements

1. General information

Gresham House Renewable Energy VCT 1 plc ("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 under the Companies Act 2006.

At the General Meeting on 13 July 2021 a formal decision was made to wind the VCT up. Similar to the financial statements prepared for the year ended 30 September 2021, the unaudited half-yearly financial statements to 31 March 2022 have been prepared on a non-going concern basis. The adjustments required in respect of applying the non-going concern basis were to transfer the investments held at fair value through profit or loss from non-current to current assets.

2. Accounting policies – basis of accounting

The unaudited half-yearly results cover the six months to 31 March 2022 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 30 September 2021 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") in November 2014 and revised in October 2019 (updated in April 2021)("SORP") as well the Companies Act 2006.

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 25,515,242 Ordinary Shares and 38,512,032 '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 25,515,242 Ordinary Shares and 38,512,032 'A' Shares, being the weighted average number of shares in issue during the period, excluding Treasury Shares.

7. Dividends

No dividends were paid to shareholders during the six months to 31 March 2022.

8. Reserves

	Period ended 31 March 2022 £'000	Year ended 30 September 2021 £'000
Share premium account	9,541	9,541
Treasury shares	(2,991)	(2,991)
Special reserve	4,171	4,171
Revaluation reserve	14,976	15,056
Capital redemption reserve	3	3
Capital reserve – realised	(2,274)	(2,239)
Revenue reserve	(283)	(580)
	23,143	22,961

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. At 31 March 2022, distributable reserves were £1,614,000 (30 September 2021: £1,352,000).

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).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	31 March 2022 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	30 September 2021 £'000
Unquoted loan notes	–	–	1,686	1,686	–	–	1,686	1,686
Unquoted equity	–	–	25,494	25,494	–	–	25,507	25,507
	–	–	27,180	27,180	–	–	27,193	27,193

A reconciliation of fair value for Level 3 financial instruments held at the period end is shown below:

	Unquoted loan notes £'000	Unquoted equity £'000	Total £'000
Balance at 30 September 2021	1,686	25,507	27,193
Movements in the income statement:			
Unrealised loss in the income statement	–	(80)	(80)
Purchased at cost	–	67	67
Balance at 31 March 2022	1,686	25,494	27,180

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;

iv) risk surrounding the sale of the VCT's solar assets; and

v) economic risk due to several factors including the Russian Federation's invasion of Ukraine

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. 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.

10. Risks and uncertainties (continued)

There is a risk that the VCT's solar assets may not be realised at their carrying value, and the sale commissions, such as liquidation costs and other costs associated with the realisation of the VCT's assets, may reduce cash available for distribution to shareholders. Furthermore, there is a risk that the sale of the VCT's assets may prove materially more complex than anticipated which may delay distribution of proceeds to shareholders. To mitigate these risks, the VCT's Board has engaged several experts in this field to ensure that a timely and appropriate sale price is achieved. In addition, the Board reviews quarterly cash flow forecasts, prepared by the Investment Adviser, and has considered the impact of additional costs likely to be incurred during the managed wind-down of the VCT.

The Board has considered the Russian Federation's invasion of Ukraine and the impact of the increasing inflation on the VCT. The higher inflation outlook, whilst of concern from the point of view of the wider UK and global economy, is positive for the owners of subsidised UK renewable assets. Although most costs also rise in line with inflation, as does the cost of servicing the two debt facilities, the net benefit of increased inflation is strongly positive since it increases the inflation linked revenues more than it increases the costs. It is however very challenging to predict the future course of inflation, with the range of forecasts for medium to long-term inflation being very diverse.

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 results of the continuation votes at the AGM and General Meeting held on 22 March 2021 and 13 July 2021 respectively.

Although the continuation vote was passed by this VCT at the AGM, there were a significant number of votes against this resolution and the shareholders of VCT 2 voted against continuation. This required the VCTs to draw up proposals for voluntary liquidation, reconstruction or other re-organisation for consideration by the members at the General Meeting held on 13 July 2021. At this meeting the proposed special resolution was approved by shareholders, resulting in the VCT entering a managed wind-down and a new investment policy replacing the existing investment policy. The Board agreed to realise the VCT's investments in a manner that achieves balance between maximising the net value received from those investments and making timely returns to shareholders.

Given a formal decision has been made to wind the VCT up, the financial statements have been prepared on a basis other than going concern. The Board notes that the VCT has sufficient liquidity to pay its liabilities as and when they fall due, during the managed wind-down, and that the VCT has adequate resources to continue in business until the formal liquidation and wind-up commences.

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 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-sustainable-infrastructure/

Shareholder information

Selling shares
The VCT is not currently buying in shares as the VCT wishes to conserve such cash as it generates for the managed wind-down 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 Group, 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-sustainable-infrastructure/

If you have any queries regarding your shareholding in Gresham House Renewable Energy VCT 1 plc, please contact the registrar on the above number or visit Link's website at www.linkassetservices.com and click on "Shareholders and Investors" and then "Shareholder Services UK".

Company information

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07378392

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Stuart Knight
Duncan Grierson
David Hunter

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Link Group Customer Support Centre: by phone on UK – 0371 664 0324

(calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate, lines open Monday to Friday 9:00 a.m. to 5:30 p.m. excluding public holidays in England and Wales)

By email: vcts@linkgroup.co.uk

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Gresham House
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