31 March

2023

Gresham House Renewable Energy VCT2 plc

Half-Yearly Report for the six months ended 31 March 2023

Since 1857
Gresham House
Specialist asset management

The 34.3MWp of renewable energy projects co-owned by Gresham House Renewable Energy VCT 1 plc (VCT1) and Gresham House Renewable Energy VCT2 plc (VCT) generated 9,188,369 kilowatt-hours of electricity over the six month period, sufficient to meet the annual electricity consumption of circa 2,300 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 5,300 mature trees would remove from the atmosphere.

Investment objectives

Gresham House Renewable Energy VCT2 plc is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995. Following the adoption of the new Investment Policy from 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 22 to 29.

For more information visit
https://greshamhouse.com/real-assets/

GREEN ECONOMY
LONDON STOCK EXCHANGE

Shareholder information

Performance summary

	27June 2023 Pence	31 March 2023 Pence	30 September 2022 Pence	31 March 2022 Pence
Net asset value per Ordinary Share		87.6	91.2	90.0
Net asset value per 'A' Share		0.1	0.1	0.1
Cumulative dividends*		59.1	57.1	57.1
Total Return*		**146.8**	**148.4**	**147.2**
Share Price – Ordinary (GV2O)	85.0	85.0	85.0	87.0
Share Price – A Shares (GV2A)	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
2022 Interim	27 January 2023	2.0	–	2.0
		53.9	**5.2**	**59.1**

The next dividend is payable in July 2023. For further details, please see page 3 of the Chairman's Statement.

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 VCT2 plc (VCT) for the period ended 31 March 2023.

Christian Yates
Chairman

As reported in the Annual Report, the Board has continued to work towards the Shareholder approved objective of realising the Company's portfolio of assets in a manner that achieves a balance between maximising net value received from the sale of assets and making a timely return of capital. The Board is pleased to report that in April 2023, a sale of two ground-mounted solar sites and approximately 1,600 commercial and residential solar installations to Downing Renewables & Infrastructure Trust plc for a cash consideration of £12.6mn was concluded. The sale resulted in a £0.7mn and 2.7p uplift in NAV per 'pair' of shares (before taking into account costs associated with the sale that amounted to £0.4mn per VCT) compared with the value held at 30 September 2022. The valuation of these assets in the NAV at 31 March 2023 reflects the consideration obtained for the sale of these assets, including funds received at the SPV level. The Board continues to market the remaining assets in the portfolio, and, subject to resolving the questions in relation to the security of the grid connection at South Marston (details below), is endeavouring to reach a conclusion in an as timely manner as possible.

In terms of the performance of the portfolio, the conclusion of extensive remedial works carried out at several sites in the previous year has continued to yield benefits, with technical performance across all sites matching forecasts. Despite this, and the strong gain on the part sale of assets, the value of the portfolio has fallen due to lower cashflows than forecast over the last six months from the portfolio, a downgrade in inflation expectations and longer term power price forecasts, as well as the reductions in the value of the non-renewable assets. These falls, coupled with the payment of a 2.0p dividend in January has resulted in a NAV per 'pair' of shares of 87.7p at 31 March 2023 compared with 91.3p per share at 30 September 2022.

Inflation has remained high throughout the six month period but expectations for the future rate of inflation have decreased; and although wholesale power prices have begun to fall, the portfolio will continue to benefit from high power prices which have been locked in for one to two years at the elevated levels of 2022. This higher income per unit of generation, subject to technical performance and consistent weather patterns, should result in higher cash-flows available for dividends whilst the Company holds these assets. The higher revenue is countered, to some degree, by the debt service of the remaining debt facility also being indexed to inflation, with an increase in inflation resulting in higher interest charges and higher principal repayments.

Investment portfolio
In April 2023, the sale of two ground-mounted solar sites and the rooftop solar portfolio consisting of five assets held directly by the VCT were sold for proceeds of £4.9mn, and represented an uplift of £0.7mn or 16.9% over their valuation at the start of the financial year and this valuation has been used in these accounts as the sale occurred so close to the period end. Excluding the assets sold in April 2023, the remaining VCT portfolio consisted of eleven investments, which were valued at £22.0mn. There have been no follow-on investments and no further disposals during the six month period.

The VCT portfolio as at 31 March 2023 is analysed (by value) between the different types of assets as follows:

Ground mounted solar	84.8%
Rooftop solar*	11.0%
Small wind	4.2%
Non-renewable assets**	0.0%

* The full rooftop solar portfolio was sold in April 2023
** Non-renewable assets were fully impaired at 31 March 2023

The Board has reviewed the investment valuations at the half-year and notes that the valuation of the remaining renewable asset portfolio has decreased by £1.4mn or 6.0%. As indicated earlier, the expectations for both the future rate of inflation and power prices have fallen, but the portfolio also generated less cash than expected.

The ground-mounted solar assets which account for most of the value, performed under budget for the period, with that underperformance being due entirely to lower than forecast irradiation. The assets in fact exhibited better than forecast technical performance when adjusted for the level of irradiation.

Significantly higher power prices, compared to previous years, have been locked into the VCT portfolio which will generate stronger returns from the remaining portfolio in the near term. On the other hand, the discount rates applied have increased in line with recent rises in the Bank of England base rate. In addition, the UK Government's levy on exceptional electricity generation revenues of qualifying generating undertakings from the sale of electricity, the Electricity Generator Levy (EGL), effectively increases the marginal rate of taxation on electricity revenues above £75 per megawatt-hour to 70%. Whilst the Company is below the de minimis threshold at which the EGL applies, any future buyer of the Company's solar farms is likely to be within the scope of the EGL and therefore this could reduce the fair market value at which any disposal would be likely to take place.

As reported in the Annual Report, the Company continues to make progress to resolve the grid connection issue at the site in South Marston. The appropriate planning permissions have now been granted, and the effect of this is that it largely removes the impediment to the potential sale of the asset and others within the same debt facility, and thus should allow sale negotiations to progress without this obstruction.

Venture Capital investments

The VCT also holds two investments outside the renewable energy space and with a significantly higher risk profile namely bio-bean Limited and Rezatec Limited. Disappointingly, due to sustained poor trading conditions for its product, bio-bean entered administration in April 2023 after the period end. Rezatec was also forced to enter administration in May 2023 after unsuccessful capital raising and trade sale processes. Both these investments have been recognised in full as realised losses at 31 March 2023 and represented a £0.4mn reduction in net asset value.

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 2023, the Net Asset Value (NAV) per Ordinary Share stood at 87.6p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 87.7p per 'pair' of shares. The movement in the NAV per 'pair' of shares during the half-year is detailed in the table below:

	Pence per 'pair' of shares
NAV as at 1 October 2022	**91.3**
Less payment of 30 September 2022 dividend on 27 January 2023	(2.0)
Valuation increase on assets held at 31 March 2023 and sold in April 2023	2.7
Valuation decrease on assets still held	(6.9)
Income less expenses	2.6
NAV as at 31 March 2023	**87.7**

Total dividends paid to date for a combined holding of one Ordinary Share and one 'A' Share stand at 59.1p (September 2022: 57.1p). The NAV Total Return (NAV plus cumulative dividends) has decreased by 1.1% in the six months and now stands at 146.8p. Excluding the initial 30% VCT tax relief, this is compared to the cost to investors in the initial fundraising of £1.00 or 70.0p net of income tax relief.

The loss on ordinary activities after taxation for the half-year was £435,000 (March 2022: £192,000 profit), comprising a revenue profit of £702,000 (March 2022: £307,000) and a capital loss of £1,137,000 (March 2022: £115,000) as shown in the Income Statement.

Dividends

On 21 December 2022, the Board declared a dividend in respect of the year ended 30 September 2022 of 2.0p per Ordinary Share. This dividend was paid on 27 January 2023 to Shareholders on the register at 6 January 2023.

To increase the Company's distributable reserves and facilitate future dividend payments, the Directors obtained Shareholder approval for a reduction of certain non-distributable reserves at the AGM held on 27 April 2023. The implementation of such a reduction of reserves is a Court led process and has taken some months to enact. The Board is pleased to report that Court approval for the cancellation took place on 23 May 2023 and following the anticipated filing of relevant accounts, sufficient distributable reserves will be available for dividend distributions to resume in July 2023.

As a result of the partial sale of assets, the Board has declared a dividend of 16.5p per share payable on 28 July 2023 to Shareholders that are on the Register of Members on 7 July 2023. The total dividends paid to date for a combined holding of one Ordinary Share and one 'A' Share will, including the 2.0p paid in January, increase to 75.6p (September 2022: 57.1p).

2023 Annual General Meeting (AGM)

The VCTs twelfth AGM was held on 27 April 2023 at 11.30 a.m. All resolutions were passed by way of a poll.

Outlook

With a part sale of assets having been concluded in April 2023, the Board will continue to make every effort to progress the sale of the remaining assets in accordance with Shareholders' wishes as expressed in the Continuation Vote in March 2021. The Board continues to believe that the Company's Managed Wind-Down is in the Shareholders' interests, so long as the assets are sold for a price that reflects their value. That value could be adversely affected if interest rates continue to rise and long term power prices continue their downward trend. However in the meantime, high power prices and high near term inflation, and better technical performance, subject to any unforeseen events, will generate good dividends for Shareholders in the near term.

Christian Yates
Chairman

27 June 2023

Investment Adviser's report

Portfolio highlights
Gresham House Renewable Energy VCT2 plc (VCT) remains principally invested in the renewable energy projects that the VCT and Gresham House Renewable Energy VCT1 plc (VCT1) have co-owned for a period of ten to twelve years, depending on the asset, with the value of these projects now representing 100% of the value of the portfolio. The total generation capacity of assets co-owned by the VCT as at 31 March 2023 was 34.3MWp. Post period end, 13MWp of capacity was sold (on 26 April 2023) such that, going forward, the VCT and VCT1 will own 21.3MWp. Given the materiality of the sale, this report includes further details of the sale despite it being post period end.

The sale involved two ground-mounted solar energy projects and approximately 1,600 roof-mounted solar installations that were owned jointly with VCT1. The price achieved by the VCT was higher than the Net Asset Value reported for FY22.

The Investment Adviser continued to manage all the assets to derive the best possible yield, whilst also supporting the Board of the VCT and its advisers to advance the wider sale process of the whole portfolio to a successful conclusion.

The Investment Adviser has repeated the valuation exercise for the purpose of determining the Net Asset Value and has provided the relevant information to the Directors of the VCT, who determine the value of the assets. The assets sold (post period), have been valued in the half yearly accounts at the level of the cash proceeds to be received post period end. For the remaining assets, the valuation presented in this half yearly report necessarily reflects the Directors' view of the fair value of the assets which incorporates potential costs (such as the EGL) a future acquirer may incur through holding the assets as well as their view on the levels of the other key assumptions that determine future operational and financial performance.

The vast majority of the remaining assets held by the VCT generate solar power. The solar portfolio is older than over 90% of the total installed solar capacity in the UK, but their relative age means that the assets enjoy higher government-backed incentives than more recent solar installations.

During the half year, the total revenue from renewable energy generation for the whole portfolio was £5.0mn (2022: £2.8mn) with 56% of this from Feed in Tariff rates which are set by the Government. The total revenue from the renewable assets was 3.9% behind budget primarily due to lower than forecast solar irradiation in the period.

The downside of the relatively mature age of the VCT's solar assets is the additional maintenance required to keep them operating effectively. Much of the additional maintenance and upgrade works needed has been completed and the portfolio now benefits from improved technical performance.

In terms of available energy resource, the year to date saw solar irradiation at 3.5% below budget, with March in particular seeing much less sunshine than in previous years.

In terms of the macroeconomic environment, the effects on the portfolio are summarised below:

- → Power prices in the market have been easing from the elevated levels experienced in 2022, however this has had no impact on revenue generation as the power price was fixed in 2022 when prices were high. The value of these assets has however been negatively impacted by the latest independent forecasts used in the valuation having lower long term price projections than the levels assumed in the year end valuation.
- → With much of the portfolio's revenue being inflation linked, higher and more sustained inflation increases the profitability of the assets and therefore their value.

The VCT also held two investments in what were expected to be growth businesses; bio-bean Limited, the world's largest recycler of waste coffee grounds, and Rezatec Limited, a climate technology company and software developer.

Both businesses regrettably failed to overcome the challenges they had been experiencing in the last 18 months (mainly failure to meet revenue growth rates) and both went into administration shortly after the end of the half year.

Portfolio composition

Asset type	kWp	31 March 2023 Value £'000	31 March 2023 % of Portfolio value	30 September 2022 Value £'000	30 September 2022 % of Portfolio value
Ground mounted solar (FiT)*	20,325	£19,334	71.9%	£20,745	74.1%
Ground mounted solar (ROC)**	8,699	£3,461	12.9%	£3,262	11.7%
Total ground mounted solar	***29,024***	***£22,795***	***84.8%***	***£24,007***	***85.8%***
Rooftop solar (FiT)	4,288	£2,947	11.0%	£2,425	8.7%
Total solar	***33,312***	***£25,742***	***95.8%***	***£26,432***	***94.5%***
Wind assets (FiT)	1,030	£1,135	4.2%	£1,156	4.1%
Total renewable generating assets	***34,342***	***£26,877***	***100.0%***	***£27,588***	***98.6%***
Venture capital investments	N.A.	£0	0%	£392	1.4%
TOTAL	**34,342**	**£26,877**	**100.0%**	**£27,980**	**100.0%**

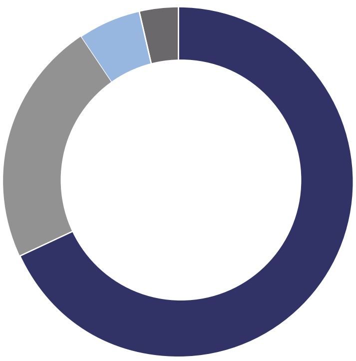
* Feed in Tariff (FiT)
** Renewables Obligation Certificate (ROC)

The 34.3MWp of renewable energy projects held in the portfolio of the VCT and VCT1 as at 31 March 2023 generated 9,188,369 kilowatt-hours of electricity over the half year, sufficient to meet the annual electricity consumption of circa 2,300 homes. The Investment Adviser estimates that the carbon dioxide savings achieved by generating this output from solar and wind rather than gas-fired power for instance, are equivalent to what circa 5,300 mature trees would remove from the atmosphere.

Portfolio summary

The portfolio value, and all of the income, is derived from the renewable energy generation assets.

Renewable energy revenue by asset type



- Ground mounted solar (FiT) **68.1%**
- Ground mounted solar (ROC) **22.6%**
- Roof mounted solar **5.8%**
- Wind assets **3.5%**

Renewable energy revenue by asset type

The performance against budget is shown below:

Asset type	Budgeted revenue £	Actual revenue £	% of Revenue performance
Ground mounted solar (FiT)	3,482,857	3,418,424	98.2%
Ground mounted solar (ROC)	1,168,552	1,133,779	97.0%
Roof mounted solar	342,632	293,515	85.7%
Wind assets	230,981	177,670	76.9%
TOTAL	**5,225,022**	**5,023,388**	**96.1%**

The revenue is affected by:

→ renewable energy resources (solar irradiation & wind);

→ the technical performance of the assets; and

→ the revenue per unit of energy generated.

The difference between budgeted and actual revenue is due to the difference between forecast generation and actual generation as power prices and tariff levels were known at the time of the forecast.

The ground mounted solar assets which make up the bulk of the portfolio post sale, performed 2.1% behind budget but significantly ahead of the corresponding period in the prior financial year.

The actual income was 42.7% above the levels in the corresponding period in the previous financial year, and this is due to the high power prices that were locked in during last summer.

Renewable energy resources

The portfolio is heavily weighted to solar (97% by capacity of the renewable assets, and 96% by value of the total portfolio).

During the period, solar irradiation was 3.5% below budget.

Technical performance

The table below shows the technical performance, including the impact of the lower irradiation, for each of the groups of assets.

Asset type	Budgeted output kWh	Actual output kWh	% of Technical performance	Actual output kWh (in the same period last year)
Ground mounted solar (FiT)	5,616,431	5,512,527	98.2%	5,917,840
Ground mounted solar (ROC)	2,400,500	2,329,067	97.0%	2,441,622
Roof mounted solar	994,811	852,203	85.7%	934,415
Wind assets	642,972	494,572	76.9%	516,870
TOTAL	**9,654,714**	**9,188,369**	**95.2%**	**9,810,747**

Three of the six ground-mounted solar projects were repowered in the last two years, and other repairs were carried out following successful warranty claims. This has led to much improved performance across the portfolio.

South Marston (4.97MW FiT) has historically sold all its power to the Honda plant in Swindon. The Honda plant was closed in 2021 and closure is leading to changes in the grid connection arrangements. The Investment Adviser is working with Honda, Panattoni (the commercial real estate developer that intends to acquire the site from Honda), and various advisers to ensure the continuity of supply of power by the solar farm.

Panattoni is keen to make the solar power available to their future tenants through the existing arrangements. These arrangements will need to be finalised before a sale of the VCT's remaining assets can be completed. The Investment Adviser is working hard to put appropriate contracts in place to resolve this issue, including a dedicated connection directly to Southern Electric Power Distribution's network. A provision for the cost of the new grid connection has been made in the financial forecast that forms the basis of the valuation in this Report.

The small wind portfolio performed 23.1% lower than budget, continuing the poor performance experienced in recent years. The Investment Adviser attributes the poor performance to the turbines' ability to capture the full wind resource having been overstated at the time of installation. Small wind accounts for less than 5% of the portfolio in terms of capacity.

The entire wind portfolio is composed of R9000 turbines, which have generally performed satisfactorily and have the support of an experienced O&M contractor with easy access to spare parts and maintenance crews.

Revenue per kilowatt hour of renewable energy generated

The VCT's renewable assets benefit from both FiT and ROC subsidies which provide revenues linked to the Retail Price Index (RPI). The level of subsidies for solar assets has fallen over recent years. For example, a solar park that was commissioned and accredited for the FiT before the end of July 2011 currently receives over 40p per kWh of electricity it produced, with inflation increasing that above 45p from 1 April 2023. The incentives for new solar capacity have fallen consistently since the assets owned by the VCT were commissioned, and new solar installations built today receive no subsidies relying on selling power at market prices for their income.

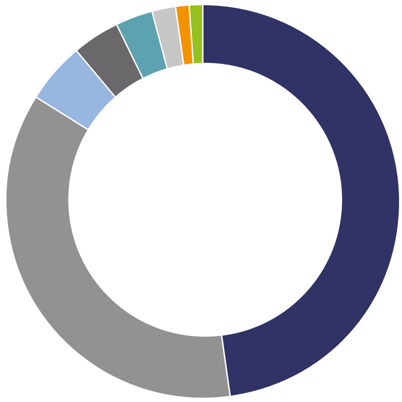
56% of total revenues generated in the period were earned from government backed incentives for generating renewable electricity.

The FiT and ROC income that is fixed by the government is RPI linked and not exposed to wholesale power prices, which is a significant driver of value in the portfolio. This enabled the portfolio to be largely insulated from the very significant reduction in the wholesale price of electricity experienced during the initial months of the pandemic in 2020. Despite government backed revenues benefitting the portfolio at the time of low power prices, when power prices subsequently increased significantly, the assets were entered into fixed power price contracts of various lengths. This further reduced the risk of variability in revenues from wholesale power price volatility. This was beneficial when coming out of the uncertainty of the pandemic, but it also meant that the assets missed out on the increase in wholesale power prices until the fixed price contracts started to expire in April 2022. The power purchase agreements (PPAs) were replaced or updated with new prices valid for a further 1-2 years as they expired during the previous financial year.

Total (power price plus subsidies) revenues per kWh generated by the solar assets were slightly under 50p for the year ended 30 September 2022. These are projected to rise by over 50% in the financial years ending 30 September 2023 and 30 September 2024 as a result of fixing at attractive prices as set out above.

The significance of the government backed incentives, although significantly lower than in previous years given the high ROC Power Prices, is shown by the following chart.

VCT portfolio revenue profile during period 1 October 2022 – 31 March 2023



FiT (Ground mounted)	**48%**
Export (Ground mounted)	**36%**
FiT (Roof mounted)	**5%**
ROC Buyout (Ground mounted)	**4%**
FiT (Wind assets)	**3%**
Private Wire (Ground mounted)	**2%**
Export (Roof mounted)	**1%**
Other	**1%**

Operating costs

The majority of the cost base is fixed and/or contracted under long-term contracts and includes rent, business rates, and regular O&M costs. Many of these costs have also risen in line with inflation.

The main variable cost item is the repair and maintenance cost. Repair and maintenance expenditure for the remaining solar panels is covered by cash held in the maintenance reserve totalling £0.7mn at the end of the half year. This reserve is revalued every five years. The inverter reserve was used for the repowering of the three ground mounted solar sites.

In the period, PSH, a new O&M contractor, was appointed for the Wychwood and Parsonage assets to replace Silverstone which has exited the O&M business. PSH has a strong and demonstrable track record in maintaining solar projects and started at an opportune time, as these smaller assets are now twelve years old, with increased technical performance risk.

Venture Capital investments

The Investment Adviser is very disappointed to report that bio-bean and Rezatec, the two venture capital investments the VCT held, both went into administration shortly after the end of the half year and, as a result, their value was marked down to zero.

bio-bean had high operational leverage. It had used the proceeds of the VCT's and other financial investors' investments to upgrade its plant so that its margins could benefit from economies of scale that would come from a growing supply of waste coffee grounds. The pandemic affected deliveries and its ability to cut costs and further funding rounds were not enough to save the company.

The VCT's other potential growth investment was in Rezatec, an integrator of satellite based geospatial data for use in monitoring agriculture, infrastructure and forestry assets. Rezatec's management managed to achieve steady growth but far below the rate envisaged in the business plan. A trade sale route was pursued last year but this process failed to generate interest and the Directors of the company were forced to take it into administration.

Portfolio valuation

Whilst the Investment Adviser is supporting the proposed sale of the VCT's remaining renewable assets and notes that a binding offer to purchase the assets will be the best indication of value, consistent with prior years, the NAV of the remaining renewable portfolio is derived from the discounted cash flows generated by the renewable energy assets over their expected lifetimes, as well as the cash held by the companies in the portfolio and the cash held by the VCT.

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

- **Renewable energy resource.** The assumptions for solar irradiation have not been changed but will be reviewed again at the time of the full year valuation.
- **Technical performance.** As noted above, the repairs at Lake Farm, Kingston Farm and Beechgrove Farm resolved their historic performance issues, and therefore the mark-down to technical performance assumptions that was applied a year ago, has been partially reversed.
- **Power prices.** Power price forecasts that were initially adversely impacted by COVID-19 rose last year to the highest levels in the lifetime of the VCT.

The Investment Adviser was able to capitalise on advantageous power prices by entering into new PPAs that have locked in high prices for the next 15 to 20 months. The assets continue to earn the levels forecast, but after the PPAs expire, the revenue that the assets are expected to earn is forecast to fall from levels expected six months ago. The Investment Adviser uses independent forecasts for solar power capture prices published by Afry, a leading consultant in the area.

The UK Government responded to the cost-of-living crisis, caused in part by high energy bills for households and businesses, by introducing the Electricity Generator Levy (EGL) that imposes a 45% tax on exceptional revenues generated from the production of wholesale renewable electricity. The VCT is not expected to be directly impacted by the EGL as it falls below certain thresholds, however potential buyers, including all of the parties who submitted offers during the recent sales process, would not be exempt from the EGL and would therefore have to account for its impact in their offer prices. The EGL will be in effect from 1 January 2023 until 31 March 2028.

- **Asset Life.** The assets are valued based on the duration of subsidies, the lease terms and the length of the planning permissions, without assuming extensions. It will be appropriate as the end of the lease terms get closer to approach landowners and local planning authorities with a view to seeking extensions. Running the assets for longer enhances value.
- **Costs.** Current costs for the assets are included, reflecting all commercial negotiations, expectations for lower maintenance costs after the older assets are repaired and the need to account for the costs of repairs to equipment such as switchgear and transformers that may be needed in the future.
- **Corporation tax.** The actual corporation tax paid (increasing to 25%) 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. This is offset to some degree, by debt service for the two debt facilities also being indexed to inflation with an increase in inflation resulting in higher interest charges. A long run forecast of 3% has been used in the calculation of the NAV.

The discount rates used to value the future cash flows have been left unchanged and reflect the Investment Adviser's experience in the market and evidence of third-party transactions.

Outlook

The Investment Adviser's continued focus is to maximise generation and therefore revenues from the remaining assets, whilst supporting the Directors' efforts to maximise the exit value for Shareholders.

Work continues to de-risk the grid connection arrangements at South Marston. Accepting the offer from the local Distribution Network Operator for South Marston to connect to the grid at a dedicated Point of Connection outside the former Honda site has reduced the risk considerably.

The assets that were repaired through inverter and transformer replacements demonstrate a sustained improvement in performance. The generation outlook is therefore much improved. 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.

All but one of the remaining six ground mounted solar assets came out of their fixed price PPAs during the last financial year, which coincided with the spike in power prices. The Investment Adviser entered into new fixed price PPAs for one or two year durations for each of these assets.

The combined effect of inflation and power prices locked in at high levels should translate into significantly improved revenue and cashflow for the remaining assets over the next 1.5 years. Total revenues per kWh generated by the solar assets are expected to rise by more than 50% in the current financial year and the financial year ending 30 September 2024 compared to the levels in the last financial year ended 30 September 2022. Should generation stay at the same levels as in the financial year, total revenues will increase in the same proportion, with a corresponding impact on cashflow after debt service.

Gresham House Asset Management Limited
27 June 2023

Unaudited Income Statement

For the six months ended 31 March 2023

	Six months ended 31 March 2023			Six months ended 31 March 2022			Year ended 30 September 2022
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Total £'000
Income	1,024	–	1,024	597	–	597	712
(Losses)/gains on investments	–	(1,103)	(1,103)	–	(80)	(80)	512
	1,024	(1,103)	(79)	597	(80)	517	1,224
Investment advisory fees	(103)	(34)	(137)	(104)	(35)	(139)	(269)
Other expenses	(219)	–	(219)	(186)	–	(186)	(430)
(Loss)/profit on ordinary activities before taxation	702	(1,137)	(435)	307	(115)	192	525
Tax on total comprehensive income and ordinary activities	–	–	–	–	–	–	–
(Loss)/profit attributable to equity Shareholders	702	(1,137)	(435)	307	(115)	192	525
Earnings per Ordinary Share	**2.7p**	**(4.3)p**	**(1.6)p**	**1.2p**	**(0.4)p**	**0.7p**	**2.0p**
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 July 2022) 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 2023

	Notes	31 March 2023 £'000	31 March 2022 £'000	30 September 2022 £'000
Current assets				
Investments	9	26,877	27,388	27,980
Costs incurred on sale of VCT's assets		542	387	480
Debtors		114	178	124
Cash at bank and in hand		24	2	1
		27,557	27,955	28,585
Creditors: amounts falling due within one year		(2,472)	(1,438)	(2,542)
Net current assets		**25,085**	**26,517**	**26,043**
Creditors: amounts falling due after more than one year		(2,162)	(2,969)	(2,162)
Net assets		**22,923**	**23,548**	**23,881**
Capital and reserves				
Called up share capital		71	71	71
Share premium	8	9,734	9,734	9,734
Treasury shares	8	(3,403)	(3,403)	(3,403)
Capital redemption reserve	8	1	1	1
Special reserve	8	4,290	4,813	4,813
Revaluation reserve	8	16,158	14,974	16,869
Capital reserve – realised	8	(4,043)	(2,282)	(3,617)
Revenue reserve	8	115	(360)	(587)
Equity Shareholders' funds		**22,923**	**23,548**	**23,881**
Net asset value per Ordinary Share		**87.6p**	**90.0p**	**91.2p**
Net asset value per 'A' Share		**0.1p**	**0.1p**	**0.1p**
		87.7p	**90.1p**	**91.3p**

The financial statements of Gresham House Renewable Energy VCT2 plc on pages 9 to 16 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Christian Yates
Chairman

Company number: 07378395

Date: 27 June 2023

Unaudited Statement of Changes in Equity

For the six months ended 31 March 2023

	Called up share capital £'000	Share premium £'000	Treasury shares £'000	Capital redemption reserve £'000	Special reserve £'000	Revaluation reserve £'000	Capital reserve – realised £'000	Revenue reserve £'000	Total £'000
As at 30 September 2021	71	9,734	(3,403)	1	4,813	15,054	(2,247)	(667)	23,356
Total comprehensive income	–	–	–	–	–	1,815	(1,370)	80	525
As at 30 September 2022	71	9,734	(3,403)	1	4,813	16,869	(3, 617)	(587)	23,881
Total comprehensive loss	–	–	–	–	–	(711)	(426)	702	(435)
Transactions with owners									
Dividend paid	–	–	–	–	(523)	–	–	–	(523)
As at 31 March 2023	**71**	**9,734**	**(3,403)**	**1**	**4,290**	**16,158**	**(4,043)**	**115**	**22,923**

Unaudited Statement of Cash Flows

For the six months ended 31 March 2023

	31 March 2023 £'000	31 March 2022 £'000	30 September 2022 £'000
Cash flows from operating activities			
(Loss)/profit on ordinary activities before taxation	(435)	192	525
Losses/(gains) on investments	1,103	80	(512)
Dividend income	(998)	(570)	(659)
Interest income	(26)	(27)	(54)
Interest income – written off	–	–	79
(Increase)/decrease in other debtors	(2)	7	(2)
Increase/(decrease) in other creditors	89	(178)	83
Net cash outflow from operating activities	(269)	(496)	(540)
Cash flows from investing activities			
Purchase of investments	–	(68)	(68)
Costs incurred on sale of VCT's assets	(221)	(51)	(109)
Interest received	38	17	29
Dividend income received	998	570	659
Net cash inflow from investing activities	815	468	511
Net cash inflow/(outflow) before financing activities	546	(28)	(29)
Cash flows from financing activities			
Equity dividends paid	(523)	–	–
Net cash outflow from financing activities	(523)	(28)	–
Net increase/(decrease) in cash	23	(28)	(29)
Cash and cash equivalents at start of period	1	30	30
Cash and cash equivalents at end of period	24	2	1
Cash and cash equivalents comprise			
Cash at bank and in hand	24	2	1
Total cash and cash equivalents	24	2	1

Summary of Investment Portfolio and Movements

For the six months ended 31 March 2023

Investment portfolio as at 31 March 2023

Qualifying and partially qualifying investments	Operating sites	Sector	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio by value
Assets remaining post-sale in April 2023:						
Lunar 2 Limited[1]	South Marston, Beechgrove	Ground solar	1,330	14,225	(1,046)	52.9%
Lunar 1 Limited[1]	Kingston Farm, Lake Farm	Ground solar	125	2,328	(76)	8.7%
New Energy Era Limited	Wychwood Solar Farm	Ground solar	884	1,608	(228)	6.0%
Tumblewind Limited[1,3]	Priory Farm	Small wind/solar	1,188	1,537	16	5.7%
Vicarage Solar Limited	Parsonage Farm	Ground solar	871	1,174	(62)	4.4%
HRE Willow Limited	HRE Willow	Small wind	875	706	(2)	2.6%
Minsmere Power Limited	Minsmere	Small wind/solar	975	303	(8)	1.1%
Small Wind Generation Limited	Small Wind Generation	Small wind	975	126	(9)	0.5%
Rezatec Limited[2]	United Kingdom	Clean energy	1,000	–	(67)	0.0%
bio-bean Limited[2]	Cambridgeshire	Clean energy	695	–	(325)	0.0%
Lunar 3 Limited[1]		Ground solar	1	–	–	0.0%
			8,919	22,007	(1,807)	81.9%
Assets sold in April 2023[3]:						
Ayshford Solar (Holding) Limited[1]	Ayshford	Ground solar	826	1,923	183	7.1%
Gloucester Wind Limited	Gloucester	Roof solar	1,000	941	151	3.5%
Hewas Solar Limited	Hewas	Roof solar	1,000	919	176	3.4%
St Columb Solar Limited	St Columb	Roof solar	650	653	125	2.4%
Penhale Solar Limited	Penhale	Roof solar	825	434	69	1.6%
			4,301	4,870	704	18.0%
			13,220	26,877	(1,103)	99.9%
Cash at bank and in hand				24		0.1%
Total investments				26,901		100.0%

1 Partially qualifying investment.

2 These investments were permanently impaired during the period. £325,000 of the valuation movement in bio-bean Limited and £67,000 of the valuation movement in Rezatec Limited have been recognised as a realised loss.

3 These assets were realised after the period end in April 2023. The sale included solar assets held within Tumblewind Limited, however the VCT still retains Small wind assets within Tumblewind Limited. Further details are contained in the Chairman's Statement and note 12 – Events after the end of the reporting period.

All venture capital investments are incorporated in England and Wales.

Gresham House Renewable Energy VCT1 plc, of which Gresham House Asset Management Limited (GHAM) is the Investment Adviser, holds the same investments as above.

Notes to the Unaudited Financial Statements

1. **General information**
Gresham House Renewable Energy VCT2 plc (the VCT) is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales.

At the General Meeting on 13 July 2021 a formal decision was made to wind the VCT up, therefore the financial statements have since been prepared on a non-going concern basis.

2. **Accounting policies – Basis of accounting**
The unaudited half-yearly results cover the six months to 31 March 2023 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 30 September 2022 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 July 2022) (SORP) as well as 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 26,133,036 Ordinary Shares and 39,463,845 'A' Shares, being the number of shares in issue at the period end, excluding Treasury Shares.

6. Return per share for the period has been calculated on 26,133,036 Ordinary Shares and 39,463,845 'A' Shares, being the weighted average number of shares in issue during the period, excluding Treasury Shares.

7. **Dividends**

	Revenue £'000	Capital £'000	Period ended 31 March 2023 Total £'000	Year ended 30 September 20222 Total £'000
Dividends paid				
2022 Ordinary – 2.0p	–	523	523	–
	–	523	523	–

8. **Reserves**

	Period ended 31 March 2023 £'000	Year ended 30 September 2022 £'000
Share premium	9,734	9,734
Treasury shares	(3,403)	(3,403)
Capital redemption reserve	1	1
Special reserve	4,290	4,813
Revaluation reserve	16,158	16,869
Capital reserve-realised	(4,043)	(3,617)
Revenue reserve	115	(587)
	22,852	23,810

8. Reserves (continued)

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 2023, distributable reserves were £362,000 (30 September 2022: £609,000).

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 2023 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	30 September 2022 £'000
Unquoted loan notes	–	–	893	893	–	960	960	893
Unquoted equity	–	–	25,984	25,984	–	–	27,020	27,020
	–	–	26,877	26,877	–	–	27,980	27,980

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 2022	960	27,020	27,980
Movements in the income statement:			
Unrealised loss in the income statement	–	(711)	(711)
Realised loss in the income statement	(67)	(325)	(392)
Balance at 31 March 2023	893	25,984	26,877

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 is conducted. The Investment Adviser also seeks to diversify the portfolio to some extent by holding investments which operate in various sectors. The Board is satisfied with this approach.

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

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, of which one continues after the sale of assets in April 2023, 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

At the General Meeting on 13 July 2021 a formal decision was made to wind the VCT up.

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 VCT1 at the AGM, there were a significant number of votes against this resolution and the Shareholders of this VCT 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 since 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. Events after the end of the reporting period

In April 2023, the sale of one ground-mounted solar site and the "rooftop solar" portfolio consisting of five VCT portfolio investments were sold by the VCT for proceeds of £4.9mn. A further ground-mounted solar site held within the VCT's Tumblewind investment was sold as part of this sale. The VCT however still retains small wind assets within Tumblewind Limited. As part of the sale, creditor loans totalling £0.7mn owed to the sold sites, were forgiven and costs incurred on this part sale of assets amounted to £0.4mn for the VCT.

13. 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.

14. 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.

15. 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 www.greshamhouse.com/real-assets/new-energy/

Shareholder information

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

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

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

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

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

www.greshamhouse.com/real-assets/new-energy/

If you have any queries regarding your shareholding in Gresham House Renewable Energy VCT2 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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Christian Yates (Chairman)
Andrew Donovan
Matthew Evans

Company Secretary and Registered Office
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Registered No.
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Registrar
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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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