30 September

2021

Gresham House Renewable Energy VCT1 plc

Report & Accounts for the year ended 30 September 2021

Since 1857
Gresham House
Specialist asset management

The 34.4MWp of renewable energy projects in the portfolio generated 30,255,008 kilowatt-hours of electricity over the year, sufficient to meet the annual electricity consumption of 8,750 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 17,500 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 for the period 1 October 2020 to 12 July 2021 were 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.

Following the adoption of the new Investment Policy on 13 July 2021 (the "New Investment Policy"), the VCT's principal objective is to manage the VCT with the intention of realising all remaining assets in the portfolio in a prudent manner consistent with the principles of good investment management and with a view to returning value to shareholders in an orderly manner, whilst protecting the tax position of shareholders.

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

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 20 to 31.

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	GV10	GV1A
Latest share price (26 January 2022)	91.00p per share	5.05p per share

Selling shares
The Board has decided that the VCT will not be buying Shares for the foreseeable future as highlighted in the Interim Results, as the VCT wishes to conserve such cash as it generates for the managed wind-down of the VCT and the payment of dividends.

Financial calendar

23 March 2022	Annual General Meeting
May 2022	Announcement of half yearly financial results

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, if they have a UK bank account, sign up for this service on Signal Shares (by clicking on 'your dividend options' and following the on screen instructions) or by contacting the Customer Support Centre. Signal Shares is a secure online site where you can manage your shareholding quickly and easily.

Link Group Customer Support Centre can be contacted

- by phone on UK – 0371 664 0324 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales).
- By email – vcts@linkgroup.co.uk
- By post – Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL

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

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

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

If you have any queries regarding your shareholding in Gresham House Renewable Energy VCT1 plc, please contact the registrar on the above number or visit Link Group's website at vcts@linkgroup.co.uk.

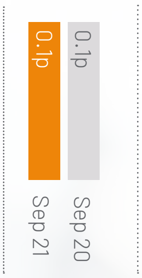
Financial Highlights*

90.1p

Net asset value per Ordinary Share (pence)
(as at 30 September 2021)

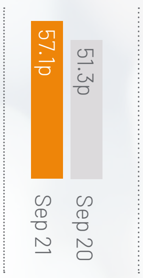
0.1p

Net asset value per 'A' Share (pence)
(as at 30 September 2021)



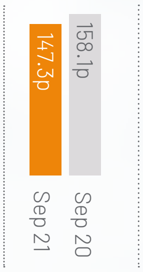
57.1p

Cumulative Dividends paid (pence)
(as at 30 September 2021)



147.3p

NAV Total return per Ordinary Share and 'A' Share (pence)
(as at 30 September 2021)

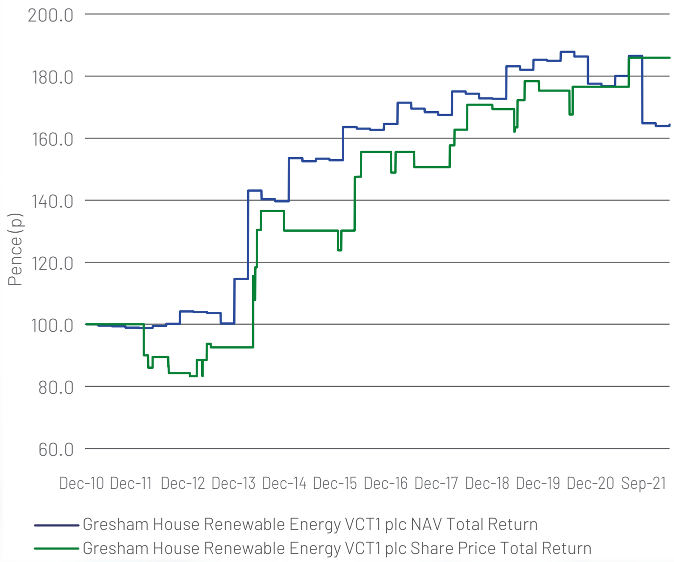


* The above financial highlights are considered to be Alternative Performance Measures, further details on how these are calculated have been included in the Strategic Report under the Key Performance Indicators section.

VCT1 Share Price Total Return

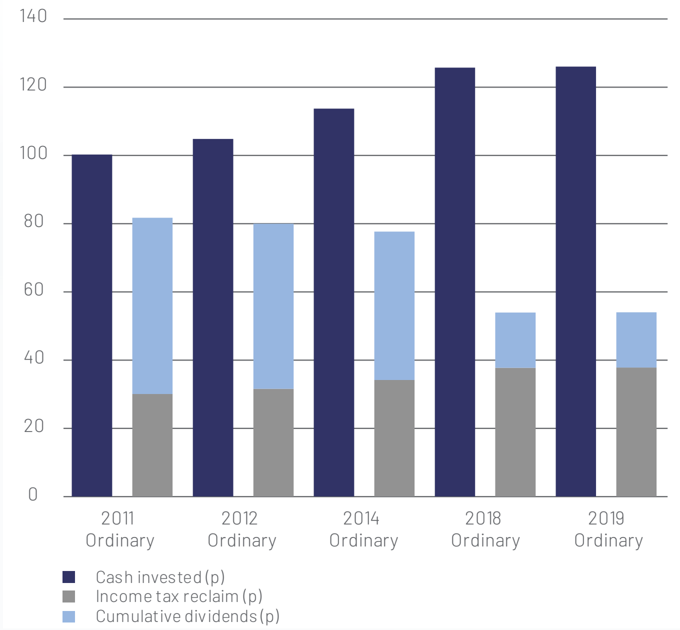
The graph below represents the VCT's performance over the reporting periods since the VCT's Ordinary Shares and 'A' Shares were first listed on the London Stock Exchange, and shows share price total return (share price plus cumulative dividends paid) and net asset value total return (net asset value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



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 PremierMiton Global Renewables Trust, US Solar Fund plc and PGRT Securities 2025.

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 plc – 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. 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 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.

Chairman's Statement

I am pleased to present the Annual Report of Gresham House Renewable Energy VCT1 plc ("the VCT") for the year ended 30 September 2021.

Gill Nott
Chairman

On 13 July 2021 the shareholders resolved to enter a Managed Wind-Down (as defined and described in the circular to Shareholders dated 17 June 2021 (the "Circular")), adopt the New Investment Policy in substitution for the existing Investment Policy and, as further set out in the Circular, the Board will subsequently endeavour to realise the Company's investments in a manner that achieves a balance between maximising the net value received from those investments and making timely returns to Shareholders.

The Board has therefore commenced the managed wind-down process and with support from the Investment Adviser, engaged advisers to initially prepare the assets for sale and then market the assets to appropriate investors with the objective of securing the best returns possible for shareholders. Post year end, the Board received three offers and has since entered into exclusivity with one of the interested parties. It is anticipated, but not guaranteed, that the sale will be completed during the first quarter of 2022. The Board will then seek to distribute the majority of the proceeds of the sale via a dividend having taken into account the monies required for the managed wind-down process.

In terms of portfolio performance, which flows into valuation, assets at three sites representing 40% of capacity that had suffered technical issues in the prior financial year had significant rectification works completed during this financial year. This has involved replacing old, largely obsolete or deficient equipment with new, more reliable equipment that benefits from new warranties. Thus, whilst the current year output was below the long-term output budget as a result of switching sites off to perform the work the long-term predictability of cash flows has now improved significantly. The Board and Investment Adviser believe that this work will be reflected in the valuation of the assets from any buyer.

89% of revenues are earned from government backed incentives and inflation-linked contracts and so there is relatively low exposure to power price volatility. The portfolio has, where possible, secured long-term power purchase agreements for the balance of revenues and so power prices were ahead of budget.

Investment portfolio

At the year end, the VCT held a portfolio of 16 investments, which were valued at £27.2 million. One follow-on investment was made during the year, investing an additional £12,500 into bio-bean to support its growth and development post pandemic. 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	79.5%
Rooftop Solar	9.5%
Small Wind	4.3%
Non-renewable assets	6.7%

The Board has reviewed the investment valuations at the year end and note that the valuation of the renewable assets has decreased by £2.8 million or 9.8%. This is primarily due to an increase in future tax rates, announced in the March 2021 budget, from 19% to 25% starting in Spring 2023. This increase in tax will reduce the funds available for investors. There has also been an increase in inflation projections, reflecting the increased inflation experienced during the year and higher levels of market inflation expectations. The discount rates used to value the future cash flows and the technical assumptions have not been changed since last year.

The VCT also holds two investments that are not in renewable energy. bio-bean, a company that converts waste coffee grounds into biofuel, has been valued at the price of the most recent funding round, which is the equivalent of our investment cost, at 30 September 2021. A further investment of £67,500 has been made post-year end. Rezatec, a company which offers geospatial surveys that allow businesses to manage their ground-based assets and critical infrastructure remotely at scale, has been valued at £1.2 million at the year end. The valuation has increased by £0.1 million, or 10.5%, since the previous year end, driven by non-cash interest income accumulating on the preference share investment. The non-renewable energy investments have been valued in line with the International Private Equity Valuation ("IPEV") Guidelines and are held at a total value of £1.8 million.

Net asset value and results

At 30 September 2021, the Net Asset Value ("NAV") per Ordinary Share stood at 90.1p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 90.2p per "pair" of Shares (2020: NAV per Ordinary Share of 106.7p, NAV per A Share of 0.1p and a combined total of 106.8p). The movement in the NAV per share during the year is detailed in the table below:

	Pence per pair of shares
NAV as at 1 October 2020	**106.8**
Less payment of interim dividend on 31 December 2020	(5.8)
Less valuation decrease	(10.8)
NAV as at 30 September 2021	**90.2**

Total dividends paid to date for a combined holding of one Ordinary Share and one 'A' Share stand at 57.1p (2020: 51.3p). The NAV Total Return (NAV plus cumulative dividends) has decreased by 6.8% in the last year and now stands at 147.3p, 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 £2.7 million (2020: loss of £1.1 million), comprising a revenue profit of £6,000 (2020: loss of £358,000) and a capital loss of £2.7 million (2020: capital loss of £754,000) as shown in the Income Statement.

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 were paid on 31 December 2020 to shareholders on the register at 11 December 2020.

2021 Annual General Meeting (AGM) and results of Continuation Vote

The VCT's tenth AGM was held on 22 March 2021 and all resolutions were passed by way of a poll.

Resolution 5, which related to the continuation of the VCT as a venture capital trust for a period of five years, received significant opposition from shareholders. Although Resolution 5 has formally passed, the equivalent vote for VCT 2 did not achieve the required majority to pass. As the two VCTs work closely together and for a number of reasons (e.g. VCT compliance, structure of the underlying companies etc) this VCT cannot stand alone. The situation therefore required this VCT to also draw up proposals for voluntary liquidation, reconstruction or other re-organisation for consideration by the members in a General Meeting held on 13 July 2021.

The Board undertook a thorough review of the strategic options available to the VCT, monetisation opportunities in the market for the VCT's assets together with appropriate proposals to deliver value to Shareholders. The Board's proposal sought to maximise the return to shareholders whilst preserving the tax position of those who participated in the most recent fundraisings. As noted above, the resolution to effect the Managed Wind-Down was approved on 13 July 2021 and so the Board appointed corporate finance, legal and tax advisers to support it and the Investment Adviser in effecting an appropriate transaction. This work is ongoing and the Board hopes to be able to provide an update on the outcome of the sale process in due course.

2022 Annual General Meeting

The VCT's eleventh AGM will be held at 80 Cheapside, London, EC2V 6EE at 11.00am on Wednesday, 23 March 2022.

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 wishes to conserve such cash as it generates for the managed wind-down of the VCT and the payment of dividends.

Outlook

The nature of the majority of investments held by the VCT, i.e. fixed assets with long term contracts and subsidies, is that they are not reliant on significant human or other resources for daily operations. This limits the vulnerability of the portfolio's operational performance to factors other than solar irradiation and the underlying technical performance of the assets. The repowering of three of the VCT's assets that had suffered significant performance declines due to age was successfully completed notwithstanding some delay due to the pandemic. Performance has now improved strongly.

Rising inflation acts as a tailwind for financial performance through inflation-linked subsidies and also increases the price of power that is sold on the wholesale market. This positive effect is somewhat offset by the fact that the asset level leverage is also indexed in line with inflation and power prices are fixed in the short term for most of the assets, but since the assets are already profitable an increase in inflation increases the net profits.

The Board believes that the outlook for the portfolio, as a whole, remains positive and has improved due to the repowering, the increase in inflation and the recent increase in the price of power. The market continues to value renewable energy assets, and in particular assets with inflation-linked subsidies, highly.

In conclusion and as outlined above, the sales process is well-advanced and therefore there is a reasonable prospect that the plan for winding up the VCT in line with the result of the continuation vote held in July 2021 will be successful.

Gill Nott
Chairman

28 January 2022

Investment Adviser's Report

Portfolio Highlights

The VCT remains principally invested in the renewable energy projects that it has owned for a period of seven to ten years, depending on the asset, with the value of these projects representing well over 90% of the value of the portfolio. The total generation capacity of assets co-owned by the VCT is 34.4MWp. The VCT also has two venture capital investments.

During the year the shareholders of VCT2 resolved to seek to sell all of its assets and distribute the proceeds in due course. As this VCT could not carry on alone and remain a VCT, this VCT also had to put up its assets for sale.

The Investment Adviser has continued to manage the assets to maximise the long-term value, whilst also engaging advisers to prepare the assets for sale and market them to potential buyers. A crucial pillar for maximising long-term value was the repowering of three of the eight ground-mounted solar assets, which was completed in the financial year and is discussed in further detail later in this report.

Whilst the Investment Adviser has continued to value the assets on a basis consistent with previous years using assumptions that were within a market standard range (with last year's valuation also reviewed by a leading financial adviser involved with the sale of many renewable assets in the UK), the actual valuation achieved on a sale may be different as any buyer will use its own models and assumptions.

The valuation of the renewable assets held by the VCT has declined by £2.8m in the year (2020: £0.6m decline), while the valuation of the non-renewable assets, bio-bean and Rezatec, has increased by £0.1m.

The vast majority of the assets held by the VCT generate solar power. The solar portfolio is relatively old compared to other solar farms across the UK – they are older than over 90% of total solar capacity in the UK. This also means that the VCT's solar farms have secured higher incentives than over 90% of the solar installations in the UK.

The total revenue from renewable energy generation was £10,529,683 and of this, £9,394,918 was from government incentives and inflation-linked contracts. The total revenue from the renewable assets was 90.4% of budget, stemming from lower generation (90% of budget) largely due to the repowering works on three of the ground-mounted solar assets, which meant that these assets had to be taken offline to a greater degree than anticipated. The works on one project also took place later in the year than anticipated, thus corresponding with summer months with higher irradiation. Although power prices were volatile in the year, the net effect of this volatility was that power prices were £358,657 ahead of budget, as the sales price was locked in at higher rates than budgeted, as older variable price power purchase agreements expired.

The downside of the VCT's older assets is the additional maintenance required to keep them operating effectively. Projects to repair or replace certain components in these older sites were performed during the current financial year. These are amongst the first assets to be repowered in the UK and there is not sufficient historical precedent which made forecasting a challenge. The budgets assumed shorter down times, based on initial feedback from contractors, than was actually achieved during the repowering works which meant that current year performance was behind budget. However, the performance since the works have been completed has been very encouraging, with increased output and reliability with new, 10-year warranties on some of the key equipment (replacement inverters) and UK based technical staff available for ongoing repairs or maintenance. The improved reliability and performance are reflected in the recent valuation of the sites that had suffered technical issues.

In terms of available resources, solar irradiation has been lower than projected during the year (96.8% of budget), further exacerbating the reduced performance.

The COVID-19 pandemic began having a serious impact on the UK economy in March 2020 and the effects on the value and operations of the portfolio continued into 2021 albeit in a more limited fashion than in 2020. These are summarised below:

- Power prices were volatile during the financial year. Prices were subdued at the start of the year compared to both last year and budget, but have increased significantly since late summer 2021 due to a number of factors, including a surge in demand as the UK started emerging from the pandemic. However, as price fixes were sought as soon as Power Price Agreement ("PPA") providers began offering above-budget prices, the portfolio has not been able to benefit entirely from the increased prices, with security of revenue preferred over speculation on market prices. Subject to progress with the sale process, the Investment Adviser intends to review the prices and power purchase agreements once the fixed periods end.
- 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 intervention, the age of the portfolio means that some maintenance work is necessary. The Investment Adviser ensured that the O&M contractors adhered to safe working protocols and worked with them to mitigate the impacts of travel restrictions and safe working obligations.
- Whilst all works had to be suspended on solar installations on residential roof-mounted installations last year as engineers were not permitted to enter properties during lockdown, these have, for the most part, now resumed. Nevertheless, there continue to be some residents who are shielding or are reticent to allow people into their homes.
- 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 unprecedented scale of monetary policy responses to mitigate any long-term impacts, we are already experiencing higher inflation than in recent years.

The VCT also holds newer investments in two growth businesses; bio-bean Limited, the world's largest recycler of waste coffee grounds, which produces sustainable, clean fuels as well as advanced biochemicals for use in the food industry; and Rezatec Limited, 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.

Portfolio Composition

Portfolio Composition by Asset Type and Impact on NAV

		30 September 2021		30 September 2020	
Asset Type	**kWp**	**Value ('000)**	**% of Portfolio Value**	**Value ('000)**	**% of Portfolio Value**
Ground-mounted Solar (FIT)*	20,325	19,341	71.2%	£22,580	74.2%
Ground-mounted Solar (ROC)**	8,699	2,264	8.3%	£2,276	7.5%
Total ground-mounted Solar	***29,024***	***£21,605***	***79.5%***	***£24,856***	***81.7%***
Rooftop Solar (FIT)	4,304	£2,602	9.5%	£2,696	8.9%
Total Solar	***33,328***	***£24,207***	***89.0%***	***£27,552***	***90.6%***
Wind Assets (FIT)	1,030	£1,172	4.3%	£1,188	3.9%
Total renewable generating assets	***34,358***	***£25,379***	***93.3%***	***£28,740***	***94.5%***
Venture Capital Investments	N.A.	£1,814	6.7%	£1,688	5.5%
TOTAL	**34,358**	**£27,193**	**100.0%**	**£30,428**	**100.0%**

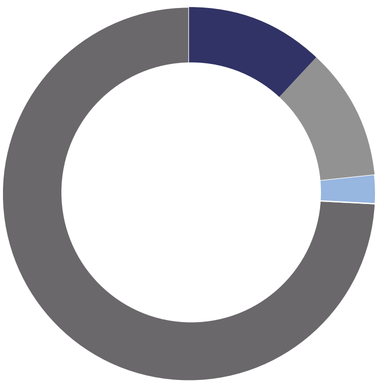
* Feed in Tariff (FIT)
** Renewables Obligation Certificate (ROC)

The 34.4MWp of renewable energy projects in the portfolio generated 30,255,008 kilowatt-hours of electricity over the year, sufficient to meet the annual electricity consumption of circa 8,750 homes. The Investment Adviser estimates that the carbon dioxide savings achieved by generating this output from solar and wind versus gas-fired power, are equivalent to what circa 17,500 mature trees would remove from the atmosphere. During the year, wind assets with a rated output of c. 375 kWp were disposed of and residential rooftops of 10 kWp were written off as their performance had been so low that the costs of rectification could not be justified.

Portfolio Summary

Over 90% 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)	**12.07%**
Rooftop Solar	**11.34%**
Wind Assets (FIT)	**2.65%**
Ground-mounted Solar (FIT)	**73.94%**

The performance against forecast, calculated on the same basis as in prior years taking into account variables such as solar irradiation patterns, historical technical performance, inflation and power price forecasts is shown below:

Portfolio Revenues by Asset Type (£ Sterling)

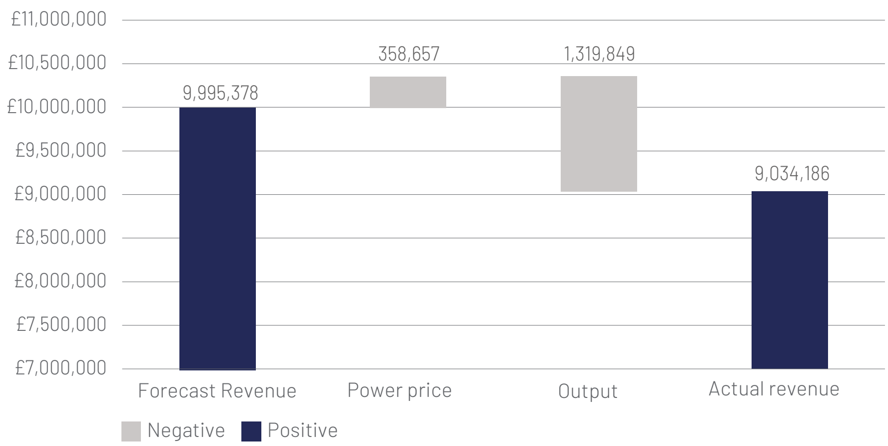
Asset Type	**Forecast Revenue**	**Actual Revenue**	**Revenue Performance**
Ground-mounted Solar (FIT)	8,834,567	7,766,578	87.91%
Ground-mounted Solar (ROC)	1,160,811	1,267,608	109.20%
Total ground-mounted Solar	***9,995,378***	***9,034,186***	***90.38%***
Rooftop Solar	1,226,604	1,190,845	97.08%
Wind Assets	394,089	278,423	70.65%
TOTAL	**11,616,071**	**10,503,454**	**90.42%**

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 the size of the assets, accounting for £961,192 of the £1,112,617 revenue shortfall compared to budget. The causes are shown in the chart below:

VCT GM Solar Portfolio Revenue Analysis 2020/2021



The old equipment, inverters and transformers that had been causing the reduction in output last year were replaced during the year. This has had a notable negative impact on output in the year due to downtime, but should improve both the performance and reliability of the sites whilst removing the reliance on specialist service contractors, as well as enabling much better monitoring and fault detection.

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, shown 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)	8,834,567	280,101	(1,348,090)	7,766,578
Ground-mounted Solar (ROC)	1,160,811	78,556	28,241	1,267,608
TOTAL	**9,995,378**	**358,657**	**(1,319,849)**	**9,034,186**

Overall, 89% 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 benefited from the increase in market pricing for power. However, it was the high revenue FIT projects that underwent the repowering works which suffered a significant fall in output.

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 90% of total portfolio by value).

During the year, the assets suffered from fewer solar resources than budgeted, with solar irradiation being 96.8% of forecast for the full year. Irradiation topped forecasts in November and December 2020 before falling drastically in January 2021 (78%). April 2021 was the sunniest on record (118%) but the remaining months of the year were below forecast at between 85% and 99%.

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)	20,418,808	17,303,047	84.74%
Ground-mounted Solar (ROC)	8,455,799	8,661,522	102.43%
Total Ground-mounted Solar	***28,874,607***	***25,964,569***	***89.92%***
Rooftop Solar	3,597,009	3,498,469	97.26%
Total Solar	***32,471,616***	***29,463,038***	***90.73%***
Wind Assets	1,120,979	791,970	70.65%
TOTAL	**33,592,595**	**30,255,008**	**90.06%**

The key variance in the technical performance is from the Ground-mounted solar (FIT) assets. This is largely the result of the repowering works at Kingston Farm and Lake Farm (each with 4.98MW capacity) as well as Beechgrove (with a 3.99MW capacity). The central inverters at Kingston Farm and Lake Farm, which were considered state-of-the-art at the time of installation in 2011, suffered significant component breakdowns during the 2020 lockdowns, when irradiation was high. The service contractor was not based in the UK and the pandemic led to significant delays in being able to get the specialist engineers and components on site in order to effect repairs. This significantly reduced the ability of the plants to operate over the summer months.

In addition to this, Beechgrove began experiencing technical issues, also resulting from defects in the original installation and the age of the assets.

Following a market tender for the repowering of each site, a contractor, that is also the O&M provider to these assets, was engaged to complete the repair and replacement works for all three sites.

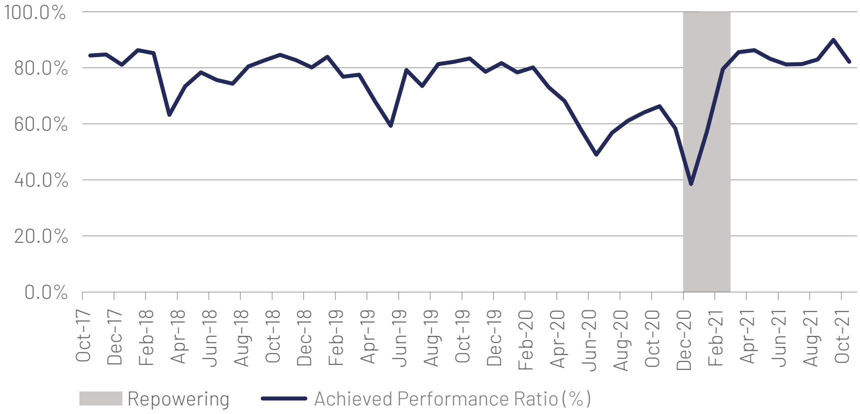
The works were carried out:

- at Kingston Farm from December 2020 to February 2021
- at Lake Farm from February to May 2021
- at Beechgrove from July to September 2021

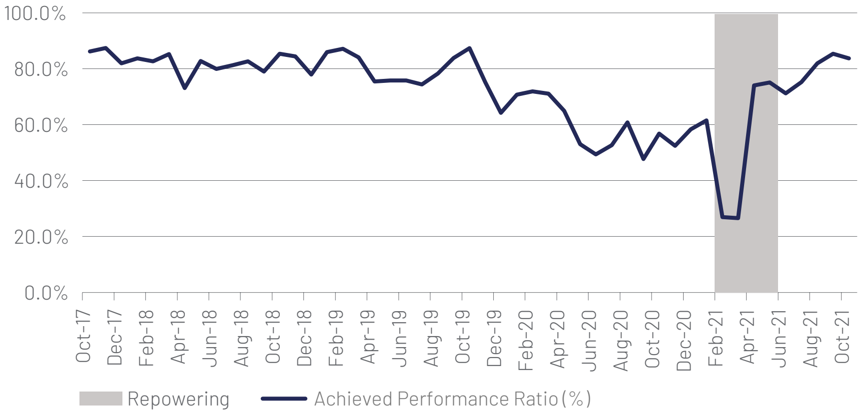
Across the year, the performance at Kingston Farm was 89% of budget, Lake Farm at 79% and Beechgrove at 75%. Between them, these assets represent over 48% of forecast generation and so this poor technical performance when compared to the budget (which did not include sufficient allowances for the time-out whilst repairs were being completed) has been material overall.

These repowering works are already showing a significant improvement in performance at all three sites, as demonstrated by the graphs below. The Investment Adviser anticipates that this, coupled with much improved remote monitoring systems and extended 10 year warranties on the inverters, will markedly improve the performance of the portfolio as a whole for the long term.

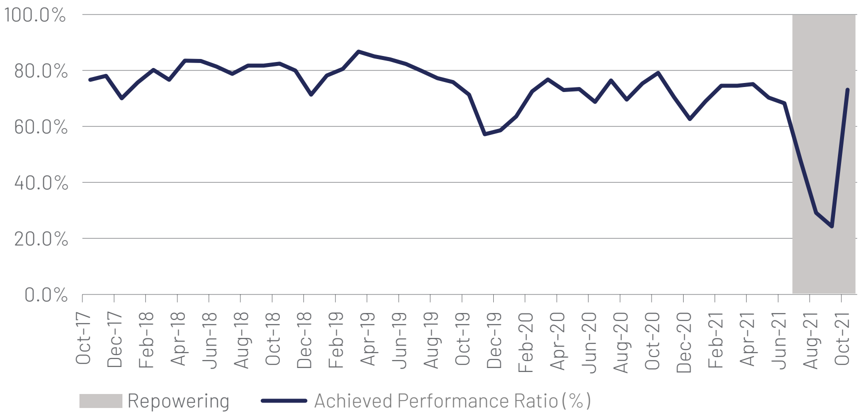
Kingston Farm Performance Ratio (%)



Lake Farm Performance Ratio (%)



Beechgrove Performance Ratio (%)



As reported last year, these repairs were largely paid for from cash reserves built up for this purpose. The repowerings, including all associated costs such as advisers' fees, cost a total of £2.5m and are expected to have a payback of under five years. The repowerings were also necessary for the sales process of the assets, as a potential buyer would have assumed worst case scenarios for performance had these repowerings not been completed successfully.

Beechgrove has been suffering for some time from issues of cracking connectors at the back of its solar panels which in turn cause isolation faults on the system. Following a root cause analysis this degradation of the connectors was found to be caused by the high salt content in the air due to the site's proximity to the sea. The Investment Adviser has successfully lodged a warranty claim with the manufacturer and a program is being finalised for the blanket replacement of all original connectors with ones made from an improved polymer which can withstand the marine environment.

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. Most 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. With the emergence of new COVID-19 variants such as Omicron, there remains the possibility that restrictions could return. The Investment Adviser remains confident that the reintroduction of such restrictions would only have a minimal impact on the portfolio as the O&M teams have been able to develop strategies to continue carrying out their duties safely during previous lockdowns. Furthermore, the repowering works have removed the portfolio's reliance on contractors located abroad and have increased the remote monitoring capabilities of the sites, allowing quicker and more targeted intervention. The rooftop solar portfolio would be the most exposed to limitations from government restrictions due to the installations being located on domestic and school roofs. As these account for only 9.5% of the portfolio by valuation, the impact of such restrictions should not be fundamental.

Generation of the rooftop solar portfolio was 2.7% lower than forecast. Irradiation cannot be measured at roof-mounted solar installations as it is not cost effective to install pyranometers but one can assume that the irradiation at these sites was also materially below forecast. No access was possible to any residential properties during the periods of lockdown, but works resumed as soon as restrictions were lifted. The Investment Adviser continues to work with the O&M contractors to get access to the rooftop installations that are underperforming, to effect repairs as soon as possible.

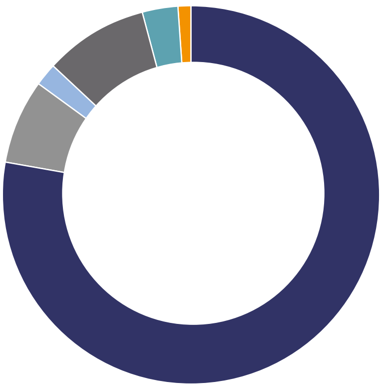
The small wind portfolio performed 30% lower than forecast, continuing the poor performance experienced in recent years. Small wind accounts for only 3.0% of the portfolio in terms of capacity. In February, the fleet of Huaying HY5 wind turbines, which were plagued with technical issues and had been a net cash drain, was disposed of. The VCT continues to own the fleet of R9000 wind turbines, which have performed better and have the support of an experienced O&M contractor with easy access to spare parts.

Revenue per kilowatt hour of renewable energy generated

The UK government has used several mechanisms to encourage investment into renewable energy generation, including the FIT and 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 close to 40 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 2021 the average spot price (day ahead) of power was 9.6 pence per kWh so a new asset selling power at the spot price would earn 9.6 pence, whereas an older solar asset, like some of those owned by the VCT, could earn at a minimum 3.95 pence per kWh for exporting the power (given the FIT export price floor) plus 39.75 pence per kWh FIT generation revenue. The significance of these government backed incentives is shown by the following chart.

VCT Portfolio, Revenue profile during period 1 October 2020 – 30 September 2021



FIT	**78%**
ROC	**7%**
Export Fixed	**2%**
Private Wire	**3%**
Export Variable	**9%**
Other (Variable)	**1%**

This shows that of the total revenues of £10,529,683 in the year, £8,948,358 or 85% was earned from government backed incentives for generating renewable electricity (£8,188,105 of generation revenue provided under the FIT and £760,253 from ROCs). A further £446,560 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 89% of total.

Such a high proportion of income that is fixed by the government, is RPI linked and is not exposed to wholesale power prices, is a significant driver of value in this portfolio. This has enabled it to be largely insulated from the very significant reduction in the wholesale price of electricity experienced at the start of the financial year. Unfortunately however, it has not yet been able to benefit from the more recent price increases as due to the market volatility, price fixes were sought as soon as the market recovered and prices exceeded forecast.

The majority of the £358,658 price variance occurs in the Ground-mounted Solar (ROC) plants at Ayshford Farm (5.47 MW capacity) and Priory Farm (3.23 MW). These exceeded their projected revenue of 14 pence per kWh, achieving 15 pence per kWh (107% of budget). The Ground-mounted (FIT) assets earned 45p per kWh, comfortably above their projected revenue of 43 pence per kWh.

Priory, which was the last site on a variable price and was particularly affected in the initial phase of the pandemic when power prices fell significantly to under 2 pence per kWh, has now fixed its price at 4.55 pence per kWh until September 2021 and then 5.33 p/kWh until Spring 2022.

Operating Costs

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

The main cost item that shows variability from year-to-year is repair and maintenance costs. Repair and maintenance spend involving solar panels and inverters, the key components of a solar project, can be claimed from maintenance reserves put in place as part of the debt refinancings. At year end these reserves totalled £0.9 million and are in place for all the ground-mounted solar assets and for the majority of the roof-mounted solar assets. During the year £2.5 million was spent or committed on the works at Kingston Farm, Lake Farm and Beechgrove. The other significant maintenance cost is for the small wind portfolio that continues to suffer performance issues. The cost of this should reduce now that the particularly problematic turbines have been disposed of.

Growth Investments

The VCT holds an investment of £627,500 in bio-bean Limited, the world's largest recycler of waste coffee grounds. bio-bean sources waste coffee grounds from major retail coffee chains by offering the cheapest and most sustainable avenue for disposing of them. bio-bean then converts these into coffee logs for use in wood burning stoves, which it sells online, through large supermarkets and through home improvement chains, as well as into pellets for combustion in biomass- fed energy generators. During the year, bio-bean launched another product, dried coffee grounds for use in a diverse set of applications including cosmetics, bioplastics and the automotive industry. Natural Coffee Extract for use in the food industry as a flavour 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 lockdowns meant that these deliveries were fully suspended for a while and were at reduced volumes afterwards. Furthermore, its projects to upgrade its factory (reducing the marginal cost of production) were delayed. However, due to the ongoing efforts by management to diversify sources of supply of waste coffee grounds, robust demand for its clean fuels (up 56% in its financial year to the end of June 2021), the first sales of its advanced biochemical products, further product diversification 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. With the end of the various lockdowns, coffee deliveries approached pre pandemic levels.

The company closed a £1.3m funding round in September 2021. The VCT committed to invest £67,500 in this round with the funds paid to bio-bean in December 2021. The round brought in the Low Carbon Investment Fund in as a new investor, who required all existing financial investors, including the VCT to co-invest alongside to ensure the company was fully funded to execute its business plan.

The key challenge will be to realise the investment in this growth business in line with the disposal of the other VCT assets. The market for secondary stakes in private, VC-funded companies is less liquid than the market for renewable energy investments. The Investment Adviser considers that supporting the ongoing development and growth of bio-bean will support the ability to exit in a positive way.

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 several countries, including the USA, Canada and India which have large forestry and agricultural sectors as well as infrastructure over a large physical footprint. The company is continuing to grow as it proves its product market fit and the overall demand for its services. Its sales in North America and the dam monitoring segment have been particularly strong, whereas the process of converting large opportunities in India has been slower than expected.

Rezatec improved its lead generation process over the year and this has delivered results in the form of new sales leads generated. Management is now heavily focused on improving its sales conversion rate and has added extra resource in that area.

Product development is a continuous process, with features, functionality, data and the user interface improved by taking in customer feedback as well as ideas from teams across the entire company.

Rezatec raised £2m in the form of venture debt in 2021. This investment is expected to take the company through, if the current trajectory continues, until a larger Series B investment round expected to be closed in the second half of 2022. The company operates at the crossroads of the attractive information services and Software-as-a-Service (SaaS) sectors, there are several cases of comparable companies being acquired by larger players and is therefore expected to attract interest in the funding round.

Portfolio Valuation

The Investment Adviser notes that a firm offer to purchase its renewable assets will be the best indication of the value of the portfolio. However, consistent with prior years, the Net Asset Value ("NAV") of the renewable portfolio has been determined as at 30 September 2021 on the basis of future projected cash flows generated by the renewable energy assets, as well as the cash held by the companies in the portfolio and the cash held by the VCT. The NAV of the overall portfolio also includes the value of the growth investments into bio-bean and Rezatec. The total return over the life of the assets to date includes 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 lower solar irradiation than budgeted, we have not changed the assumptions on irradiation.
- → Technical performance. As noted above, there were significant performance issues at three of the ground-mounted FIT solar farms. The failed inverters were replaced and so the output is projected to improve back to budgeted levels going forward.
- → Prices. Power price forecasts have been impacted by the volatility caused by COVID-19 and so the forecasts have been updated to reflect this.
- → Costs. Up-to-date operating 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 actual corporation tax paid will impact on the cash available to shareholders. The Chancellor proposed increases to Corporation Tax rates from 2023 which were taken into account in the forecasts.
- → 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 useful economic lives of the assets, in turn taking into account the length of the leases and planning permissions, as well as the durability of the equipment.

Once the free cash projected to be generated by the assets is calculated, the net present 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. The discount rates used reflect the Investment Adviser's experience in the market and evidence of third party transactions, as well as feedback from the VCT's advisers who are marketing the portfolio for sale.

In particular, the discount rates used to value the future cash flows have not been changed since last year and remain in the range of 5.50% to 6.75% (2020: 5.50% to 6.75%). The technical assumptions, including the performance ratio (the efficiency of converting solar power into electricity), have also not been changed since last year since the re-powering work was already foreseen and included in projections last year. In the March 2021 budget it was announced that the rate of Corporation Tax will increase to 25% from 19%, starting in Spring 2023. This increase in tax will reduce the funds available for investors. There has been an increase in inflation projections as these reflect the increased inflation experienced during the year and higher levels of market inflation expectations.

The valuation of the investments in bio-bean and Rezatec has been determined using an earnings multiple approach, consistent with International Private Equity Valuation Guidelines, and are held at a valuation of £1.8 million, £186,000 higher than the cost of investment.

Outlook

The Investment Adviser's continued focus is to ensure that the assets operate at or above budget whilst supporting the ongoing sale process. The repair of the underperforming assets from last year has given greater visibility and reliability of revenues, and this has flowed through into the Investment Adviser's valuation and is expected also to be reflected in any third party valuation of the assets.

It is very challenging to predict whether the current inflationary surge will be sustained and continue to benefit inflation-linked assets such as the VCT's portfolio. Potential purchasers of the assets will have their own views on inflation and power prices, however it is opportune that the sales process has coincided with a period of high inflation and expectations that high inflation will continue.

Three offers to buy the solar assets have been received since the year end. The Board has entered into an exclusivity agreement with one of the parties so that the party can complete the remainder of its due diligence. The Board, with support from the Investment Adviser as well as third party advisers, will seek to secure the best returns possible for shareholders.

Gresham House Asset Management Limited

28 January 2022

Review of Investments

Portfolio of investments

The following investments were held at 30 September 2021:

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	14,108	(2,794)	51.8%
Lunar 1 Limited*	Kingston Farm, Lake Farm	Ground-mounted solar	125	2,218	(321)	8.1%
New Energy Era Limited	Wychwood Solar Farm	Ground-mounted solar	884	1,785	33	6.6%
Ayshford Solar (Holding) Limited*	Ayshford Farm	Ground-mounted solar	827	1,361	152	5.0%
Vicarage Solar Limited	Parsonage Farm	Ground-mounted solar	870	1,229	(158)	4.5%
Rezatec Limited	United Kingdom	Clean energy	1,000	1,186	113	4.4%
Tumblewind Limited*	Priory Farm	Small Wind/Solar	979	903	441	3.3%
Gloucester Wind Limited	Gloucester Wind	Roof Solar	1,000	857	(92)	3.1%
Hewas Solar Limited	Hewas Solar	Roof Solar	1,000	831	(22)	3.1%
HRE Willow Limited	HRE Willow	Small Wind	875	700	20	2.6%
bio-bean Limited	Cambridgeshire	Clean energy	628	628	-	2.3%
St Columb Solar Limited	St Columb Solar	Roof Solar	650	533	10	2.0%
Penhale Solar Limited	Penhale Solar	Roof Solar	825	382	10	1.4%
Minsmere Power Limited	Minsmere	Small Wind/Solar	975	325	(15)	1.2%
Small Wind Generation Limited	Small Wind Generation	Small Wind	975	147	(21)	0.5%
Lunar 3 Limited*		Ground-mounted solar	1	-	-	0.0%
			12,944	27,193	(2,644)	99.9%
Cash at bank and in hand				31		0.1%
Total investments				**27,224**		**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 2021

Purchases

	Cost at 30 September 2020 £'000	Valuation at 30 September 2020 £'000	Additions during the year £'000	Valuation at 30 September 2021 £'000	Unrealised Gain £'000
VCT Qualifying investments					
bio-bean Limited**	615	615	228**	628	–
Total	**615**	**615**	**228**	**628**	**–**

Disposals

	Cost at 30 September 2020 £'000	Valuation at 30 September 2020 £'000	Redemption of loan notes/sale proceeds £'000	Profit vs cost £'000	Realised Gain £'000
VCT Qualifying investments					
ChargePoint Services Limited*	–	–	16	16	16
bio-bean Limited	215	215	215**	–	–
Ayshford	482	482	482	–	–
	697	**697**	**713**	**16**	**16**
Non-qualifying investments		–	–	–	–
Tumblewind Limited	123	123	123	–	–
Total	**123**	**123**	**123**	**–**	**–**

* Deferred consideration of £15,610 was received in February 2021, in relation to the sale of ChargePoint Services Limited in June 2019.

** £215,000 of the bio-bean loan was converted to equity in June 2021.

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 30/09/21:	£1,330,000
Cost at 30/09/20:	£1,330,000
Date of first investment:	Dec 2013
Valuation at 30/09/21:	£14,108,000
Valuation at 30/09/20:	£16,902,000
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 2021**
Turnover:	£nil
Operating loss:	£19,000
Net assets:	£2,947,000

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 30/09/21:	£125,000
Cost at 30/09/20:	£125,000
Date of first investment:	Dec 2013
Valuation at 30/09/21:	£2,218,000
Valuation at 30/09/20:	£2,539,000
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 2021**
Turnover:	£nil
Operating loss:	£5,000
Net assets:	£1,205,000

New Energy Era Limited

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

Cost at 30/09/21:	£884,000
Cost at 30/09/20:	£884,000
Date of first investment:	Nov 2011
Valuation at 30/09/21:	£1,785,000
Valuation at 30/09/20:	£1,752,000
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 2021**
Turnover:	£349,000
Operating profit:	£215,000
Net assets:	£2,375,000

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 30/09/21:	£827,000
Cost at 30/09/20:	£1,308,000
Date of first investment:	Mar 2012
Valuation at 30/09/21:	£1,361,000
Valuation at 30/09/20:	£1,691,000
Valuation method:	Discounted cash flows (business)
Investment comprises:	
Ordinary shares:	£827,000
Proportion of equity held:	50%
Summary financial information from statutory accounts (non-consolidated):	**31 March 2021**
Turnover:	£3,000
Operating loss:	£6,000
Net assets:	£750,000

Vicarage Solar Limited

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

Cost at 30/09/21:	£871,000
Cost at 30/09/20:	£871,000
Date of first investment:	Mar 2012
Valuation at 30/09/21:	£1,229,000
Valuation at 30/09/20:	£1,387,000
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 2021**
Turnover:	£nil
Operating loss:	£2,000
Net assets:	£1,945,000

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 30/09/21:	£1,000,000
Cost at 30/09/20:	£1,000,000
Date of first investment:	Jan 2020
Valuation at 30/09/21:	£1,186,000
Valuation at 30/09/20:	£1,073,000
Valuation method:	Earnings multiple
Investment comprises:	
Preference shares:	£999,984
Ordinary shares:	£16
Proportion of preference shares held:	20%
Proportion of equity held:	0%
Summary financial information from statutory accounts (non-consolidated):	**31 March 2021**
Turnover:	£n/a*
Operating profit/loss:	£n/a*
Net assets:	£651,000

*This information is not publicly available

Tumblewind Limited

Tumblewind Limited 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 Tumblewind Limited is 165kWp. Tumblewind also owns Priory Farm Solar Farm Limited, which owns a ROC remunerated solar farm of 3.2MW near Lowestoft.

Cost at 30/09/21:	£979,000
Cost at 30/09/20:	£1,102,000
Date of first investment:	Nov 2011
Valuation at 30/09/21:	£903,000
Valuation at 30/09/20:	£585,000
Valuation method:	Discounted cash flows (business)
Investment comprises:	
Ordinary shares:	£790,000
Loan stock:	£189,000
Proportion of equity held:	50%
Proportion of loan stock held:	32%
Summary financial information from statutory accounts:	**31 March 2021**
Turnover:	£52,000
Operating loss:	£57,000
Net assets:	£823,000

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 30/09/21:	£1,000,000
Cost at 30/09/20:	£1,000,000
Date of first investment:	Apr 2012
Valuation at 30/09/21:	£857,000
Valuation at 30/09/20:	£949,000
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 2021**
Turnover:	£220,000
Operating profit:	£74,000
Net assets:	£1,545,000

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 30/09/21:	£1,000,000
Cost at 30/09/20:	£1,000,000
Date of first investment:	Aug 2011
Valuation at 30/09/21:	£831,000
Valuation at 30/09/20:	£853,000
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 2021**
Turnover:	£532,000
Operating profit:	£109,000
Net assets:	£498,000

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 30/09/21:	£875,000
Cost at 30/09/20:	£875,000
Date of first investment:	Jun 2011
Valuation at 30/09/21:	£700,000
Valuation at 30/09/20:	£680,000
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 2021**
Turnover:	£138,000
Operating loss:	£209,000
Net assets:	£1,189,000

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.

The proportion of equity held in each investment also represents the level of voting rights held by the VCT in respect of the investment, with the exception of Rezatec where the voting rights held are 8.4%.

Summary of loan stock interest income

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Loan stock interest income in the period		
bio-bean Limited	15	20
Tumblewind Limited	17	29
Minsmere Power Limited	11	11
Small Wind Generation Limited	11	11
	54	**71**

Analysis of investments by commercial sector

The split of the investment portfolio by sector (by cost and by value at 30 September 2021) is as follows:

Spread of investment by sector (cost)

Ground-mounted Solar	**39%**
Roof-mounted Solar	**27%**
Small wind	**22%**
Non-renewable assets	**12%**

Spread of investment by sector (value)

Ground-mounted Solar	**79%**
Roof-mounted Solar	**10%**
Small wind	**4%**
Non-renewable assets	**7%**

Strategic Report

The Directors present the Strategic Report for the year ended 30 September 2021. 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 2021, the renewable investments held decreased in value by £2,757,000 and the non-renewable investments held increased in value by £113,000. Gains arising on investment realisations totalled £16,000.

Income over expenditure for the year resulted in a net loss, after accounting for capital expenses, of £2,701,000.

The total loss for the year was £2,694,000 (2020: £1,112,000) and net assets at the year-end were £23.0 million (2020: £27.3 million). The annual dividend for the year to 30 September 2020 was 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 4 to the financial statements, is still appropriate.

JTC (UK) Limited ("JTC") acts as Administrator and Company Secretary. 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 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 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 21 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 Asset Management Limited. 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, 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 Asset Management, in aggregate across both the VCT and VCT2, are as follows:

	Year ended 30 September 2021		
	Haibun £	CH1 £	Total £
2010 Offer	16,720	23,008	39,728
2012 Offer	2,669	1,714	4,383
2014 Offer	944	2,198	3,142
Total	**20,333**	**26,920**	**47,253**

Investment policy

General

At the July 2021 General Meeting, 89.43% of the shareholders who voted resolved to approve the New Investment Policy of the Company to reflect a realisation strategy and the Company ceasing to make any new investments. The new Investment Policy replaced the previous Investment Policy in its entirety.

The Directors believed that being prescriptive as regards the timeframe for realising the Company's investments could prove detrimental to the value achieved on realisation. Therefore, it was the Board's view that the strategy for the realisation of the Company's investments would need to be flexible and may need to be altered to reflect changes in the circumstances of a particular investment or in the prevailing market conditions.

Once all, or substantially all, of the Company's investments have been realised and an initial distribution in respect thereof made, the Company will, at an appropriate time, seek Shareholders' approval for it to be placed into members' voluntary liquidation.

1 October 2020 to 13 July 2021

The VCT's objectives were 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 being 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, non-qualifying 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.

13 July 2021 to 30 September 2021

Following shareholder approval at the General Meeting on 13 July 2021, the New Investment Policy of the VCT is that the Company will be managed with the intention of realising all remaining assets in the Portfolio in a prudent manner consistent with the principles of good investment management and with a view to returning cash to Shareholders in an orderly manner, whilst protecting the tax position of shareholders.

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

The Company will cease to make any new investments or to undertake capital expenditure except where, in the opinion of both the Board and the Investment Manager (or, where relevant, the Investment Manager's successors):

- the investment is a follow-on investment made in connection with an existing asset in order to comply with the Company's pre-existing obligations; or
- failure to make the follow-on investment may result in a breach of contract or applicable law or regulation by the Company; or
- the investment is considered necessary to protect or enhance the value of any existing investments or to facilitate orderly disposals.

Any cash received by the Company as part of the realisation process prior to its distribution to Shareholders will be held by the Company as cash on deposit and/or as cash equivalents.

Investment strategy

1 October 2020 to 13 July 2021

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.

As at 13 July 2021, the new Investment Policy was adopted to reflect a realisation strategy and the Company ceasing to make any new investments.

Asset allocation

During the period the VCT was required to hold 80% of its funds in VCT qualifying investments. At 30 September 2021, 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

It is not intended that the VCT will borrow (other than from investee companies). However, it will have 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 the operational asset/holding 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 the following: 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.

The long-term creditors shown on the Balance Sheet represent amounts owed to investee companies, which the Board expect to be repaid in the future by way of dividends from, or the sale of, these companies.

As at 30 September 2021, the VCT had the ability to borrow £4.5 million in accordance with the articles, and had actual borrowings of £nil.

The VCT has no intention to borrow any funding in the foreseeable future.

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 2021.

Directors and senior management

The VCT has four Non-Executive Directors, comprising a 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 total net asset position of the VCT as at the reporting date is as per the Balance Sheet on page 46, while the total number of shares in issue for both Ordinary and 'A' Shares is disclosed in Note 15.

In addition, the Board considers the VCT's performance in relation to other VCTs.

The position of the VCT's Net Asset Value Total Return as at 30 September 2021 is shown on page 46. A Summary of dividends per Share is shown on page 52. The VCTs 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.

Brexit

As the VCT has invested solely in UK assets which generate revenues from contracts with parties based in the UK, the Board and Manager believe that, subject to no major economic disruption taking place, the 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 and 2021. Despite this challenging environment, the VCT's renewable assets have continued to generate steady cashflows, and the Board and Investment Adviser believe that COVID-19 will continue to have only a limited impact on the VCT.

* 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.

Principal risks and uncertainties

Schedule of principal and emerging risks

The other principal and emerging 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 FIT and ROC regimes. The Board regularly reviews the performance of the portfolio, alongside the Board of the sister company.
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.	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 loss of VCT status would result in dividends becoming taxable and new Shareholders losing their initial tax relief.	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 27. 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, Administration Manager 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, 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. The Directors and the Investment Adviser regularly review the service providers and the procedures and policies they have in place for preventing cyber attacks.

Principal Risk	Context	Specific risks	Possible impact	Mitigation
Operational – portfolio level	At the portfolio level, the VCT uses third party O&M contractors managing 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.
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.

1 October 2020 – 13 July 2021
The principal financial risks faced by the VCT, which include interest rate, market price, investment valuation, credit and liquidity risks, are summarised within Note 18 to the financial statements.

Note 18 includes an analysis of the sensitivity of 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.

From 13 July 2021 to 30 September 2021
In approving a new Investment Policy for the Company, a number of risks which are material and currently known to the Company have been disclosed. Additional risks and uncertainties not currently known to the Company, or that the Company deems immaterial, may also have an adverse effect on the Company.

The main risks identified as part of the new Investment Policy of the Company are:

Risk identified	Context	Mitigation
Asset diversification	In a Managed Wind-Down, the value of the portfolio will be reduced as investments are realised and concentrated in fewer holdings, and the mix of asset exposure will be affected accordingly.	None identified.
Ownership	All of the VCT's main solar assets are owned 50:50 between the VCT and VCT2 and there are no rights attached to such ownership that would allow one company to force the other to sell its share in each asset.	The VCTs will sell their shares in each asset simultaneously, so that no VCT holds more than 50% of the underlying assets.
Volatility in NAV and/or share price	The VCT might experience increased volatility in its Net Asset Value and/or its share price as a result of possible changes to the Portfolio structure following the adoption of the new Investment Policy.	None identified.
Sale of assets	The VCT's assets may not be realised at their carrying value, and it is possible that the VCT may not be able to realise some assets at any value. The value realisable on a sale of the VCT's assets is linked to estimates and assumptions about a variety of matters, including macroeconomic considerations, which assumptions may prove to be incorrect and which are subject to change. A material change of governmental, economic, fiscal, monetary or political policy, may result in a reduction in the value of the VCT's assets on sale.	The Investment Adviser has engaged several experts in this field to ensure an appropriate sale price is reached.
Sale of assets	Sales commissions, liquidation costs, taxes and other costs associated with the realisation of the VCT's assets together with the usual operating costs of the VCT will reduce the cash available for distribution to the shareholders.	The Investment Adviser prepares detailed cashflow forecasts which are presented to the Board quarterly. The forecasts include the additional costs expected to be incurred during the managed wind-down of the VCT.
Sale of assets	A sale of the VCT's assets may prove materially more complex than anticipated, and the distribution of proceeds to shareholders may be delayed by a number of factors, including, without limitation, the ability of a liquidator to make distributions to Shareholders	The Investment Adviser has engaged several experts in this field, to ensure against an extended handover period.

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 three years from the balance sheet date as developments are considered to be reasonably foreseeable over this period. The period of review has been shortened from the prior year due to the commencement of the Managed Wind-Down of the VCT.

Following the results of the continuation vote at the 2021 AGM and the shareholders' subsequent approval of the Managed Wind-Down of the Company at the 2021 General Meeting, the Board still considers that the VCT remains viable up until the point at which its assets are fully sold, or the voluntary liquidation completed, and as such the Board are satisfied that a three-year viability assessment remains applicable.

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 sales process currently underway to realise the VCT's renewable assets;
- → The potential impact of the Principal Risks and Uncertainties;
- → Maintaining VCT approval status;
- → Operating expenditure; and
- → Future dividends.

The Board is satisfied that the underlying assets held by the SPVs have been built to a sufficient quality and there are no current indications that the assets will degrade substantially over the period. It is also considered highly unlikely that the renewable 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 2.

The Board also noted that the SPVs have very good debt cover and that there are sufficient 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, to cover debt and running costs over the review period.

The Board have assessed the VCT's ability to cover its annual running costs under several scenarios and note that under none of these scenarios was the VCT unable to cover its costs. The VCT has incurred some additional costs in the financial year, and post year end, related to the sale of its assets. Should the sale of these assets fall through, the VCT will need to pay abort costs of £217,000. The Investment Adviser has plans in place to manage this scenario should it occur.

The Directors believe that the VCT is well placed to manage its business risks successfully. Based on the results, 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 three years from the balance sheet date, notwithstanding that the VCT is currently undergoing a Managed Wind-down and may be wound up in this timeframe.

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 35.

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 2021 were 2.4% (2020: 2.4%) 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 as at 30 September 2021 was below 100p, the NAV hurdle for the year was not met and no dividend was paid, therefore there was no Performance Incentive paid. The NAV hurdle was met with respect to the year ended 30 September 2020 and the annual dividend paid on 31 December 2020 exceeded the dividend hurdle, therefore Management received a Performance Incentive. The Performance Incentive was equivalent to 0.2586p per Ordinary Share, or approximately £66,000.

Pursuant to historic financial intermediary arrangements with Hazel Capital LLP, Haibun Partners LLP, of which Stuart Knight is a Designated Member, and CH1 Investment Partners LLP, of which Matthew Evans (Director of Gresham House Renewable Energy VCT2 plc) is a Designated Member, would receive approximately 8.0% of the Performance Incentive payments made to Management in respect of the 'Management 'A' Shares' by the VCT and its sister company, VCT2.

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 2021
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;	1.1%
3. To ensure that the VCT has not made a prohibited payment to shareholders derived from an issue of shares since 6 April 2014;	0.0%
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;	89.9%
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);	92.3%
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 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 managed wind-down of the VCT and the payment of dividends.

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.

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.

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 promote the success of the VCT and 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 members as a whole, whilst also considering the broad range of stakeholders who interact with and are impacted by the VCT's business, especially with regard to major decisions.

Role of the Board

The Board, which, at the year end, comprised of 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 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 need to act fairly as between members 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.

Following the adoption of the new Investment Policy from 13 July 2021, the VCT's principal objective is to manage the Company with the intention of realising all remaining assets in the portfolio in a prudent manner consistent with the principles of good investment management and with a view to returning to Shareholders in an orderly manner.

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 AGM and information provided on the Investment Adviser's website as well as ad hoc communications with shareholders.

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.

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 continuation vote and the respective resolution which received opposition from the shareholders at the 2021 AGM. Details of this is included later in the report on page 31.

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 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 inclusion; 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 Chairman 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 remained particularly important for the 2021 financial year given the continued challenges presented by COVID-19 and the need to test the resilience of all of the Company'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.

ESG
Details on ESG are included on pages 28 to 29

Key Board decisions and specific examples of Stakeholder consideration during the year
The Board is fully engaged in both oversight and 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 the below items.

Continuation Vote
At the AGM held on 22 March 2021, the Board recommended that the shareholders vote in favour of the VCT's continuation as a venture capital trust for a period of five years. Resolution 5, which related to the continuation vote, was passed however due to the opposition received from the shareholders on Resolution 5, the Board carried out a thorough review of the strategic options available to the VCT, the monetisation opportunities in the market for the Company's assets and the appropriate proposals to deliver value to shareholders.

The shareholders of Gresham House Renewable Energy VCT2 plc did not pass the continuation vote for Gresham House Renewable Energy VCT2 plc and as the two VCTs work closely together, the Company drew up proposals for the voluntary liquidation, reconstruction or other re-organisation of the Company for consideration by the members at a subsequent General Meeting held on 13 July 2021.

At the General Meeting, the shareholders resolved to approve the Managed Wind-Down of the Company and associated amendments to the Company's Investment Policy, details of which can be found on page 4. Under the Managed-Wind Down process, the Company will be managed with the intention of realising all assets in its Portfolio in a prudent manner consistent with the principles of good investment management and with a view to returning cash to shareholders in an orderly manner.

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.

COVID-19
During the COVID-19 pandemic 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

28 January 2022

Report of the Directors

The Directors present the eleventh Annual Report and Accounts of the VCT for the year ended 30 September 2021.

The Corporate Governance Report on pages 37 to 39 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 AGM that took place on 22 March 2021, 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 14.99% of the issued 'A' Share capital as at the date of the AGM.

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 2021, 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 for the year	(2,694)	(10.6)	–
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 2021 and at the date of this report were as follows:

Directors		As at the date of this report	As at 30 Sept 2021	As at 30 Sept 2020
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	16,635
	'A'	16,635	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 Company'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, the Chairman and Duncan Grierson are due to stand for re-election in 2022.

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 Company and the sector in which it operates to enable it to provide effective strategic leadership and proper guidance of the Company.

The Board confirms that, following the evaluation process set out in the Corporate Governance Statement on page 37, the performance 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 eleventh Annual General Meeting ("AGM") will be held at 80 Cheapside, London, EC2V 6EE at 11:00 a.m. on Wednesday, 23 March 2022. The Notice of the Annual General Meeting and Form of Proxy will be circulated with this Annual Report.

Any change of format will be notified via the company's website and Regulatory Information Service.

General meeting

At the General Meeting that took place on 13 July 2021, a special resolution was passed by the shareholders to adopt a new Investment Policy in substitution for the previous Investment Policy in its entirety. The new Investment Policy forms part of the Board's recommended proposal in relation to the Managed Wind-Down of the Company and associated amendments to the Investment Policy.

More details about the new Investment Policy can be found on page 21.

Auditor

The Independent Auditor's Report can be found on pages 40 to 44. There was a requirement to undertake an audit tender for the year ended 30 September 2021 and BDO LLP retendered. At the 2021 AGM, the shareholders approved the re-appointment of BDO LLP as the auditor has indicated its willingness to continue in office with the Company and separate resolutions will be proposed at the 2022 AGM 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. As explained in Note 1 to the financial statements, the Directors do not believe the going concern basis to be appropriate and, in consequence, these financial statements have not been prepared on that basis.

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 position and 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 2019 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 39.

Other matters
Information in respect of risk management and risk diversification has been disclosed within the Strategic Report on page 23.

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 29.

During the year, the VCT did not have any employees (2020: nil) and therefore there is no comparison data available for the change in Directors' remuneration to average change in employee remuneration.

Events after the end of the reporting period
bio-bean Limited closed a £1.3m funding round in September 2021. The VCT committed to invest £67,500 at that time and the funds were paid to the company in December 2021. Three offers to buy the solar assets were received by the VCT after the end of the reporting period. In December 2021, the Board entered into an exclusivity agreement with one of the parties so that the party could complete the remainder of its due diligence. The Board, with support from the Investment Adviser as well as third party advisers, will seek to secure the best returns possible for shareholders.

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

28 January 2022

Directors' Remuneration Report

Annual Statement of the Remuneration Committee
The Remuneration Committee consists of each of the VCT Directors. The Remuneration Committee assists the Board to fulfil its responsibility to shareholders to ensure that the remuneration policy and practices of the VCT reward Directors' fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements. The Remuneration 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 the remuneration during the financial year 2019/2020, the Remuneration Committee recommended an increase in the Directors' remuneration which was approved by the Board. These increases took effect from 1 October 2020. The changes to the Directors' remuneration are outlined in this report.

Recognising increased oversight responsibilities during the financial year 2020/2021, the Remuneration Committee approved additional special payments to the Chairman and Audit Chairman, calculated at 25% of their annual fee. Neither the Chairman nor the Audit Chairman voted upon their own additional special payments.

Details of the specific levels of remuneration to each Director as well as the fee increases are outlined in the report.

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 and will be presented to the Shareholders for approval again at the 2023 AGM. There are currently no planned changes to the remuneration policy.

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 33.

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.

The NAV hurdle was not met for the financial year end 30 September 2021 and no dividend was paid, therefore there was no Performance Incentive.

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 40 to 44.

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

Following a review of the Board's remuneration by the Remuneration Committee, the basic annual fees of the Directors increased to £26,500 for the Chairman, £24,000 for the Audit Committee Chairman and £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.

The additional special payments to the Chairman and Audit Chairman were split into two payment tranches. The first tranche was paid during the 30 September 2021 financial year for the additional oversight responsibilities relating to the 2021 financial year, with the second tranche to be paid in October 2021 for additional oversight responsibilities relating to the 2022 financial year.

Details of the additional special payments are detailed in the table below.

	Current Annual fixed fee £	Year ended 30 Sept 2021 fee £	Year ended 30 Sept 2020 fee £	% increase from 2020 to 2021	Additional Special Payment for the year end 30 September 2021 £	Year ended 30 September 2021 fee £
Gill Nott	26,500	26,500	25,000	6%	3,314	29,814
Stuart Knight	21,500	21,500	20,000	8%	N/A	21,500
Duncan Grierson	21,500	21,500	20,000	8%	N/A	21,500
David Hunter	24,000	24,000	22,500	7%	3,000	27,000
Totals	**93,500**	**93,500**	**87,500**	**7%**	**6,314**	**99,814**

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.

Statement of voting at AGM

Remuneration Report

At the AGM on 22 March 2021, the votes in respect of the resolution to approve the Director's Remuneration Report were as follows:

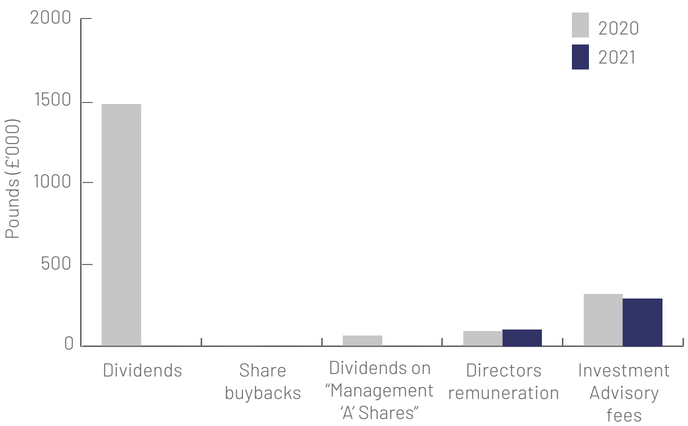
In favour	97%
Against	3%
Withheld	nil votes

Remuneration Policy

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 2021 and 30 September 2020 on Directors' remuneration in comparison to distributions (dividends and share buybacks) and other significant spending are set out in the chart below.

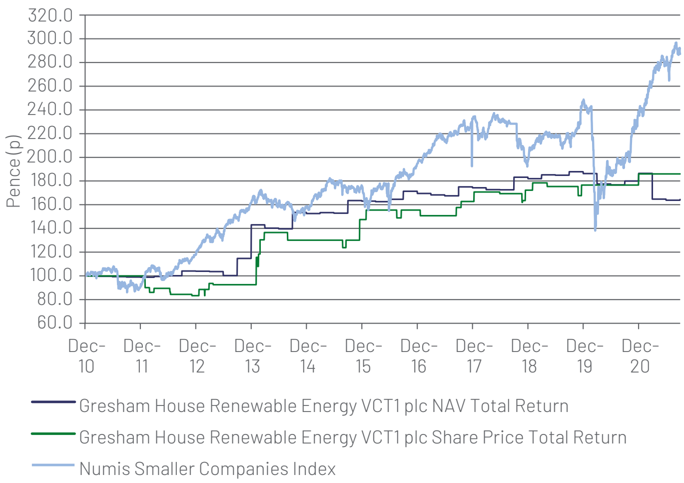


2021/2022 remuneration

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

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.

Stuart Knight

Remuneration Committee Chairman

28 January 2022

Corporate Governance

The Board of Gresham House Renewable Energy 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 2021 AGM. The Board has decided that the VCT will not be buying Shares for the foreseeable future as highlighted in the Interim Results, as the VCT wishes to conserve such cash as it generates for the managed wind-down of the VCT and the payment of dividends.

The capital structure of the VCT is disclosed in Note 19 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 Grierson is the chairman of the Nomination Committee. 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 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 three times 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 provided agreed upon procedures to the VCT during the financial year which involved agreeing the tax balances included in the March valuation model to corporation tax returns. The fees for this service were £2,500.

The Committee recognises the requirement for the tax computation to be prepared annually and therefore appointed Lubbock Fine as tax agent during the year ended 30 September 2021.

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. The VCT was required to undertake an audit tender in respect of the audit required for the year ended 30 September 2021. Following a competitive tender process in early 2021, BDO was re-appointed.

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
	(14 held)	**(3 held)**	**(0 held)**	**(1 held)**
Gill Nott	14	3	0	1
Stuart Knight	9	1	0	0
Duncan Grierson	10	3	0	1
David Hunter	14	3	0	1

A Nomination Committee meeting was held post 30 September 2021.

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 the remuneration during financial year 2019/2020, the Committee recommended an increase in board remuneration which was approved by the Board. These increases took 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 35.

Recognising the increased oversight responsibilities during the financial year 2020/2021 in relation to the managed wind down of the VCT, the Remuneration Committee resolved to approve additional special payments, calculated at 25% of their annual fee, to the Chair and Audit chair. Details of this additional fees can be found on page 35.

Financial Reporting
The Directors' responsibilities statement for preparing the accounts is set out in the Report of the Directors on page 34 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's report on page 40.

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.

Post year end, the Committee carried out a 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.

Relations With Shareholders
Shareholders 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 Administrator 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 2021 AGM, Resolution 5, which related to the continuation of the Company as a venture capital trust for a further five year period, received opposition from Shareholders. In light of the number of votes received against this resolution for the continuation vote, the VCT undertook a detailed review of the feedback received on the matter to fully understand the Shareholders' concerns. 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.

Although Resolution 5 formally passed, the equivalent vote for Gresham House Renewable Energy VCT 2 plc did not achieve the required majority to pass. As the two VCTs work closely together, the VCT devised the best possible proposals to put to Shareholders and at a General Meeting held four months later in July 2021, the Shareholders resolved that the VCT would enter a Managed Wind-Down (as defined in the circular to Shareholders dated 17 June 2021) and the new Investment Policy was adopted in substitution for the existing Investment Policy. The Board agreed to endeavor to realise the Company's investments in a manner that achieves a balance between maximising the net value received from those investments and making timely returns to Shareholders.

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.

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
Administrator and Company Secretary	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
In assessing the VCT as a going concern, the Directors have considered the forecasts which reflect the proposed strategy for portfolio investments and the results of the continuation votes at the AGM and General Meeting held on 22 March 2021 and 13 July 2021 respectively.

Although the continuation vote was passed by VCT1 at the AGM, there were a significant number of votes against this resolution and the shareholders of VCT2 voted against continuation. This required the VCTs to draw up proposals for voluntary liquidation, reconstruction or other re-organisation for consideration by the members at the General Meeting held on 13 July 2021. At this meeting the proposed special resolution was approved by shareholders, resulting in the VCTs entering a managed wind-down and a new investment policy replacing the existing investment policy. The Board agreed to realise the VCTs' investments in a manner that achieves balance between maximising the net value received from those investments and making timely returns to shareholders.

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

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 32 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 2021 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 to be members of the remuneration committee and for the committee to be chaired by Stuart Knight. (9.2.37)

e) 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 chairman, to fulfil the role of the audit committee. (8.2.29)

f) 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 he last retired and was re-elected provided that he must retire from office at or before the third Annual General Meeting following the Annual General Meeting at which he last retired and was re-elected. (7.2.23)

By order of the Board

JTC (UK) Limited
Company Secretary
Company number: 0430176

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

28 January 2022

Independent Auditor's Report

Opinion on the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gresham House Renewable Energy VCT1 Plc (the 'Company') for the year ended 30 September 2021 which comprise the Income statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the 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 UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence
Following the recommendation of the audit committee, we were appointed by the Directors to audit the financial statements for the year ended 30 September 2021 and subsequent financial periods. The period of total uninterrupted engagement is 11 years, covering the years ending 30 September 2011 to 30 September 2021. We remain 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. The non-audit services prohibited by that standard were not provided to the Company.

Emphasis of matter- financial statements prepared on a basis other than going concern
We draw attention to note 1 to the financial statements which explains that a formal decision has been taken by the directors to wind up the company and therefore do not consider the company to be a going concern. Accordingly, the financial statements have been prepared on a basis other than that of going concern as described in note 1. Our opinion is not modified in respect of this matter.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the Going Concern basis of accounting. As explained in note 1, the Directors have concluded that the company is not a Going Concern and accordingly the accounts have been prepared on a basis other than Going Concern.

Overview
Key audit matters

	2021	2020
Valuation of unquoted investments	X	X

Materiality
£545,000 (2020: £610,000) based on 2% of the value of investments.

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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.

Key Audit Matter	How the scope of our audit addressed the key audit matter
Valuation of unquoted investments 100% of the underlying investment portfolio is represented by unquoted equity and loan stock. Further information is disclosed in notes 2, 10 and 18 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 Manager, who is remunerated based on the net asset value of the company.	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 → With the assistance of our internal valuations experts and benchmarking to 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 → Agreed cash and other net assets to bank statements and investee company management accounts → Considered the accuracy of forecasting by comparing previous forecasts to actual results → Where relevant, considered the reasonableness of the valuations in the context of offers received for particular assets. 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 → 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 → 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 above, 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. We also considered any offers received for portfolio to date of this report. Where appropriate. We sensitised the valuations where other reasonable alternative assumptions could have been applied. **Key observations:** Based on our procedures performed we did not identify any indications to suggest that the valuation of the investment portfolio was materially misstated.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Company Financial Statements	2021 (£)	2020 (£)
Materiality	545,000	610,000
Basis for determining materiality	2% of the value of investments	2% of the value of non-current asset investments
Rationale for the benchmark applied	In setting materiality, we have had regard to the nature and disposition of the investment portfolio. Given that the VCT's portfolio is comprised of unquoted investments which would typically have a wider spread of reasonable alternative possible valuations, we have applied a percentage of 2% of investments.	
Performance materiality	409,000	458,000
Basis for determining performance materiality	75% of materiality The level of performance materiality applied was set after taking into consideration the risk and control environment and history of prior errors (if any).	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £11,000 (2020: £12,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 26;
- The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 26.

Other Code provisions

- Directors' statement on fair, balanced and understandable set out on page 34;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 26;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 23; and
- The section describing the work of the audit committee set out on page 37.

Other Companies Act 2006 reporting
Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report
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.

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.

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

Matters on which we are required to report by exception
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.

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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 Statement of Recommended Practice: Financial Statements of Investment Trust Companies and Venture Capital Trusts ("the SORP") with consequential amendments and FRS 102. We also considered the Company's qualification as a VCT under UK tax legislation.

Our tests included, but were not limited to:

- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and those charged with governance;
- Obtaining the VCT compliance reports during the year and as at year end and reviewing their calculations to check that the Company was meeting its requirements to retain VCT status; and
- Review of minutes of board meetings throughout the period.

We assessed the susceptibility of the financial statements to material misstatement including fraud and considered the key fraud risk areas to be the valuation of unquoted investments and management override of controls.

Our tests included, but were not limited to:

- The procedures set out in the Key Audit Matters section above;
- Obtaining independent evidence to support the ownership of investments;
- Recalculating the investment management fees in total;
- Obtaining independent confirmation of bank balances; and
- Testing journals, based on risk assessment criteria as well as an unpredictable sample, and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

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: 28 January 2022

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

Income Statement

For the year ended 30 September 2021

	Note	Year ended 30 September 2021 Revenue £'000	Year ended 30 September 2021 Capital £'000	Year ended 30 September 2021 Total £'000	Year ended 30 September 2020 Revenue £'000	Year ended 30 September 2020 Capital £'000	Year ended 30 September 2020 Total £'000
Income	3	576	–	576	256	–	256
Loss on investments	10	–	(2,628)	(2,628)	–	(624)	(624)
		576	(2,628)	(2,052)	256	(624)	(368)
Investment advisory fees	4	(218)	(73)	(291)	(240)	(80)	(320)
Other expenses	5	(351)	–	(351)	(374)	(50)	(424)
		(569)	(73)	(642)	(614)	(130)	(744)
Profit/(loss) on ordinary activities before tax		7	(2,701)	(2,694)	(358)	(754)	(1,112)
Tax on total comprehensive income/(loss) and ordinary activities	7	–	–	–	–	–	–
Profit/(loss) for the year and total comprehensive income/(loss)		7	(2,701)	(2,694)	(358)	(754)	(1,112)
Basic and diluted loss per share:							
Ordinary Share	9	–	(10.6)	(10.6)	(1.4p)	(3.0p)	(4.4p)
'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 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Investments	10	–	–	–	30,428
Current assets					
Investments	10	27,193		–	
Costs incurred on sale of VCT's assets	11	181		–	
Debtors	12	60		230	
Cash at bank and in hand		31		57	
		27,465		287	
Creditors: amounts falling due within one year	13	(1,901)		(367)	
Net current (liabilities)/assets			25,564		(80)
Creditors: amounts falling due after more than one year	14	(2,534)		(3,081)	
Net assets			23,030		27,267
Capital and reserves					
Called up Ordinary Share capital	15		28		28
Called up 'A' Share capital	15		41		41
Share premium account	16		9,541		9,541
Treasury Shares	16		(2,991)		(2,991)
Special reserve	16		4,171		5,714
Revaluation reserve	16		15,056		16,893
Capital redemption reserve	16		3		3
Capital reserve – realised	16		(2,239)		(1,426)
Revenue reserve	16		(580)		(536)
Total Shareholders' funds			23,030		27,267
Basic and diluted net asset value per share					
Ordinary Share	17		90.1p		106.7p
'A' Share	17		0.1p		0.1p

The financial statements of Gresham House Renewable Energy VCT1 plc on pages 45 to 63 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: 28 January 2022

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

Statement of Changes in Equity

For the year ended 30 September 2021

	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 2019	69	9,541	(2,991)	–	7,257	17,522	3	(1,301)	(178)	29,922
Total comprehensive income	–	–	–	–	–	(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
Total comprehensive loss	–	–	–	–	–	(2,644)	–	(6)	(44)	(2,694)
Transfer of net realised loss to Capital reserve-realised*	–	–	–	–	–	807	–	(807)	–	–
Transactions with owners										
Dividend paid	–	–	–	–	(1,543)	–	–	–	–	(1,543)
At 30 September 2021	69	9,541	(2,991)	–	4,171	15,056	3	(2,239)	(580)	23,030

* The transfer relates to historic losses on Small Wind.

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

Cash Flow Statement

For the year ended 30 September 2021

	Note	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Cash flows from operating activities			
Loss for the financial year		(2,694)	(1,112)
Losses on investments		2,628	624
Dividend income		(522)	–
Interest income		(54)	–
Decrease in debtors		1	43
Increase/(decrease) in creditors		161	(12)
Net cash outflow from operating activities		(480)	(457)
Cash flows from investing activities			
Proceeds from sale of investments/loan note redemptions		137	135
Investments purchased at cost		(13)	(1,615)
Cost incurred as part of the sale of VCT's assets		(19)	–
Interest received		223	–
Dividend income received		315	–
Net cash inflow/(outflow) from investing activities		643	(1,480)
Net cash outflow before financing activities		163	(1,937)
Cash flows from financing activities			
Dividend paid		(1,543)	(1,543)
Proceeds from loans		1,354	2,491
Net cash (outflow)/inflow from financing activities		(189)	948
Net decrease in cash		(26)	(989)
Cash and cash equivalents at start of year		57	1,046
Cash and cash equivalents at end of year		31	57
Cash and cash equivalents comprise			
Cash at bank and in hand		31	57
Total cash and cash equivalents		31	57

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

Notes to the Accounts

For the year ended 30 September 2021

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.

During the year the shareholders of the VCT's "twin", Gresham House Renewable Energy VCT2 plc ("VCT2"), resolved to seek to sell the assets and distribute the proceeds in due course. The VCT has incurred some additional costs in the financial year, and post year end, related to the sale of its assets. Should the sale of these assets fall through, the VCT will need to pay abort costs of £217,000. The Investment Adviser has plans in place to manage this scenario should it occur. As the Boards of both VCT's were unable to identify a solution whereby VCT2 could dispose of its assets on its own, this had the result that this VCT also had to put up its assets up for sale. At the General Meeting on 13 July 2021 a formal decision was made to wind the VCT up, therefore the Financial statements have been prepared on a non-going concern basis for the year ended 30 September 2021. The adjustments required in respect of this were to transfer the investments held at fair value through profit or loss from non-current to current assets.

2. Accounting policies

Basis of accounting

The 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.

Of the valuation methodologies above, the multiples and discounted cash flow approaches are applied to the VCT's investments. 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 Advisor 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.

2. Accounting policies (continued)

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.

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 Company'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.

3. Income

	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Income from investments		
Loan stock interest	54	71
Dividend income	522	185
	576	256

4. Investment advisory fees

The investment advisory fees for the year ended 30 September 2021, 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 2021			Year ended 30 September 2020*		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment advisory fees	218	73	291	240	80	320

5. Other expenses

	Year ended 30 September 2021			Year ended 30 September 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Administration services	98	–	98	138	–	138
Directors' remuneration	103	–	103	92	–	92
Social security costs	5	–	5	3	–	3
Auditor's remuneration for audit	37	–	37	34	–	34
Non audit services – Agreed upon procedures	3	–	3	–	–	–
Transactions costs	–	–	–	–	50	50
Other	105	–	105	107	–	107
	351	–	351	374	50	424

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 2021, the annual running costs came to 2.4% of net assets (2020: 2.4%), 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 35.

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 2021 £'000	Year ended 30 September 2020 £'000
(a)	**Tax charge for the year**		
	UK corporation tax at 19% (2020: 19%)	–	–
	Charge for the year	–	–
(b)	**Factors affecting tax charge for the year**		
	Loss on ordinary activities before taxation	(2,694)	(1,112)
	Tax credit calculated on loss on ordinary activities before taxation at the applicable rate of 19% (2020: 19%)	(512)	(211)
	Effects of:		
	UK dividend income	(99)	(35)
	Losses on investments	499	118
	Excess management expenses on which deferred tax not recognised	112	128
	Total tax charge	–	–

Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £4,601,000 (2020: £4,376,000). The associated deferred tax asset of £1,150,000 (2020: £831,000) 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.

Following the enactment of Finance Act 2021, the Corporation tax rate will increase to 25% from 1 April 2023, which is the rate that has been applied in the calculation of the unrecognised deferred tax asset.

8. Dividends

	Year ended 30 September 2021			Year ended 30 September 2020		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Paid						
2020 Interim Ordinary – 5.3133p	–	–	–	–	1,356	1,356
2020 Interim A – 0.4867p	–	–	–	–	187	187
	–	–	–	–	1,543	1,543

The Interim 2020 dividends were 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 2021	Ordinary Shares	25,515,242	7	–	(2,701)	(10.6)
	'A' Shares	38,512,032	–	–	–	–
Year ended 30 September 2020	Ordinary Shares	25,515,242	(358)	(1.4)	(754)	(3.0)
	'A' Shares	38,512,032	–	–	–	–

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. Investments

	2021 Unquoted investments £'000	2020 Unquoted investments £'000
Opening cost at start of the year	13,536	12,050
Net unrealised gains at start of the year	16,892	17,522
Opening fair value at start of the year	30,428	29,572
Movement in the year:		
Purchased at cost*	228	1,615
Disposals proceeds/redemption of loan notes*	(835)	(135)
Realised gains on disposals	16	5
Net unrealised losses in the income statement	(2,644)	(629)
Closing fair value at year end	27,193	30,428
Closing cost at year end	12,944	13,536
Net unrealised gains at year end	14,249	16,892
Closing fair value at year end	27,193	30,428

*the purchases and disposals include non-cash movements.

During the year, the VCT received £836,000 (2020: £135,000) from the disposal of investments comprising of both equity and loan notes. The cost of these investments at the start of the year was £820,000 (2020: £130,000). 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 £'000	Level 2 £'000	Level 3 £'000	2021 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	2020 £'000
Unquoted loan notes	–	–	1,686	1,686	–	–	1,960	1,960
Unquoted equity	–	–	25,507	25,507	–	–	28,468	28,468
	–	–	27,193	27,193	–	–	30,428	30,428

During the years ended 30 September 2021 and 30 September 2020 there were no transfers between levels.

10. 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 2020	1,960	28,468	30,428
Movements in the income statement:			
Unrealised gains/(losses) in the income statement	330	(2,974)	(2,644)
Realised gains in the income statement	–	16	16
	2,290	25,510	27,800
Additions at cost	–	228	228
Sales proceeds/redemption of loan notes	(604)	(231)	(835)
Balance at 30 September 2021	1,686	25,507	27,193

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 2021 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 18.

11. Cost incurred on sale of VCT's assets

During the year, the VCT capitalised the professional fees in relation to the sale of assets. The costs are directly attributable to the sales process and have been recognised as part of the asset value.

	2021 £'000	2020 £'000
Cost incurred on sale of VCT's assets	181	–
	181	–

12. Debtors

	2021 £'000	2020 £'000
Prepayments and accrued income	60	230
	60	230

13. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Other loans	1,508	297
Taxation and social security	3	7
Accruals and deferred income	390	63
	1,901	367

The balance of other loans is made up of amounts borrowed from the underlying portfolio companies. All loans are interest free. Other loans falling due within one year are repayable as follows:

Investee company	Repayment date	2021 £'000	2020 £'000
Hewas Solar Limited	n/a^	131	131
St Columb Solar Limited	n/a^	20	20
Ayshford Solar (Holding) Limited	n/a^	–	31
HRE Willow Limited	n/a^	115	115
	n/a^^	177	–
		292	115
Lunar 2 Limited	n/a^^	808	–
Gloucester Wind Limited	n/a^^	100	–
Penhale Solar Limited	n/a ^^	105	–
Minsmere Power Limited	n/a^^	52	–
Amounts repayable within one year		1,508	297

^ 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 loans are interest free.

^^ The VCT and the indicated SPV's (the "lender") entered into loan agreements whereby the lender, at any time, without having to provide any reason, by one or several demands require immediate repayment of all or any part of the Loan and all or any accrued interest thereon. The loans are interest free.

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

	2021 £'000	2020 £'000
Other loans	2,534	3,081
	2,534	3,081

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. All loans are interest free.

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

Investee company	Repayment date	2021 £'000	2020 £'000
St Columb Solar Limited	2 February 2023	40	40
Ayshford Solar (Holding) Limited	23 September 2021	–	–
	13 October 2021	–	20
	11 September 2022	–	300
	28 September 2022	–	50
	22 February 2023	3	180
		3	550
Minsmere Power Limited	14 January 2025	50	50
Lunar 2 Limited	18 December 2024	1,543	1,543
	14 January 2025	473	473
	1 April 2025	50	50
	23 April 2025	100	100
		2,166	2,166
Gloucester Wind Limited	14 January 2025	200	200
Penhale Solar Limited	14 January 2025	75	75
Amounts repayable after more than one year		**2,534**	**3,081**

15. Called up share capital

	2021 £'000	2020 £'000
Allotted, called up and fully-paid:		
25,515,242 (2020: 25,515,242) Ordinary Shares of 0.1p each	28	28
38,512,032 (2020: 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 3. 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 2021 the VCT did not repurchase any Ordinary Shares or 'A' Shares .

During the year ended 30 September 2021 the VCT issued no Ordinary Shares.

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.

16. Reserves

	2021 £'000	2020 £'000
Share premium account	9,541	9,541
Treasury shares	(2,991)	(2,991)
Special reserve	4,171	5,714
Revaluation reserve	15,056	16,893
Capital redemption reserve	3	3
Capital reserve – realised	(2,239)	(1,426)
Revenue reserve	(580)	(536)
	22,961	27,198

The Special reserve is available to the VCT to enable the purchase of its own shares in the market. The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves from which dividends could be paid. At 30 September 2021, distributable reserves were £1,352,000 (2020: £3,752,000).

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 and other non-capital realised movements.

17. Basic and diluted net asset value per share

	2021	2020	2021		2020	
	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	90.1p	22,991	106.7	27,229
'A' Shares	38,512,032	38,512,032	0.1p	39	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 15.

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.

18. Financial instruments
The VCT held the following categories of financial instruments at 30 September 2021:

	2021 Cost £'000	2021 Value £'000	2020 Cost £'000	2020 Value £'000
Assets at fair value through profit or loss	12,944	27,193	13,536	30,428
Other financial liabilities	(337)	(337)	(58)	(58)
Cash at bank	31	31	57	57
Other loans	(4,042)	(4,042)	(3,378)	(3,378)
Total	8,596	22,845	10,157	27,049

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.

18. 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 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 2021, the unquoted portfolio was valued at £27,193,000 (2020: £30,428,000). The key inputs to the 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 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%	(818)	(3.2)
		-0.5%	868	3.4
Inflation	3.1% – 4.00%	+0.5%	925	3.6
		-0.5%	(884)	(3.5)
Irradiation	785 – 1,270kWh/m^2	+1.0%	594	2.3
		-1.0%	(594)	(2.3)
Degradation	0.30% – 0.40%	+0.1%	(704)	(2.8)
		-0.1%	714	2.8
Power prices	£36 – £64/MWh	+10.0%	703	2.8
		-10.0%	(673)	(2.6)

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, 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 is that the asset lives are equal to the length of the relevant leases (on average 25 years) and the Board does not consider it appropriate to disclose a sensitivity analysis in respect of asset life.

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.

18. Financial instruments (continued)

	Average interest rate	Average period until maturity	2021 £'000	2020 £'000
Fixed rate	8%	3,522 days	459	797
Floating rate	0%		31	57
No interest rate			22,355	26,195
			22,845	27,049

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 £310 (2020: £570). As at 30 September 2021 the Bank of England base rate was 0.1%, the base rate increased from 0.1% to 0.25% on 15 December 2021. 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:

	2021 £'000	2020 £'000
Investments in loan stocks	1,686	1,960
Cash and cash equivalents	31	57
Interest, dividends and other receivables	54	225
	1,771	2,242

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.

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.

The VCT has a relatively low level of creditors being £390,000 (2020: £63,000) and has both short-term and long-term loans from investee companies (see Notes 13 and 14 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, or the sale of, these companies, being £4,042,000 (2020: £3,378,000). The Board therefore 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.

18. Financial instruments (continued)

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

As at 30 September 2021	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	1,508	2,534	–	4,042
	1,508	2,534	–	4,042

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

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 2021 as analysed by the expected maturity date is as follows:

As at 30 September 2021	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	1,686	–	–	–	–	1,686
Past due loan stock	–	–	–	–	–	–
	1,686	–	–	–	–	1,686

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

19. Capital management

The VCT's objectives when managing capital are to safeguard the VCT's ability 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.

As the Investment Policy implies, the Board would consider levels of gearing. As at 30 September 2021 the VCT had loans from investee companies of £4,042,000 (2020: £3,378,000). 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.

20. Contingencies, guarantees and financial commitments

At 30 September 2021, the VCT had no contingencies or guarantees (2020: None). At the year end, the VCT had financial commitments towards the external advisors used for the sale of the VCT's assets of £161,000 (2020: none). As at the date of this report, these commitments had increased to £217,000.

21. 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 pages 35 to 36.

22. Significant interests

Details of shareholdings in those companies where the VCT's holding, as at 30 September 2021, 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
St Columb Solar Limited	EC4A 3TW	Ordinary	649,999	50%	£990,000	(£110,000)
Penhale Solar Limited	EC4A 3TW	Ordinary	299,601	50%	£570,000	£25,000
Minsmere Power Limited	EC4A 3TW	Ordinary	200,001	50%	£105,000	(£86,000)
Small Wind Generation Limited	EC4A 3TW	Ordinary	840,001	50%	(£512,000)	(£27,000)
Lunar 3 Limited	EC4A 3TW	Ordinary	100	50%	£nil	£nil

Explanatory notes

The financial information, Capital and reserves and Profit/(loss for the year), has been sourced from the statutory accounts of the underlying investee companies. The financial information disclosed relates to accounting year ending 31 March 2021.

23. Net debt reconciliation

	1 October 2020 £'000	Cashflows £'000	Other non-cash changes £'000	30 September 2021 £'000
Cash at bank and in hand	57	(26)	-	31
Other loans	3,378	1,354	(690)	4,042

Non-cash movements relate to other loans.

24. Events after the end of the reporting period

bio-bean Limited closed a £1.3m funding round in September 2021.The VCT committed to invest £67,500 at that time and the funds were paid to the company in December 2021.

Three offers to buy the solar assets were received by the VCT after the end of the reporting period. In December 2021, the Board entered into an exclusivity agreement with one of the parties so that the party could complete the remainder of its due diligence. The Board, with support from the Investment Adviser as well as third party advisers, will seek to secure the best returns possible for shareholders.

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