Gresham House Renewable Energy VCT2 plc

Half-Yearly Report for the six months ended 31 March 2024

Gresham House
Specialist investment

The 21.3MWp of remaining renewable energy projects co-owned by Gresham House Renewable Energy VCT 1 plc (VCT1) and Gresham House Renewable Energy VCT 2 plc (VCT) generated 5,572 megawatt-hours (MWh) of electricity over the six month period, sufficient to meet the annual electricity consumption of circa 2,064 homes[1]. The Investment Adviser estimates that generating this output from renewable energy sources such as solar and wind, rather than coal or gas-fired power stations, saves 2,363 tonnes[2] of carbon dioxide (CO_2).

[1] Assuming an average annual electricity usage per household of 2.7MWh, as quoted by Ofgem October 2023. "Homes powered" calculated using Renewable UK methodology: MWh divided by average annual domestic electricity consumption.

[2] Based on estimated carbon dioxide emissions from electricity supplied by the Department for Energy Security & Net Zero assuming an "all non-renewable fuels" emissions statistic of 424tCO2/GWh of electricity supplied, DESNZ statistics July 2023, Digest of UK Energy Statistics, Table 5.14 ("Estimated carbon dioxide emissions from electricity supplied"). "Carbon avoided" calculated using Renewable UK methodology: Carbon reduction is calculated by multiplying the total amount of electricity generated by solar and wind per year by the number of tonnes of carbon which fossil fuels would have produced to generate the same amount of electricity.

Investment Objectives

Gresham House Renewable Energy VCT2 plc is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995. Following the adoption of a new investment policy from 13 July 2021 (the New Investment Policy), the VCT's principal objective is to manage the VCT with the intention of realising the sale or monetisation otherwise of all remaining assets in the portfolio in a prudent manner consistent with the principles of good investment management and with a view to returning value to Shareholders in an orderly manner, whilst protecting the tax position of Shareholders, hereafter defined as Managed Wind Down.

The VCT will pursue this 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 of the Annual Report and Accounts for the year ended 30 September 2023 on pages 22 to 37.

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

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SHAREHOLDER INFORMATION

Performance summary

	31 March 2024	30 September 2023	31 March 2023
	Pence	**Pence**	**Pence**
Net asset value per Ordinary Share	45.6	55.3	87.6
Net asset value per 'A'Share	0.1	0.1	0.1
Cumulative dividends *	83.1	75.6	59.1
Total Return *	**128.8**	**131.0**	**146.8**
Share Price – Ordinary (GV2O)	48.0p	69.0p	85.0p
Share Price – 'A'Shares (GV2A)	5.05p	5.05p	5.05p

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

Dividends

		Ordinary Shares	'A'Shares	Total
		Pence	**Pence**	**Pence**
2011 Final	30 March 2012	3.5	-	3.5
2012 Final	28 March 2013	5.0	-	5.0
2013 Special	28 February 2014	7.3	3.7	11.0
2013 Final	28 March 2014	5.0	-	5.0
2015 Interim	18 September 2015	5.0	-	5.0
2016 Interim	16 September 2016	5.0	-	5.0
2017 Interim	15 September 2017	5.0	-	5.0
2018 Interim	14 December 2018	5.5	0.5	6.0
2019 Interim	20 December 2019	5.3	0.5	5.8
2020 Interim	31 December 2020	5.3	0.5	5.8
2022 Interim	27 January 2023	2.0	-	2.0
2023 Interim	28 July 2023	16.5	-	16.5
2023 Interim	21 December 2023	7.5	-	7.5
		77.9	**5.2**	**83.1**

Dividends are paid by the registrar on behalf of the VCT. Shareholders who wish to have dividends paid directly into their bank account and did not complete these details on their original application form can complete a mandate form for this purpose. Forms can be obtained from Link Group, whose contact details are shown on page 20.

Shareholder information is continued on page 19.

CHAIRMAN'S STATEMENT

I am pleased to present the Half-Yearly Report of Gresham House Renewable Energy VCT2 plc for the period ended 31 March 2024.

Following the outcome of the continuation vote in July 2021, and therefore the decision to pursue a Managed Wind Down, the Board together with the Investment Adviser has continued to work towards realising the remaining Company's portfolio of assets in a manner that achieves a balance between maximising net value received from the sale of assets and making a timely return of capital.

Following the sale of two ground-mounted solar sites and approximately 1,600 commercial and residential solar installations to Downing Renewables & Infrastructure Trust plc in April 2023, as reported in the Annual Report for the year end 30 September 2023, the Board has continued to seek an acquiror for the remaining assets in the portfolio, namely the Apollo solar portfolio and a small portfolio of micro wind assets. The Board appointed Jones Lang LaSalle (JLL) to assist with this phase of the Managed Wind Down process. The Apollo assets continue to be managed by the Investment Adviser with the focus on delivering the best possible yield whilst minimising costs ahead of a sale process. The Investment Adviser has also been diligently supporting the Boards of the VCTs and JLL in progressing the ongoing sale process.

A number of non-binding offers were received for the Apollo assets. JLL, the Boards of both VCTs and the Investment Adviser continue to engage with the bidders to clarify certain aspects of the offers. It is a very challenging market in which to sell such assets given the higher interest rate environment, which means investors return expectations are higher, compounded by falling power prices. The age and relatively small size of the portfolio have proved an issue for some investors. The extant financing has also proved unattractive for others. Limited investor liquidity and the sheer range of investment opportunities also mean that prospective buyers with capital to deploy are being highly selective and/or opportunistic in pricing assets for sale. However, the Board remains determined to seek the best outcome for Shareholders as soon as possible and is particularly mindful of the proportionately higher costs associated with running a relatively small fund.

The technical performance of the Apollo portfolio has improved following maintenance and repowering works carried out in previous years and is satisfactory. However given the age of the portfolio, further technical maintenance has been necessary during the half-year which has impacted generation. Total revenue was also affected by poor irradiation, particularly in December 2023 and February 2024, resulting in a shortfall of 7.0% to budget in the six month period ended 31 March 2024. The value of the Company's assets has also been negatively impacted by the latest independent power price forecasts used in this half-year valuation which project both lower short term and long-term power prices than assumed in the last year end valuation. Moreover the reduction in inflation assumptions used in this half-year valuation in line with the forecast long-term Bank of England (BoE) rates has also negatively impacted the value of the assets. The discount rate used to value the future cash flows of the Apollo assets has been left unchanged.

At 31 March 2024, the Company's NAV per 'pair' of shares (one Ordinary share and one 'A' Share) was 45.7p compared to 55.4p at 30 September 2023. This reduction is due to the payment of dividends totalling 7.5p per Ordinary Share largely from the proceeds from the sale of the Surya assets in April 2023, and also the consequence of a reduction in value of the remaining portfolio.

Investment portfolio

At 31 March 2024, the VCT held a portfolio of eleven investments, which were valued at £16.1mn (30 September 2023 : £18.0mn). Against this the VCT owes £4.3mn of loans (30 September 2023: £3.7mn) due to the investment portfolio companies which, including the net current assets of £0.2mn (30 September 2023: £0.2mn), equals net assets of £12.0mn (30 September 2023: £14.5mn) per the VCT's balance sheet. There have been no follow-on acquisitions and no disposals in the six month period under review.

The Board's valuation of £16.1mn is based on the continued use of a discounted cash flow model for consistency with all the previous annual valuation exercises. The key assumptions in this valuation model are updated by the Investment Adviser to reflect the current challenging market conditions and asset performance. These assumptions are reviewed and approved by the Board. This valuation approach is consistent with the VCT's peer group of comparable companies. However, the Board notes that this internal valuation approach may lead to valuations which differ from offers made by prospective buyers using different assumption sets, notably future power prices, inflation, discount rates, interest rates, as well as the relative strength of the competitive environment. There is no guarantee therefore that the internal valuation will be realised in any current or future sales process.

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

Ground mounted solar	94.1%
Small wind including Tumblewind Limited	5.9%
Non-renewable assets	0.0%

The Board has reviewed the investment valuations at the half-year end and notes that the valuation of the renewables' portfolio has decreased by £1.5mn or 8.5%, largely due to the fall in electricity prices and inflation assumptions.

The portfolio still benefits from having locked in PPAs at higher power prices which have generated strong returns over the first six months of this year.

There has been an ongoing issue in relation to the grid connection of the South Marston solar park. This arose from the decision of the offtaker of the electricity (Honda) to close its factory at the site that the solar park supplies and to sell the site to Panattoni. Panattoni, a provider of logistic facilities, has now completed the acquisition of Honda's site and has confirmed that it wants to use the power from South Marston to supply its tenants once the new logistics facilities have been constructed. The Investment Adviser has been negotiating with both Honda and Panattoni over a number of months to ensure that existing agreements with Honda will be novated to Panattoni as well as securing improvements to those agreements where needed to give South Marston better legal protection. The Board is pleased to announce that all of the amendments and improvements to the existing agreements which it sought have now been agreed with all parties and will be signed shortly following consent from the VCT's lenders, whose consent is required under the Loan Facility Agreement.

In order to maintain VCT status, the Company needs to ensure that it maintains certain percentages of qualifying investments within its portfolio. The Board anticipates that the Company will fall below these percentages as the asset realisation process continues. Therefore, to avoid a possible breach of VCT status, the Board has been advised that the Company may in due course need to start the process of a members' voluntary liquidation which would involve delisting the Company's shares. The Board continues to monitor those ratios to ensure that the Company is compliant at all times with all requirements.

Venture Capital investments

The VCT holds two non-renewables investments. As previously reported, these companies entered administration in Q2 2023 with no recovery of any value expected.

Further detail on the investment portfolio is provided in the Investment Adviser's Report.

Net asset value and results

At 31 March 2024, the Net Asset Value (NAV) per Ordinary Share stood at 45.6p and the NAV per 'A'Share stood at 0.1p, producing a combined total of 45.7p per 'pair' of shares. The movement in the NAV per share during the half-year is detailed in the table below:

	Pence per 'pair' of shares
NAV as at 1 October 2023	**55.4**
Less dividend payments during the half-year	(7.5)
Valuation decrease on assets still held	(6.5)
Income less expenses	4.3
NAV as at 31 March 2024	**45.7**

The NAV Total Return (NAV plus cumulative dividends) has decreased by 1.7% in the six months and now stands at 128.8p excluding the initial 30% VCT tax relief, compared to the cost to investors in the initial fundraising of £1.00 or 70.0p net of income tax relief.

The loss on ordinary activities after taxation for the half-year was £0.6mn (31 March 2023: £0.4mn), comprising a revenue profit of £1.1mn (31 March 2023: £0.7mn) and a capital loss of £1.7mn (31 March 2023: capital loss of £1.1mn) as shown in the Income Statement.

Dividends

In the half-year period, the Board was pleased to declare a 7.5p per Ordinary Share interim dividend. The 7.5p interim dividend related to income generation from the portfolio, but part of which was also the distribution of the remaining proceeds arising from the sale of the Surya assets in April 2023. This dividend was paid on 21 December 2023 to Shareholders on the register on 1 December 2023. No amounts were payable to 'A'Shares during the six months period.

Following the 7.5p interim dividend payment above, cumulative dividends paid since inception for a combined holding of one Ordinary Share and one 'A'Share increased to 83.1p (30 September 2023: 75.6p).

2024 Annual General Meeting (AGM)

The VCT's thirteenth AGM was held on 19 March 2024 at 12.00 p.m. All resolutions were passed by way of a poll.

Acquisition of Gresham House plc, statement regarding Investment Adviser

Further to the announcement on 17 July 2023 of the acquisition of Gresham House plc by Searchlight Capital Partners L.P., the acquisition has now completed, and Gresham House plc delisted from the London Stock Exchange on 20 December 2023, to become a privately owned company. The acquisition is expected to have minimal impact on the Company and business is continuing as usual. For further information please visit the website link: https://greshamhouse.com/about/.

Amendment to Investment Advisory Agreement

The Investment Advisory Agreement (IAA), between the Company and its Investment Adviser, Gresham House Asset Management Limited (Gresham House), provides that the annual running costs of the Company (including the Investment Adviser fee) for the financial year are subject to a cap of 3.0% of net assets. Investment Advisory fees payable to Gresham House are subject to a claw back for costs incurred in excess of this cap. Following the part sale of assets in April 2023 and subsequent dividend paid as a result of the 13 July 2021 shareholder vote to wind-down the Company, the Company's net assets have reduced to a level not anticipated when the IAA agreement was agreed and signed. Due to this significant reduction in the NAV as a result of the Managed Wind Down process, the annual running costs (being, all costs and expenses of a regular and anticipated nature) for the financial year ending 30 September 2024 are now expected to exceed the 3% cap, currently forecasted to be around 4%. As many costs incurred in running a listed company are largely fixed and with the Board noting that the annual running costs cap is not intended to penalise the Investment Adviser for a reduction in NAV in a wind down situation, it has been agreed between the Board and Gresham House that the cap of net assets should be revised to the lesser of 5% of net assets and £625,000. The basis of calculation of investment advisory fees, calculated as 1.15% of net assets, are unaffected.

Outlook

As noted in previous reports, the Board has not been able to realise the sale of the Company's Apollo assets as quickly as Shareholders may have expected, due to extremely challenging market conditions and issues on certain assets (notably South Marston) which needed resolving. The Board continues to ensure that every effort is being made to maximise Shareholder returns. Following a change in corporate finance adviser, the Board is focused on realising value for Shareholders through the sale process and this will remain its priority until achieved.

In the meantime, as evidenced by the most recent dividend payment on 21 December 2023, the remaining portfolio is generating strong cash flows for the Company. Despite this, costs throughout the remaining portfolio continue to rise and, with only the Investment Advisers fees linked to the NAV, the Company's costs largely remain at the level pre-sale of assets.

The strategy remains to find a motivated and willing purchaser who offers appropriate value for the assets which the Company is seeking to sell.

Once again, I would like to thank Shareholders for their patience and continued interest and support.

Christian Yates
Chairman
24 June 2024

INVESTMENT ADVISER'S REPORT

Portfolio highlights

Gresham House Renewable Energy VCT2 plc remains principally invested in the renewable energy projects that the VCT and Gresham House Renewable Energy VCT1 plc (VCT1) have co-owned for between eleven and thirteen years, depending on the asset. Following the sale of 13MWp of capacity (the Surya assets) in April 2023, the total generation capacity of assets co-owned by the VCT as 31 March 2024 was 21.3MWp.

The Investment Adviser has repeated the internal valuation exercise on the same basis as previous valuations being a discounted cash flow model approach, for the purpose of determining the Net Asset Value and has provided the relevant information to the Board of the VCT, to determine the value of the assets. For the Apollo assets, the valuation presented in this half yearly report reflects the Directors' view of the fair value of the assets which incorporates potential costs (such as the EGL) a future acquirer may incur through holding the assets as well as their view on other key assumptions that determine future operational and financial performance.

During the half year, the total revenue from renewable energy generation was £3.6mn (31 March 2023: £5mn for the whole portfolio, £3.5mn for the retained assets i.e. following the sale of the Surya assets). 74% of this revenue is from Feed-in- Tariff revenues which are set by the UK Government. The total revenue from the renewable assets was 7% below forecast budget, primarily due to lower than forecast solar irradiation in the period.

Due to the age of the VCT's assets, additional maintenance is required to keep them operating effectively although much of this work has been completed and the portfolio now benefits from improved technical performance. Further unscheduled maintenance work will be required on some of the assets that have not been upgraded yet, to maintain good technical performance.

During the period, actual solar irradiation was 8.0% below forecast, with December 2023 and February 2024 in particular seeing much less solar irradiation (sun) than in previous years.

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

- Power prices in the market have dropped materially from the elevated levels in 2022/23 although remaining volatile. Fixed-price contract arrangements for the sale of power protects the assets from this price volatility in the short term. The value of these assets relative to the corresponding period has been negatively impacted by the latest long term independent power price forecasts which are lower than the levels assumed in the last valuation.
- With much of the portfolio's revenue being inflation linked, higher and more sustained inflation increases the portfolio's value. The inflation assumptions used in this valuation have been reduced in line with the forecast long-term Bank of England rates, which also has a negative impact on the valuation.

  Discount rates have been held at the same level as the previous valuation, which reflects the Board's view of rates in the market at this time.

The VCT held two investments in what were expected to be growth businesses: bio-bean Limited and Rezatec Limited. As highlighted in the last annual report, both businesses regrettably went into administration and as such their holding value was written down to zero.

Portfolio composition

		31 March 2024		30 September 2023	
Asset type	**kWp**	**VCT 2 Value** £'000**	**% of Portfolio value**	**Value VCT 2** £'000**	**% of Portfolio value**
Ground mounted solar (FiT)*	20.325	£15,153	94.1%	£15,395	85.7%
Wind assets (Feed In Tariff)	1.030	£951	5.9%	£2,568	14.3%
TOTAL	**21.355**	**£16,104**	**100.0%**	**£17,963**	**100.0%**

*Feed in Tariff (FiT)

** The investment values above are gross and include loans owed by the VCT to the investment portfolio companies of £4.3mn at 31 March 2024 (30 September 2023: £3.7mn) as reflected in the net assets on the VCT's balance sheet.

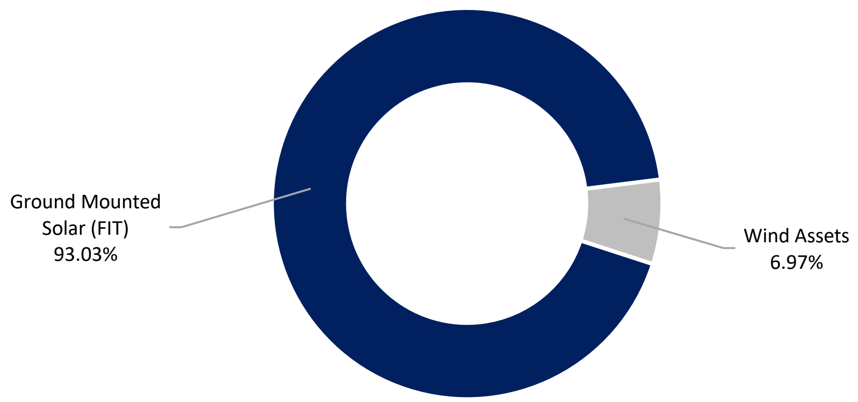
The 21.3MWp of renewable energy projects held in the portfolio of the VCT and VCT1 as 31 March 2024 generated 5,572 MWh of electricity over the half year, sufficient to meet the annual electricity consumption of circa 2,064 homes[1]. The Investment Adviser estimates that generating this output from renewable energy sources such as solar and wind, rather than coal or gas-fired power stations, saves 2,363 tonnes[2] of CO2.

[1] Assuming an average annual electricity usage per household of 2.7MWh, as quoted by Ofgem October 2023. "Homes powered" calculated using Renewable UK methodology: MWh divided by average annual domestic electricity consumption.

[2] Based on estimated carbon dioxide emissions from electricity supplied by the Department for Energy Security & Net Zero assuming an "all non-renewable fuels" emissions statistic of 424tCO2/GWh of electricity supplied, DESNZ statistics July 2023, Digest of UK Energy Statistics, Table 5.14 ("Estimated carbon dioxide emissions from electricity supplied"). "Carbon avoided" calculated using Renewable UK methodology: Carbon reduction is calculated by multiplying the total amount of electricity generated by solar and wind per year by the number of tonnes of carbon which fossil fuels would have produced to generate the same amount of electricity.

Portfolio summary:

Renewable Energy Revenue By Asset Type



The performance against budget for the half year period is shown below:

	1 October 2023 – 31 March 2024		
Asset type	Budgeted revenue	Actual revenue	Revenue performance
Ground mounted solar (FiT)	3,544,676	3,309,659	93.4%
Micro-wind assets	284,245	248,075	87.3%
Total	**3,828,921**	**3,557,734**	**92.9%**

The revenue is affected by:

- renewable energy resources (solar irradiation & wind);
- the technical performance of the assets; and
- the revenue per unit of energy generated.

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

The ground mounted solar assets which make up the bulk of the portfolio, performed 7% below budgeted output, a somewhat lower performance than the corresponding period in the prior financial year, although this is explained largely by the poor weather conditions.

Renewable energy resources

The portfolio is heavily weighted to solar (95.2% by capacity of the renewable assets, and 94.3% by value of the portfolio).

Technical performance

The table below shows the technical performance, (including in the case of solar, the impact of the lower irradiation), for each of the groups of assets.

	1 October 2023 – 31 March 2024			1 October 2022 - 31 March 2023
Asset type	**Budgeted output kWh**	**Actual output kWh**	**% of Technical performance****	**Actual output kWh (in the same period last year)***
Ground mounted solar (FiT)	5,630,443	5,011,043	89.0%	5,520,452
Micro-wind assets	642,972	561,154	87.3%	479,969
TOTAL	**6,273,415**	**5,572,197**	**88.8%**	**6,000,421**

*restated

** Technical performance is a measure of the percentage of actual output over budgeted output.

Three of the six ground-mounted solar projects have been repowered and other repairs have been carried out following successful warranty claims. This has led to improved performance across the portfolio. Two of the sites, Kingston Farm and Lake Farm are experiencing faults due to the early deterioration of solar panels which in turn leads to water ingress. The Investment Adviser has raised warranty claims against the two manufacturers, both of which are engaging with the process.

Two smaller sites, Wychwood and Parsonage, have some inverters that no longer function. These inverters are now obsolete. The Investment Adviser has received quotations to repower both these sites. The Investment Adviser is considering repowering all Wychwood inverters which would produce enough working spares to be used to replace failed inverters at Parsonage. This approach is cost effective and should extend the economic life of Parsonage by a few years as well as boosting the technical performance of Wychwood.

South Marston (4.97MW) has historically sold all of its power output to the Honda plant in Swindon. The Honda plant was closed in 2021 and the site was sold to Panattoni, a commercial real estate/logistics developer, in February 2024. Panattoni have been granted planning permission to redevelop the site, creating 10 buildings to be used as manufacturing sites and distribution warehouses. This transfer of ownership and redevelopment requires changes to the South Marston grid connection arrangements. Panattoni is keen to make the solar power available to their future tenants and so is being supportive of these changes. The Investment Adviser has been liaising with Honda, Panattoni, and various advisers to ensure the viability of the solar park and continuity of export of power. The new contracts between South Marston Renewables Ltd, Honda and Panattoni are now in agreed form and awaiting lender consent.

The micro-wind portfolio performed 12.7% lower than budget (23.1% lower than budget in the corresponding period). The Investment Adviser attributes the lower performance to a combination of inverter failures and general wear and tear which leads to turbines being off for refurbishment, where applicable. Micro-wind assets account for less than 5% of the portfolio in terms of capacity, so the Investment Advisor seeks to balance performance against considerable refurbishment costs, given the current sales process.

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

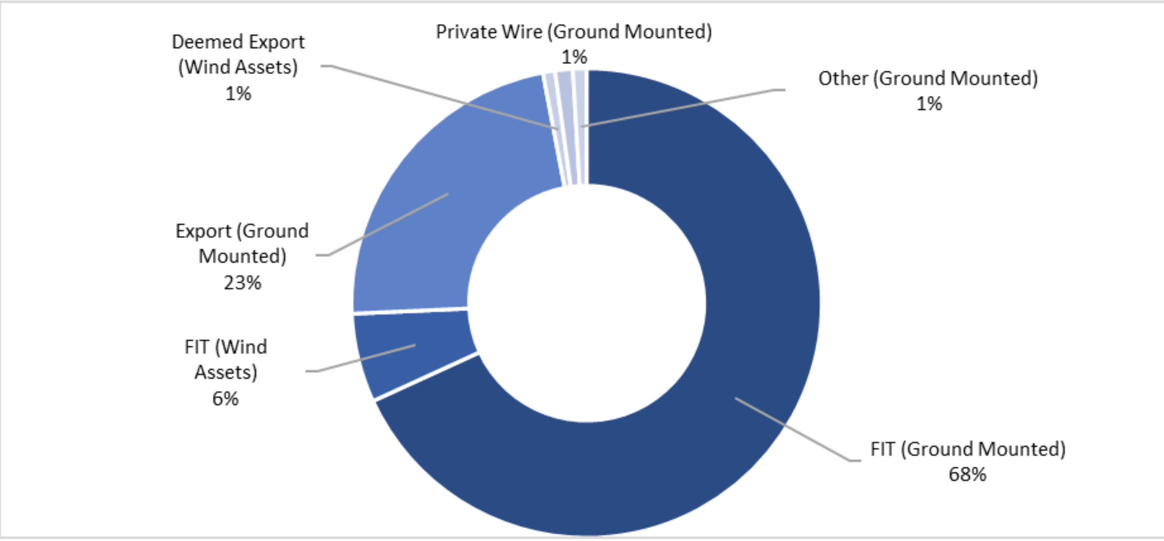
Revenue per MWh of renewable energy generated

The VCT's assets benefit from revenues linked to the Retail Price Index (RPI), with 74% of total revenues generated in the period earned from government backed incentives for generating renewable electricity. This income is fixed by the government, is RPI linked and is a significant driver of value in the portfolio.

Total revenues per MWh generated by the solar assets were just over £670 for the year ended 30 September 2023 compared to £500 the year before. These are projected to fall by approximately 5% in the financial years ending 30 September 2024 and 30 September 2025, as a result of the lower power prices estimated in the industry forecasts. This modest reduction in revenues reflects the fact that the majority of revenues come from the subsidy, demonstrating the value of holding subsidised assets in the portfolio during periods of volatile electricity prices.

The significance of the government backed incentives to revenues is shown by the following chart.

VCT portfolio revenue profile
during period 1 October 2023 – 31 March 2024



Operating costs

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

The most material variable cost item is for repair and maintenance. Repair and maintenance expenditure for the remaining solar panels is largely covered by cash held in the maintenance reserve totalling £0.7mn at the end of the half year.

Portfolio valuation

The Investment Adviser is supporting the sales adviser (JLL) in seeking to find a buyer for the VCT's remaining solar assets and notes that a binding offer between a willing buyer and willing seller to acquire the assets will be a good indication of value. No binding nor firm offer has been received to date.

The NAV of the renewable portfolio is derived from the discounted future cash flows generated by the renewable energy assets, over their remaining lifetimes, as well as the cash held by the companies in the portfolio and the cash held by the VCT.

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

- **Renewable energy resource.** The assumptions for solar irradiation have not changed since the corresponding period and will be reviewed again at the time of the full year valuation.
- **Technical performance.** The repairs at Lake Farm, Kingston Farm and Beechgrove Farm resolved their historic performance issues, and so the technical performance assumptions used in the last valuation have been maintained.
- **Power prices.** Power price forecasts have been updated to reflect contracted positions in the near term followed by latest independent industry forecasts.
- **Asset Life.** The assets are valued based on the duration of subsidies, the lease terms and the length of the planning permissions, without assuming extensions.
- **Costs.** Current costs for the assets are included, reflecting all commercial negotiations, expectations for maintenance costs after the assets are repaired and the need to account for the costs of repairs to equipment such as switchgear and transformers.
- **Corporation tax.** The actual corporation tax paid, (corporation tax rate increased to 25% effective from 1 April 2023), will impact on the cash available to Shareholders.
- **Inflation.** With most of the revenues being linked to RPI, any increase in inflation projections increases the overall profitability, and therefore valuation of the assets. This is offset, to some degree, by debt service for the debt facility also being indexed to inflation with an increase in inflation resulting in higher interest charges.

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

Consistent with the year end valuation, the valuation of the portfolio at 31 March 2024 also takes into account the Electricity Generator Levy (EGL). The EGL is likely to be payable by an acquiror of these assets. As previously reported, a portfolio value based purely on the cash flows generated by the assets would be somewhat higher for the reason that the Company itself would not be subject to the EGL (because the Company's generation output falls below the threshold for the EGL and the revenues are within the £10mn allowance).

Outlook

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

The assets that were enhanced through inverter and transformer replacements demonstrate a sustained improvement in performance. The generation outlook is therefore improved. The Investment Adviser remains vigilant for signs of further degradation so that the impact on availability can be managed and reduced.

The effect of power prices locked in at high levels should translate into improved revenue and cash flow for the remaining assets over the next few years.

Gresham House Asset Management Limited

24 June 2024

UNAUDITED INCOME STATEMENT

for the six months ended 31 March 2024

	Six months ended 31 March 2024			Six months ended 31 March 2023			Year ended 30 September 2023
	Revenue	**Capital**	**Total**	**Revenue**	**Capital**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income	1,445	-	1,445	1,024	-	1,024	1,055
Losses on investments	-	(1,596)	(1,596)	-	(1,103)	(1,103)	(4,892)
	1,445	(1,596)	(151)	1,024	(1,103)	(79)	(3,837)
Investment advisory fees	(73)	(24)	(97)	(103)	(34)	(137)	(314)
Other expenses	(214)	(98)	(312)	(219)	-	(219)	(409)
Loss on ordinary activities before taxation	1,158	(1,718)	(560)	702	(1,137)	(435)	(4,560)
Tax on total comprehensive income and ordinary activities	-	-	-	-	-	-	-
Loss attributable to equity Shareholders	1,158	(1,718)	(560)	702	(1,137)	(435)	(4,560)
Earnings per Ordinary Share	**4.4p**	**(6.5)p**	**2.1p**	**2.7p**	**(4.3)p**	**(1.6)p**	**(17.4p)**
Earnings per 'A'Share	-	-	-	-	-	-	-

The total column within the Income Statement represents the Statement of Total Comprehensive Income of the VCT prepared in accordance with Financial Reporting Standards (FRS 102). The supplementary revenue and capital return columns are prepared in accordance with the Statement of Recommended Practice issued in November 2014 (updated in July 2022) by the Association of Investment Companies (AIC SORP).

A Statement of Total Recognised Gains and Losses has not been prepared as all gains and losses are recognised in the Income Statement as noted above.

UNAUDITED BALANCE SHEET

as at 31 March 2024

	31 March 2024 £'000	31 March 2023 £'000	30 September 2023 £'000
Current assets			
Investments (note 9)	16,104	26,877	17,963
Costs incurred on sale of VCT's assets	237	542	252
Debtors	47	114	80
Cash at bank and in hand	2	24	4
	16,390	27,557	18,299
Creditors: amounts falling due within one year	(4,424)	(2,472)	(1,926)
Net current assets	**11,966**	**25,085**	**16,373**
Creditors: amounts falling due after more than one year	-	(2,162)	(1,887)
Net assets	**11,966**	**22,923**	**14,486**
Capital and reserves			
Called up share capital	71	71	71
Share premium account (note 8)	-	9,734	-
Treasury shares (note 8)	(3,403)	(3,403)	(3,403)
Capital redemption reserve (note 8)	-	1	-
Special reserve (note 8)	8,733	4,290	9,713
Revaluation reserve (note 8)	10,025	16,158	11,546
Capital reserve - realised (note 8)	(3,462)	(4,043)	(3,265)
Revenue reserve (note 8)	2	115	(176)
Equity Shareholders' funds	**11,966**	**22,923**	**14,486**
Net asset value per Ordinary Share	**45.6p**	**87.6p**	**55.3p**
Net asset value per 'A'Share	**0.1p**	**0.1p**	**0.1p**
	45.7p	**87.7p**	**55.4p**

The financial statements of Gresham House Renewable Energy VCT2 plc on pages 10 to 18 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

Christian Yates
Chairman
Company number: 07378395
Date: 24 June 2024

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2024

	Called up share capital	Share Premium account	Capital redemption reserve	Treasury shares	Special reserve	Revaluation reserve	Capital Reserve - realised	Revenue reserve	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 30 September 2022	71	9,734	1	(3,403)	4,813	16,869	(3,617)	(587)	23,881
Cancellation of Share Premium and Capital redemption reserve	-	(9,734)	(1)	-	9,735	-	-	-	-
Dividend paid	-	-	-	-	(4,835)	-	-	-	(4,835)
Total comprehensive loss	-	-	-	-	-	(5,323)	352	411	(4,560)
As at 30 September 2023	71	-	-	(3,403)	9,713	11,546	(3,265)	(176)	14,486
Total comprehensive loss	-	-	-	-	-	(1,521)	(197)	1,158	(560)
Dividend paid	-	-	-	-	(980)	-	-	(980)	(1,960)
As at 31 March 2024	**71**	**-**	**-**	**(3,403)**	**8,733**	**10,025**	**(3,462)**	**2**	**11,966**

UNAUDITED STATEMENT OF CASH FLOWS

for the six months ended 31 March 2024

	31 March 2024	31 March 2023	30 September 2023
	£'000	£'000	£'000
Cash flows from operating activities			
Loss on ordinary activities before taxation	(560)	(435)	(4,560)
Losses on investments	1,596	1,103	4,892
Dividend income	(1,425)	(998)	(998)
Interest income	(20)	(26)	(53)
Increase/(decrease) in other creditors	608	89	(130)
Increase/(decrease) in other debtors	9	(2)	-
Net cash inflow/(outflow) from operating activities	208	(269)	(849)
Cash flows from investing activities			
Net proceeds from sale of investments	(75)	-	4,453
Costs incurred on sale of VCT's assets	22	(221)	(124)
Interest received	40	38	97
Dividend income received	1,425	998	998
Net cash inflow from investing activities	1,412	815	5,424
Net cash inflow before financing activities	1,620	546	4,575
Cash flows from financing activities			
Equity dividends paid	(1,960)	(523)	(4,835)
Proceeds from loans	-	-	263
Redemption of loan notes	338	-	-
Net cash outflow from financing activities	(1,622)	(523)	(4,572)
Net (increase)/decrease in cash	(2)	23	3
Cash and cash equivalents at start of period	4	1	1
Cash and cash equivalents at end of period	2	24	4
Cash and cash equivalents comprise:			
Cash at bank and in hand	2	24	4
Total cash and cash equivalents	2	24	4

SUMMARY OF INVESTMENT PORTFOLIO AND MOVEMENTS

for the six months ended 31 March 2024

Investment Portfolio as at 31 March 2024

Qualifying and part-qualifying investments	Operating sites	Sector	Cost £'000	Valuation £'000	Valuation movement in period £'000	% of portfolio by value
Lunar 2 Limited [1]	South Marston, Beechgrove	Ground solar	1,330	11,193	92	69.5%
Lunar 1 Limited [1]	Kingston Farm, Lake Farm	Ground solar	124	1,855	(70)	11.5%
New Energy Era Limited	Wychwood Solar Farm	Ground solar	884	1,256	(63)	7.8%
Vicarage Solar Limited	Parsonage Farm	Ground solar	871	849	(200)	5.3%
HRE Willow Limited	HRE Willow	Small wind	875	564	(58)	3.5%
Minsmere Power Limited	Minsmere	Small wind	975	202	(78)	1.3%
Tumblewind Limited	Tumblewind	Small wind	850	131	(1,089)	0.8%
Small Wind Generation Limited	Small Wind Generation	Small wind	975	54	(55)	0.3%
bio-bean Limited [2]	Cambridgeshire	Clean energy	695	-	-	0.0%
Rezatec Limited [2]	United Kingdom	Clean energy	1,000	-	-	0.0%
Lunar 3 Limited [1]		Ground solar	1	-	-	0.0%
			8,580	16,104	(1,521)	100%
Cash at bank and in hand				2		0.0%
Total investments				16,106		100.0%

[1] Partially qualifying-investment

[2] These investments are permanently impaired as at 31 March 2024.

All venture capital investments are incorporated in England and Wales.

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

Investment Disposals

Qualifying and partially qualifying investments	Cost at 30 September 2023 £'000	Valuation at 30 September 2023 £'000	Redemption of loan notes in period £'000	Profit vs costs in period £'000	Realised Gain in period £'000
Tumblewind Limited	338	338	338	-	-

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1. General information

The VCT is a Venture Capital Trust established under the legislation introduced in the Finance Act 1995 and is domiciled in the United Kingdom and incorporated in England and Wales.

At the General Meeting on 13 July 2021 a formal decision was made to wind the VCT up, therefore the VCT financial statements have since been prepared on a non-going concern basis. As a result, the investments held at fair value through profit or loss were transferred from fixed assets to current assets in the 30 September 2021 annual financial statements. No further adjustments were made in the VCT's financial statements relating to the non-going concern basis.

2. Accounting policies - Basis of accounting

The unaudited half-yearly results cover the six months to 31 March 2024 and have been prepared in accordance with the accounting policies set out in the annual accounts for the year ended 30 September 2023 which were prepared under FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and in accordance with the Statement of Recommended Practice (SORP) "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies (AIC) in November 2014 and revised in July 2022 (SORP) as well the Companies Act 2006.

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

4. The VCT has only one class of business and derives its income from investments made in shares, securities and bank deposits.

5. Net asset value per share at the period end has been calculated on 26,133,036 Ordinary Shares and 39,463,845 'A'Shares, being the number of shares in issue at the period end, excluding Treasury Shares.

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

7. Dividends

			Period ended 31 March 2024	**Year ended 30 September 2023**
	Revenue	**Capital**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Dividends paid				
2022 Interim Ordinary - 2.0p	-	-	-	523
2023 Interim Ordinary - 16.5p	-	-	-	4,312
2023 Interim Ordinary – 7.5p	980	980	1,960	-
	980	**980**	**1,960**	**4,835**

8. Reserves

	Period ended 31 Mar 2024 £'000	Year ended 30 Sept 2023 £'000
Treasury shares	(3,403)	(3,403)
Special reserve	8,733	9,713
Revaluation reserve	10,025	11,546
Capital reserve-realised	(3,462)	(3,265)
Revenue reserve	2	(176)
	11,897	14,486

The Special reserve is available to the VCT to enable the purchase of its own shares in the market. Following a successful application to the High Court and lodgement of the Company's statement of capital with the Registrar of Companies, the Company was permitted to cancel its Share premium account as well as its Capital redemption reserve. This was effected on 25 May 2023 by a transfer of the balance of £9.7mn from the Share premium account and £1,000 from its Capital redemption reserve, to the Special reserve. The Special reserve, Capital reserve - realised and Revenue reserve are all distributable reserves for the purposes of dividend payments to Shareholders. At 31 March 2024, distributable reserves were £5.3mn (30 September 2023: £6.3mn).

9. Investments

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

The VCT has categorised its financial instruments using the fair value hierarchy as follows:

Level 1 Reflects financial instruments quoted in an active market;
Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and
Level 3 Reflects financial instruments that use valuation techniques that are not based on observable market data (unquoted equity investments and loan note investments).

	Level 1	Level 2	Level 3	31 March 2024	Level 1	Level 2	Level 3	30 September 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted loan notes	-	-	330	330	-	-	668	668
Unquoted equity	-	-	15,774	15,774	-	-	17,295	17,295
	-	-	16,104	16,104	-	-	17,963	17,963

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

	Unquoted loan notes £'000	Unquoted equity £'000	Total £'000
Balance at 30 September 2023	668	17,295	17,963
Movements:			
Unrealised losses in the income statement	-	(1,521)	(1,521)
Redemption of loan notes	(338)	-	(338)
Balance at 31 March 2024	330	15,774	16,104

10. Risks and uncertainties

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

The Board has concluded that the key risks facing the VCT over the remainder of the financial period are as follows:

(i) Asset diversification risk associated with 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 assets exposure will be affected accordingly;
(ii) market risk in respect of the various assets held by the investee companies;
(iii) failure to maintain approval as a VCT;
(iv) risk surrounding the sale of the VCT's solar assets; and
(v) economic risk due to several factors including the Russian Federation's invasion of Ukraine and conflict in the Middle East.

The VCT's compliance with the VCT regulations is continually monitored by the VCT Status Adviser, who reports regularly to the Board on the current position. The VCT has appointed Philip Hare & Associates LLP as VCT Status Adviser, who will work closely with the Investment Adviser and provide regular reviews and advice in this area. The Board considers that this approach reduces the risk of a breach of the VCT regulations to a minimal level. In order to maintain VCT status, the Company needs to ensure that it maintains an excess over a % threshold of qualifying investments within its portfolio. The Board anticipates that the Company may fall below these percentages as the asset realisation process continues. Therefore, to avoid a breach of VCT status, the Board has been advised that the Company may in due course need to start the process of a members' voluntary liquidation which would involve delisting of the Company's shares.

There is a risk that the VCT's solar assets may not be realised at their carrying value, and the sale commissions, such as liquidation costs and other costs associated with the realisation of the VCT's assets, may reduce cash available for distribution to Shareholders. Furthermore, there is a risk that the sale of the VCT's assets may prove materially more complex than anticipated which may delay distribution of proceeds to Shareholders. To mitigate these risks, the VCT's Board has engaged several experts in this field to ensure an appropriate sale price is reached. The Directors will ensure that the sale price reflects the best available offer for the Company's assets taking into account future income generation by the portfolio and the age and condition of the assets. In addition, the Board reviews quarterly cash flow forecasts, prepared by the Investment Adviser, and has considered the impact of additional costs likely to be incurred during the Managed Wind Down of the VCT.

The Board has considered the Russian Federation's invasion of Ukraine, the conflict in the Middle East and the impact of the higher interest rates on the VCT. Where investments in loan stock attract interest, this is predominately charged at fixed rates.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS (continued)

11. Going concern

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

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

Although the continuation vote was passed by VCT 1 at the AGM, there were a significant number of votes against this resolution and the Shareholders of this VCT voted against continuation. This required the VCTs to draw up proposals for voluntary liquidation, reconstruction or other re-organisation for consideration by the members at the General Meeting held on 13 July 2021. At this meeting the proposed special resolution was approved by Shareholders, resulting in the VCTs entering a Managed Wind Down and a new investment policy replacing the existing investment policy. The Board agreed to realise the VCT's investments in a manner that achieves balance between maximising the net value received from those investments and making timely returns to Shareholders.

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

12. The unaudited financial statements set out herein do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and have not been delivered to the Registrar of Companies.

13. The Directors confirm that, to the best of their knowledge, the half-yearly financial statements have been prepared in accordance with the "Statement: Half-Yearly Financial Reports" issued by the UK Accounting Standards Board and the Half-Yearly Report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

Copies of the Half-Yearly Report can be obtained from the VCT's registered office or can be downloaded from www.greshamhouse.com/real-assets

SHAREHOLDER INFORMATION

Selling shares

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

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

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

Notification of change of address

Communications with Shareholders are mailed to the registered address held on the share register. In the event of a change of address, or other amendment, this should be notified to the VCT's registrar, Link 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: **www.greshamhouse.com/real-assets**

If you have any queries regarding your shareholding in Gresham House Renewable Energy VCT2 plc, please contact the Company's registrar Link Group by post, by phone or by email. The registrar contact details could be found on the following page.

Company Information

Directors
Christian Yates (Chairman)
Andrew Donovan
Matthew Evans

Company Secretary and Registered Office
JTC (UK) Limited
The Scalpel 18th Floor
52 Lime Street
London EC3M 7AF

Registered No. 07378395

Investment Adviser
Gresham House Asset Management Limited
5 New Street Square
London EC4A 3TW
Tel: 020 3837 6270
www.greshamhouse.com

Administrator
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The Scalpel 18th Floor
52 Lime Street
London EC3M 7AF
Tel: 020 7409 0181
www.jtcgroup.com

Registrar
Link Group – trading name of Link Market Services Limited
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Link Group Customer Support Centre: by phone on UK – 0371 664 0324 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate, lines open Monday to Friday 9:00 a.m. to 5:30 p.m. excluding public holidays in England and Wales)

By email: vcts@linkgroup.co.uk

Gresham House
Specialist investment