30 September

2020

Gresham House Renewable Energy VCT1 plc

Report & Accounts for the year ended 30 September 2020

Since 1857

Gresham House

Specialist asset management

The 34.8MWp of renewable energy projects in the portfolio generated 32,860,999 kilowatt-hours of electricity over the year, sufficient to meet the annual electricity consumption of 9,500 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 19,000 mature trees would remove from the atmosphere.

Investment Objectives

Gresham House Renewable Energy VCT1 plc (the "VCT") is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995. The VCT's principal objectives are to:

→ invest in a portfolio of Venture Capital Investments, primarily in the UK and EU, that specialise in long term renewable energy projects and energy developers;

→ maximise tax free capital gains and income to Shareholders from dividends and capital distributions; and

→ maintain VCT status to enable Shareholders to retain their 30% income tax relief on investment.

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 20 to 29.

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

GREEN ECONOMY
LONDON STOCK EXCHANGE

Shareholder Information

Share price

The VCT's share prices can be found on various financial websites with the following TIDM/EPIC codes:

	Ordinary Shares	'A' Shares
TIDM/EPIC codes	HR10	HR1A
Latest share price (21 December 2020)	97.0p per share	5.05p per share

Selling shares

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

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

Financial calendar

4 March 2021	Annual General Meeting
May 2021	Announcement of half yearly financial results
31 December 2021	Annual dividend paid

Dividends

Dividends will be paid by the registrar on behalf of the VCT. Shareholders who wish to have dividends paid directly into their bank account, rather than by cheque to their registered address, and did not complete these details on their original application form can complete a mandate form for this purpose. Queries relating to dividends, shareholdings and requests for mandate forms should be directed to the VCT's registrar, Link Asset Services, on 0871 664 0300 (calls cost 12p per minute plus network extras, lines open 9:00am to 5:30 p.m. Monday to Friday), or by writing to them at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Mandate forms can also be downloaded from Link's website (see below).

Notification of change of address

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

Other information for Shareholders

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

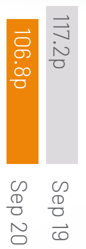
https://greshamhouse.com/real-assets/new-energy/

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

Financial Highlights*

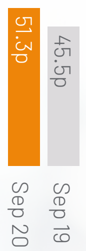
106.8p

NAV per Ordinary Share and A Share (pence)
(as at 30 September 2020)



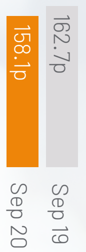
51.3p

Cumulative Dividends paid (pence)
(as at 30 September 2020)



158.1p

NAV Total return per Ordinary Share and 'A' Share (pence)
(as at 30 September 2020)

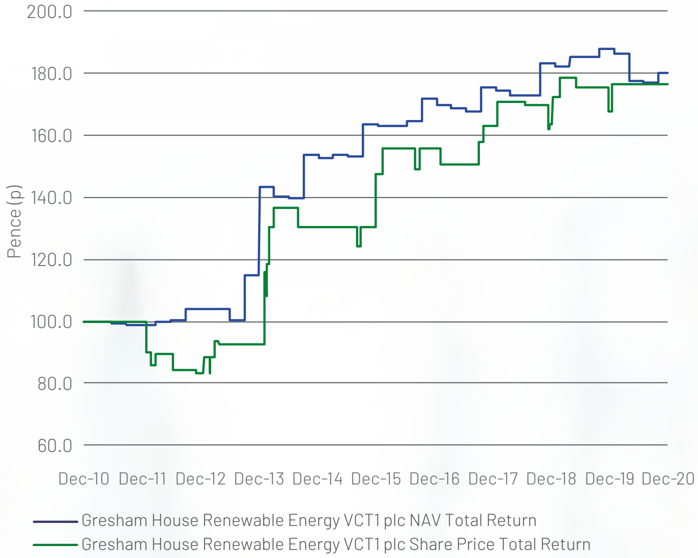


* The above financial highlights are considered to be Alternative Performance Measures, further details on how these are calculated have been included in the Strategic Report under the Key Performance Indicators section.

VCT1 Share Price Total Return

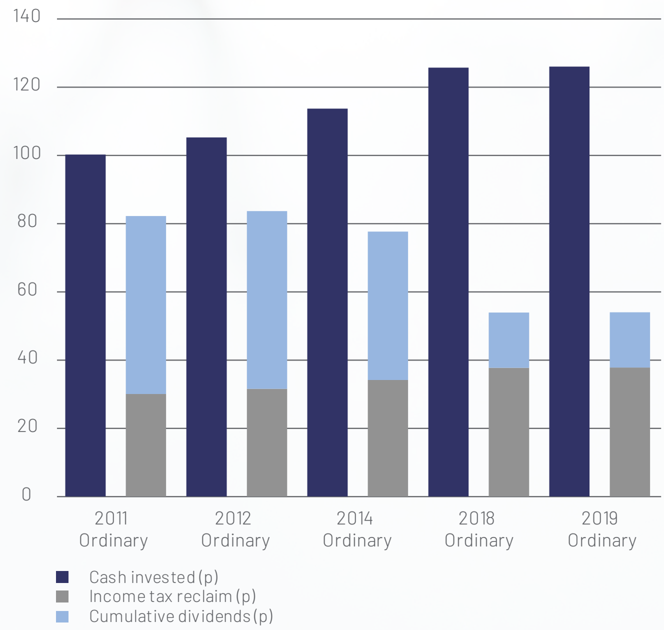
The graph below represents the VCT's performance over the reporting periods since the VCT's Ordinary Shares and 'A' Shares were first listed on the London Stock Exchange, and shows share price total return (share price plus cumulative dividends paid) and net asset value total return (net asset value plus cumulative dividends paid) on a dividends reinvested basis, as per the AIC method.

Total Return with dividends reinvested



Cash Returned to Shareholders by date of investment

The chart below shows the cash returned to Shareholders based on the subscription price and the income tax reclaimed on subscription.



* Includes the final dividend for the 2020 financial year announced on 3 December 2020, payable on 31 December 2020

Directors

Gill Nott (Chairman) spent the majority of the first 27 years of her career working in the energy sector. In 1994 she became CEO of ProShare. Due to her work in the retail savings sector, she spent six years on the Board of the Financial Services Authority from 1998 to 2004. Gill has held a portfolio of non-executive positions, including roles with a number of VCTs and other closed-end funds, over the last 15 years. She was also a board member of the AIC from 2004 until 2014. She is currently chairman of JP Morgan Russian Securities plc, Premier Miton Global Renewables Trust plc, PGR Securities Trust 2025 plc and US Solar Fund plc.

Stuart Knight has worked in the financial sector for over twenty years, securing the position of Principle Partner within the FTSE100 company, St. James's Place Wealth Management. He is also one of the founding Partners of Haibun Partners LLP, a financial intermediary offering a diverse range of investment strategies addressing the specific requirements of sophisticated investors.

Duncan Grierson has more than 20 years' experience as an entrepreneur and investor in technology. He has founded a number of cleantech businesses and raised over $100m in venture capital from investors including Goldman Sachs and Fidelity, building companies in biofuels, plastics recycling, batteries, smart composites and invested in many others. He is currently Chief Executive of Clim8 Invest, a digital platform for investing into clean energy and sustainable companies. Earlier in his career, he was a venture capital investor with TCVC and Lake Capital in London, Paris, Silicon Valley and Chicago. He originally trained as a corporate finance lawyer with Clifford Chance in London and Frankfurt.

David Hunter qualified as a chartered accountant with PWC before joining 3i, the FTSE100 listed private equity group where he became Managing Director of Investment Management responsible for the entire UK portfolio of assets. David's current interests in venture and social investment include chairing UCLB – University College London's technology spinout & licensing operation which is market funded. David is also a board member at Big Society Capital where he chairs the Audit Committee. In the not for profit area, David is Treasurer of Motability – the charity which oversees the disabled car scheme and has an endowment fund of over £1bn. Past non executive roles have included membership of Bridges Ventures' Investment Committee and chair of the Audit Committee of one of the Baronsmead family of listed venture capital trusts.

All four Directors are non-executive and are independent of the Investment Adviser.

Investment Adviser

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

Gresham House plc acquired the business of Hazel Capital LLP on 31 October 2017. As part of new arrangements within GHAM, the VCTs sit within the Gresham House New Energy division, benefitting from continuity of key investment executives plus the enhanced resources of the larger group.

On 30 November 2018 Gresham House plc also acquired Livingbridge VC LLP, which manages Baronsmead Venture Trust PLC and Baronsmead Second Venture Trust PLC.

Chairman's Statement

I am pleased to present the Annual Report of Gresham House Renewable Energy VCT1 plc for the year ended 30 September 2020.

Gill Nott
Chairman

From March 2020 the global economy has been rocked by the extraordinary events of the coronavirus pandemic. The reduction in economic activity has led to a material fall in power prices whilst lockdowns have led to large changes in the way businesses function. In spite of this, the Board has been able to meet virtually to review the investments as well as go about its normal business, whilst the Investment Adviser, Administrator and other key service providers have been able to operate effectively with robust systems and staff working from home.

Renewables remains an asset class which offers investors exposure to highly defensive earnings, with a low correlation to other asset classes. This has become increasingly important during challenging market conditions such as those we have experienced since the onset of the pandemic. The VCT continues to be well positioned in this regard, given its large proportion of contracted revenues, subsidies and diversified asset base.

Overall performance, both technical and in terms of income received in the year has been slightly below budget as maintenance issues occurred at some of the older assets, and these could not be quickly resolved due to the restrictions on movements during lockdown. I am delighted to say that these problems are in the course of being rectified and we expect the assets in question to perform well in the future having been technically upgraded.

The valuation of the portfolio has fallen by 2.1% or 2.5p per share before the payment of dividends. There are a number of factors that affect the valuation of the portfolio and these are described in more detail below and in the Investment Adviser's report. The VCT has continued to offer investors a mature, steady-yielding environmentally-friendly infrastructure investment and has delivered the best total returns since inception when compared to other Clean Energy VCTs launched in the same year, and is in the top 40% of all VCTs of that vintage, on a NAV Total Return basis.

Investment portfolio

At the year end, the VCT held a portfolio of 16 investments, which were valued at £30.4 million. There were two additions to the portfolio during the year, being a new investment of £0.6 million into bio-bean Limited in October 2019 and a new investment of £1.0 million into Rezatec Limited in January 2020. The VCT invested into these non-renewable energy assets to ensure that the VCT continued to meet all the HMRC rules relating to qualifying status which is clearly vital to protect shareholders' tax relief on both dividends and investment. There have been no exits during the year.

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

Ground-mounted Solar	81.7%
Rooftop Solar	8.9%
Small Wind	3.9%
Non-renewable assets	5.5%

The Board has reviewed the investment valuations at the year end, with a particular focus on ensuring the discount factors applied in the discounted cash flow model are in line with the industry standard. By way of reminder, the NAV represents the fair market valuation of the VCT's portfolio and, in the case of the renewable energy assets, is based on a discounted cash flow analysis over the life of each of the VCT's assets. The assumptions which underpin the valuation are provided by the Investment Adviser and the Board has satisfied itself as to the calculation methodology and assumptions.

Focusing on the key assumptions a 50 to 75 basis point reduction was applied to the discount rate used in the valuation of the assets compared with the rate used last year, resulting in a range of discount rates from 5.50% to 6.75% used across the portfolio (2019: 6.0% to 6.75%). This reduction in discount rates increases the holding value of the assets by £1.0 million, or 3.7p per share. Offsetting the benefit of the lower discount rates is a reduction in inflation expectations and as mentioned previously, power prices. This has resulted in a net unrealised decline in the value of the portfolio totalling £0.6 million, or 2.5p per share. The Board considers that this is the fair value for the portfolio, having discussed it at length with the Investment Adviser and having compared the valuation metrics to those used by other market participants. In addition, the Board commissioned an independent valuation of the assets by a leading professional adviser experienced in advising on renewables transactions in the UK which confirmed the Board's judgement. The non-renewable energy investments have been valued in line with the International Private Equity Valuation ("IPEV") Guidelines and are held at a value of £1.7 million.

Further detail on the investment portfolio is provided in the Investment Adviser's Report on pages 7 to 11.

Net asset value and results
At 30 September 2020, the Net Asset Value ("NAV") per Ordinary Share stood at 106.7p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 106.8p per "pair" of Shares (2019: NAV per Ordinary Share of 117.1p, NAV per A Share of 0.1p and a combined total of 117.2p). This represents a decrease of 4.6p (3.9%) per share, before the deduction of dividends. Following the dividend payment of 5.3133p per Ordinary Share and 0.4867p per 'A' Share in December 2019, this has resulted in an overall decrease of 10.4p (8.9%) per share.

Total dividends paid to date for a combined holding of one Ordinary Share and one 'A' Share stand at 51.3p (2019: 45.5p). The NAV Total Return (NAV plus cumulative dividends) has decreased by 2.8% in the last year and now stands at 158.1p, compared to the cost to investors in the initial fundraising of £1.00 or 70.0p net of income tax relief of 30%.

The loss on ordinary activities after taxation for the year was £1.1 million (2019: profit of £808,000), comprising a revenue loss of £358,000 (2019: £411,000) and a capital loss of £754,000 (2019: capital gain of £1,219,000) as shown in the Income Statement on page 43.

Dividends
On 3 December 2020, the Board declared dividends in respect of the year ended 30 September 2020 of 5.3133p per Ordinary Share and 0.4867p per 'A' Share. These dividends will be paid on 31 December 2020 to Shareholders on the register at 11 December 2020.

Fundraising and investment activities
In March and September 2018, the VCT undertook two small top-up offers for subscription and raised a total of £5.7 million. As stated above the reason for raising these funds was to enable the VCT to make a small number of new VCT qualifying investments to protect its qualifying ratio in the face of changes to VCT rules.

In October 2019, the VCT invested a portion of this funding into bio-bean Limited, a company that recycles used coffee grounds into efficient, sustainable products for both consumer and industrial applications. In January 2020, the VCT invested a further £1.0 million into Rezatec Limited, a geospatial data analytics company. Both companies have weathered the pandemic relatively well. bio-bean lost its initial supply of waste coffee grounds, however due to a large stockpile of waste coffee grounds and efforts by management to diversify supply, the impact on the business is not expected to be significant in the long term. Rezatec has continued to win new clients and has not been materially affected by the pandemic. bio-bean and Rezatec are being held at cost and slightly above cost respectively. Further information on these two companies is included in the Investment Adviser's Report on pages 7 to 11.

The VCT continues to meet its VCT compliance tests and following these investments does not need to make any further investments in order to retain VCT qualifying status.

Continuation Vote
At the forthcoming Annual General Meeting in March 2021 the Directors are required to put an ordinary resolution to Shareholders that the VCT should continue as a venture capital trust for a further five year period.

The Board highlights the fact that this VCT has performed very well when compared to its peers in the VCT market. The VCT owns a portfolio of assets that benefit from Government-backed incentive schemes within a VCT wrapper providing tax-free dividends for investors. Since the VCT was established, the VCT Regulations have been changed so that they now preclude VCTs from investing in these types of assets and it is, therefore, no longer possible to replicate this portfolio, making renewable energy assets, with index-linked revenue streams benefitting from a tax-free wrapper increasingly rare. The duration of the structure is also attractive, in that the returns are earned over almost 15 years. If the VCT were to continue as a VCT, it is expected that it would continue to offer Shareholders a steady tax free income stream around the current level for a few more years, rising to higher levels during the second half of the VCT's 25-year lifetime. The current projections indicate cumulative dividends of between 150p and 160p over the lifetime.

The Board therefore recommends a vote in support of the resolution allowing the continuation of the VCT as a venture capital trust for a further five years. If the resolution is carried the Board will continue to operate the VCT in the existing manner, although the Directors will review the investment strategy and management arrangements at regular intervals with a particular focus on the management of ageing assets to ensure that the maximum possible return to shareholders is achieved.

A vote in favour of continuing does not preclude the VCT from making arrangements to support the disposal of shares by some Shareholders. However, Shareholders should be aware that the VCT has little capacity to buy shares back and the investment therefore has limited liquidity. This is expanded upon later in the statement.

If the resolution is not passed, the Directors will be required to draw up proposals for the voluntary liquidation, reconstruction or other reorganisation of the VCT for submission to the members of the VCT at a general meeting to be convened by the Directors for a date not more than four months after the date of the Annual General Meeting. The time frame for a liquidation, winding up or reconstruction could be lengthy as the assets are held in a complex structure with substantial loans embedded within it, making a rapid sale unlikely. Shareholders should not expect any distribution of funds for some time following any decision to discontinue the VCT. Should a decision to wind up the VCT be taken, the Directors will pay particular attention to those Shareholders who will still be in their initial five-year holding period and arrange matters so as to ensure that their income tax relief is not withdrawn.

In the event that the VCT votes to continue and VCT 2 not to continue or vice versa, the Board of the VCT voting to continue would consider what options were available to them. One of the Directors' main priorities is to retain VCT status and it will be very challenging to find a solution for one VCT to continue as a qualifying VCT by itself.

Share Buybacks

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

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

Board composition

The Board comprises four Non-executive directors with a broad range of experience, and we continue to work closely with the Board of the sister company, VCT2.

2020 Annual General Meeting

The VCT's 2020 Annual General Meeting ("AGM") was materially affected by the COVID-19 pandemic. The VCT's AGM was originally intended to proceed on 17 March 2020, but, in response to the Government's guidance at the time and with the wellbeing of Shareholders and other attendees in mind, the Directors resolved to postpone the AGM.

The AGM was then rescheduled for 25 June 2020 and in light of COVID-19 and in accordance with the Government guidance the VCT implemented special measures, including the imposition of entry restrictions. The Board did not take this decision easily, but considered this to be in our Shareholders' best interests.

The majority of the resolutions proposed to the meeting were passed at the AGM, however, Resolutions 8 and 9, which permitted the directors to raise funds through the issue of new shares, were not passed.

The Board was disappointed that Resolutions 8 and 9 were not passed as the money raised would only have been used in exceptional circumstances to protect the VCT status.

The VCT engaged with those Shareholders who had voted against the resolutions and on review of the feedback provided by those Shareholders, it appears that the Board's rationale for the proposing of resolutions 8 and 9 has been misunderstood.

The Board is committed to transparency on all matters, and intends to put Resolutions 8 and 9 forward at the 2021 AGM as it believes this to be in the best interests of all Shareholders. The Board will not raise funds unless this is required in order to protect shareholders' tax position.

2021 Annual General Meeting

The continuing COVID-19 pandemic has led to the imposition of severe restrictions on public gatherings. In light of the UK Government's current guidance the Board has concluded that Shareholders will therefore not be permitted to attend the AGM in person for this financial year. The VCT understands and respects the importance of the AGM to Shareholders however the health and safety of our Shareholders and the broader community is of paramount importance.

The AGM will instead be held online, and Shareholders will be able to access the AGM by electronic means. To register to attend the AGM, Shareholders can click here: https://greshamhouse.com/gresham-house-renewable-vcts-agm-registration/. The AGM will take place on 4 March 2021 at 11.00 a.m. and will include a question and answer session with the Board and the Investment Adviser. The live stream of the AGM will include a facility for questions to be submitted, however in order to cover as many questions as possible we would appreciate it if Shareholders submit their questions to the Board before the meeting. Shareholders are invited to submit questions via email at renewablevcts@greshamhouse.com or by contacting Gresham House Investor Relations by telephone on 020 3875 9862 by no later than noon on 3 March 2021.

Shareholders are being asked to participate in the meeting and ensure their votes are counted by submitting their proxy electronically or by post as soon as possible, and these must be received by no later than 11.00 a.m. on 2 March 2021.

We will continue to monitor the evolving impact of the COVID-19 pandemic and if it becomes necessary to make changes to the proposed format of the AGM we will inform Shareholders as soon as possible.

Outlook

Looking ahead to Brexit we do not expect this to have a significant impact on the VCT's operations. The nature of the investments held by the VCT, fixed assets with long term contracts and subsidies, not reliant on significant human or other resources for daily operations, limits the vulnerability to disruption. The Investment Adviser and the Administrator are both well-resourced and UK based. Key subcontractors and suppliers have been reviewed to assess their robustness under any restrictions that might arise under a no deal Brexit scenario and risks have been found to be minimal and manageable. Power prices could rise in the event of supply disruption from Europe but this event would generally be positive for the VCT.

The Board and the Investment Adviser are mindful of all aspects of Environmental, Social and Governance ("ESG") as they affect the operation of the VCT. A report on ESG and how it is monitored by the Investment Adviser is given on page 26 of the Strategic Report. The Board reviews this regularly and is delighted that the VCT was recently awarded the London Stock Exchange Green Economy Mark.

While COVID-19 presents an unprecedented challenge to the country and to the economy, any impact of COVID-19, and the government's response to it, should remain relatively limited under normal operations. The Board believes that the long-term outlook for the portfolio as a whole remains positive, with returns from the installed base of assets expected to continue to generate steady cash flows, so enabling the payment of steady or rising dividends.

Gill Nott
Chairman

21 December 2020

Investment Adviser's Report

Portfolio Highlights
Gresham House Renewable Energy VCT1 plc (the "VCT", formerly Hazel Renewable Energy VCT1 plc) remains principally invested in the renewable energy projects that it has owned for nine years on average, with the value of these projects representing well over 90% of the value of the portfolio. The total generation capacity of assets owned by the VCT is 34.8MWp. The VCT also has two venture capital investments.

The vast majority of the assets held by the VCT generate solar power. The solar assets are relatively old compared to other solar farms across the UK – they are older than 95% of total solar capacity in the UK. This means that the VCT's solar farms have secured higher incentives than 95% of the solar installations in the UK.

The total revenue from renewable energy generation was £11,070,969 and of this, £10,041,130 was from government incentives and inflation-linked contracts. The total revenue from the renewable assets was 93% of budget, stemming from both lower generation (97% of budget) and lower power prices (95% of budget).

The downside of having older assets is that they break down and require more maintenance to keep them operating effectively. Technical issues at two of the sites which required significant repair were exacerbated by delays in repairs in part caused by COVID-19, whilst the economic impacts of the pandemic on the wider economy reduced the revenue at two other sites which have exposure to the wholesale power price. Both these issues are being resolved, with the impacted sites undergoing significant works over Winter 2020 to replace older, obsolete equipment with newer designs whilst the sales price for power is being locked-in at higher rates as older variable price power purchase agreements expire.

In terms of performance, the solar irradiation has been stronger than projected during the year but not all of the increase was captured by the assets. The efficiency of solar photovoltaic panels is lower in the heat and some of the older inverters, which are approaching the end of their intended working life, have suffered technical problems, including failures in cooling systems in the hot weather associated with high-irradiation days. The VCT has built up cash reserves in order to replace older or failed equipment, mainly expected to be the inverters, after 10 years. With some assets demonstrating poor performance and given the challenges to maintain these sites during the COVID-19 lockdowns, projects to repair or replace certain components have been accelerated.

The COVID-19 pandemic began having a serious impact on the UK economy in March 2020. This has had the following effects on the value and operations of the portfolio:

- Power prices, which were already weakening towards the end of 2019, have fallen further and significantly since early 2020 and remain subdued compared to both last year and budget. The VCT is, however, to a great extent protected from this as only 9% of revenues come from wholesale power sales. This relatively low exposure to power prices for a renewable generating portfolio is considered to be a benefit that outweighs the corresponding challenges of having an older asset base that requires increased attention and maintenance.

- Government safe working guidelines caused delays in performing repairs and Operations and Maintenance ("O&M") work. Whilst solar generating assets can normally perform with relatively little day-to-day human interaction, the age of the portfolio means human intervention is required regularly. The portfolio has suffered performance issues with some of this older equipment during the year, and with certain suppliers and contractors having to travel from overseas to make repairs, the travel restrictions have impacted on output and performance, as repairs to failed equipment were delayed substantially. The Investment Adviser ensured that the O&M contractors adhered to safe working protocols and has worked with them to mitigate the impacts of travel restrictions and safe working obligations.

- In addition, all works had to be suspended on solar installations on residential roof-mounted installations as engineers were not permitted to enter properties during lockdown.

- As a result of the expenditure required to combat the pandemic, the Government reversed the cuts in Corporation Tax that were set to apply from 1 April 2020, negatively impacting on future distributable profits and cash flows from the underlying investments.

- With much of the portfolio's revenue (as well as the third-party debt owed by the portfolio) being inflation linked, higher inflation increases the profitability of the assets and therefore their value. With the significant economic shock and the resulting Government actions to mitigate any long-term impacts, there are likely to be effects on inflation. In the short term, the inflation expectations have been reduced, having a negative impact on valuation, with the long term remaining at the levels previously projected.

During the year, the VCT made two new investments. £615,000 was invested in October 2019 into 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.

In January 2020, £1,000,000 was invested into Rezatec Limited, a software developer that applies Artificial Intelligence based algorithms to a range of earth observation data sources (satellite imagery, soil data, weather data, topographic data etc.) to generate an information services platform to help monitor land-based assets in the forestry, agriculture and infrastructure verticals.

The payment of an annual dividend of 5.8p (5.3133p per Ordinary Share and 0.4867p per A Share) was announced on 3 December 2020, and this will be paid on 31 December 2020.

Portfolio Composition

Portfolio Composition by Asset Type and Impact on NAV

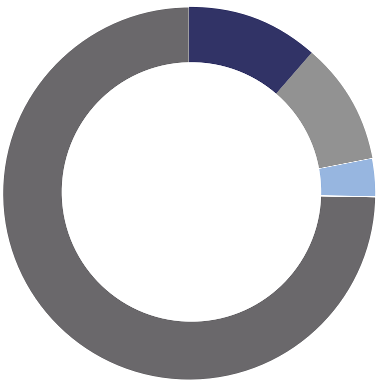
		30 September 2020		30 September 2019	
Asset Type	kWp	Value ('000)	% of Portfolio Value	Value ('000)	% of Portfolio Value
Ground-mounted Solar (FIT)	20,325	£22,580	74.2%	£22,387	75.7%
Ground-mounted Solar (ROC)	8,699	£2,276	7.5%	£3,044	10.3%
Total ground-mounted Solar	***29,024***	***£24,856***	***81.7%***	***£25,431***	***86.0%***
Rooftop Solar (FIT)	4,314	£2,696	8.9%	£2,920	9.9%
Total Solar	***33,338***	***£27,552***	***90.6%***	***£28,351***	***95.9%***
Wind Assets (FIT)	1,420	£1,188	3.9%	£1,221	4.1%
Total renewable generating assets	***34,758***	***£28,740***	***94.5%***	***£29,572***	***100.0%***
Venture Capital Investments	N.A.	£1,688	5.5%	–	0.0%
TOTAL	**34,758**	**£30,428**	**100.0%**	**£29,572**	**100.0%**

The 34.8MWp of renewable energy projects in the portfolio generated 32,860,999 kilowatt-hours of electricity over the year, sufficient to meet the annual electricity consumption of 9,500 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 19,000 mature trees would remove from the atmosphere.

Portfolio Summary

Almost 95% of the portfolio value, and over 99% of the income for the portfolio, is derived from the renewable energy generation assets.

Revenue by Asset Type



- Ground-mounted Solar (ROC) **11.61%**
- Rooftop Solar **10.61%**
- Wind Assets (FIT) **3.28%**
- Ground-mounted Solar (FIT) **74.50%**

The performance against budget is shown below:

Portfolio Revenues by Asset Type (£ Sterling)

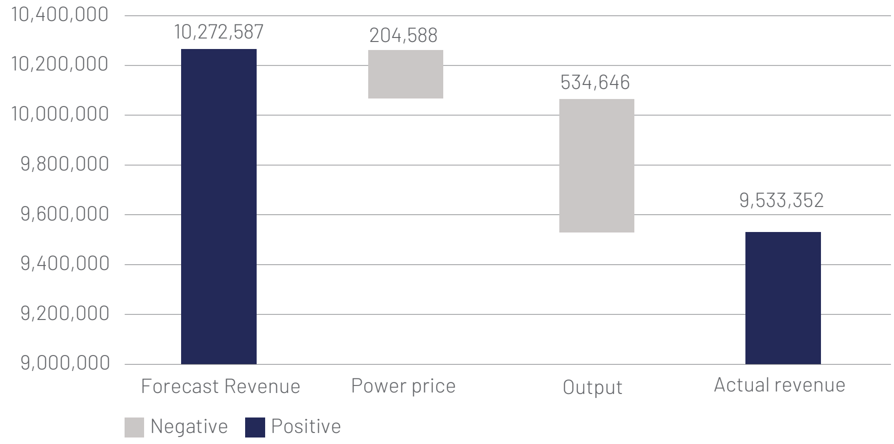
Asset Type	Forecast Revenue	Actual Revenue	Revenue Performance
Ground-mounted Solar (FIT)	8,985,321	8,247,893	91.8%
Ground-mounted Solar (ROC)	1,287,266	1,285,459	99.9%
Rooftop Solar	1,239,757	1,174,688	94.8%
Wind Assets	453,385	362,928	80.1%
TOTAL	**11,965,729**	**11,070,968**	**92.52%**

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.

It is clear from the table above that the variance at the ground-mounted solar farms was most material, given their size, accounting for £739,235 of the £894,760 revenue shortfall compared to budget. The causes are shown in the chart below:

VCT GM Solar Portfolio Revenue Analysis 2019/20



The old equipment that caused the reduction in output is being replaced over winter 2020/21 which should improve both the performance and reliability whilst removing the reliance on overseas contractors.

It is worth noting that the impact of pricing and output was not the same across the assets. This is shown by splitting the impacts between the FIT and ROC assets, below.

Ground-mounted Solar Revenues Variation of from Forecast to Actual Revenue (£ Sterling)

Asset Type	Forecast Revenue	Impact of Price changes	Impact of Output changes	Actual Revenue
Ground-mounted Solar (FIT)	8,985,321	(43,925)	(693,503)	8,247,893
Ground-mounted Solar (ROC)	1,287,266	(160,664)	158,857	1,285,459
TOTAL	**10,272,587**	**(204,589)**	**(534,646)**	**9,533,352**

Overall, 91% of income is inflation linked (either through the FIT, ROC or contracts for the sale of electricity), with those assets having price exposure being the ROC projects. Thus, they suffered a larger impact of the significant reduction in market pricing for power. However, it was the high revenue FIT projects that suffered the technical issues that caused significant fall in output despite the high irradiation during the year.

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 91% of total portfolio).

During the year, the assets benefited from more solar resources than budgeted, with solar irradiation being 107% of forecast for the full year. Irradiation was below forecast from October 2019 to February 2020, followed by a very strong spring, with the overall outperformance partially surrendered through poor July and August irradiation.

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	Forecast Output	Actual Output	Technical Performance
Ground-mounted Solar (FIT)	20,373,397	18,800,941	92.3%
Ground-mounted Solar (ROC)	8,481,640	9,528,330	112.3%
Total Ground-mounted Solar	***28,855,037***	***28,329,271***	***98.2%***
Rooftop Solar	3,620,429	3,475,577	96.0%
Total Solar	***32,475,466***	***31,804,848***	***97.9%***
Wind Assets	1,319,387	1,056,151	80.0%
TOTAL	**33,794,853**	**32,860,999**	**97.2%**

The key variance in the technical performance is from the Ground-mounted solar (FIT) performance that was significantly behind budget. This is largely the result of technical issues at Kingston Farm and Lake Farm (each solar farm with 4.98MW capacity). Both of these assets have central inverters that were state-of-the art when built in 2011, but which are now no longer the best technical solution for solar farms. These inverters suffered significant component breakdowns during the spring lock-down, when irradiation was high. The supplier is not based in the UK and the pandemic led to significant delays in being able to get their specialist engineers and components on site in order to effect repairs. This has significantly reduced the ability of the plants to operate over the summer months. There were already projects ongoing to replace these older inverters with newer, more efficient and easier to maintain string inverters at these sites. Contractors have been engaged to complete the repair and replacement works this winter.

The performance at Kingston Farm was 84% of budget, with Lake Farm at 79%. Between them, these assets represent over 27% of forecast generation and so this poor technical performance has been material overall.

As solar installations age some of the key components, e.g. inverters, need to be replaced as they reach the end of their expected useful life. All of the assets are now approaching this stage and have experienced some loss of generation due to faults in this older equipment. The Investment Adviser reviews the performance of these components on a regular basis and is working with contractors to arrange for the renewal and replacement of the less reliable parts across all sites as required.

The work will be funded using cash reserves that have been built up under the debt facility agreements to fund this type of work.

During the pandemic, the Investment Adviser issued updated health and safety guidance to contractors reflecting guidelines and directives issued by the UK Government. There was a negative impact on corrective and preventative maintenance work schedules as a result of this. Some of these restrictions have been eased and where possible, contractors have been instructed to find other solutions that can be implemented without breaching health and safety policies and Government directives.

Generation of the rooftop solar portfolio was 4% lower than forecast. Irradiation cannot be measured at roof-mounted solar installations as it is not cost effective to install pyranometers, but there is no reason to assume that the irradiation at these sites was materially below forecast. However, no access was possible to any residential properties during the periods of lockdown, unless it was for health and safety reasons (this was not required). The Investment Adviser is working with the O&M contractors to get access to the rooftop installations that are underperforming, to effect repairs as soon as possible.

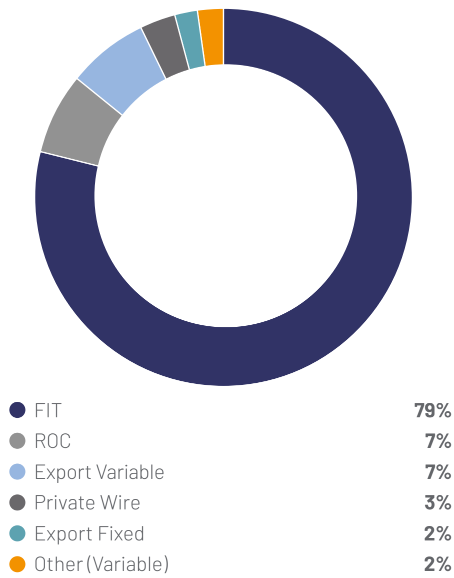
The small wind portfolio performed 20% lower than forecast, continuing the poor performance experienced in recent years. Small wind accounts for only 4.1% of the portfolio in terms of capacity. There is an ongoing repair programme for this portfolio focused on retaining the best assets in terms of future cashflow expectations.

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 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 currently receives over 39 pence for every kilowatt hour (kWh) of electricity it produces (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 9 months to the end of September 2020 the average spot price (day ahead) price of power was 3.1 pence per kWh so a new asset selling power at the spot price would earn 3.1 pence whereas an older solar asset, like some of those owned by the VCT, could earn 3.9 pence per kWh for exporting the power (given the FIT export price floor) plus 39.28 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 2019 - 30 September 2020



This shows that of the total revenues of £11,070,968 in the year, £9,551,418 or 86% was earned from government backed incentives for generating renewable electricity (£8,731,619 of generation revenue provided under the FIT and £819,799 from ROCs). A further £489,712 is inflation linked, either through the FIT export floor price for selling electricity or contracts for the sale of electricity, taking the government backed and RPI linked revenues to 91% of total.

Such a high proportion of income that is fixed by Government, is RPI linked and is not exposed to wholesale power prices, is a significant driver of value in this portfolio. This has enabled it to be largely insulated from the very significant reduction in the wholesale price of electricity experienced since the new year, and greatly exacerbated by the COVID-19 pandemic.

The majority of the price variance occurred in the Ground-mounted Solar (ROC) plants at Ayshford Farm (5.47 MW capacity) and Priory Farm (3.23 MW). Whilst the Ground-mounted (FIT) assets have achieved their projected revenue of 44 pence per kWh, the ROC assets only achieved 13 pence per kWh which was 89% of the 15 pence per kWh budgeted. These assets were exposed to the market prices and, when the pandemic hit (combined with historically low gas prices), the power price fell significantly to under 2 pence per kWh, compared to the budgeted price of over 4 pence per kWh. Ayshford Farm has now fixed its price at 4.4 pence per kWh until mid-2021; Priory is already in a long term contract but with market price exposure and a floor price for power.

Operating Costs

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

The main cost item that shows variability from year-to-year is repair and maintenance costs. Repair and maintenance spend involving solar panels and inverters, the key components of a solar project, is covered by the maintenance reserves. These reserves totalled £3.1 million and are in place for all the ground-mounted solar assets and for the majority of the roof-mounted solar assets. The other significant maintenance cost is for the small wind portfolio that continues to suffer performance issues. The cost of this maintenance has increased during the year as there are few contractors capable of maintaining the turbines and the effort to do so has increased with the age of the fleet.

New Investments

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

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

The COVID-19 pandemic has had a negative impact on bio-bean as the company is dependent on the continuous supply of waste coffee grounds from major coffee retail chains. The lockdown meant that these deliveries were completely suspended for a while and were at reduced volumes afterwards. However, due to a large stockpile of waste coffee grounds, efforts by management to diversify supply (albeit at an increased acquisition price), robust demand for its clean fuels, and a careful approach by management with a focus on minimising cash burn, this has meant that the impact on the business is not expected to be significant in the long term.

At the time of the VCT's investment, its advanced biochemicals business centred around producing Natural Coffee Extract and Natural Coffee Flavour (advanced biochemicals for use in the food chain). This business was in its early stages of development, but with significant growth projected following the investment as the products and markets are developed. Natural Coffee Extract, made from waste coffee grounds, has successfully gone through the regulatory approval process that permits its use in the food chain, and bio-bean has successfully made its first sale of the product to a global flavour and fragrances company. This is a significant milestone for the long-term development of the business.

In January 2020, the VCT invested £1 million into Rezatec Limited, a software developer that applies Artificial Intelligence based algorithms to a range of earth observation data sources (satellite imagery, soil data, weather data, topographic data etc.) to infrastructure verticals. Access to the platform is sold, on a subscription-basis, to commercial forestry operators for inventory management (analysis of current state of forest assets) and as an ongoing monitoring tool, to utility infrastructure owners for water pipeline, hydroelectric dam and power transmission network risk analyses, and to agriculture companies processing crops, for yield and logistics optimisation.

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

The VCT's investment was part of a £5.0 million round into which the Baronsmead VCTs, managed by Gresham House Asset Management Ltd, also invested.

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

Portfolio Valuation

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

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, there were significant performance issues at two of the ground-mounted FIT solar farms. The failed inverters are to be replaced over the winter period and so the output is projected to improve back to budgeted levels going forward.

→ Prices. Power price forecasts have been impacted by COVID-19 and so the forecasts have been updated to reflect this.

→ 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.

→ Corporation tax. The previously announced reduction in corporation tax has been reversed, so the projections have also reflected this.

→ 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. The short-term projections for inflation have fallen, largely as a result of COVID-19.

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. This has resulted in a slight reduction in the discount rates used (increasing the valuations) which reflects the Investment Adviser's experience in the market and evidence of third party transactions.

In particular, the discount rates used to value the future cash flows from the ground mounted solar assets have been reduced by 50 to 75 basis points (0.5% – 0.75%) compared to the rates used last year. These are the assets that have the highest levels of FiT and ROC income and so the Investment Adviser believes that the stable and predictable cash flows generated by these assets are very attractive, justifying the lower discount rate. The discount rates used to value the renewable assets are now in the range of 5.50% to 6.75% (2019: 6.0% to 6.75%). This reduction in discount rates increases the holding value of the assets by £1.0 million. The Investment Adviser notes that the VCT commissioned an independent review of the valuation of the renewable assets to consider both the Investment Adviser's valuation of the assets and the potential realisation proceeds should the portfolio be sold. This exercise, performed by a leading adviser involved with the sale of many renewable assets in the UK, confirmed that valuation is reasonable, in light of conservative asset life assumptions as well as uncertain timings and costs to realise a portfolio that includes long term, third party debt.

The value of new investments in bio-bean and Rezatec has been determined using International Private Equity Valuation Guidelines and are held at a valuation of £1.7 million, marginally higher (£70,000) than the cost of investment.

Outlook

The Investment Adviser's immediate focus is to ensure that the underperforming assets are repaired as quickly and cost effectively as possible, despite the restrictions imposed by the COVID-19 pandemic.

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

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

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

Gresham House Asset Management Limited

December 2020

Review of Investments

Portfolio of investments

The following investments were held at 30 September 2020:

Qualifying and part-qualifying investments	Operating sites	Sector	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Lunar 2 Limited*	South Marston, Beechgrove	Ground-mounted solar	1,330	16,902	444	55.4%
Lunar 1 Limited*	Kingston Farm, Lake Farm	Ground-mounted solar	125	2,539	(96)	8.3%
New Energy Era Limited	Wychwood Solar Farm	Ground-mounted solar	884	1,752	(64)	5.7%
Ayshford Solar (Holding) Limited*	Ayshford Farm	Ground-mounted solar	1,308	1,691	(462)	5.5%
Vicarage Solar Limited	Parsonage Farm	Ground-mounted solar	871	1,387	(92)	4.5%
Rezatec Limited	United Kingdom	Clean energy	1,000	1,073	73	3.5%
Gloucester Wind Limited	Gloucester Wind	Roof Solar	1,000	949	(66)	3.2%
Hewas Solar Limited	Hewas Solar	Roof Solar	1,000	853	(100)	2.8%
HRE Willow Limited	HRE Willow	Small Wind	875	680	6	2.3%
bio-bean Limited	Cambridgeshire	Clean energy	615	615	-	2.0%
Tumblewind Limited*	Priory Farm	Small Wind/Solar	1,102	585	(176)	1.9%
St Columb Solar Limited	St Columb Solar	Roof Solar	650	523	(65)	1.7%
Penhale Solar Limited	Penhale Solar	Roof Solar	825	371	7	1.3%
Minsmere Power Limited	Minsmere	Small Wind/Solar	975	340	(34)	1.1%
Small Wind Generation Limited	Small Wind Generation	Small Wind	975	168	(4)	0.6%
Lunar 3 Limited*		Ground-mounted solar	1	–	-	0.0%
			13,536	30,428	(629)	99.8%
Cash at bank and in hand				57		0.2%
Total investments				**30,485**		**100.0%**

*Part-qualifying investment

All venture capital investments are incorporated in England and Wales.

Gresham House Renewable Energy VCT2 plc, of which Gresham House Asset Management Limited ("GHAM") is the Investment Adviser, holds the same investments as above.

Investment movements for the year ended 30 September 2020

Purchases

	Cost at 30 September 2019 £'000	Valuation at 30 September 2019 £'000	Additions during the year £'000	Valuation at 30 September 2020 £'000	Unrealised Gain for the year £'000
VCT Qualifying investments					
Rezatec Limited	–	–	1,000	1,073	73
bio-bean limited	–	–	615	615	–
Total	**–**	**–**	**1,615**	**1,688**	**73**
Non-qualifying investments	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**

Disposals

	Cost at 30 September 2019 £'000	Valuation at 30 September 2019 £'000	Additions during the year £'000	Redemption of loan notes/sale proceeds £'000	Profit vs cost £'000	Realised Gain £'000
VCT Qualifying investments						
Engie EV Solutions Limited (formerly, Charge Point Services Limited)*	–	–	–	5	5	5
Tumblewind Limited	130	130	–	130	–	–
Total	**130**	**130**	**–**	**135**	**5**	**5**
Non-qualifying investments	–	–	–	–	–	–
Total	**–**	**–**	**–**	**–**	**–**	**–**

* Deferred consideration of £5,368 was received in August 2020, in relation to the sale of ChargePoint Services Limited in June 2019.

The basis of valuation for the largest investments is set out on pages 14 to 18.

Further details of the ten largest investments (by value):

Lunar 2 Limited

Lunar 2 Limited is a holding company of FiT remunerated ground-mounted solar farms of 5MW (Wiltshire), 4MW (near Hawkchurch) and 0.64MW (Ilminster, Somerset).

Cost at 30/09/20:	£1,330,000
Cost at 30/09/19:	£1,330,000
Date of first investment:	Dec 2013
Valuation at 30/09/20:	£16,902,000
Valuation at 30/09/19:	£16,458,000
Valuation method:	Discounted cash flows (business)
Investment comprises:	
Ordinary shares:	£1,330,000
Proportion of equity held:	50%
Summary financial information from statutory accounts (non-consolidated):	**31 March 2020**
Turnover:	£nil
Operating loss:	£19,000
Net liabilities:	£5,840,039

Lunar 1 Limited

Lunar 1 Limited is a holding company of FiT remunerated ground-mounted solar farms of 5MW (Wiltshire) and 0.7MW (Oxfordshire).

Cost at 30/09/20:	£125,000
Cost at 30/09/19:	£125,000
Date of first investment:	Dec 2013
Valuation at 30/09/20:	£2,539,000
Valuation at 30/09/19:	£2,635,000
Valuation method:	Discounted cash flows (business)
Investment comprises:	
Ordinary shares:	£125,000
Proportion of equity held:	5%
Summary financial information from statutory accounts (non-consolidated):	**31 March 2020**
Turnover:	£nil
Operating loss:	£5,000
Net liabilities:	£7,458,000

New Energy Era Limited

New Energy Era Limited owns a FiT remunerated solar farm of 0.7MW near Shipton-under- Wychwood, Oxfordshire.

Cost at 30/09/20:	£884,000
Cost at 30/09/19:	£884,000
Date of first investment:	Nov 2011
Valuation at 30/09/20:	£1,752,000
Valuation at 30/09/19:	£1,815,000
Valuation method:	Discounted cash flows (business)
Investment comprises:	
Ordinary shares:	£884,000
Proportion of equity held:	45%
Summary financial information from statutory accounts:	**31 March 2020**
Turnover:	£298,000
Operating profit:	£167,000
Net assets:	£2,623,000

Ayshford Solar (Holding) Limited

Ayshford Solar (Holding) Limited is the holding company of a ROC remunerated ground-mounted solar farm of 5.5MW near Tiverton, Devon.

Cost at 30/09/20:	£1,308,000
Cost at 30/09/19:	£1,308,000
Date of first investment:	Mar 2012
Valuation at 30/09/20:	£1,691,000
Valuation at 30/09/19:	£2,153,000
Valuation method:	Discounted cash flows (business)
Investment comprises:	
Ordinary shares:	£827,000
Loan stock:	£481,000
Proportion of equity held:	50%
Proportion of loan stock held:	48%
Summary financial information from statutory accounts (non-consolidated):	**31 March 2020**
Turnover:	£3,000
Operating loss:	£5,000
Net assets:	£732,000

Vicarage Solar Limited

Vicarage Solar Limited is the holding company of a FiT remunerated solar farm of 0.7MW near Ilminster, Somerset.

Cost at 30/09/20:	£871,000
Cost at 30/09/19:	£871,000
Date of first investment:	Mar 2012
Valuation at 30/09/20:	£1,387,000
Valuation at 30/09/19:	£1,478,000
Valuation method:	Discounted cash flows (business)
Investment comprises:	
Ordinary shares:	£871,000
Proportion of equity held:	45%
Summary financial information from statutory accounts (non-consolidated):	**31 March 2020**
Turnover:	£nil
Operating loss:	£2,000
Net assets:	£1,932,000

Rezatec Limited

Rezatec is a geospatial data analytics company which applies its machine learning algorithms to a wide range of earth observation data, to create a data analytics platform which customers can access on a subscription basis.

Cost at 30/09/20:	£1,000,000
Cost at 30/09/19:	n/a
Date of first investment:	Jan 2020
Valuation at 30/09/20:	£1,073,000
Valuation at 30/09/19:	n/a
Valuation method:	Earnings multiple
Investment comprises:	
Ordinary shares:	£16
Preference shares:	£999,984
Proportion of equity held:	0%
Proportion of preference shares held:	20%
Summary financial information from statutory accounts (non-consolidated):	**31 March 2019**
Turnover:	£n/a*
Loss for the year:	£896,000
Net assets:	£845,000

*This information is not publicly available

Gloucester Wind Limited

Gloucester Wind Limited owns a portfolio of FiT remunerated roof-mounted solar assets located on residential housing stock across the UK. The total capacity of the solar assets owned by Gloucester Wind Limited is 1,228kW.

Cost at 30/09/20:	£1,000,000
Cost at 30/09/19:	£1,000,000
Date of first investment:	Apr 2012
Valuation at 30/09/20:	£949,000
Valuation at 30/09/19:	£1,015,000
Valuation method:	Discounted cash flows (business)
Investment comprises:	
Ordinary shares:	£800,000
Loan stock:	£200,000
Proportion of equity held:	50%
Proportion of loan stock held:	50%
Summary financial information from statutory accounts:	**31 March 2020**
Turnover:	£178,000
Operating profit:	£31,000
Net assets:	£1,458,000

Hewas Solar Limited

Hewas Solar Limited owns a portfolio of FiT remunerated roof-mounted solar assets located on housing stock owned by two housing associations. The total capacity of the solar assets owned by Hewas Solar Limited is 1,830kW.

Cost at 30/09/20:	£1,000,000
Cost at 30/09/19:	£1,000,000
Date of first investment:	Aug 2011
Valuation at 30/09/20:	£853,000
Valuation at 30/09/19:	£954,000
Valuation method:	Discounted cash flows (business)
Investment comprises:	
Ordinary shares:	£1,000,000
Proportion of equity held:	50%
Summary financial information from statutory accounts:	**31 March 2020**
Turnover:	£467,000
Operating profit:	£78,000
Net assets:	£487,000

HRE Willow Limited

HRE Willow owns a portfolio of FiT remunerated wind turbines on largely farmer-owned sites located throughout East Anglia. The total capacity of the wind assets owned by HRE Willow Limited is 515kW.

Cost at 30/09/20:	£875,000
Cost at 30/09/19:	£875,000
Date of first investment:	Jun 2011
Valuation at 30/09/20:	£680,000
Valuation at 30/09/19:	£675,000
Valuation method:	Discounted cash flows (business)
Investment comprises:	
Ordinary shares:	£875,000
Proportion of equity held:	44%
Summary financial information from statutory accounts:	**31 March 2020**
Turnover:	£163,000
Operating profit:	£50,000
Net assets:	£1,397,000

bio-bean Limited

bio-bean recycles used coffee grounds into pellets for combustion in biomass-fed energy generators, and coffee logs for use in wood burning stoves.

Cost at 30/09/20:	£615,000
Cost at 30/09/19:	n/a
Date of first investment:	Oct 2019
Valuation at 30/09/20:	£615,000
Valuation at 30/09/19:	n/a
Valuation method:	Earnings multiple
Investment comprises:	
Ordinary shares:	£400,000
Loan stock:	£215,000
Proportion of equity held:	12%
Proportion of loan stock held:	25%
Summary financial information from statutory accounts:	**30 June 2019**
Turnover:	n/a*
Loss for the year:	£2,490,000
Net assets:	£1,661,000

*This information is not publicly available

Explanatory notes

The summary financial information has been sourced from the statutory accounts of the underlying investee companies. The net asset/liability figures presented therefore do not approximate a valuation. Due to the underlying investee companies changing their respective financial year ends, with the exception of Rezatec Limited and bio-bean Limited, the summary financial information disclosed for the current year is based on a period of 11 months, compared to the prior year summary financial information disclosed which is based on a 12 month period.

The proportion of equity held in each investment also represents the level of voting rights held by the VCT in respect of the investment.

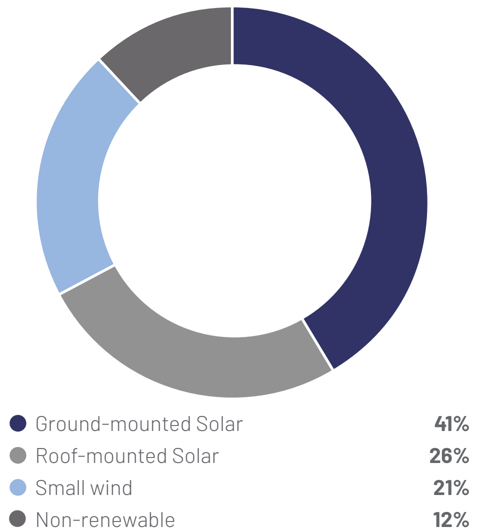
Summary of loan stock interest income

	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
Loan stock interest income in the period		
bio-bean Limited	20	–
Tumblewind Limited	29	35
Engie EV Solutions Limited (formerly, Charge Point Services Limited)	–	29
Minsmere Power Limited	11	11
Small Wind Generation Limited	11	11
Total	**71**	**86**

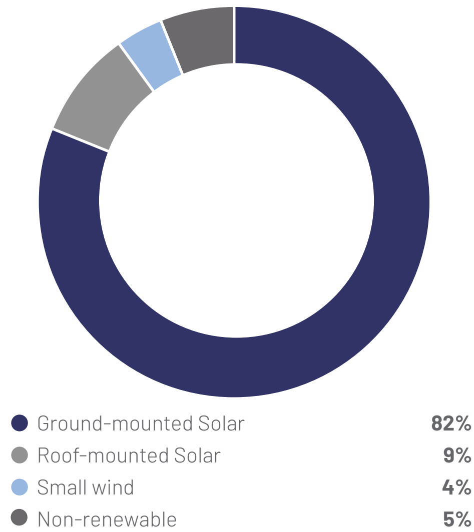
Analysis of investments by commercial sector

The split of the investment portfolio by sector (by cost and by value at 30 September 2020) is as follows:

Spread of investment by sector (cost)



Spread of investment by sector (value)



Strategic Report

The Directors present the Strategic Report for the year ended 30 September 2020. The Board have prepared this report in accordance with the Companies Act 2006.

Business model
The VCT acts as an investment company, investing in a portfolio of businesses within the renewable and clean energy sectors and operating as a VCT to ensure that its Shareholders can benefit from the tax reliefs available.

Business review and developments
The VCT's business review and developments during the year are set out in the Chairman's Statement, Investment Adviser's Report, and the Review of Investments.

During the year to 30 September 2020, the investments held increased by a net value of £856,000, due to additions of £1,615,000 offset by net unrealised losses of £629,000. Net gains arising on investment realisations totalling £5,000.

The total operating loss for the year was £1,112,000 (2019: £808,000 profit) and net assets at the year end were £27.3 million (2019: £29.9 million). The annual dividend for the year to 30 September 2019 was paid on 20 December 2019. The annual dividend for the year to 30 September 2020 was announced on 3 December 2020 and will be paid on 31 December 2020.

The Directors initially obtained provisional approval for the VCT to act as a Venture Capital Trust from HM Revenue & Customs. The Directors consider that the VCT has continued to conduct its affairs in a manner such that it complies with Part 6 of the Income Tax Act 2007.

Investment advisory and administration fees
Gresham House Asset Management Limited ("Gresham House") provides investment advisory services to the VCT, at a fee equivalent to 1.15% of net assets. The agreement is for a minimum term of two years, effective from 7 November 2017, with a nine month notice period on either side thereafter.

The Board has reviewed the services to be provided by Gresham House and has concluded that it is satisfied with the strategy, approach and procedures which are to be implemented in providing investment advisory services to the VCT. The Board is also of the opinion that the allocation of the investment advisory fee between capital and revenue of the VCT, as described in Note 2 to the financial statements, is still appropriate.

On 22 May 2019 the Board engaged JTC (UK) Limited ("JTC") as Administrator and Company Secretary, replacing Downing LLP. JTC provides administration and accounting services to the VCT for a fee of £40,000 (plus VAT, if applicable) per annum. It also provides company secretarial services for a fee of £40,000 (plus VAT, if applicable) per annum. The agreement, effective from 22 May 2019 shall continue in force until determined by either party, with a six month notice period on either side.

Trail commission
Historically the VCT had an agreement to pay trail commission annually to Hazel Capital LLP, in connection with the funds raised under the Offers for subscription. This was calculated at 0.4% of the net assets of the VCT at each year end. Out of these funds Hazel Capital LLP was liable to pay trail commission to financial intermediaries. The trail commission was payable to Hazel Capital LLP until the earlier of (i) the sixth anniversary of the closing of the Offers and (ii) the Investment Advisory Agreement being terminated. Upon the appointment of Gresham House as Investment Adviser on 7 November 2017, the agreement with Hazel Capital LLP was reissued and the new Investment Adviser has agreed to pay further trail commission to Haibun Partners LLP ("Haibun") and CH1 Investment Partners LLP ("CH1") with an agreement in place effective 11 July 2019. Payment of trail commission under this agreement is not deemed to be a related party transaction and is therefore not disclosed in Note 20 to the financial statements.

Pursuant to historic financial intermediary arrangements with Hazel Capital LLP, Haibun, of which Stuart Knight is a Designated Member, and CH1, of which Matthew Evans (Director of Gresham House Renewable Energy VCT2 plc) is a Designated Member, will continue to receive trail commission from Gresham House. The trail commission payable is equal to 0.15% of the net asset value of the shares issued by the VCT and its sister company, Gresham House Renewable Energy VCT2 plc ("VCT2"), to Haibun and CH1 clients under each of the 2010, 2012 and 2014 Offers. The amounts payable to Haibun and CH1 by Gresham House, in aggregate across both the VCT and VCT2, are as follows:

	Year ended 30 September 2020		
	Haibun £	CH1 £	Total £
2010 Offer	19,505	27,015	46,520
2020 Offer	1,980	1,980	3,960
2014 Offer	1,022	2,219	3,241
Total	**22,507**	**31,214**	**53,721**

Investment policy

General

The VCT's objectives are to maximise tax free capital gains and income to Shareholders from dividends and capital distributions by investing the VCT's funds in:

→ a portfolio of clean technology and environmentally sustainable investments, primarily in the UK and the EU, that have attractive income and growth characteristics, with investments in existing asset-backed renewable generation projects as the core of the portfolio; and

→ a range of non-qualifying investments, comprised from a selection of cash deposits, fixed income funds, securities and secured loans and which will have credit ratings of not less than A minus (Standard & Poor's rated)/A3 (Moody's rated). In addition, as the portfolio of VCT qualifying investments will involve smaller start-up companies, loans could be made to these companies to negate the need to borrow from banks and, therefore, undermine the companies' security within the conditions imposed on all VCTs under current and future VCT legislation applicable to the VCT.

Investment strategy

Investee companies generally reflect the following criteria:

→ a well-defined business plan and ability to demonstrate strong demand for its products and services;

→ products or services which are cash generative;

→ objectives of management and shareholders which are similarly aligned;

→ adequate capital resources or access to further resources to achieve the targets set out in its business plan;

→ high calibre management teams;

→ companies where the Adviser believes there are reasonable prospects of an exit, either through a trade sale or flotation in the medium term; and

→ a focus on small and long term renewable energy projects that utilise proven technology.

Asset allocation

During the period the VCT was required to hold 80% of its funds in VCT qualifying investments. At 30 September 2020, the VCT had a significant margin over the 80% qualifying holdings requirement. The VCT aims to maintain a level of up to 90% and therefore its maximum exposure to qualifying investments will be 90%. The VCT intends to retain the remaining funds in non-qualifying investments to fund the annual running costs of the VCT to reduce the risk profile of the overall portfolio of its fund and to provide investments which can be realised to fund any follow-on investments in the investee companies.

It is expected that the VCT shall hold at least eight investments to provide diversification and risk protection. In relation to the VCT, no single investment (including most loans to investee companies) will represent more than 15% of the aggregate net asset value of its fund save where such investment is in an investee company which has acquired or is to acquire, whether directly or indirectly, securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

Risk diversification

The structure of the VCT's funds, and its investment strategies, have been designed to reduce risk as much as possible.

The main risk management features include:

→ portfolio of investee companies – the VCT seeks to invest in at least eight different companies, thereby reducing the potential impact of poor performance by any individual investment;

→ monitoring of investee companies – the Adviser will closely monitor the performance of all the investments made by the VCT in order to identify any issues and to enable necessary corrective action to be taken; and

→ the VCT will ensure that it has sufficient influence over the management of the business of the investee companies, in particular, through rights contained in the relevant investment agreements and other shareholder/constitutional documents.

In respect of the VCT's investment in Lunar 1 Limited and Lunar 2 Limited the VCT has followed the above risk diversification strategy with regard to their investments in AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

Gearing

The VCT has the ability to borrow up to 15% of its net asset value* save that this limit shall not apply to any loan monies used to facilitate the acquisition by the VCT, whether directly or indirectly, of any shares or securities in certain operational asset/holding companies**.

It is not intended that the VCT will borrow (other than from investee companies). As at 30 September 2020, the VCT had the ability to borrow £4.5 million (2019: £4.5 million) in accordance with the articles, and had actual borrowings of £nil (2019: £nil). The long-term creditors shown on the Balance Sheet represent amounts owed to investee companies used to fund dividend payments. The Board expect these creditors to be repaid in the future by way of dividends being declared from these companies.

External debt is held by several of the VCT's investee companies. The VCT has ensured that Lunar 1 Limited and Lunar 2 Limited have borrowed no more than 90% of their respective net asset values to facilitate the acquisition, whether directly or indirectly, of any shares or securities in certain operational asset/holding companies**.

* Following the 2018 AGM the articles of the VCT were amended such that amounts borrowed from investee companies are now excluded from the calculation of the 15% borrowing restriction.

** AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

Listing rules

In accordance with the Listing Rules:

(i) the VCT may not invest more than 10%, in aggregate, of the value of the total assets of the VCT at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds;

(ii) the VCT must not conduct any trading activity which is significant in the context of the VCT; and

(iii) the VCT must, at all times, invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy set out in this document. This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 of the Income Tax Act.

The Listing Rules have been complied with for the year ended 30 September 2020.

Directors and senior management
The VCT has four Non-executive Directors, comprising one female and three males. The VCT has no employees.

Key performance indicators
At each Board meeting, the Directors consider a number of performance measures to assess the VCT's success in meeting its objectives. The Board believes the VCT's key performance indicators are Net Asset Value (NAV) Total Return and dividends per share. These are defined as follows:

Net Asset Value Total Return: the sum of NAV per Ordinary Share, NAV per 'A' Share and cumulative dividends paid.

Net Asset Value per Ordinary Share: The closing total net asset position of the VCT as at the reporting date less the total par value of all 'A' Shares in issue at the reporting date divided by the total number of Ordinary Shares in issue at the reporting date.

Net Asset Value per 'A' Share: Par value per 'A' Share.

Cumulative dividends paid: The gross total of all dividends paid for both Ordinary and 'A' Shares from inception up to the reporting date.

The VCT aims to increase NAV Total Return each year. As at 30 September 2020, NAV Total Return was 158.1p per share; representing a decrease of 2.8% (4.6p per share) since 30 September 2019 (NAV Total Return of 162.7p) which the Directors are disappointed by, but reflects the challenges faced by the VCT during the year. Please refer to the Investment Adviser's Report on pages 7 to 11 for further explanation on the movement in NAV during the year.

The VCT's dividend policy is to distribute surplus funds generated by the underlying investments, subject to maintaining an appropriate cash reserve within the VCTs to meet anticipated future requirements. The VCT has an objective of paying dividends of 5p per share per annum. In the year ended 30 September 2020, the VCT paid a dividend of 5.8p per share, therefore exceeding this KPI.

The position of the VCT's Net Asset Value Total Return as at 30 September 2020 is shown on page 2. A Summary of dividends per Share is shown on page 51.

Brexit
There continues to be uncertainty surrounding the future effects of Brexit, which has deflated Sterling thus far, and has the potential to impose restrictions on the free movement of people and goods. However, as the VCT has, to date, invested solely in UK assets which generate revenues from contracts with parties based in the UK, the Board and Investment Adviser believe that, subject to major economic disruption taking place, the potential impact of Brexit on the VCT is limited.

COVID-19
COVID-19 has presented an unprecedented challenge to the country and the economy in 2020, causing a significant drop in power prices since February and likely long-term inflationary effects are still to be seen.

Despite this challenging environment, the VCT's assets have continued to generate steady cashflows and have not suffered any significant operational disruptions as a result of the government-imposed restrictions both locally and nationally. The majority of the VCT's assets are concentrated in solar farms, which, by their nature, require a relatively low level of human presence. Furthermore, the VCT has been largely insulated from the drop in power prices as only 9% of its revenues are generated by wholesale power sales. As such, the Board and Investment Adviser believe that COVID-19 will continue to have only a limited impact on the VCT.

Principal risks and uncertainties
The principal financial risks faced by the VCT, which include interest rate, market price, investment valuation, credit and liquidity risks, are summarised within Note 17 to the financial statements.

Note 17 includes an analysis of the sensitivity of the valuation of the portfolio to changes in each of the key inputs to the valuation model.

Other principal risks faced by the VCT have been assessed by the Board and grouped into the key categories outlined below:

- → Underperformance;
- → Loss of VCT status;
- → VCT Regulations
- → Regulatory and compliance;
- → Operational; and
- → Economic, political and other external factors.

The Board considers the COVID-19 pandemic to be a factor which exacerbates existing risks, rather than being a new emerging risk itself. Its impact has been considered within the relevant risks below.

Schedule of principal risks
The other principal risks faced by the VCT, along with the steps taken to mitigate these risks, are shown in the table below.

Principal Risk	Context	Specific risks	Possible impact	Mitigation
Investment Performance	The VCT holds investments in unquoted UK businesses in the renewable energy sector.	Poor investment decisions or strategy or poor monitoring, management and realisation of investments. Adverse weather conditions, low inflation rates and/or low power prices due to the COVID-19 pandemic resulting in below forecast investment returns.	Reduction in the NAV of the VCT and the inability of the VCT to pay dividends.	The Investment Adviser has significant experience in the renewable energy sector. The Investment Adviser also actively manages the portfolio, engaging reputable and experienced Operations and Maintenance (O&M) contractors. The assets have limited exposure to power prices, due to the use of the Feed in Tariff (FiT) and Renewable Obligation Certificate (ROC) regimes. The Board regularly reviews the performance of the portfolio, alongside the Board of the sister company.

Principal Risk	Context	Specific risks	Possible impact	Mitigation
Loss of VCT status	The VCT must maintain continued compliance with the VCT Regulations, which prescribe a number of tests and conditions.	Breach of any of the rules could result in the loss of VCT status.	The loss of VCT status would result in dividends becoming taxable and new Shareholders losing their initial tax relief.	The VCT Qualification is actively monitored by the Investment Adviser and the Administrator, who liaise with the designated VCT Status Adviser. The VCT Status Adviser also produces twice yearly reports for the Board.
Legislative	In recent years, the changes to VCT Regulations have narrowed the breadth of permitted investments. VCTs were established to encourage private individuals to invest in early stage companies that are considered to be risky and have limited funding options. The state provides these investors with tax relief.	Increasing difficulty for the VCT in making new Qualifying investments. A change in government policy could result in a cessation of tax reliefs or reduction of the amount of tax relief available to investors which would make them less attractive to investors.	The VCT is not able to make new Qualifying investments. The VCT may not be able to raise any further funds.	Both the Investment Adviser and the Administrator closely monitor developments and attend AIC conferences. The VCT Status Adviser also has significant experience in this field and works closely with HMRC. Further commentary on VCT Status is provided on page 25. The Investment Adviser engages with HMT and industry representative bodies to demonstrate the cost benefit of VCTs to the economy in terms of employment generation and taxation revenue.
Regulatory and compliance	As a listed entity, the VCT is subject to the UK Listing Rules and related regulations.	Any breaches of relevant regulations could result in suspension of trading in the VCT's shares or financial penalties.	Reduction in the NAV of the VCT due to financial penalties and a suspension of trading in its Shares, also leading to loss of VCT status.	The VCT Secretary and Administrator have a long history of acting for VCTs. The Board, Investment Adviser and Administrator also employ the services of reputable lawyers, auditors and other advisers to ensure continued compliance with its regulatory obligations.
Operational – VCT level	The VCT relies on the Investment Adviser, Administrator and other third parties to provide many of its services at the VCT level.	Inferior provision of these services, for example due to working remotely during the COVID-19 pandemic, thereby leading to inadequate systems and controls or inefficient management of the VCT's assets and its reporting requirements. Service providers, predominantly the Registrar, hold Shareholders' personal data and there is a risk of a cyber attack on a provider.	Errors in Shareholder records, a loss of Shareholders' personal data, incorrect mailings, misuse of data, non-compliance with key legislation, loss of assets, breach of legal duties and inadequate financial reporting.	The VCT, the Investment Adviser and the Administrator engage experienced and reputable service providers, the performance of which is reviewed on an annual basis. As a result of the COVID-19 pandemic the Investment Adviser reviewed all major service providers to confirm they could operate as usual through government restrictions. The Directors and the Investment Adviser regularly review the service providers and the procedures and policies they have in place for preventing cyber attacks.
Operational – portfolio level	At the portfolio level, the VCT uses third party O&M contractors to manage the various sites.	Inferior provision of these services, thereby leading to inadequate systems and controls or inefficient management of the VCT's assets. Maintenance and repairs not carried out in a timely manner as a result of travel restrictions and social distancing rules put in place due to the COVID-19 pandemic.	Poor investment performance due to assets being offline and non-revenue generating.	The VCT, the Investment Adviser and the Administrator engage experienced and reputable service providers, the performance of which is reviewed on an ongoing basis. At the portfolio level, technical reviews and studies are conducted on the assets as appropriate. Repair and reconfiguration work is carried out and O&M procedures are revised to reduce dependence on overseas contractors and specialists.

Principal Risk	Context	Specific risks	Possible impact	Mitigation
Economic, political and other external factors	The VCT's investments are heavily exposed to the Feed in Tariff (FiT) and Renewable Obligation Certificate (ROC) regimes.	Retrospective changes to the regimes.	A significant negative impact on performance.	The Investment Adviser and Board members closely monitor policy developments. However, the UK Government has a general policy of not introducing retrospective legislation. The Investment Adviser and Board regularly review the valuation model and its inputs.

Viability statement
In accordance with Provisions 33 and 36 of the 2019 AIC Code of Corporate Governance, the Directors have carried out a robust assessment of the emerging and principal risks facing the VCT that would threaten its business model, future performance, solvency or liquidity, and have assessed the prospects of the VCT over a longer period than the 12 months required by the 'Going Concern' provision.

The Board has conducted this review for a period of five years from the balance sheet date as developments are considered to be reasonably foreseeable over this period. This is also the minimum recommended holding period for new investors. If the continuation vote at the March 2021 AGM were to result in a decision to wind up the VCT, the Board still consider that the VCT would remain viable up until the point at which its assets were sold, or the voluntary liquidation completed, and as such the Board are satisfied that a five-year viability assessment remains applicable. For further detail on the continuation vote, see page 5.

In making the viability assessment, the Board has taken the following factors into consideration:

- The nature and liquidity of the VCT's portfolio (long-term, revenue-generating fixed assets);
- The potential impact of the Principal Risks & Uncertainties, including the potential impact of COVID-19 on these risks;
- Maintaining VCT approval status;
- New investment activity;
- Operating expenditure; and
- Future dividends and share buybacks.

The Board paid particular attention to the impact of the COVID-19 pandemic on the economic, regulatory and political environment as well as its direct impact upon the VCT. The Board has also evaluated the ability of third-party suppliers to continue to deliver services to the VCT during COVID-19.

The Board is satisfied that the underlying assets held by the SPVs have been built to a sufficient quality and there is an appropriate level of ongoing repairs and maintenance to prevent substantial degradation. It is also considered highly unlikely that the portfolio would suffer from such poor irradiation and severe degradation that it would be unable to generate income over the period. Asset life, along with the other inputs to the valuation model, are discussed further in Note 17.

The Board also noted that the SPVs have sufficient debt cover and that there are significant cash reserves at the SPV level, available to be paid up to the VCT through dividends, reverse loans or the repayment of existing shareholder loans.

The Board have assessed the VCT's ability to cover its annual running costs under several scenarios, in which sensitivity analysis has been performed over the value of the investment portfolio. The Directors note that under none of these scenarios was the VCT unable to cover its costs.

The Directors believe that the VCT is well placed to manage its business risks successfully. Based upon this viability assessment, the Board confirms that, taking into account the VCT's current position and subject to the principal risks faced by the business, the VCT will be able to continue in operation and meet its liabilities as they fall due for a period of at least five years from the balance sheet date.

Directors' remuneration
It is a requirement under The Companies Act 2006 for Shareholders to vote on the Directors' remuneration every three years, or sooner if the VCT wants to make changes to the policy. The Directors' remuneration policy for the three-year period from 25 June 2020 is set out on page 33.

Annual running costs cap
The annual running costs for the year are capped at 3.0% of net assets; any excess will either be paid by the Investment Adviser or refunded by way of a reduction of the Investment Adviser's fees. Annual running costs for the year to 30 September 2020 were 2.4% (2019: 1.9%) and therefore less than 3.0% of net assets.

Performance Incentive
The structure of the 'A' Shares, whereby Management owns one third of the 'A' Shares in issue (known as the "Management 'A' Shares"), acts as a Performance Incentive mechanism. 'A' Share dividends will be increased if, at the end of each year, the hurdle is met, which is illustrated below:

i) Shareholders who invested under the offer for subscription receive dividends in excess of 5.0p per Ordinary Share in any one financial period; and

ii) one Ordinary Share and one 'A' Share has a combined net asset value of at least 100.0p.

The Performance Incentive is calculated each year and is not based on cumulative dividends paid.

A summary of how proceeds are allocated between Shareholders and Management, before and after the hurdle is met, and as dividends per Ordinary Share increase is as follows:

Hurdle criteria:			
Annual dividend per Ordinary Share	0-5p	5-10p	>10p
Combined NAV Hurdle	N/A	>100p	>100p
Allocation of dividend proceeds:			
Shareholders	99.97%	80%	70%
Management	0.03%	20%	30%

As the NAV hurdle was met and the annual dividend to be paid on 31 December 2020 will exceed the dividend hurdle, Management will receive a Performance Incentive in respect of the year ended 30 September 2020. The Performance Incentive will be equivalent to 0.2586p per Ordinary Share, or approximately £66,000 (2019: 0.2586p per Ordinary Share, or approximately £66,000). Payment of the performance incentive fee is not deemed to be a related party transaction and is therefore not disclosed in Note 20 to the financial statements.

Pursuant to historic financial intermediary arrangements with Hazel Capital LLP, Haibun Partners LLP ("Haibun"), of which Stuart Knight is a Designated Member, and CH1 Investment Partners LLP ("CH1"), of which Matthew Evans (Director of Gresham House Renewable Energy VCT2 plc) is a Designated Member, will receive a proportion of the Performance Incentive payments made to Management by the VCT and its sister company, Gresham House Renewable Energy VCT2 plc ("VCT2"). Haibun and CH1 will share an amount equal to approximately 8.0% of the Performance Incentive paid to Management in respect of the "Management 'A' Shares" issued by the VCT and VCT2 in connection with the Ordinary Shares issued to Haibun and CH1 clients under the 2010, 2012 and 2014 Offers. The agreements were put in place prior to the appointment of Stuart Knight and Matthew Evans as Directors of the VCT and VCT2 respectively.

VCT status

The VCT has reappointed Philip Hare & Associates LLP ("Philip Hare") to advise it on compliance with VCT requirements, including evaluation of investment opportunities as appropriate and regular review of the portfolio. Although Philip Hare works closely with the Investment Adviser, they report directly to the Board.

Compliance with the VCT regulations for the year under review is summarised as follows:

	Position at the year ended 30 September 2020
1. To ensure that the VCT's income in the period has been derived wholly or mainly (70% plus) from shares or securities;	100.0%
2. To ensure that the VCT has not retained more than 15% of its income from shares and securities;	0.0%
3. To ensure that the VCT has not made a prohibited payment to Shareholders derived from an issue of shares since 6 April 2014;	Complied
4. To ensure that at least 80% by value of the VCT's investments has been represented throughout the period by shares or securities comprised in qualifying holdings of the VCT;	85.1%
5. To ensure that at least 70% by value of the VCT's qualifying holdings has been represented throughout the period by holdings of eligible shares (disregarding investments made prior to 6 April 2018 from funds raised before 6 April 2011);	92.9%
6. To ensure that of funds raised on or after 1 October 2018, at least 30% has been invested in qualifying holdings by the anniversary of the end of the accounting period in which the shares were issued;	30.0%
7. To ensure that no holding in any company has at any time in the period represented more than 15% by value of the VCT's investments at the time of investment;	Complied
8. To ensure that the VCT's ordinary capital has throughout the period been listed on a regulated European market;	Complied
9. To ensure that the VCT has not made an investment in a company which causes it to receive more than the permitted investment from State Aid sources;	Complied
10. To ensure that since 17 November 2015, the VCT has not made an investment in a company which exceeds the maximum permitted age requirement;	Complied
11. To ensure that since 17 November 2015, funds invested by the VCT in another company have not been used to make a prohibited acquisition; and	Complied
12. To ensure that since 6 April 2016, the VCT has not made a prohibited non-qualifying investment.	Complied

The Directors, with the help of the Investment Adviser, actively monitor and ensure the investee companies have less than £5 million state backed financing in a 12-month period listed in order to remain compliant with the VCT regulations.

Share buybacks

The VCT has a policy of buying shares that become available in the market if liquidity and regulatory constraints permit. 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 interests of Shareholders as a whole.

There were no share buybacks during the financial year. A special resolution to renew the authority to repurchase Shares is proposed for the forthcoming AGM.

Sustainable Investing

The VCT seeks to conduct its affairs responsibly and the Investment Adviser is encouraged to consider environmental, social and community issues, where appropriate, when making investment decisions and the Board will continue to monitor the Adviser's progress in these areas.

The Board is conscious of its potential impact on the environment as well as its social and corporate governance responsibilities. The Investment Adviser has presented its Environmental, Social and Governance ("ESG") strategy to the Board.

Sustainable Investing at Gresham House
Gresham House, the Investment Adviser, is committed to sustainable investment as an integral part of its business strategy. During 2020, Gresham House has taken steps to formalise its approach to sustainability and has put in place several policies and processes to ensure ESG factors and stewardship responsibilities are built into the management of each asset division.

Policies and processes
Gresham House has published its Sustainable Investing Policy along with asset specific policies, including the New Energy Policy, which covers Gresham House's sustainable investment commitments, how the investment processes meet these commitments and the application of the Sustainable Investment Framework.

The Gresham House Board and Management Committee assess adherence to the commitments in the Sustainable Investment Policies on an annual basis.

Sustainable Investing Committee
The Investment Adviser's Sustainable Investing Committee (SIC), formed at the start of 2020, meets monthly and drive sustainability related deliverables, whilst providing a forum to share best practice, ideas and education. The Committee is chaired by the Director of Sustainable Investment and has representation from the Gresham House Management Committee, each asset division, sales and marketing.

Embedding ESG factors
As the assets within the VCTs are all well-established, the assessment of ESG is applied as part of our asset management activities. All Operations & Maintenance providers are required to report on various ESG factors, including Health & Safety and Environmental risks or incidents. Any significant incidents must be reported to us within 24 hours.

Furthermore, they are also expected to be proactive and to make recommendations for improvements.

Greenhouse Emissions
As a UK quoted company the VCT is required to report on its Greenhouse Gas ("GHG") Emissions. Emissions can be broken down into three categories by the Greenhouse Gas Protocol:

Scope 1: all direct emissions from the activities of the VCT or under its control.

Scope 2: indirect emissions from electricity purchased and used by the VCT.

Scope 3: all other indirect emissions from activities of the VCT, occurring from sources that it does not use or control.

The VCT does not itself produce any Scope 1 or Scope 2 carbon emissions as it does not itself directly or indirectly create carbon emissions by generating or purchasing electricity for its own use. The Investment Adviser is considering how best to monitor and measure the Scope 3 emissions relevant to the VCT.

[1] https://www.baywa-re.co.uk/en/company/about-baywa-re/sustainability/#our-approach-regarding-carbon

Case Study
Recently the asset management team have been overseeing a project to repower one of the solar assets. Repowering involves replacing all inverters on site as they are nearing the end of their useable life. Thanks to technological improvements, the new inverters are more efficient and allow for better monitoring.

This in turn enables better management of the plant, allowing us to maximise the generation of renewable energy. ESG factors have been considered throughout this project, which is still ongoing, in particular with regards to recycling of waste materials.

The contractor selected to carry out this work has a well-established Safety, Health, Environmental and Quality Policy and is a carbon neutral business[1]. During this project they have put in place the following measures to monitor and manage various environmental and social factors in their work:

- Where possible, electricity for welfare facilities for staff onsite will be taken from a site supply in order to minimise the use of diesel;
- Water will be used from the local farm supply to minimise pollution caused by transporting water to site;
- A spill plan and spill kits will be in place to reduce any damage caused by accidental spills of materials used during the repowering;
- Site rules, including Health & Safety, will be communicated to all staff during the site induction;
- Segregated skips will be provided on site to recycle waste appropriately; and
- Operate an open-door policy to encourage all stakeholders to communicate any concerns they may have.

When the repowering project has been completed, we will request the contractor provides us with a post project report to understand any issues that arose and how they were managed. This assessment will ensure any required improvements are incorporated into the process of future repowering projects.

Director's Duties
Directors must consider the long-term consequences of any decision they make. They must also consider the interests of the various stakeholders of the VCT, the impact the VCT has on the environment and community, and operate in a manner which maintains their reputation for having high standards of business conduct and fair treatment between shareholders.

Fulfilling this duty naturally supports the VCT in its Investment Objective to maximise tax-free capital gains and income to Shareholders and helps ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, and the AIC Code, the information overleaf explains how the Directors have individually and collectively discharged their duties under section 172 of the Companies Act 2006.

Section 172

The Section 172 statement forms part of the Strategic Report.

The Directors consider that in conducting the business of the VCT over the course of the year they have complied with Section 172(1) of the Companies Act 2006 (the "Act") by fulfilling their duty to act in the way they consider, in good faith, would be most likely to promote the success of the VCT for the benefit of its Shareholders as a whole, whilst also considering the broad range of stakeholders who interact with and are impacted by the VCT's business, particularly with regard to major decisions.

The VCT's principal objectives are to:

- → Invest in a portfolio of clean technology and environmentally sustainable investments, primarily in the UK and the EU, that have attractive income and growth characteristics, with investments in existing asset-backed renewable generation projects as the core of the portfolio;
- → maximise tax free capital gains and income to Shareholders from dividends and capital distributions; and
- → maintain VCT status to enable Shareholders to retain their 30% income tax relief on investment.

The Role of the Board

The Board, which, at the year end, comprised four independent non-executive Directors, with a broad range of skills and experience, retains responsibility for taking all decisions relating to the VCT's principal objectives, corporate governance and strategy, and for monitoring the performance of the VCT's service providers.

The Board aims to ensure that the VCT operates in a transparent culture where all parties are able to contribute to, and challenge where necessary, the decisions made and challenge where necessary with the overall aim of achieving the expectations of shareholders and other stakeholders alike.

In discharging their section 172 duties the Directors have regard to the likely consequences of any decisions in the long-term; the need to foster the VCT's business relationships with suppliers, customers and others; the impact of the VCT's operations on the community and environment; and the desirability of the VCT maintaining a reputation for high standards of business conduct, and the need to act fairly as between Shareholders of the VCT.

The Board works very closely with the Investment Adviser and Company Secretary to ensure there is visibility and openness in how the affairs of the VCT are being conducted.

The VCT is a long-term investment vehicle, externally managed, has no employees, and is overseen by an independent non-executive board of directors. As such the Board considers its stakeholders to be the shareholders, the service providers, including the Investment Adviser, and regulatory bodies.

The Key Stakeholders

Shareholders

Continued shareholder support is critical to the sustainability of the VCT and delivery of the long-term strategy of the business. The Board engages with the VCT's shareholders in a variety of ways, including annual and half-yearly reports and accounts, an annual Shareholder event and Annual General Meeting and information provided on the Investment Adviser's website as well as ad hoc communications with investors.

The VCT welcomes and encourages attendance and participation from Shareholders at the AGM and values any feedback and questions it may receive from Shareholders ahead of and during the AGM.

The Board communicates with its shareholders through the publication of Annual and Half-Year reports which are available on the VCT's website (https://greshamhouse.com/real-assets/new-energy-sustainable-infrastructure/gresham-house-renewable-energy-vct-1-plc/) and sent to Shareholders on request.

The Board is also happy to respond to any written queries made by Shareholders during the course of the period, or to meet with major Shareholders if so requested. In addition to the formal business of the AGM, representatives of the Investment Adviser and the Board are available to answer any questions a Shareholder may have.

During the period the Board engaged with Shareholders on several matters including the upcoming continuation vote and the resolutions which were not passed at the 2020 AGM.

Investment Adviser
The Board has delegated authority for day-to-day management of the VCT to the Investment Adviser. The Board then engages with the Investment Adviser in setting, approving and overseeing the execution of the business strategy and related policies. The Investment Adviser attends Valuation Forums, Board meetings and other Committee meetings to update the Directors on the performance of the portfolio. At every Board meeting a review of financial and operational performance, as well as legal and regulatory compliance, is undertaken.

The Board also reviews other areas over the course of the financial year including the VCT's business strategy; key risks; stakeholder related matters; diversity and inclusivity; environmental matters; corporate responsibility and governance, compliance and legal matters.

The Investment Adviser's performance is critical for the VCT to successfully deliver its investment strategy and meet its objectives.

Service Providers
The VCT has a limited pool of service providers which include the Investment Adviser, the Administrator, the Registrar, the Legal Advisers, the Auditor and the VCT Status Advisers.

These service providers are fundamental to ensuring that as a business the VCT meets the high standards of conduct that the Board sets. The Board meets at least annually to review the performance of the key service providers and receives reports from them at Board and Committee meetings.

The Board has regular contact with the two main service providers: the Investment Adviser and Administrator through quarterly board meetings with the Chairman and Audit Chair meeting more regularly. The Audit Committee also reviews the controls of the VCT's service providers on an annual basis to ensure that they are performing their responsibilities in line with Board expectations and providing value for money. This engagement has been particularly important this year given the challenges presented by COVID-19 and the need to test the resilience of all of the VCT's operations and supply.

Regulators/Government
The Board regularly considers how it meets regulatory and statutory obligations and follows voluntary and best-practice guidance, including how any governance decisions it makes impact its stakeholders both in the shorter and in the longer-term.

The VCT engages an external adviser to report bi-annually on its compliance with the VCT rules and a Company Secretary report is tabled quarterly at board meetings.

Key Board decisions and specific examples of Stakeholder considerations during the year

Strategy
The Board is fully engaged in both formulating and overseeing the execution of the general strategic direction of the VCT, and is closely involved in its day to day operations. During the year, the Board's main strategic discussions focused around how best to maximise the long term predictable and government backed revenue. This involved monitoring the performance of assets and ensuring they are maintained or replaced on a timely basis and in accordance with regulations to ensure FIT or ROC accreditation is maintained.

Shareholder Survey on the continuation vote
The VCT sent a survey to shareholders in May 2020 in respect of its upcoming continuation vote, to be held at the 2021 AGM. The purpose of this survey was to engage with shareholders and understand their views on whether or not the VCT should continue for a further five years.

The three options available to shareholders were explained in full in a letter accompanying the survey and shareholders were invited to vote on their preference. To ensure maximum engagement, the survey was posted to all shareholders with a prepaid envelope included to enable shareholders to return their votes by post. The survey was also made available on the VCT's website. The results were then collated to provide the Board insight into shareholders' views on the future of the VCT.

Corporate Governance
Time was also spent in ensuring the Board met corporate governance requirements and a mapping exercise against the AIC Code of Corporate Governance was carried out.

At the Annual General Meeting on 25 June 2020, Resolution 8, which related to the Directors' ability to allot new shares and Resolution 9, which related to the VCT's ability to make non-pre-emptive issues of shares, were not passed, receiving opposition by shareholders. The VCT therefore engaged with those shareholders who had voted against the resolutions in order to ensure that shareholders' concerns were fully understood by the Board and on review of the feedback provided, it appears that the Board's rationale for the proposing of resolutions 8 and 9 has been misunderstood. Further, the Board has undertaken to make every effort to be as transparent as possible on all matters relevant to shareholders to avoid similar misunderstandings in future.

The Board takes seriously its responsibilities to uphold the highest standards of corporate governance and is open to constructive dialogue with shareholders and shareholder bodies.

The Impact of COVID-19
The most significant issue to which the Board has given full and repeated consideration to during the financial year has been the impact of COVID-19. The Board has met very regularly from March 2020 to discuss the crisis and to implement any necessary actions to mitigate the impact of COVID-19 and to protect the VCT in the long-term for all of the stakeholders.

During the COVID-19 lockdown the Board ensured its Service Providers all had effectively implemented their Business Continuity Plans and were able to work remotely in line with their internal controls, with no impact to the service provided to the VCT.

Future prospects
The Board's assessment of the outlook and future strategy of the VCT are set out in the Chairman's Statement and Investment Adviser's Report.

By order of the Board

JTC (UK) Limited
Company Secretary
Company number: 04301763

Registered office:
The Scalpel, 18th Floor
52 Lime Street
London EC3M 7AF

21 December 2020

Report of the Directors

The Directors present the tenth Annual Report and Accounts of the VCT for the year ended 30 September 2020

The Corporate Governance Report on pages 35 to 37 forms part of this report.

Share capital
At the year end, the VCT had in issue 25,515,242 Ordinary Shares and 38,512,032 'A' Shares. There are no other share classes in issue.

All shares have voting rights; each Ordinary Share has 1,000 votes and each 'A' Share has one vote. Where there is a resolution in respect of a variation of the rights of 'A' Shareholders or a Takeover Offer, the voting rights of the 'A' Shares rank pari-passu with those of Ordinary Shares.

Pursuant to the articles and subject to a special resolution, the VCT is able to make market purchases of its own shares, up to a maximum number of shares equivalent to 14.99% of the total number of each class of issued shares from time to time.

At the Annual General Meeting ("AGM") that took place on 25 June 2020, the VCT was authorised to make market purchases of its Ordinary Shares and 'A' Shares, up to a limit of 4,218,239 Ordinary Shares and 6,166,429 'A' Shares which represented approximately 14.99% of the issued Ordinary Share capital and 'A' Share capital at the date of the AGM. At the current date, authority remains for 883,596 Ordinary Shares and 2,722,436 'A' Shares. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 4 March 2021.

The payment of an annual dividend of 5.8p (5.3133p per Ordinary Share and 0.4867p per 'A' Share) was announced on 3 December, and this will be paid on 31 December 2020.

The minimum price which may be paid for an Ordinary Share or an 'A' Share is 0.1p, exclusive of all expenses, and the maximum price which may be paid for an Ordinary Share or an 'A' Share is an amount, exclusive of all expenses, equal to 105% of the average of the middle market quotations.

Substantial interests
As at 30 September 2020, and the date of this report, the VCT had not been notified of any beneficial interest exceeding 3% of the issued share capital.

Results and dividends

	£'000	Pence per Ord Share	Pence per 'A' Share
(Loss)/Profit for the year	(1,112)	4.4	–
20 Dec 2019 Dividend	1,543	5.3133	0.4867
31 Dec 2020 Dividend	1,543	5.3133	0.4867

Directors

The Directors of the VCT during the year and their beneficial interests in the issued Ordinary Shares and 'A' Shares at 30 September 2020 and at the date of this report were as follows:

Directors		As at the date of this report	As at 30 Sept 2020	As at 30 Sept 2019
Gill Nott	Ord	24,953	24,953	24,953
	'A'	24,953	24,953	24,953
Stuart Knight	Ord	330,750	330,750	330,750
	'A'	330,750	330,750	330,750
Duncan Grierson	Ord	16,635	16,635	–
	'A'	16,635	16,635	–
David Hunter	Ord	–	–	–
	'A'	–	–	–

Biographical details of the Directors, all of whom are non-executive, can be found on page 3.

It is the Board's policy that Directors do not have service contracts, but each Director is provided with a letter of appointment. The Directors' letters of appointment, which were refreshed during the year and are terminable on three months' notice by either side. They are available on request at the VCT's registered office during business hours and will be available for 15 minutes prior to and during the forthcoming AGM.

The Articles of Association require that each Director retires by rotation every three years and being eligible, offer themselves for re-election. Accordingly, none of the directors are due to stand for re-election. The Directors' appointment dates and the date of their last election are shown below:

Director	Date of original appointment	Most recent date of re-election
Gill Nott (Chairman)	01/05/2018	06/03/2019
Stuart Knight	31/01/2017	25/06/2020
Duncan Grierson	16/07/2018	06/03/2019
David Hunter	18/09/2019	25/06/2020

The Directors believe that the Board has an appropriate balance of skills, experience, independence and knowledge of the VCT and the sector in which it operates to enable it to provide effective strategic leadership and proper guidance of the VCT. The Board confirms that, following the evaluation process set out in the Corporate Governance Statement on page 35, the performance of each of the Directors is, and continues to be, effective and demonstrates commitment to the role.

Each Director is required to devote such time to the affairs of the VCT as the Board reasonably requires.

Annual general meeting

The VCT's tenth Annual General Meeting ("AGM") will be held on Thursday 4 March 2021. The Notice of the Annual General Meeting and Form of Proxy will be circulated with this Annual Report.

The Board has considered all options for the upcoming AGM in 2021 and in particular how best to manage the potential impact of the COVID-19 pandemic and minimise disruption in convening the AGM. The Board has taken into account Government guidance, including evolving rules on staying at home, social distancing and avoiding public gatherings ("COVID-19 Measures"). Given the possibility that some level of restriction on public gatherings and maintaining social distancing will remain in place in March 2021, the Board may decide to amend the format of the AGM. Any change of format will be notified via the VCT's website and Regulatory Information Service.

Auditor

The Independent Auditor's Report can be found on pages 38 to 42. There is a requirement to undertake an audit tender for the year ended 30 September 2021, and BDO LLP has indicated its willingness to retender. Separate resolutions will be proposed at the AGM to appoint the new auditor, or to re-appoint BDO LLP, and to authorise the Directors to determine their remuneration.

Directors' responsibilities
The Directors are responsible for preparing the Strategic Report, the Report of the Directors, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. They are also responsible for ensuring that the Annual Report includes information required by the Listing Rules of the Financial Conduct Authority.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law), including Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the VCT and of the profit or loss of the VCT for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the VCT will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the VCT's transactions, to disclose with reasonable accuracy at any time the financial position of the VCT and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the VCT and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In addition, each of the Directors considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the VCT's performance, business model and strategy.

Directors' statement pursuant to the disclosure and transparency rules
Each of the Directors, whose names and functions are listed on page 3, confirms that, to the best of each person's knowledge:

- the financial statements, which have been prepared in accordance with UK Generally Accepted Accounting Practice and the 2014 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' give a true and fair view of the assets, liabilities, financial position and profit or loss of the VCT; and
- that the management report, comprising the Chairman's Statement, Investment Adviser's Report, Review of Investments, Strategic Report, and Report of the Directors includes a fair review of the development and performance of the business and the position of the VCT together with a description of the principal risks and uncertainties that it faces.

Insurance cover
Directors' and Officers' liability insurance cover is held by the VCT in respect of the Directors.

Website publication
The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the website of the Investment Adviser (https://greshamhouse.com/real-assets/new-energy-sustainable-infrastructure/) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Corporate governance
The VCT's Corporate Governance statement and compliance with, and departures from the 2019 AIC Code of Corporate Governance which has been endorsed by the Financial Reporting Council (www.frc.org.uk) is shown on page 37.

Other matters
Information in respect of risk management and risk diversification has been disclosed within the Strategic Report on pages 22 to 24.

Information in respect of greenhouse emissions which is normally disclosed within the Report of the Directors has been disclosed within the Strategic Report on page 26.

During the year, the VCT did not have any employees (2019: nil) and therefore there is no comparison data available for the change in the Directors' remuneration to average change in employee remuneration.

Events after the end of the reporting period
Following the period end the VCT will pay dividends in respect of the year ended 30 September 2020, of 5.3133p per Ordinary Share and 0.4867p per 'A' Share. These dividends will be paid on 31 December 2020 to Shareholders on the register at 11 December 2020.

The VCT invested £12,500 into bio-bean Limited in October 2020 as part of a follow-on funding round alongside other investors, including its sister company, VCT2.

Statement as to disclosure of information to the auditor
The Directors in office at the date of the report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

For and on behalf of the Board

Gill Nott
Chairman

21 December 2020

Directors' Remuneration Report

Annual Statement of the Remuneration Committee
The changes to the Directors' remuneration are outlined in this report. During the period the Remuneration Committee reviewed the levels of Board remuneration and recommended an increase to the Directors' fees which was approved by the Board.

Report on remuneration policy
Below is the VCT's remuneration policy. This policy applies from 25 June 2020. Shareholders must vote on the remuneration policy every three years, or sooner, if the VCT want to make changes to the policy. The policy was last approved by Shareholders at the 2020 AGM.

The VCT's policy on Directors' remuneration is to seek to remunerate Board members at a level appropriate for the time commitment required and degree of responsibility involved and to ensure that such remuneration is in line with general market rates. Non-executive Directors will not be entitled to any performance related pay or incentive.

Directors' remuneration is also subject to the VCT's Articles of Association which provide that:

(i) The aggregate fees will not exceed £100,000 per annum (excluding any Performance Incentive fees to which the Directors may be entitled from time to time); and

(ii) The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

Agreement for services
Information in respect of the Directors' agreements has been disclosed within the Report of the Directors on page 31.

Performance Incentive
The structure of 'A' Shares, whereby Management (being staff of the Investment Adviser) owns one third of the 'A' Shares in issue (known as the "Management 'A' Shares"), enables a payment, by way of a distribution of income, of the Performance Incentive to the Management Team. As the hurdle will be exceeded following the payment of the interim dividend on 20 December 2019, a Performance Incentive equivalent to 0.2586p or approximately £66,000 per Ordinary Share will be paid to Management through the 'A' Share dividend.

Following the year end date, the VCT declared dividends in respect of the year ended 30 September 2020 of 5.3133p per Ordinary Share and 0.4867p per 'A' Share. These dividends are due to be paid on 31 December 2020 to Shareholders on the register as at 11 December 2020.

Directors of the VCT during the year and their beneficial interests in the issued Ordinary Shares and 'A' Shares at 30 September 2019, 30 September 2020 and at the date of this report are disclosed within the Report of the Directors on page 31.

Annual report on remuneration
The Board has prepared this report in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) and the Companies Act 2006.

Under the requirements of Section 497 of the Companies Act 2006, the VCT's Auditor is required to audit certain disclosures contained within the report. These disclosures have been highlighted and the audit opinion thereon is contained within the Auditor's Report on pages 38 to 42.

Directors' remuneration (audited)
Directors' remuneration for the VCT for the year under review are shown in the table below.

Following a review by the Remuneration Committee of the Board's remuneration, the basic annual fees of the Directors increased from £25,000 to £26,500 for the Chair, from £22,500 to £24,000 for the Audit Committee Chairman and from £20,000 to £21,500 for the other Non-executive Directors, effective 1 October 2020. These increases are within the limit set by the Remuneration Policy and the percentage increase is also shown in the table below.

	Current Annual fixed fee £	Year ended 30 Sept 2020 fee £	% increase from 2020 to 2021	Year ended 30 Sept 2019 fee £
Gill Nott	26,500	25,000	6.00%	30,000
Stuart Knight	21,500	20,000	7.50%	20,000
Duncan Grierson	21,500	20,000	7.50%	20,000
David Hunter	24,000	22,500	6.67%	801
	93,500	**87,500**		**70,801**

No other emoluments, pension contributions or life assurance contributions were paid by the VCT to, or on behalf of, any Director. The VCT does not have any share options in place.

The VCT does not have any employees and therefore there is no comparison data available for the change in the Directors' remuneration to the average change in employee remuneration.

Statement of voting at AGM

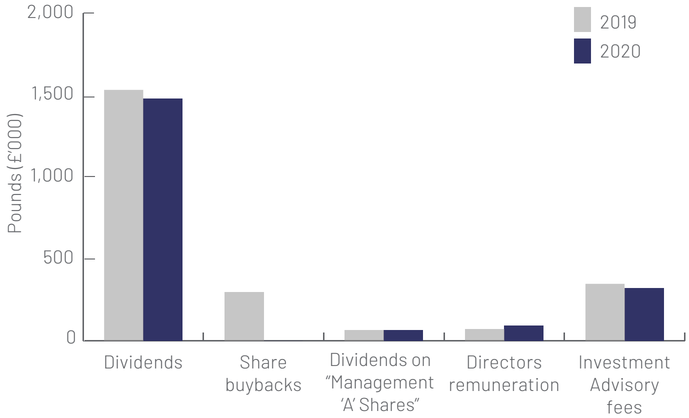
At the AGM on 25 June 2020, the votes in respect of the resolution to approve the Director's Remuneration Report were as follows:

In favour	100%
Against	nil votes
Withheld	nil votes

At the 2020 AGM, when the remuneration policy was last put to a Shareholder vote, 100% voted for the resolution, showing significant shareholder support.

Relative importance of spend on pay

The difference in actual spend between 30 September 2020 and 30 September 2019 on Directors' remuneration in comparison to distributions (dividends and share buybacks) and other significant spending are set out in the chart below.

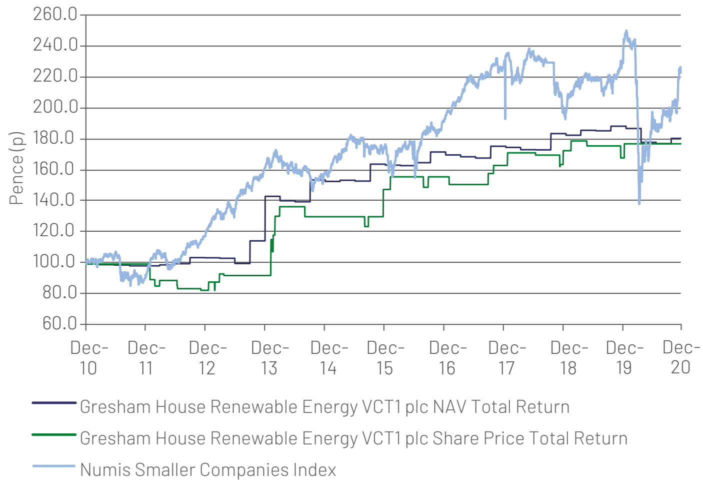


2020/2021 remuneration

The remuneration levels for the forthcoming year for the Directors of Gresham House Renewable Energy VCT1 plc are shown in the above table on page 33.

Performance graph

The graph below represents the VCT's performance over the reporting periods since the VCT's Ordinary Shares and 'A' Shares were first listed on the London Stock Exchange, and shows share price total return and net asset value total return performance on a dividends reinvested basis. All series are rebased to 100 at 10 January 2011, being the date the VCT's shares were listed.



The Numis Smaller Companies Index has been chosen as a comparison as it is a publicly available broad equity index which focuses on smaller companies and is therefore more relevant than most other publicly available indices.

Gill Nott
Chairman

21 December 2020

Corporate Governance

The Board of Gresham House VCT 1 plc has considered the Principles and Provisions of the 2019 AIC Code of Corporate Governance (the "AIC Code"). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to Gresham House Renewable Energy VCT 1 plc.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to Shareholders.

The VCT has complied with the Principles and Provisions of the AIC Code.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Board

The VCT has a Board comprising four Non-executive Directors. The Chairman is Gill Nott. Gill Nott, Duncan Grierson and David Hunter are independent from the Investment Adviser. Stuart Knight is not considered independent as he is a Designated Member of Haibun Partners LLP which receives trail commission from the Investment Adviser. The VCT has not appointed a senior independent director. Biographical details of all Board members (including significant other commitments of the Chairman) are shown on page 3.

Full Board meetings take place quarterly and the Board meets or communicates more regularly to address specific issues. The Board has a formal schedule of matters specifically reserved for its decision which includes, but is not limited to: considering recommendations from the Investment Adviser; making decisions concerning the acquisition or disposal of investments; and reviewing, annually, the terms of engagement of all third party advisers (including the Investment Adviser and Administrator).

The Board has also established procedures whereby Directors wishing to do so in the furtherance of their duties may take independent professional advice at the VCT's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the VCT's assets and liabilities and other relevant information requested by the Chairman, in advance of each Board meeting.

The Board has authority to make market purchases of the VCT's own shares. This authority to purchase up to 14.99% of the VCT's issued share capital was granted at the last AGM. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

The capital structure of the VCT is disclosed in Note 14 to the financial statements.

During the period under review, all the Directors of the VCT were non-executive and served on each committee of the Board. The Chairman of the Audit Committee is David Hunter, Stuart Knight is the Chairman of the Remuneration Committee and Duncan is the Chairman of the Nomination Committees. The Audit Committee normally meets twice yearly, and the Remuneration and Nomination Committees meet as required. The Board has delegated a number of areas of responsibility to its committees and each committee has defined terms of reference and duties.

Audit Committee

The Audit Committee is responsible for reviewing the half- year and annual accounts before they are presented to the Board, the terms of appointment of the External Auditor, together with their remuneration, as well as a full review of the effectiveness of the VCT's internal control and risk management systems.

In particular, the Committee reviews, challenges (where appropriate) and agrees the basis for the carrying value of the unquoted investments, as prepared by the Investment Adviser, for presentation within the half-year and annual accounts.

The Committee also takes into consideration comments on matters regarding valuation, revenue recognition and disclosures arising from the Report to the Audit Committee as part of the finalisation process for the annual accounts.

The Committee is also responsible for reviewing the going concern assessment and viability statement including consideration of all reasonably available information about the future financial prospects of the VCT, the possible outcomes of events and changes in conditions and realistic possible responses to such events and conditions.

The Audit Committee met twice during the year. The Committee reviewed the internal financial controls and concluded that they were appropriate.

As the VCT has no staff, other than the Directors, there are no procedures in place in respect of whistle blowing. The Audit Committee understands that the Investment Adviser and Administrator have whistle blowing procedures in place.

External Auditor

The Committee reviews and agrees the audit strategy paper, presented by the Auditor in advance of the audit, which sets out the key risk areas to be covered during the audit and confirms their status on independence.

The Committee confirms that the main area of risk for the period under review is the carrying value of investments.

The VCT's auditor did not provide any non audit services during the period. In accordance with the Code of Ethics for Professional Accountants, listed entities are required to rotate their Audit Partner after a maximum period of five years. Accordingly, Vanessa Bradley retired as Audit Partner at the end of the 2019 financial year and was replaced by Kelly Sheppard.

The Committee recognises the requirement for the tax computation to be prepared annually and therefore re-appointed Lubbock Fine as tax agent during the year ended 30 September 2020.

The Committee, after taking into consideration comments from the Investment Adviser and Administrator, regarding the effectiveness of the audit process; immediately before the conclusion of the annual audit, will recommend to the Board either the re-appointment or removal of the Auditor.

Under the Competition and Markets Authority regulations, there is a requirement that an audit tender process be carried out every ten years and mandatory rotation at least every twenty years. Due to the current auditor's tenure, the VCT is required to undertake an audit tender in respect of the audit required for the year ended 30 September 2021. The Committee plans that the audit will be tendered in early 2021, with a decision made before the 2021 AGM and BDO have indicated that they will be retendering.

Board and Committee Meetings

The following table sets out the Directors' attendance at the Board and Committee meetings during the year:

	Board meetings attended	Audit Committee meetings attended	Nomination Committee meetings attended	Remuneration Committee meetings attended
	(10 held)	**(3 held)**	**(1 held)**	**(1 held)**
Gill Nott	10	3	1	1
Stuart Knight	9	3	1	1
Duncan Grierson	9	3	1	1
David Hunter	10	3	1	1

Remuneration Committee

The Committee meets as and when required to review the levels of Directors' remuneration. The Committee is also responsible for considering the need to appoint external remuneration consultants.

Following a review of remuneration during the year the Committee recommended an increase in board remuneration which was approved by the Board. These increases will take effect from 1 October 2020. Details of the specific levels of remuneration to each Director as well as the fee increases are set out in the Directors' Remuneration Report on page 33.

Financial Reporting

The Directors' responsibilities statement for preparing the accounts is set out in the Report of the Directors on page 30 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's report on page 38.

Nomination Committee

The Nomination Committee's primary function is to make recommendations to the Board on all new appointments and also to advise generally on issues relating to Board composition and balance. The Committee meets as and when appropriate. Before any appointment is made by the Board, the Committee shall evaluate the balance of skills, knowledge and experience, and consider candidates on merit, against objective criteria, and with due regard for the benefits of diversity on the Board. Diversity includes and makes good use of differences in knowledge and understanding of relevant diverse geographies, peoples and their backgrounds including race or ethnic origin, sexual orientation, gender, age, disability or religion.

During the year, the Committee met to review the Board's composition and also to consider succession planning. It was concluded that the balance on the Board was satisfactory and that there was sufficient variability in the appointment dates to the Board, to prevent the need for rotation of Board members.

The Committee also carried out a formal and rigorous board evaluation during which it assessed the effectiveness of the Board and its committees. The Committee found that the Board was functioning well and that all directors contributed to the discussions at meetings. A number of topics were raised and discussed and overall the Board and its committees were found to be performing satisfactorily. It was also noted that the coordination between the VCT and Gresham House Renewable Energy VCT 2 plc was very good.

Relations with Shareholders

Shareholders normally have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by Shareholders during the course of the period, or to meet with major Shareholders if so requested and safe to do so in light of COVID-19.

In addition to the formal business of the AGM, representatives of the Investment Adviser and the Board are available to answer any questions a Shareholder may have. Separate resolutions are proposed at the AGM on each substantially separate issue. The Registrar collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. Proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called. The notice of the tenth AGM and proxy form will be circulated with this Annual Report.

At the 2020 AGM, resolutions 8, which related to the Directors' ability to allot new shares and Resolution 9, which related to the VCT's ability to make non-pre-emptive issues of shares, were not passed, receiving significant opposition by shareholders. In light of the number of votes against Resolutions 8 and 9, the VCT engaged with those shareholders who had voted against the resolutions in order to ensure that shareholders' concerns were fully understood by the Board. On review of the feedback provided by those shareholders who responded to the Board's request for engagement, it appears that the Board's rationale for the proposing of resolutions 8 and 9 has been misunderstood. Further, the Board has undertaken to make every effort to be as transparent as possible on all matters relevant to shareholders to avoid similar misunderstandings in future.

The terms of reference of the Committees and the conditions of appointment of Non-executive Directors are available to Shareholders on request.

Internal control

The Directors are fully informed of the internal control framework established by the Investment Adviser and the Administrator to provide reasonable assurance on the effectiveness of internal financial control.

The Board is responsible for ensuring that the procedures to be followed by the advisers and themselves are in place, and they review the effectiveness of the internal controls, based on the report from the Audit Committee, on an annual basis to ensure that the controls remain relevant and were in operation throughout the year.

The Board also reviews the perceived risks faced by the VCT in line with relevant guidance on an annual basis and implements additional controls as appropriate.

During the period, the Directors also reviewed the IT security policies in place for its key service providers to ensure satisfactory measures had been taken in light of the requirements for people to work from home due to COVID-19 and these were found to be satisfactory.

The Board also considered the requirement for an internal audit function and considered that this was not necessary as the internal controls and risk management in place were adequate and effective.

Although the Board is ultimately responsible for safeguarding the assets of the VCT, the Board has delegated, through written agreements, the day-to-day operation of the VCT (including the Financial Reporting Process) to the following advisers:

Investment Adviser
Gresham House Asset Management Limited

Administration Manager
JTC (UK) Limited

Anti-bribery policy
In order to ensure compliance with the UK Bribery Act 2010, the Directors confirm that the VCT has zero tolerance towards bribery and a commitment to carry out business openly, honestly and fairly.

Going concern
After making enquiries and bearing in mind the nature of the VCT's business and assets, the Directors consider that the VCT has adequate resources to continue in operational existence for the foreseeable future. The going concern assumption assumes that the VCT will maintain its VCT status with HMRC.

In arriving at this conclusion, the Directors have considered the guidance published by the Financial Reporting Council (FRC) regarding COVID-19 and going concern. The Directors acknowledge that the COVID-19 outbreak has had a significant adverse impact globally and that it has led to a material fall in UK power prices. The Board nevertheless consider the VCT to be well placed to continue to operate through the crisis and to continue to operate for at least twelve months from the date of this report.

At the forthcoming AGM in March 2021 the Directors are required to put an ordinary resolution to Shareholders that the VCT should continue as a venture capital trust for a further five-year period. If the resolution is not passed, the Directors will be required to draw up proposals for the voluntary liquidation, reconstruction, or other reorganization of the VCT for submission to the members of the VCT at a general meeting to be convened by the Directors for a date not more than four months after the date of the AGM. As such, even if the resolution is not passed, the VCT can still reasonably be expected to continue in operation for at least twelve months from the date of this report and is still expected to have the ability to meet its obligations as they fall due over this period.

The VCT's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 4 and 6, the Investment Adviser's Report on pages 7 to 11 and the Strategic Report on pages 20 to 29. The financial position of the VCT, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 46.

In addition, Notes 17 and 18 to the financial statements include the VCT's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The underlying SPVs have significant cash reserves, available to be paid up to the VCT through dividends or reverse loans. As a result, the Directors believe that the VCT has adequate resources to continue to operate through the current uncertain economic environment and for the foreseeable future.

For this reason the Directors believe that the VCT continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

Share Capital
The VCT has two classes of share capital: Ordinary Shares and 'A' Shares. The rights and obligations attached to those shares, including the power of the VCT to buy back shares and details of any significant shareholdings, are set out on page 30 of the Report of the Directors.

Compliance Statement
The Listing Rules require the Board to report on compliance with the AIC Code provisions throughout the accounting period. With the exception of the limited items outlined below, the VCT has complied throughout the accounting year ended 30 September 2020 with the provisions set out in Section 5 to 9 of the AIC Code.

a) The VCT has no major Shareholders so Shareholders are not given the opportunity to meet any new non- executive Directors at a specific meeting other than the AGM. (5.2.3)

b) Due to the size of the Board and the nature of the VCT's business, a senior independent director has not been appointed. (6.2.14)

c) Due to the size of the Board and the nature of the VCT's business, the Board considers it appropriate for the entire Board to fulfil the role of the nomination and the remuneration committee. (7.2.22, 9.2.37)

d) Due to the size of the Board and the nature of the VCT's business, the Board considers it appropriate for the entire Board, including the chair, to fulfil the role of the audit committee. (8.2.29)

e) Due to the size of the VCT, the Board thought it would be unnecessarily burdensome to establish a separate management engagement committee to review the performance of the Investment Adviser. (6.2.17, 7.2.26)

The Directors are not subject to annual re-election but must be re-elected every three years. A Director may retire at any Annual Meeting following the Annual General Meeting at which they last retired and was re-elected provided that they must retire from office at or before the third Annual General Meeting following the Annual General Meeting at which they last retired and was re-elected. (7.2.23)

By order of the Board

JTC (UK) Limited
Company Secretary
Company number: 04301763

Registered office:
The Scalpel, 18th Floor
52 Lime Street
London EC3M 7AF

21 December 2020

Independent Auditor's Report

Opinion
We have audited the financial statements of Gresham House Renewable Energy 1 VCT Plc (the 'company') for the year ended 30 September 2020, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement
We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the Directors' confirmation in the annual report that they have carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation in the annual report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How we addressed the Key Audit Matter</th></tr>
<tr><td>Valuation of investments
100% of the underlying investment portfolio is represented by unquoted equity and loan stock. Further information is disclosed in notes 10 and 17 to the financial statements.

The valuation of investments is a highly subjective accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Adviser, who is remunerated based on the net asset value of the company.</td><td>In respect of the equity investments valued using discounted cash flow models, we performed the following specific procedures:

→ Used spreadsheet analysis tools to assess the integrity of the valuation models and track changes to inputs or structure;

→ Agreed power price forecasts to independent reports;

→ For all investments we analysed changes in significant assumptions compared with assumptions audited in previous periods and vouched these changes to independent evidence including available industry data;

→ Challenged the appropriateness of the selection and application of key assumptions in the model including the discount factor, inflation, asset life, energy yield and power price applied by benchmarking to available industry data and consulting with our internal valuations specialists;

→ Agreed cash and other net assets to bank statements and investee company management accounts; and

→ Considered the accuracy of forecasting by comparing previous forecasts to actual results.

For equity investments valued on a basis other than a discounted cash flow model, we:

→ Considered the multiple inherent in the transaction and benchmarked this to industry multiples; and

→ Considered recent performance of the investee company compared to its budget at the time of investment and whether this was indicative of a change in fair value of the investment.

For loan investments we performed the following:

→ Vouched to loan agreements and verified the terms of the loan;

→ Considered wider economic and commercial factors that, in our opinion could impact on the recoverability and fair value of the loan; and

→ Considered the carrying value of the loan with regard to the "unit of account" concept.

For each of the key assumptions in the valuation models, we considered the appropriateness of the assumption and whether alternative reasonable assumptions could have been applied. We considered each assumption in isolation as well as in conjunction with other assumptions and the valuation as a whole. Where appropriate, we sensitised the valuations where other reasonable alternative assumptions could have been applied. We also considered the completeness and clarity of disclosures regarding the range of reasonable alternative assumptions in the financial statements.

Based on our procedures performed we did not identify any indications to suggest that the valuation of the investment portfolio was materially misstated.</td></tr>
</table>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The quantum of the materiality level applied during our audit is tabulated below.

Materiality measure	Purpose	Basis and Key considerations	Quantum 2019 (£)	Quantum 2020 (£)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view	2% of the value of non- current asset investments on the basis that the valuation of the investment portfolio is a key driver of the VCT's performance.	£590,000	£610,000
Performance materiality	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	Based on financial statement materiality, taking into consideration the risk and control environment and history of prior errors (if any)	£440,000	£458,000

Performance materiality is application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment together with our assessment of the company's overall control environment, our judgement was that overall performance materiality for the company should be 75% of our materiality threshold (2019: 75%).

We agreed with the Audit Committee that we would report to the Audit Committee all audit differences in excess of £12,000 (2019: £12,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We carried out a full scope audit. Our audit approach was developed by obtaining an understanding of the company's activities and the overall control environment. Based on this understanding we assessed those aspects of the company's transactions and balances which were most likely to give rise to a material misstatement.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of the valuation of investments which have a high level of estimation uncertainty involved in determining the unquoted investment valuations.

How the audit was considered capable of detecting irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the SORP and United Kingdom Generally Accepted Accounting Practice accounting standards. We also considered the company's qualification as a VCT under UK tax legislation as any breach of this would lead to the company losing various deductions and exemptions from corporation tax.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- → agreement of the financial statement disclosures to underlying supporting documentation;
- → enquiries of management;
- → review of minutes of board meetings throughout the period; and
- → obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

There are inherent limitations in the audit procedures described above and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Report & Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address
Following the recommendation of the Audit Committee, we were appointed by the Directors to audit the financial statements for the year ended 30 September 2011 and subsequent financial periods. We were reappointed by the Members of the company at the AGM in March 2020 to audit the financial statements for the year ending 30 September 2020. The period of total uninterrupted engagement is 10 years, covering the years ending 30 September 2011 to 30 September 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kelly Sheppard
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 21 December 2020

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

Income Statement

For the year ended 30 September 2020

		Year ended 30 September 2020			Year ended 30 September 2019		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income	3	256	–	256	86	–	86
(Loss)/gain on investments	10	–	(624)	(624)	–	1,305	1,305
		256	(624)	(368)	86	1,305	1,391
Investment advisory fees	4	(240)	(80)	(320)	(260)	(86)	(346)
Other expenses	5	(374)	(50)	(424)	(237)	–	(237)
		(614)	(130)	(744)	(497)	(86)	(583)
(Loss)/profit on ordinary activities before tax		(358)	(754)	(1,112)	(411)	1,219	808
Tax on total comprehensive (loss)/income and ordinary activities	7	–	–	–	–	–	–
(Loss)/profit for the year and total comprehensive (loss)/income		(358)	(754)	(1,112)	(411)	1,219	808
Basic and diluted (loss)/earnings per share:							
Ordinary Share	9	(1.4p)	(3.0p)	(4.4p)	(1.7p)	5.1p	3.4p
'A' Share	9	–	–	–	–	–	–

All Revenue and Capital items in the above statement derive from continuing operations. No operations were discontinued during the year. The total column within the Income Statement represents the Statement of Total Comprehensive Income of the VCT prepared in accordance with Financial Reporting Standards ("FRS 102"). The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 (updated in October 2019) by the Association of Investment Companies ("AIC SORP").

Other than revaluation movements arising on investments held at fair value through the profit or loss, there were no differences between the return/loss as stated above and at historical cost.

The accompanying notes form an integral part of these financial statements.

Balance Sheet

As at 30 September 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Investments	10		30,428		29,572
Current assets					
Debtors	11	230		273	
Cash at bank and in hand		57		1,046	
		287		1,319	
Creditors: amounts falling due within one year	12	(367)		(147)	
Net current (liabilities)/assets			(80)		1,172
Creditors: amounts falling due after more than one year	13	(3,081)		(822)	
Net assets			27,267		29,922
Capital and reserves					
Called up Ordinary Share capital	14		28		28
Called up 'A' Share capital	14		41		41
Share premium account	15		9,541		9,541
Treasury Shares	15		(2,991)		(2,991)
Special reserve	15		5,714		7,257
Revaluation reserve	15		16,893		17,522
Capital redemption reserve	15		3		3
Capital reserve – realised	15		(1,426)		(1,301)
Revenue reserve	15		(536)		(178)
Total Shareholders' funds			27,267		29,922
Basic and diluted net asset value per share					
Ordinary Share	16		106.7p		117.1p
'A' Share	16		0.1p		0.1p

The financial statements of Gresham House Renewable Energy VCT1 plc on pages 43 to 61 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Gill Nott
Chairman
Company number: 07378392

Date: 21 December 2020

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 30 September 2020

	Called up share capital £'000	Share Premium Account £'000	Treasury Shares £'000	Funds held in respect of Shares not yet allotted £'000	Special reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Capital reserve realised £'000	Revenue reserve £'000	Total £'000
At 30 September 2018	66	8,187	(2,695)	515	8,920	16,257	2	(1,255)	233	30,230
Total comprehensive income	–	–	–	–	–	1,219	–	–	(411)	808
Transfer of net realised loss to Capital reserve-realised	–	–	–	–	–	46	–	(46)	–	–
Transactions with owners										
Dividend paid	–	–	–	–	(1,612)	–	–	–	–	(1,612)
Repurchase of Shares	–	–	(296)	–	–	–	1	–	–	(295)
Issue of Shares	3	1,354	–	–	(51)	–	–	–	–	1,306
Unallotted Shares	–	–	–	(515)	–	–	–	–	–	(515)
At 30 September 2019	69	9,541	(2,991)	–	7,257	17,522	3	(1,301)	(178)	29,922
Total comprehensive loss	–	–	–	–	–	(754)	–	–	(358)	(1,112)
Transfer of net realised loss to Capital reserve-realised	–	–	–	–	–	125	–	(125)	–	–
Transactions with owners										
Dividend paid	–	–	–	–	(1,543)	–	–	–	–	(1,543)
At 30 September 2020	69	9,541	(2,991)	–	5,714	16,893	3	(1,426)	(536)	27,267

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

For the year ended 30 September 2020

	Note	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
Cash flows from operating activities			
(Loss)/profit for the financial year		(1,112)	808
Losses/(gains) on investments		624	(1,305)
Decrease/(increase) in debtors		43	(31)
Decrease in creditors		(12)	(48)
Net cash outflow from operating activities		(457)	(576)
Cash flows from investing activities			
Proceeds from sale of investments/loan note redemptions		135	546*
Investments purchased at cost		(1,615)	(5)
Net cash (outflow)/inflow from investing activities		(1,480)	541
Net cash outflow before financing activities		(1,937)	(35)
Cash flows from financing activities			
Equity Dividends paid	8	(1,543)	(1,612)
Proceeds from/(repayment of) loans		2,491	(300)*
Issue of Shares		–	791^
Purchase of own shares		–	(295)
Net cash inflow/(outflow) from financing activities		948	(1,416)
Net decrease in cash		(989)	(1,451)
Cash and cash equivalents at start of year		1,046	2,497
Cash and cash equivalents at end of year		57	1,046
Cash and cash equivalents comprise			
Cash at bank and in hand		57	1,046
Total cash and cash equivalents		57	1,046

* In December 2018 the loan note investment made in Lunar 2 Limited by the VCT was repaid. Instead of the VCT receiving the cash proceeds from this repayment, the amount was instead credited to various outstanding loans due to investee companies, including Lunar 2 Limited, from the VCT and included within amounts falling due after more than one year. Please refer to note 13.

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

The accompanying notes form an integral part of these financial statements.

Notes to the Accounts

For the year ended 30 September 2020

1. General Information

Gresham House Renewable Energy VCT1 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 under the Companies Act 2006.

2. Accounting policies

Basis of accounting

The VCT has prepared its financial statements under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the Statement of Recommended Practice "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 ("SORP") as well as the Companies Act 2006.

The VCT implements new Financial Reporting Standards ("FRS") issued by the Financial Reporting Council when they become effective.

The financial statements are presented in Sterling (£).

Presentation of income statement

In order to better reflect the activities of a Venture Capital Trust and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue is the measure the Directors believe appropriate in assessing the VCT's compliance with certain requirements set out in Part 6 of the Income Tax Act 2007.

Investments

All investments are designated as "fair value through profit or loss" assets due to investments being managed and performance evaluated on a fair value basis. A financial asset is designated within this category if it is both acquired and managed on a fair value basis, in accordance with the VCT's documented investment policy. The fair value of an investment upon acquisition is deemed to be cost. Thereafter investments are measured at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines ("IPEV") together with FRS 102 Sections 11 and 12.

For unquoted investments and subsequent to acquisition, fair value is established by using the IPEV guidelines. The valuation methodologies for unquoted entities used by the IPEV to ascertain the fair value of an investment are as follows:

- Multiples;
- Net assets;
- Discounted cash flows or earnings (of underlying business);
- Discounted cash flows (from the investment); and
- Industry valuation benchmarks.

Effective 1 January 2019, the IPEV guidelines to establish fair value were updated whereby the cost or price of a recent investment are no longer considered valid valuation methodologies for establishing the fair value of an investment. The VCT along with its Investment Adviser may, under orderly market conditions, deem the cost or recent price paid for an investment as an appropriate fair value for an investment at the time of acquisition but subsequent to recognition must reconsider the assigned fair value based on up-to-date market conditions and performance of the underlying investee company in order to assign a fair value in line with the IPEV guidelines.

The methodology applied takes account of the nature, facts and circumstances of the individual investment and uses reasonable data, market inputs, assumptions and estimates in order to ascertain fair value.

Gains and losses arising from changes in fair value are included in the Income Statement for the year as a capital item and transaction costs on acquisition or disposal of the investment are expensed. Where an investee company has gone into receivership or liquidation, or administration (where there is little likelihood of recovery), the loss on the investment, although not physically disposed of, is treated as being realised.

2. Accounting policies (continued)
The investee companies held by the VCT are treated as a portfolio of investments and are therefore measured at fair value in accordance with section 9 of FRS 102. The results of these companies are not incorporated into the Income Statement except to the extent of any income accrued. This is in accordance with the SORP and FRS 102 sections 14 and 15 that does not require portfolio investments, where the interest held is greater than 20%, to be accounted for using the equity method of accounting.

Income
Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established, normally the ex-dividend date.

Interest income is accrued on a time apportionment basis, by reference to the principal sum outstanding and at the effective interest rate applicable and only where there is reasonable certainty of collection in the foreseeable future.

Expenses
All expenses are accounted for on an accruals basis. In respect of the analysis between revenue and capital items presented within the Income Statement, all expenses have been presented as revenue items except as follows:

→ Expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of the investment; and

→ Expenses are split and presented partly as capital items where a connection with the maintenance or enhancement of the value of the investments held can be demonstrated. The VCT has adopted a policy of charging 75% of the investment advisory fees to the revenue account and 25% to the capital account to reflect the Board's estimated split of investment returns which will be achieved by the VCT over the long term.

Taxation
The tax effects on different items in the Income Statement are allocated between capital and revenue on the same basis as the particular item to which they relate, using the VCT's effective rate of tax for the accounting period.

Due to the VCT's status as a Venture Capital Trust and the continued intention to meet the conditions required to comply with Part 6 of the Income Tax Act 2007, no provision for taxation is required in respect of any realised or unrealised appreciation of the VCT's investments which arises.

Deferred taxation, which is not discounted, is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts.

Other debtors, other creditors and loan notes
Other debtors (including accrued income), other creditors and loan notes (other than those held as part of the investment portfolio as set out in Note 10) are included within the accounts at amortised cost.

Issue costs
Issue costs in relation to the shares issued for each share class have been deducted from the special reserve.

3. Income

	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
Income from investments		
Loan stock interest	71	86
Dividend income	185	–
	256	86

4. Investment advisory fees

The investment advisory fees for the year ended 30 September 2020, which were charged quarterly to the VCT, were based on 1.15% of the net assets as at the previous quarter end.

	Year ended 30 September 2020			Year ended 30 September 2019*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment advisory fees	240	80	320	260	86	346

* With effect from 7 November 2017, the Investment Advisory fee percentage was reduced from 2.0% of net assets per annum to 1.4%, for the period to 6 November 2018. With effect from 7 November 2018, the Investment Advisory fee has reduced further, to 1.15% of net assets per annum.

5. Other expenses

	Year ended 30 September 2020			Year ended 30 September 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Administration services	138	–	138	50	–	50
Directors' remuneration	92	–	92	68	–	68
Social security costs	3	–	3	4	–	4
Auditor's remuneration for audit	34	–	34	29	–	29
Transaction costs	–	50	50	–	–	–
Other	107	–	107	86	–	86
	374	50	424	237	–	237

The annual running costs of the VCT for the year are subject to a cap of 3.0% of the net assets of the VCT. During the year ended 30 September 2020, the annual running costs came to 2.4% of net assets (2019: 1.9%), therefore this cap has not been breached.

6. Directors' remuneration

Details of remuneration (excluding employer's NIC) are given in the audited part of the Directors' Remuneration Report on page 33.

The VCT had no employees during the year. Costs in respect of the Directors are referred to in Note 5 above. No other emoluments or pension contributions were paid by the VCT to, or on behalf of, any Director.

7. Tax on ordinary activities

		Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
(a)	**Tax charge for the year**		
	UK corporation tax at 19% (2019: 19%)	–	–
	Charge for the year	–	–
(b)	**Factors affecting tax charge for the year**		
	(Loss)/profit on ordinary activities before taxation	(1,112)	808
	Tax (credit)/charge calculated on (loss)/return on ordinary activities before taxation at the applicable rate of 19% (2019: 19%)	(211)	154
	Effects of:		
	UK dividend income	(35)	–
	Losses/(gains) on investments	118	(248)
	Excess management expenses on which deferred tax not recognised	128	94
	Total tax charge	–	–

Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to 4,376,000 (2019: £3,812,000). The associated deferred tax asset of £831,000 (2019: £648,000) has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against future taxable profits in the foreseeable future.

8. Dividends

	Year ended 30 September 2020			Year ended 30 September 2019		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Payable						
2020 Interim Ordinary – 5.3133p	–	1,356	1,356	–	–	–
2020 Interim A – 0.4867p	–	187	187	–	–	–
Paid						
2019 Interim Ordinary – 5.3133p	–	–	–	–	1,356	1,356
2019 Interim A – 0.4867p	–	–	–	–	187	187
	–	1,543	1,543	–	1,543	1,543

The Interim 2019 dividends were paid on 20 December 2019, to Shareholders on the register as at 29 November 2019.

The Interim 2020 dividends will be paid on 31 December 2020 to Shareholders on the register as at 11 December 2020.

9. Basic and diluted earnings per share

		Weighted average number of shares in issue	Revenue loss £'000	Pence per share	Capital (loss)/ return £'000	Pence per share
Year ended 30 September 2020	Ordinary Shares	25,515,242	(358)	(1.4)	(754)	(3.0)
	'A' Shares	38,512,032	–	–	–	–
Year ended 30 September 2019	Ordinary Shares	23,957,228	(411)	(1.7)	1,219	5.1
	'A' Shares	36,912,555	–	–	–	–

As the VCT has not issued any convertible securities or share options, there is no dilutive effect on earnings per Ordinary Share or 'A' Share. The earnings per share disclosed therefore represents both the basic and diluted return per Ordinary Share or 'A' Share.

10. Fixed assets – investments

	2020 Unquoted investments £'000	2019 Unquoted investments £'000
Opening cost at start of the year	12,050	14,196
Net unrealised gains at start of the year	17,522	16,257
Opening fair value at start of the year	29,572	30,453
Movement in the year:		
Purchased at cost	1,615	5
Disposals proceeds/redemption of loan notes	(135)	(2,191)
Realised gains on disposals	5	40
Net unrealised (losses)/gains in the income statement	(629)	1,265
Closing fair value at year end	30,428	29,572
Closing cost at year end	13,536	12,050
Net unrealised gains at year end	16,892	17,522
Closing fair value at year end	30,428	29,572

During the year, the VCT received £135,000 (2019: £2,191,000) from the disposal of investments comprising of both equity and loan notes. The cost of these investments at the start of the year was £130,000 (2019: £2,151,000). These investments have been revalued and measured at fair value over time, and up until the point of disposal any unrealised gains or losses were included in the fair value of the investments.

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	Level 2	Level 3	2020	Level 1	Level 2	Level 3	2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted loan notes	–	–	1,960	1,960	–	–	809	809
Unquoted equity	–	–	28,468	28,468	–	–	28,763	28,763
	–	–	30,428	30,428	–	–	29,572	29,572

During the years ended 30 September 2020 and 30 September 2019 there were no transfers between levels.

10. Fixed assets – investments (continued)

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

	Unquoted loan notes £'000	Unquoted equity £'000	Total £'000
Balance at 30 September 2019	809	28,763	29,572
Movements in the income statement:			
Unrealised gains/(losses) in the income statement	66	(695)	(629)
Realised gains in the income statement	5	–	5
	71	(695)	(624)
Additions at cost	1,215	400	1,615
Sales proceeds/redemption of loan notes	(135)	–	(135)
Balance at 30 September 2020	1,960	28,468	30,428

FRS 102 sections 11 and 12 require disclosure to be made of the possible effect of changing one or more of the inputs to reasonable possible alternative assumptions where this would result in a significant change in the fair value of the Level 3 investments. There is an element of judgement in the choice of assumptions for unquoted investments and it is possible that, if different assumptions were used, different valuations could have been attributed to some of the VCT's investments.

Investments which are reaching maturity or have an established level of maintainable earnings are valued on a discounted cash flow basis. This was also the case in the prior year.

The Board and the Investment Adviser believe that the valuation as at 30 September 2020 reflects the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Consequently, the variation in the spread of reasonable, possible, alternative valuations is likely to be within the range set out in Note 17.

11. Debtors

	2020 £'000	2019 £'000
Prepayments and accrued income	230	273
	230	273

12. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Other loans*	297	65
Taxation and social security	7	4
Accruals and deferred income	63	78
	367	147

* Other loans falling due within one year:

Investee company	Repayment date	2020 £'000	2019 £'000
Hewas Solar Limited	n/a^	65	65
	30 April 2021	66[1]	–
		131	65
St Columb Solar Limited	30 April 2021	20[1]	–
		20	–
Ayshford Solar (Holding) Limited	23 September 2021	31[1]	–
		31	–
HRE Willow Limited	15 June 2021	18[1]	–
	12 September 2021	68[1]	–
	23 September 2021	29[1]	–
		115	–

^ In September 2015, the VCT and Hewas Solar Limited (the "lender") entered into a loan agreement whereby the lender may demand full repayment of all amounts outstanding at any time after 5 years and 1 day from the date of the initial drawdown of the loan. The loan is interest free.

(1) The above loan amounts were included within amounts falling due after one year in the prior year financial statements.

13. Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Other loans	3,081	822
	3,081	822

The balance of other loans is made up of amounts borrowed from the underlying portfolio companies. An analysis of the maturity dates of each of the loans is shown below. Whilst each loan has an applicable repayment date, the VCT has the right to repay all or any part of the loans at any time. All loans are interest free.

13. Creditors: amounts falling due after more than one year (continued)

Creditors falling due after more than one year are repayable as follows:

Investee company	Repayment date	2020 £'000	2019 £'000
HRE Willow Limited	15 June 2021	–*	18
	12 September 2021	–*	68
	23 September 2021	–*	29
		–	115
Hewas Solar Limited	30 April 2021	–*	66
		–	66
St Columb Solar Limited	30 April 2021	–*	20
	2 February 2023	40	40
		40	60
Ayshford Solar (Holding) Limited	23 September 2021	–*	31
	13 October 2021	20	20
	11 September 2022	300	300
	28 September 2022	50	50
	22 February 2023	180	180
		550	581
Amounts repayable in up to five years		**590**	**822**
Lunar 2 Limited	18 December 2024	1,543	–
	14 January 2025	473	–
	1 April 2025	50	–
	23 April 2025	100	–
		2,166	–
Gloucester Wind Limited	14 January 2025	200	–
		200	–
Penhale Solar Limited	14 January 2025	75	–
		75	–
Minsmere Power Limited	14 January 2025	50	–
		50	–
Amounts repayable after more than five years		**2,491**	**–**
Other loans		**3,081**	**822**

* For the current year these amounts have been included within amounts falling due within one year.

14. Called up share capital

	2020 £'000	2019 £'000
Allotted, called up and fully-paid:		
25,515,242 (2019: 25,515,242) Ordinary Shares of 0.1p each	28	28
38,512,032 (2019: 38,512,032) 'A' Shares of 0.1p each	41	41
	69	69

The VCT's capital is managed in accordance with its investment policy as shown in the Strategic Report, in pursuit of its principal investment objectives as stated on page 21. There has been no significant change in the objectives, policies or processes for managing capital from the previous period.

The VCT has the authority to buy back shares as described in the Report of the Directors. During the year ended 30 September 2020 the VCT did not repurchase any Ordinary Shares or 'A' Shares (2019: 264,048 Ordinary Shares and 264,048 'A' Shares, at an average price, per combined holding, of 111.8p). All repurchased shares are currently held in treasury.

During the year ended 30 September 2020, the VCT issued no Ordinary Shares (2019: 1,084,848 Ordinary Shares at an average price of 124.9p) and no 'A' Shares (2019: 1,741,728 'A' Shares at an average price of 0.1p).

The holders of Ordinary Shares and 'A' Shares shall have rights as regards to dividends and any other distributions or a return of capital (otherwise than on a market purchase by the VCT of any of its shares) which shall be applied on the following basis:

1) Unless and until Ordinary Shareholders receive a dividend of at least 5.0p per Ordinary Share, and one Ordinary Share and one 'A' Share has a combined net asset value of 100p (the Hurdle), distributions will be made as to 99.9% to Ordinary Shares and 0.1% to 'A' Shares;

2) After (and to the extent that) the Hurdle has been met, and subject to point 3 below, the balance of such amounts shall be applied as to 40% to Ordinary Shares and 60% to 'A' Shares; and

3) Any amount of a dividend which, but for the entitlement of 'A' Shares pursuant to point 2 above, would have been in excess of 10p per Ordinary Share in any year shall be applied as to 10% to Ordinary Shares and 90% to 'A' Shares.

If, on the date on which a dividend is to be declared on the Ordinary Shares, the amount of any dividend which would have been payable to the 'A' Shares (the "A' Dividend Amount'), together with any previous amounts which were not paid as a result of this clause (the "A' Share Entitlement'), would together:

a) in aggregate be less than £5,000; or

b) be less than an amount being equivalent to 0.25p per 'A' Share

then the 'A' Dividend amount shall not be declared and paid, but shall be aggregated with any 'A' Share Entitlement and retained by the VCT until either threshold is reached. No interest shall accrue on any 'A' Share Entitlement.

The VCT does not have any externally imposed capital requirements.

15. Reserves

	2020 £'000	2019 £'000
Share premium account	9,541	9,541
Treasury shares	(2,991)	(2,991)
Special reserve	5,714	7,257
Revaluation reserve	16,893	17,522
Capital redemption reserve	3	3
Capital reserve – realised	(1,426)	(1,301)
Revenue reserve	(536)	(178)
	27,198	29,853

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 30 September 2020, distributable reserves were £3,752,000 (2019: £5,778,000).

Share premium account
This reserve accounts for the difference between the prices at which shares are issued and the nominal value of the shares, less issue costs and transfers to the other distributable reserves.

Treasury shares
This reserve represents the aggregate consideration paid for the Shares repurchased by the VCT.

Revaluation reserve
Increases and decreases in the valuation of investments held at the year end against cost are included in this reserve.

Capital redemption reserve
This reserve accounts for amounts by which the issued share capital is diminished through the repurchase and cancellation of the VCT's own shares.

Capital reserve – realised
The following are disclosed in this reserve:

- gains and losses compared to cost on the realisation of investments; and
- expenses, together with the related taxation effect, charged in accordance with the above accounting policies

Revenue reserve
This reserve accounts for movements from the revenue column of the Income Statement, the payment of dividends and other non-capital realised movements.

16. Basic and diluted net asset value per share

	2020	2019	2020		2019	
	Shares in issue		Net asset value		Net asset value	
			Pence per share	£'000	Pence per share	£'000
Ordinary Shares	25,515,242	25,515,242	106.7	27,229	117.1	29,884
'A' Shares	38,512,032	38,512,032	0.1	38	0.1	38

The Directors allocate the assets and liabilities of the VCT between the Ordinary Shares and 'A' Shares such that each share class has sufficient net assets to represent its dividend and return of capital rights as described in Note 14.

As the VCT has not issued any convertible shares or share options, there is no dilutive effect on net asset value per Ordinary Share or per 'A' Share. The net asset value per share disclosed therefore represents both the basic and diluted net asset value per Ordinary Share and per 'A' Share.

17. Financial instruments

The VCT held the following categories of financial instruments at 30 September 2020:

	2020 Cost £'000	2020 Value £'000	2019 Cost £'000	2019 Value £'000
Assets at fair value through profit or loss	13,536	30,428	12,050	29,572
Other financial (liabilities)/assets	(58)	(58)	(68)	(68)
Cash at bank	57	57	1,046	1,046
Other loans	(3,378)	(3,378)	(887)	(887)
Total	10,157	27,049	12,141	29,663

The VCT's financial instruments comprise investments held at fair value through profit or loss, being equity and loan stock investments in unquoted companies, loans and receivables consisting of short term debtors, cash deposits and financial liabilities being creditors arising from its operations. Other financial liabilities and assets include operational debtors and prepaid expenses and short term creditors which are measured at amortised cost. The main purpose of these financial instruments is to generate cashflow and revenue and capital appreciation for the VCT's operations. The VCT has no gearing or other financial liabilities apart from short and long-term creditors and does not use any derivatives.

The fair value of investments is determined using the detailed accounting policy as shown in Note 2. The composition of the investments is set out in Note 10.

The VCT's investment activities expose the VCT to a number of risks associated with financial instruments and the sectors in which the VCT invests. The principal financial risks arising from the VCT's operations are:

- Market risks;
- Credit risk; and
- Liquidity risk.

The Board regularly reviews these risks and the policies in place for managing them. There have been no significant changes to the nature of the risks that the VCT was expected to be exposed to over the year and there have also been no significant changes to the policies for managing those risks during the year.

The risk management policies used by the VCT in respect of the principal financial risks and a review of the financial instruments held at the year end are provided overleaf.

Market risks

As a Venture Capital Trust, the VCT is exposed to investment risks in the form of potential losses and gains that may arise on the investments it holds in accordance with its investment policy. The management of these investment risks is a fundamental part of investment activities undertaken by the Investment Adviser and overseen by the Board. The Adviser monitors investments through regular contact with management of investee companies, regular review of management accounts and other financial information and attendance at investee company board meetings. This enables the Adviser to manage the investment risk in respect of individual investments. Investment risk is also mitigated by holding a diversified portfolio spread across various operating sites across several asset classes.

The key investment risks to which the VCT is exposed are:

- Investment price risk; and
- Interest rate risk.

17. Financial instruments (continued)

Investment price risk

The VCT's investments which comprise both equity and debt financial instruments in unquoted investments are concentrated in renewable energy projects with predetermined expected returns. Consequently, the investment price risk on these assets arises from uncertainty about the future prices and valuations of financial instruments held in accordance with the VCT's investment objectives which can be influenced by many macro factors such as changes in interest rates, electricity power prices and movements in inflation. It represents the potential loss that the VCT might suffer through changes in the fair value of unquoted investments that it holds.

At 30 September 2020, the unquoted portfolio was valued at £30,428,000 (2019: £29,572,000). The key inputs to the renewable assets' valuation model are discount rates, inflation, irradiation, degradation, power prices and asset life. The Board has undertaken a sensitivity analysis into the effects of fluctuations in these inputs.

The analysis below is provided to illustrate the sensitivity of the fair value of these investments to an individual input, while all other variables remain constant. The Board considers these changes in inputs to be within reasonable expected ranges. This is not intended to imply the likelihood of change or that possible changes in value would be restricted to this range. The possible effects are quantified below:

Input	Base case	Change in input	Change in fair value of investments £'000	Change in NAV per share pence
Discount rate	5.75% – 6.75%	+0.5%	(760)	(3.0)
		-0.5%	806	3.2
Inflation	1.20% – 3.00%	+0.5%	877	3.4
		-0.5%	(930)	(3.6)
Irradiation	785 – 1,270kWh/m^2	+1.0%	638	2.5
		-1.0%	(638)	(2.5)
Degradation	0.30% – 0.40%	+0.1%	(707)	(2.8)
		-0.1%	716	2.8
Power prices	£34 – £53/MWh	+10.0%	563	2.2
		-10.0%	(534)	(2.1)

Asset life

The Board has also considered the potential impact of changes to the anticipated lives of assets in the portfolio. Close to ninety percent of the VCT's value is in assets refinanced by debt, and under the debt facility agreements, substantial reserves are in place for renewing key equipment as and when required. Furthermore, the underlying assets have leases that are valid for the lifetime of the VCT, which cannot be terminated early, and any extensions to the leases would require further planning permission. Accordingly, the asset life assumption has been kept at 25 years and the Board does not consider it appropriate to disclose a sensitivity analysis in respect of asset life.

Non-renewable assets

Investment price risk has been considered separately for the non-renewable energy investments, bio-bean and Rezatec, as these have been valued using private-equity principles and in accordance with the International Private Equity Valuation ("IPEV") Guidelines. The estimation uncertainty for these unquoted investments has been further increased by the COVID-19 pandemic and associated government intervention.

In determining what level of risk applies to these investments a range of factors have been considered, such as the availability and extent of cash resources, the impact of COVID-19 on the relevant industry, and operational impacts on the business. Based upon this assessment, a sensitivity of +/- 20% has been applied to the valuation of Rezatec and bio-bean as at 30 September 2020. This would result in an increase or decrease of £161,500 to the fair value of these investments and reflects both the potential positive and negative impacts of COVID-19 on these businesses.

17. Financial instruments (continued)

Interest rate risk

The VCT accepts exposure to interest rate risk on floating-rate financial assets through the effect of changes in prevailing interest rates. The VCT receives interest on its cash deposits at a rate agreed with its bankers. Where investments in loan stock attract interest, this is predominately charged at fixed rates. A summary of the interest rate profile of the VCT's investments is shown below.

There are three categories in respect of interest which are attributable to the financial instruments held by the VCT as follows:

- "Fixed rate" assets represent investments with predetermined yield targets and comprise certain loan note investments and preference shares;
- "Floating rate" assets predominantly bear interest at rates linked to The Bank of England base rate or LIBOR and comprise cash at bank; and
- "No interest rate" assets do not attract interest and comprise equity investments, certain loan note investments, loans and receivables and other financial liabilities.

	Average interest rate	Average period until maturity	2020 £'000	2019 £'000
Fixed rate	8%	767 days	797	489
Floating rate	0%		57	1,046
No interest rate			26,195	28,128
			27,049	29,663

The VCT monitors the level of income received from fixed and floating rate assets and, if appropriate, may make adjustments to the allocation between the categories, in particular, should this be required to ensure compliance with the VCT regulations.

It is estimated that an increase of 1% in interest rates would have increased profit before tax for the year by £570 (2019: £10,000). The Bank of England base rate increased from 0.5% to 0.75% on 2 August 2018; on 11 March 2020, the Bank of England opted to reduce the base rate to 0.25%. On 19 March 2020, the base rate was reduced further to 0.1%. Any potential change in the base rate, at the current level, would have an immaterial impact on the net assets and total return of the VCT.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument is unable to discharge a commitment to the VCT made under that instrument. The VCT is exposed to credit risk through its holdings of loan stock in investee companies, cash deposits and debtors. Credit risk relating to loan stock in investee companies is considered to be part of market risk as the performance of the underlying SPVs impacts the carrying values.

The VCT's financial assets that are exposed to credit risk are summarised as follows:

	2020 £'000	2019 £'000
Investments in loan stocks	1,960	809
Cash and cash equivalents	57	1,046
Interest, dividends and other receivables	225	265
	2,242	2,120

The Adviser manages credit risk in respect of loan stock with a similar approach as described under "Market risks". Similarly, the management of credit risk associated with interest, dividends and other receivables is covered within the investment advisory procedures. The level of security is a key means of managing credit risk. Additionally, the risk is mitigated by the security of the assets in the underlying investee companies.

Cash is held by the Royal Bank of Scotland plc which is an investment grade rated financial institution. Consequently, the Directors consider that the credit risk associated with cash deposits is low.

There have been no changes in fair value during the year that are directly attributable to changes in credit risk. Any balances that are past due are disclosed further under liquidity risk.

There have been no loan investments for which the terms have been renegotiated during the year.

17. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the VCT encounters difficulties in meeting obligations associated with its financial liabilities. Liquidity risk may also arise from either the inability to sell financial instruments when required at their fair values or from the inability to generate cash inflows as required. As the VCT has a relatively low level of creditors being £63,000 (2019: £82,000) and has long term loans from investee companies (see Note 13 for an analysis of the repayment terms), which have either been repaid at the date of this report or are expected to be repaid by way of future dividends from these companies, being £3,378,000 (2019: £887,000), the Board believes that the VCT's exposure to liquidity risk is low. The VCT always holds sufficient levels of funds as cash in order to meet expenses and other cash outflows as they arise. For these reasons the Board believes that the VCT's exposure to liquidity risk is minimal.

The VCT's liquidity risk is managed by the Investment Adviser in line with guidance agreed with the Board and is reviewed by the Board at regular intervals.

The following table analyses the VCT's loan payables by contractual maturity date:

As at 30 September 2020	Due in less than 1 year £'000	Due between 1 year and 5 years £'000	Due after 5 years £'000	Total £'000
Loans payable to investee companies	297	590	2,491	3,378
	297	590	2,491	3,378

As at 30 September 2019	Due in less than 1 year £'000	Due between 1 year and 5 years £'000	Due after 5 years £'000	Total £'000
Loans payable to investee companies	65	822	–	887
	65	822	–	887

Although the VCT's investments are not held to meet the VCT's liquidity requirements, the table below shows an analysis of the assets, highlighting the length of time that it could take the VCT to realise its assets if it were required to do so.

The carrying value of loan stock investments held at fair value through the profit or loss account at 30 September 2020 as analysed by the expected maturity date is as follows:

As at 30 September 2020	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	More than 5 years £'000	Total £'000
Fully performing loan stock	–	–	–	1,100	860	1,960
Past due loan stock	–	–	–	–	–	–
	–	–	–	1,100	860	1,960

As at 30 September 2019	Not later than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 3 years £'000	Between 3 and 5 years £'000	More than 5 years £'000	Total £'000
Fully performing loan stock	–	–	–	–	809	809
Past due loan stock	–	–	–	–	–	–
	–	–	–	–	809	809

18. Capital management
The VCT's objectives when managing capital are to safeguard the VCT's ability to continue as a going concern, so that it can continue to provide returns for Shareholders and to provide an adequate return to Shareholders by allocating its capital to assets commensurately with the level of risk.

By its nature, the VCT has an amount of capital, at least 80% (as measured under the tax legislation; and for the VCT effective 1 October 2019) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The VCT accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the VCT may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

As the Investment Policy implies, the Board would consider levels of gearing. As at 30 September 2020 the VCT had loans from investee companies of £3,378,000 (2019: £887,000). It regards the net assets of the VCT as the VCT's capital, as the level of liabilities are small and the management of them is not directly related to managing the return to Shareholders. There has been no change in this approach from the previous period.

19. Contingencies, guarantees and financial commitments
At 30 September 2020, the VCT had no contingencies, guarantees or financial commitments.

20. Controlling party and related party transactions
In the opinion of the Directors there is no immediate or ultimate controlling party. For total Directors' remuneration during the year, please refer to note 5 as well as the Directors' Remuneration Report on page 33.

21. Significant interests
Details of shareholdings in those companies where the VCT's holding, as at 30 September 2020, represents more than 20% of the nominal value of any class of shares issued by the portfolio company are predominantly disclosed in the Review of Investments on pages 12 to 19. Relevant companies which do not feature in the Review of Investments are listed below. All of the companies named are incorporated in England and Wales. The percentage holding in each class of shares also reflects the percentage voting rights in each company as a whole.

Company	Registered office	Class of shares	Number held	Proportion of class held	Capital and reserves	Profit/(loss) for the year
Tumblewind Limited	EC4A 3TW	Ordinary	790,000	50%	£852,000	(£102,000)
St Columb Solar Limited	EC4A 3TW	Ordinary	649,999	50%	£1,100,000	(£36,000)
Minsmere Power Limited	EC4A 3TW	Ordinary	200,001	50%	£191,000	(£122,000)
Penhale Solar Limited	EC4A 3TW	Ordinary	299,601	50%	£545,000	£15,000
Small Wind Generation Limited	EC4A 3TW	Ordinary	840,001	50%	(£485,000)	(£28,000)
Lunar 3 Limited	EC4A 3TW	Ordinary	100	50%	£nil	£nil

22. Events after the end of the reporting period
The Board is fully aware of the severity of the current COVID-19 pandemic and its significant impact on economic activity and the ability of companies to continue to do business. The Board in conjunction with the Investment Adviser continues to monitor the current situation and its potential long term impact on the VCT's investments. For more information please refer to pages 22 to 24 of the Strategic Report.

The VCT invested £12,500 into bio-bean Limited in October 2020 as part of a follow-on funding round alongside other investors, including its sister company, VCT2.

On 3 December 2020, the Board declared dividends in respect of the year ended 30 September 2020 of 5.3133p per Ordinary Share and 0.4867p per 'A' Share. These dividends will be paid on 31 December 2020 to Shareholders on the register at 11 December 2020.

There are no other significant events which require disclosure in these financial statements.

Company Information

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07378392
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Duncan Grierson
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