Since 1857
Gresham House
Specialist asset management

GRESHAM HOUSE RENEWABLE ENERGY VCT1 PLC

REPORT & ACCOUNTS

For the year ended 30 September 2019

IN THIS REPORT

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 (13 December 2019)	104.0p per share	5.05p per share

SELLING SHARES

The VCT has a policy of buying Shares that become available in the market if liquidity and regulatory constraints permit. The VCT is not currently buying in Shares as it seeks to make new VCT Qualifying investments. The Board reviews the buyback policy from time to time and may make changes if it considers that to be in the best interests of Shareholders as a whole.

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

FINANCIAL CALENDAR

17 March 2020	Annual General Meeting
May 2020	Announcement of half yearly financial results
December 2020	Annual dividend paid

DIVIDENDS

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

NOTIFICATION OF CHANGE OF ADDRESS

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

OTHER INFORMATION FOR SHAREHOLDERS

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

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

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

"During the financial year, the portfolio generated 33,251,560 kilowatt hours (kWh) of renewable electricity. In the calendar year 2018, each kWh of electricity generated from fossil fuels in the UK emitted 450 grams of CO2 (source: Digest of UK Energy Statistics). This means that electricity produced by the portfolio avoided the emission of almost 15,000 tonnes of Carbon Dioxide to the atmosphere. This is equivalent to the average car driving approximately 75 million road miles."

COMPANY INFORMATION

REGISTERED NUMBER
07378392

DIRECTORS
Gill Nott (Chairman)
Stuart Knight
Duncan Grierson
David Hunter (appointed 18 September 2019)

COMPANY SECRETARY AND REGISTERED OFFICE (UP TO 30 OCTOBER 2019)
Grant Whitehouse
6th Floor, St. Magnus House
3 Lower Thames Street
London EC3R 6HD

COMPANY SECRETARY AND REGISTERED OFFICE (FROM 30 OCTOBER 2019 ONWARDS)
JTC (UK) Limited
The Scalpel, 18th Floor
52 Lime Street
London EC3M 7AF

INVESTMENT ADVISER
Gresham House Asset Management Limited
5 Cheapside
London EC2V 6AA
Tel: 020 3837 6270
www.greshamhouse.com

ADMINISTRATION MANAGER (UP TO 22 MAY 2019)
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www.downing.co.uk

ADMINISTRATION MANAGER (FROM 22 MAY 2019 ONWARDS)
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52 Lime Street
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AUDITOR
BDO LLP
150 Aldersgate Street
London EC1A 4AB

VCT STATUS ADVISERS
Philip Hare & Associates LLP
Hamilton House
1 Temple Avenue
London EC4Y 0HA

REGISTRARS
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0300
(calls cost 12p per minute plus network extras, lines open 9:00 a.m. to 5:30 p.m. Monday to Friday)
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SOLICITORS
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Broadgate Tower
20 Primrose Street
London EC2A 2EW

BANKERS
Royal Bank of Scotland plc
London Victoria Branch
119/121 Victoria Street
London SW1E 6RA

CORPORATE BROKER
Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

INVESTMENT OBJECTIVES

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

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

The detailed investment policy adopted to achieve the investment objectives is set out in the Strategic Report on pages 20 to 26.

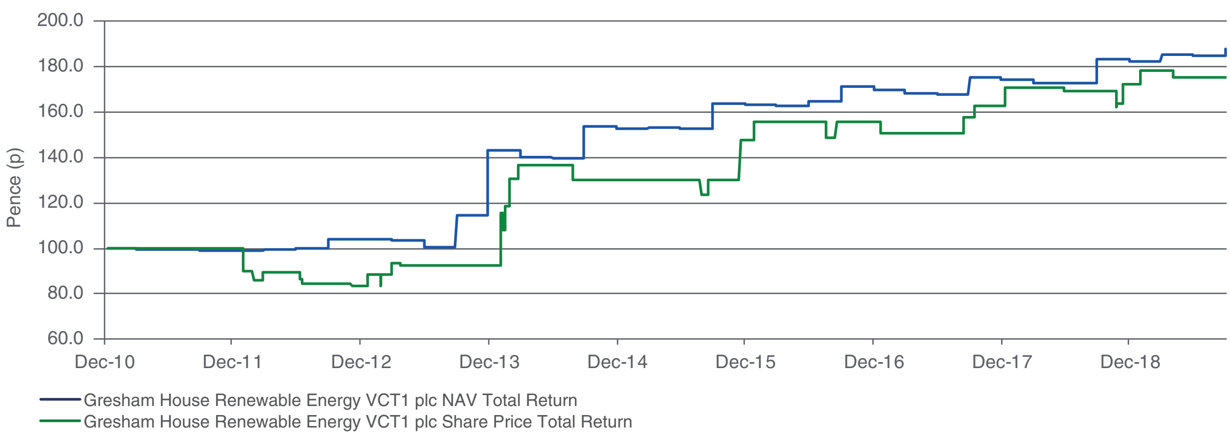
FINANCIAL HIGHLIGHTS*

	30 September 2019 Pence	30 September 2018 Pence
Net asset value per Ordinary Share	117.1	120.2
Net asset value per 'A' Share	0.1	0.1
Cumulative Dividends paid	45.5	39.5
Total return per Ordinary Share and 'A' Share	162.7	159.8

* 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.

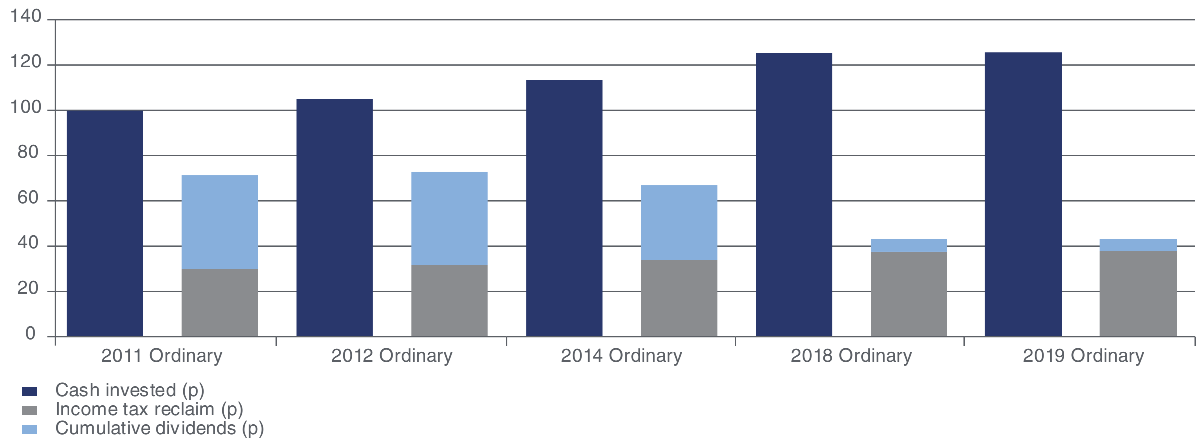
VCT1 SHARE PRICE TOTAL RETURN

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.



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, US Solar Fund, Premier Global Infrastructure Trust plc and PGIT Securities 2020 plc.

Stuart Knight has worked in the financial sector for over twenty years, securing the position of Principal 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 several businesses in the sustainability sector and raised over $100m in venture capital from investors including Goldman Sachs and Fidelity. He is Chief Executive of Clim8, a digital platform for investing into clean energy and a non-executive director of Moixa Energy, a solar energy storage platform. Previously he was a managing director of Iona Capital, a fund manager investing in bio-energy infrastructure projects where he headed up energy tech. Earlier in his career, he was a venture capital investor with Lake Capital and TCVC 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 and licensing operation which is market funded. David also chairs the Audit Committee of Big Society Capital. In addition, David is a member of the board at Paragon Asra Housing Association where he chairs the Development Committee. In the not for profit area, David is a Trustee of both Age UK and Motability. 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.

INVESTMENT ADVISER

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

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

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

CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report of Gresham House Renewable Energy VCT1 plc for the year ended 30 September 2019. Overall performance in the year has been good with the underlying investment portfolio driving revenues slightly above expectations in the year. Although solar irradiation was strong during the summer months, some technical issues offset some of the performance gains that might otherwise have arisen from this year's sunny weather.

INVESTMENT PORTFOLIO

At the year end, the VCT held a portfolio of 14 investments, which were valued at £29.6 million. There were no additions to the portfolio during the year, although the VCT successfully exited its investment in ChargePoint Services in June 2019, returning total proceeds of £546,000 and demonstrating the potential for selective small investments outside the solar and wind energy space.

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

Ground-mounted Solar	86.0%
Rooftop Solar	9.9%
Small Wind	4.1%

The Board has reviewed the investment valuations at the year end, with a particular focus on ensuring the discount factors applied in the discounted cash flow models are in line with the industry standard. A 50 basis point reduction was applied to the discount rate used in the valuation of the assets compared with the rate used last year, resulting in a range of discount rates from 6.0% to 6.75% used across the portfolio (2018: 6.5% to 7.25%). This reflects the reduction noted in the risk free rate used in valuations in the market and resulted in net unrealised gains on the portfolio totalling £1.3 million.

Further detail on the investment portfolio is provided in the Investment Adviser's Report on pages 7 to 12.

NET ASSET VALUE AND RESULTS

At 30 September 2019, the Net Asset Value ("NAV") per Ordinary Share stood at 117.1p and the NAV per 'A' Share stood at 0.1p, producing a combined total of 117.2p per "pair" of Shares. This represents an increase of 2.9p (2.4%) before the deduction of dividends. Following the dividend payment of 5.4965p per Ordinary Share and 0.5035p per 'A' Share in December 2018, this has resulted in an overall decrease of 3.1p (2.6%) per share.

Total dividends paid to date for a combined holding of one Ordinary Share and one 'A' Share stand at 45.5p. Total Return (NAV plus cumulative dividends) has increased by 1.8% in the last year and now stands at 162.7p, compared to the cost to investors in the initial fundraising of £1.00 or 70.0p net of income tax relief.

The profit on ordinary activities after taxation for the year was £808,000, comprising a revenue loss of £411,000 and a capital gain of £1,219,000 as shown in the Income Statement on page 40.

DIVIDENDS

In the prior year, the VCT began paying its annual dividend in December as this better synchronises with the income generated by the assets held by the portfolio companies.

On 21 November 2019, the Board declared dividends in respect of the year ended 30 September 2019 of 5.3133p per Ordinary Share and 0.4867p per 'A' Share. These dividends will be paid on 20 December 2019 to Shareholders on the register at 29 November 2019.

FUNDRAISING AND INVESTMENT ACTIVITIES

Changes to the VCT regulations over the last few years have created some challenges for your VCT. With effect from 1 October 2019 for this VCT, the required level of qualifying investments the VCT must hold increased from 70% to 80%. In addition, at least 30% of gross funds raised from 1 October 2018, for this VCT, must be invested into qualifying assets within 12 months of the end of the financial year in which they are raised.

The Board considered how it might best ensure that the VCT complied with all of the qualification tests and considered that a further fundraise, in order to invest in new qualifying investments, would be the most appropriate course of action.

In March 2018, the VCT undertook a small top-up offer for subscription. This offer sold out very quickly raising £2.5 million for the VCT and £1.7 million for VCT2. In view of the level of demand a further top-up was launched in September. This offer also sold out in short time, raising £3.2 million alongside £4.0 million for VCT2. For your VCT, a total of 4,502,295 Ordinary and 5,159,175 'A' Shares were issued in respect of the offers.

These new funds provide the opportunity for the VCT to make a small number of new VCT qualifying investments and provide the VCT with some additional flexibility that will help it to maintain the new 80% qualification threshold. In October 2019, the VCT invested a portion of this funding into Bio-bean limited, a company that recycles used coffee grounds into efficient, sustainable products for both consumer and industrial applications.

It is envisaged that the new investments, which must meet all of the VCT regulations including the type of business, size, age and the risk to capital test, will be different from the assets in which the VCT is currently invested. As stated in the top up offer document, the Investment Adviser is looking for companies within the clean technology space, which offer the prospect of maximising returns for Shareholders, through them having a good management team, an excellent business plan and significant growth potential. The VCT may also invest in companies quoted on AIM.

CHAIRMAN'S STATEMENT (CONTINUED)

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 seeks to make new VCT Qualifying investments under the more stringent rules introduced in November 2017.

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

During the first half of the financial year, the VCT purchased a total of 264,048 Ordinary Shares at an average price of 111.7p per Share, and a total of 264,048 'A' Shares at an average price of 0.1p. These Shares are held in treasury.

Shareholders considering selling their Shares should contact the broker for the VCT, whose details are shown on the Shareholder Information page.

BOARD COMPOSITION

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

During the year the Board was pleased to welcome David Hunter to the Board and as Chairman of the Audit Committee. David has extensive VCT experience and was previously the audit committee Chairman of Baronsmead VCT 5.

ANNUAL GENERAL MEETING

The VCT's ninth AGM will be held at The Scalpel 18th Floor, 52 Lime Street, London EC3M 7AF at 12:00 p.m. on 17 March 2020.

Three items of special business will be proposed as follows:

- one resolution seeking authority to undertake share buybacks; and
- two resolutions seeking authority to allow the Directors to allot shares and disapply pre-emption rights in respect of those shares (including shares held in treasury).

OUTLOOK

The long-term outlook for the portfolio as a whole looks positive, with returns from the installed base of assets expected to continue to generate steady cash flows.

I look forward to meeting those investors that are able to attend the forthcoming AGM in March. Meanwhile, I would encourage you to take a look at the Gresham House website (greshamhouse.com/real-assets/new-energy/) where you can find all of the information regarding the VCT and where, from time to time, the Investment Adviser will be publishing updates on the performance of the VCT.

GILL NOTT
CHAIRMAN

19 December 2019

INVESTMENT ADVISER'S REPORT

PORTFOLIO HIGHLIGHTS

The portfolio of assets owned by Gresham House Renewable Energy VCT1 plc (the "VCT", formerly Hazel Renewable Energy VCT1 plc) continued to perform slightly ahead of expectations in the year to 30 September 2019 from a financial perspective. The VCT remains principally invested in a diversified portfolio of well-constructed renewable energy projects that access long-term UK government-backed Feed-in-Tariff (FiT) and Renewable Obligation Certificate (ROC) support mechanisms which provide revenues predominantly linked to the Retail Price Index (RPI). Further detail on these mechanisms is provided on page 9. In addition, the VCT successfully divested its investment in ChargePoint Services during the year and made a new investment in Bio-bean Limited after the year end. The Investment Adviser continues to seek to maximise the value of the existing portfolio whilst also looking to source, identify and screen suitable new qualifying investments, consistent with the original mandate of maximising capital gains and income for Shareholders, but also complementing the portfolio's core holdings of investments into assets that generate renewable energy.

Portfolio revenues were 1.66% ahead of forecast for the year. Better than expected sale prices for power generated by assets in the portfolio was the main contributing factor for revenues beating forecasts.

The overall picture for generation is very similar to that for the year ending 30 September 2018, with positive solar irradiation boosting performance for ground-mounted solar assets, but with that effect counterbalanced by a deterioration of technical performance both due to heat (which reduces the efficiency of solar photovoltaic panels) and also the age of the fleet. The performance of the roof-mounted installations fell short, as it did last year, due primarily to difficulties in getting access to a growing portion of the properties with faulty installations.

The total generation capacity of assets owned by the VCT is 34.8MWp (see table below).

The VCT raised £5.7 million of additional funds in 2018 via two top up offers. The VCT made a new investment using these funds in October 2019. The VCT invested £0.6 million, alongside £0.6 million from Gresham House Renewable Energy VCT2 plc, into Bio-bean limited, the world's largest recycler of waste coffee grounds. Bio-bean extracts value from waste coffee grounds by converting them into clean burning fuels, thus avoiding the negative environmental impact of incineration or deposition in landfills.

The payment of an annual dividend of 5.8p (5.3133p per Ordinary Share and 0.4867p per 'A' Share) was announced on 21 November 2019, and this will be paid on 20 December 2019.

PORTFOLIO COMPOSITION

Portfolio Composition by Asset Type and Impact on NAV

Asset Type	kWp	Portfolio Value	% of Portfolio Value
Ground-mounted Solar (FIT)	20,291	£22,387,074	75.7%
Ground-mounted Solar (ROC)	8,699	£3,043,689	10.3%
Rooftop Solar	4,425	£2,920,601	9.9%
Wind Assets	1,425	£1,220,741	4.1%
TOTAL	**34,840**	**£29,572,105**	**100.0%**

The 34.8MWp of renewable energy projects in the portfolio generated 33,250,203 kilowatt-hours of electricity over the year, sufficient to meet the annual electricity consumption of c.9,600 homes.

PORTFOLIO SUMMARY

The solar projects within the portfolio (ground and roof-mounted installations) which comprise 33.4MWp, accounted for 97.7% of the generation output performance. These assets performed slightly under expectations (0.99% less) during the year (0.08% below in the year ending 30 September 2018). The assets accounted for 95.9% of the Investment Portfolio Value.

While overall output performance was slightly below our expectations, generation versus forecast levels varied significantly over the 12-month period. The financial year started with a very sunny October, which led to an unusually dark November to January period. From January onwards, sunshine was stronger than forecast, with the notable exception of a very wet month in June. The sunny months of May, July and August were hotter than usual, which offset the impact of the good sunshine as the efficiency of solar PV systems suffers in higher temperatures.

INVESTMENT ADVISER'S REPORT (CONTINUED)

PORTFOLIO SUMMARY (CONTINUED)

The eight ground-mounted solar installations, which have a total generation capacity of 29.0MW, accounted for 87.4% of the electricity generated, which was 0.29% below forecasts (0.33% above in the year ending 30 September 2018). This segment accounts for 86.0% of the Investment Portfolio Value.

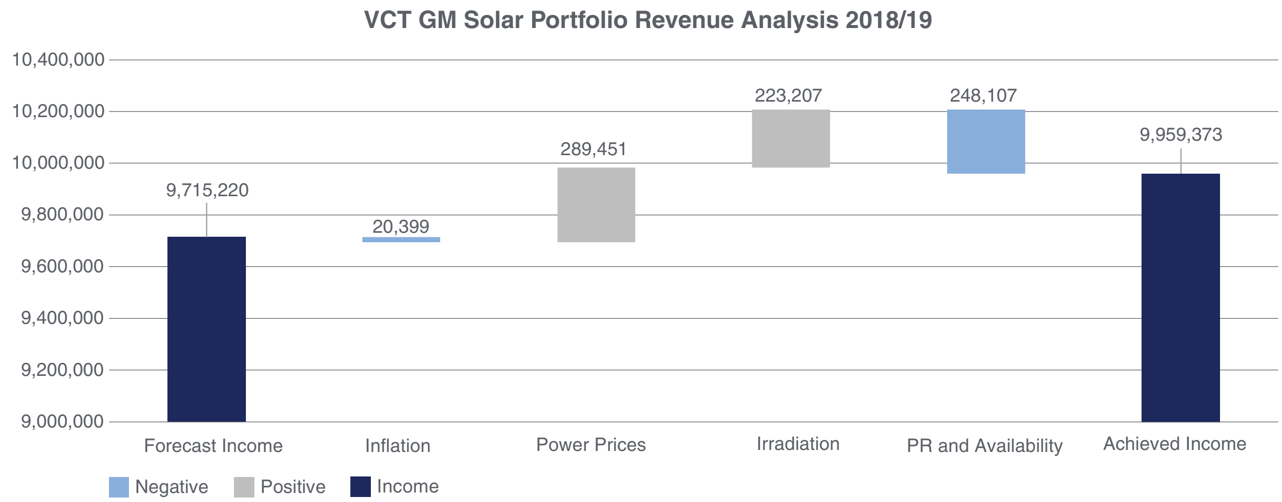
The roof-mounted solar asset portfolio which has capacity of 4.42MWp, accounted for 9.9% of the Investment Portfolio Value and 10.3% of the total electricity generated. This performance was 6.4% below expectations (3.4% below in the year ending 30 September 2018).

The small wind turbines, which have total generation capacity of 1.43MWp, accounted for 4.1% of the Investment Portfolio Value and 2.3% of the total electricity generated. This segment continued to meet expectations that were previously downgraded to account for the Huaying HY-5 turbines which were decommissioned in spring 2017 due to mechanical problems. Some of those turbines were recommissioned in the spring and summer this year, but the low wind conditions over this period meant that the effect of the additional generation was not significant.

In revenue terms, the electricity generated by the entire asset base earned £11.4 million in the year which was 1.66% ahead of forecasts. £11.1 million of this amount was generated by the solar ground-mounted and rooftop assets and the remainder by the small wind turbine portfolio.

Portfolio Revenues by Asset Type (£ Sterling)

Asset Type	Forecast Revenue	Actual Revenue	Revenue Performance
Ground-mounted Solar (FIT)	8,536,545	8,714,531	102.08%
Ground-mounted Solar (ROC)	1,178,675	1,244,842	105.61%
Rooftop Solar	1,182,138	1,141,991	96.60%
Wind Assets	290,000	271,216	93.52%
TOTAL	**11,187,358**	**11,372,580**	**101.66%**



The portfolio benefited from higher than forecast power prices (including the recycling component of the Renewable Obligation Certificates (ROCs)) and irradiation, however surrendered slightly over half of the combined benefit to lost production from the heat effect and other technical factors, as well as lower than forecast inflation.

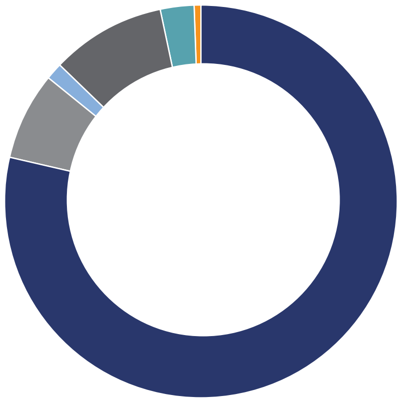
A kilowatt-hour (kWh) generated by a ground-mounted solar asset earned 34.3p on average, whereas a kWh generated by a wind turbine earned an average of 35.5p.

By asset type, 87.4% of revenues (being 78.7% FiT, 7.2% ROC, 1.5% Export Fixed as set out in the chart below) were RPI-linked while 9.4% came from the sale of power (Export Variable), now under variable market rates.

INVESTMENT ADVISER'S REPORT (CONTINUED)

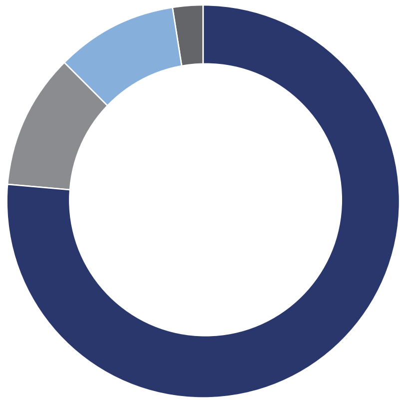
PORTFOLIO SUMMARY (CONTINUED)

Renewable Energy VCT Portfolio – Revenue by source 2018/2019



FIT (Ground/Roof Solar & Wind)	**78.7%**
ROC (Ground Solar)	**7.2%**
Export Fixed (Ground/Roof & Wind)	**1.5%**
Export Variable (Ground Solar)	**9.4%**
Private Wire (Ground Solar)	**2.8%**
Other	**0.4%**

Renewable Energy VCT Portfolio – Revenue by Asset Type 2018/2019



Ground Mounted Solar (FIT)	**76.6%**
Ground Mounted Solar (ROC)	**10.9%**
Roof Mounted Solar	**10.0%**
Wind Assets	**2.5%**

The FiT-remunerated ground-mounted solar assets earn FiTs as well as income from the sale of power in the wholesale market. These assets accounted for 76.6% of the portfolio level income, whereas the ROC-remunerated ground-mounted solar assets, that earn ROCs and variable export revenues, accounted for 10.9%, and the roof-mounted solar assets that earn FiTs and fixed export tariffs accounted for 10.0%.

OVERALL PORTFOLIO AND OPERATIONAL REVIEW

The analysis of performance is based on three pillars, as in prior years. The first covers macro factors including inflation, power prices, variable components of subsidies and climactic conditions. The second category covers technical performance, and the third category covers costs.

MACRO

Solar irradiation was 2.6% ahead of forecasts on a capacity-weighted basis, which was lower than the 7.3% figure achieved the year before. Project by project, measurements varied between 99.6% and 108.5% of forecast levels for the eight ground-mounted solar projects in the portfolio. Each 1.0% change, in absolute terms, in irradiation for this portfolio results in a £111,000 movement in revenues.

The portfolio's revenues were helped by inflation as both FiT and ROC payments are index-linked to the RPI. However, FiTs and ROCs increased in price by 2.7% on 1 April 2019 versus the 3.0% forecast level. The RPI has drifted down from these levels over 2019 and is now below the 3.0% level currently implied by the financial markets and used in long-term forecasts. For every 1.0% increase in inflation, in absolute terms, portfolio revenues rise by £99,400.

The UK government has used various policy incentives to encourage the development of new facilities to generate renewable energy. The Renewables Obligation put an obligation on suppliers of electricity to get an increasing proportion of their electricity from renewable sources. Renewable energy generators were issued with Renewable Obligation Certificates ("ROCs") for generating renewable electricity. A renewable generator therefore has two sources of income: income generated from the sale of electricity to the wholesale market (which does not distinguish between renewable and non-renewable energy) and income from the sale of ROCs. Feed-In Tariffs ("FITs") was another subsidy regime, aimed at increasing microgeneration schemes of 5 MW or smaller, which allowed schemes to apply for either FITs or ROCs (but not both). Under the FIT, schemes are paid for generating renewable energy and they can elect either to sell the energy produced at market rates or they can accept a specified export tariff.

Each project owned by the VCTs elected to the relevant FIT or ROC regime at the time, given the prevailing incentives (which changed based on when the system was commissioned). Each project therefore earns a different price per kW on electricity generated.

INVESTMENT ADVISER'S REPORT (CONTINUED)

TECHNICAL PERFORMANCE

The ground-mounted solar asset base (FIT and ROC) achieved over 99% of its target level of generation overall. The strong solar irradiation in the summer months was offset by the temporary but negative effect on panel performance of the high ambient temperatures on the surfaces of the solar panels. This effect is expected in solar power generation but can be exacerbated by the particular design of the plants. Designs with higher vulnerability to heat are encountered more often for plants built in 2011 and 2012; the early years of the UK solar construction cycle. Two of the portfolio's assets fall into this category.

Other technical factors, associated with the age of some of the components used in the projects, also prevented the ground-mounted solar asset base from benefiting from the good solar irradiation.

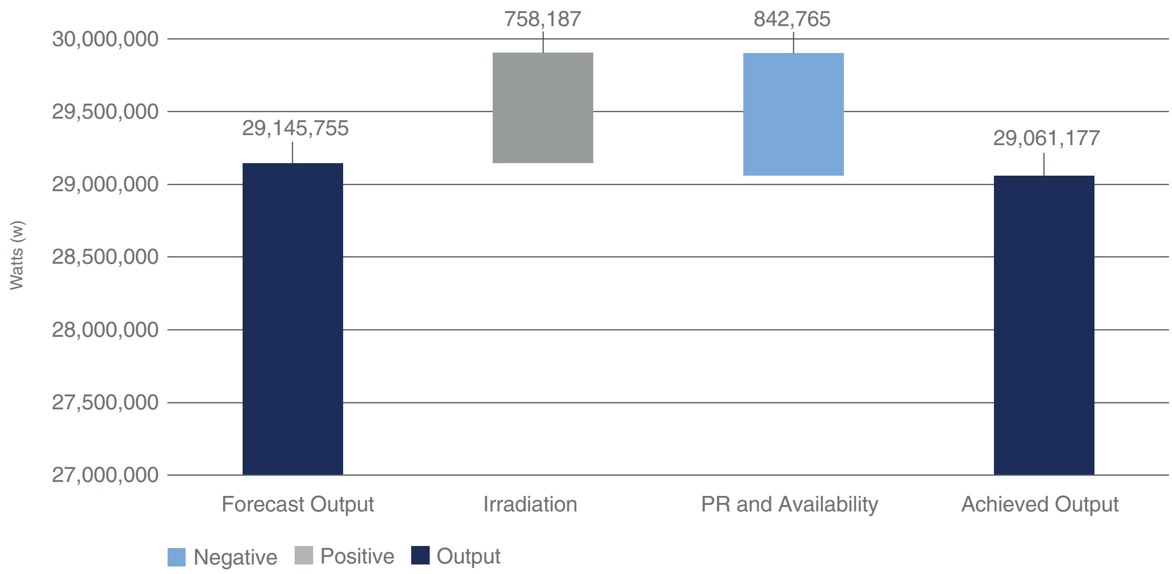
The current focus is on replacing the old equipment and redesigning the configuration of Kingston Farm and Lake Farm, the two ground-mounted solar plants that are most affected by technical issues related to the age of equipment and the design of the plants (which were state of the art when built, but now superceded). Any changes will be consistent with FIT and ROC rules.

It is expected that the Lenders of the debt facility will consent to the funding of the work from the inverter maintenance reserves under the debt facility, meaning that no additional investment by the VCT is required.

Portfolio Technical Performance by Asset Type

Asset Type	Forecast Output (w)	Actual Output (w)	Technical Performance
Ground-mounted Solar (FIT)	20,632,946	20,115,980	97.49%
Ground-mounted Solar (ROC)	8,512,809	8,945,197	105.08%
Rooftop Solar	3,665,432	3,425,028	93.44%
Wind Assets	820,000	765,364	93.34%
TOTAL	**33,631,187**	**33,251,569**	**98.87%**

VCT GM Solar Portfolio Technical Analysis 2018/2019



Generation of the rooftop solar portfolio was 6.6% lower than forecast. Irradiation cannot be measured at roof-mounted solar installations as it is not cost effective to install pyranometers. It is therefore difficult to accurately analyse the reasons for the shortfall. It is certain however that the biggest factor is that an average of 6.0% of the installations were offline at the end of the year and access to properties to conduct repairs is not being granted by residents of the housing associations on which the installations are located.

The small wind portfolio performed 6.7% lower than the reduced expectations following the poor performance from the start of these projects. Small wind accounts for 4.1% of the portfolio value. The programme of repair progressed through the year for the Huaying HY-5 turbines with repairs completed on almost all of the 65 turbines that will be retained (out of the original 92).

OPERATING COSTS

The third factor that determines performance is costs. The vast majority of the cost base is fixed and/or contracted and includes rent, business rates, and regular operations and maintenance (O&M) costs as the major categories.

No changes to O&M arrangements were made during the year, as the assets are maintained by O&M contractors that offer the best value-for-money for the scope of services and incentivisation required (for example, they include penalties for non performance, which are incentives that are generally hard to secure in the current market). The 10.1% lower than expected performance at Kingston Farm will enable the charging of penalties to the O&M Contractor, and has not been included in the figures above.

INVESTMENT ADVISER'S REPORT (CONTINUED)

OPERATING COSTS (CONTINUED)

The main cost item that shows variability from year-to-year is repair and maintenance costs. These are closely monitored and compared with a budget that is set every year. Repair and maintenance spend involving solar panels and inverters, the key components of a solar project, is covered by the maintenance reserves totalling £3.0 million that are in place for all the ground-mounted solar assets and for the majority of the roof-mounted solar assets.

In addition, there are some one-off costs that were not covered by reserves such as meter replacements and pigeon-proofing for the roof-mounted solar assets, and cable replacement for the ground-mounted solar assets. These costs were within the £190,000 budget set for the year.

Business rates charged for the ground-mounted solar assets in early years were challenged in 2016 with the help of a firm who was prepared to work on a "no win no fee" basis. The challenge has been successful, and a net rebate of £121,000 has been received. This is a one-off event and no further challenges are planned.

Finally, a release of £193,000 was secured from the debt facility reserves for the replacement of inverters due to falls in module prices since the reserves were put in place.

EXITS AND NEW INVESTMENTS

The VCT successfully exited its investment in ChargePoint Services in June. The investment was structured in the form of £450,000 of senior, secured debt carrying a 9% coupon, and a £55,000 equity investment. ChargePoint Services developed and operated Electric Vehicle (EV) charging stations and had built a substantial network of charging points across the country. It also managed chargers owned by third parties.

The business was acquired by Engie, a French utility company, that followed on the heels of other large energy companies such as Shell and BP who have been acquiring EV charging stations. Through this deal Engie will add ChargePoint Services' 900 public and workplace EV charge points, as well as its 20,000 strong customer base and cloud-based data and control platform.

The exit will generate a total rate of return to shareholders of 11.9% per year based on the initial purchase consideration, received in June, rising to 13.2% per year if all future tranches of the purchase consideration, linked to ChargePoint Services' future performance, are received.

In October 2019, after the year end, the VCT made a new investment of £615,000 into Bio-bean, the world's largest recycler of waste coffee grounds. This investment represents 15% of the £4 million funding round announced by Bio-bean in April 2019. The VCT's investment forms the final part of that round, and values Bio-bean at £7.6 million.

The investment, comprising of £400,000 of equity and £215,000 of debt, will further enable the company to upgrade and expand its capacity in order to improve efficiencies and execute its business plan. Within its business plan Bio-bean is seeking to achieve both geographical expansion into mainland Europe and to launch new products in the flavour and fragrance market.

Bio-bean recycles used coffee grounds into efficient, sustainable products for both consumer and industrial applications. This includes Coffee Logs, an eco product for wood burners and stoves that is quickly growing in consumer popularity and is stocked by several major UK retailers. Bio-bean will now seek to expand product output considerably by expanding and upgrading its factory.

The investment will also help Bio-bean, which is currently UK-based, to apply its successful model for recycling waste coffee grounds into mainland Europe, working in co-ordination with various international partners within Bio-bean's value chain.

There are further new investments that are currently being evaluated in detail, with at least one of those likely to be completed within the first half of next year.

PORTFOLIO VALUATION

The Net Asset Value of the portfolio is impacted by the valuation of future projected cash flows generated by the assets, as well as the cash held by the companies in the portfolio and the cash held by the VCT. The total return, being the value of the assets and the cash that has been distributed to Shareholders, recognises both the value of the portfolio and the value of the cash that the assets have generated and distributed.

This year's movements in the value of the portfolio are detailed further below. In summary, the performance issues in some of the assets, outlined previously, has been reflected in lower valuations of those assets; however this reduction is partially offset by a reduction in the discount rate used to value the assets. Last year the assets were valued using discount rates (dependent on the assets) of 6.50%-7.25%. This year, having seen the discount rates used in transactions for similar assets, we have reduced the discount rates to between 6.00% and 6.75%.

INVESTMENT ADVISER'S REPORT (CONTINUED)

PORTFOLIO VALUATION (CONTINUED)

The Investment Adviser has observed that discount rates used in the market have moved down (increasing valuations) in the last year for all ground-mounted solar assets that benefit from renewables subsidies, continuing a trend that became apparent the previous year. The eight ground-mounted solar assets in the portfolio earned 86% of their revenues from fixed tariffs or certificates, and therefore compare very favourably with assets built in subsequent years where variable power price exposure can be much more significant. Furthermore, the £3.0 million in maintenance reserves, which at current market prices is sufficient to replace as much as 40% of the panels and inverters, and the £5.2 million of cash, albeit restricted under the debt facilities, imply lower risk to future cashflows. The change to discount rates increased the valuation of the assets by 4.2p per share.

The valuation was also impacted, by -2.6p per share, by a downward adjustment to the performance expectations of two of the oldest ground-mounted solar assets in the portfolio that have high vulnerability to hot weather conditions, pending replacement of equipment and redesign work. There has also been a reduction in the cashflow forecasts of the small wind turbine fleet for reasons of prudence, the introduction of decommissioning costs for the small wind turbine fleet, an increase in maintenance capital expenditure for rooftop assets to reflect the age of the portfolio, and the fine tuning of inflation assumptions. The combined impact of these two changes on the NAV per share was -2.4p.

	30 September 2019 ('000)	Share of Portfolio Value	30 September 2018 ('000)	Share of Portfolio Value
FiT-remunerated ground-mounted solar projects	£22,387	75.7%	£21,686	71.2%
ROC-remunerated ground-mounted solar projects	£3,044	10.3%	£3,140	10.3%
Rooftop solar projects	£2,920	9.9%	£3,389	11.1%
Small wind turbines	£1,221	4.1%	£1,738	5.7%
ChargePoint Services	–	0%	£500	1.7%
TOTAL PORTFOLIO	**£29,572**	**100%**	**£30,453**	**100%**
Other net assets/liabilities	*£350*		*£(223)*	
TOTAL NAV	**£29,922**		**£30,230**	
NAV per share (Ordinary and A combined)	**117.1p**		**120.2p**	

Inflation as measured by the RPI has drifted below the 3.0% level used in our long-term forecasts since May. However, inflation expectations implied by the pricing of publicly-traded UK Government gilts have remained above 3.0% which justifies the approach of keeping forecasts largely the same as last year.

All other key assumptions for the revenues and operating costs of the projects remain the same as they were last year.

During the year, landowners of four ground-mounted solar projects were approached to discuss extending the site leases, in order to extend the current 25-year life of these assets. There is the potential to create additional value through the extension of land leases beyond their current 25-year term and through upgrading the equipment using improved technology with much better yields. However, the fact that projects will, at that point in time, be entirely dependent on variable power prices, with no benefits of a subsidy, means that the value equation is very sensitive to the level of rent that the landowners require. Thus far, all landowners are sticking to the current rent levels, which make extensions uneconomical for all but one project. Negotiations are ongoing, and it is expected that, with time and more precedents in the form of actual new agreements achieved, rent expectations will decline.

OUTLOOK

The Investment Adviser will continue to target improvements in yield and reductions in risk across the portfolio, and to evaluate incremental maintenance capital expenditure and replacement decisions where these can be justified in economic terms. The Investment Adviser is applying knowledge gained on each site to other similar sites in the portfolio.

Another key focus will be the continued deployment of funds raised under the top up, for which there are advanced opportunities in the pipeline to complete the deployment. As stated in the top up prospectus, asset-backed renewable energy generation investments are no longer qualifying under current VCT rules. Consideration is being given to companies in the clean technology space that have already secured funding from Venture Capital firms, companies listed on the UK's AIM market and companies that are active in key areas of growth such as recycling and waste management, generation asset optimisation and information services.

The investment process has been enhanced by Gresham House plc's acquisition of the two Baronsmead VCTs previously managed by Livingbridge VC LLP. The addition of eight specialist investment and research professionals covering both public and private market opportunities has provided broader coverage and increased deal flow when investing the top-up funds. The two teams are jointly working on a significant new investment.

GRESHAM HOUSE ASSET MANAGEMENT LIMITED
19 December 2019

REVIEW OF INVESTMENTS

PORTFOLIO OF INVESTMENTS

The following investments were held at 30 September 2019:

Qualifying and part-qualifying investments	Operating sites	Sector	Cost £'000	Valuation £'000	Valuation movement in year £'000	% of portfolio
Lunar 2 Limited*	South Marston, Beechgrove	Ground-mounted solar	1,330	16,458	2,166	53.8%
Lunar 1 Limited*	Kingston Farm, Lake Farm	Ground-mounted solar	125	2,635	30	8.6%
Ayshford Solar (Holding) Limited*	Ayshford Farm	Ground-mounted solar	1,308	2,153	25	7.0%
New Energy Era Limited	Wychwood Solar Farm	Ground-mounted solar	884	1,815	102	5.9%
Vicarage Solar Limited	Parsonage Farm	Ground-mounted solar	871	1,478	47	4.8%
Gloucester Wind Limited	Gloucester Wind	Roof Solar	1,000	1,015	(32)	3.4%
Hewas Solar Limited	Hewas Solar	Roof Solar	1,000	954	(263)	3.1%
Tumblewind Limited*	Priory Farm	Small Wind/Solar	1,231	891	(122)	2.9%
HRE Willow Limited	HRE Willow	Small Wind	875	675	(200)	2.2%
St Columb Solar Limited	St Columb Solar	Roof Solar	650	588	(6)	1.9%
Minsmere Power Limited	Minsmere	Small Wind/Solar	975	374	(156)	1.2%
Penhale Solar Limited	Penhale Solar	Roof Solar	825	364	(165)	1.2%
Small Wind Generation Limited	Small Wind Generation	Small Wind	975	172	(161)	0.6%
Lunar 3 Limited		Ground-mounted solar	1	–	–	0.0%
			12,050	29,572	1,265	96.6%
Cash at bank and in hand				1,046		3.4%
Total investments				**30,618**		**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 2019

Disposals

	Cost at 30 September 2018 £'000	Valuation at 30 September 2018 £'000	Additions during the year £'000	Redemption of loan notes/sale proceeds £'000	Profit vs cost £'000	Realised Gain £'000
VCT Qualifying investments						
Lunar 2 Limited (Note 1)	1,645	1,645	–	1,645	–	–
ChargePoint Services Limited	500	500	5	546	41	41
	2,145	2,145	5	2,191	41	41
Non-qualifying investments						
Sunhazel UK Limited	1	–	–	–	(1)	(1)
Total	2,146	2,145	5	2,191	40	40

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

Note 1: The loan note redemption proceeds of £1,645,000 were not received in cash by the VCT and were instead used to repay a long-term loan balance between the VCT and Lunar 2 Limited.

REVIEW OF INVESTMENTS (CONTINUED)

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 30/09/19:	£1,330,000	Valuation at 30/09/19:	£16,458,000
Cost at 30/09/18:	£2,976,000	Valuation at 30/09/18:	£15,937,000
Date of first investment:	Dec 2013	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):	30 April 2019	Turnover:	£nil
		Operating loss:	£5,000
		Net liabilities:	£3,726,000

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 30/09/19:	£125,000	Valuation at 30/09/19:	£2,635,000
Cost at 30/09/18:	£125,000	Valuation at 30/09/18:	£2,605,000
Date of first investment:	Dec 2013	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):	30 April 2019	Turnover:	£nil
		Operating loss:	£5,000
		Net liabilities:	£5,461,000

REVIEW OF INVESTMENTS (CONTINUED)

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 30/09/19:	£1,308,000	Valuation at 30/09/19:	£2,153,000
Cost at 30/09/18:	£1,308,000	Valuation at 30/09/18:	£2,128,000
Date of first investment:	Mar 2012	Valuation method:	Discounted cash flows (business)

Investment comprises:

Ordinary shares:	£827,000	Proportion of equity held:	50%
Loan stock:	£481,000	Proportion of loan stock held:	48%

Summary financial information from statutory accounts (non consolidated):	30 April 2019	Turnover:	£3,000
		Operating loss:	£34,000
		Net assets:	£747,000

New Energy Era Limited

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

Cost at 30/09/19:	£884,000	Valuation at 30/09/19:	£1,815,000
Cost at 30/09/18:	£884,000	Valuation at 30/09/18:	£1,713,000
Date of first investment:	Nov 2011	Valuation method:	Discounted cash flows (business)

Investment comprises:

Ordinary shares:	£884,000	Proportion of equity held:	45%

Summary financial information from statutory accounts:	30 April 2019	Turnover:	£347,000
		Operating profit:	£214,000
		Net assets:	£2,446,000

REVIEW OF INVESTMENTS (CONTINUED)

Vicarage Solar Limited

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

Cost at 30/09/19:	£871,000	Valuation at 30/09/19:	£1,478,000
Cost at 30/09/18:	£871,000	Valuation at 30/09/18:	£1,431,000
Date of first investment:	Mar 2012	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):	30 April 2019	Turnover:	£nil
		Operating loss:	£nil
		Net assets:	£1,934,000

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 30/09/19:	£1,000,000	Valuation at 30/09/19:	£1,015,000
Cost at 30/09/18:	£1,000,000	Valuation at 30/09/18:	£1,047,000
Date of first investment:	Apr 2012	Valuation method:	Discounted cash flows (business)
Investment comprises:			
Ordinary shares:	£800,000	Proportion of equity held:	50%
Loan stock:	£200,000	Proportion of loan stock held:	50%
Summary financial information from statutory accounts:	30 April 2019	Turnover:	£212,000
		Operating profit:	£70,000
		Net assets:	£1,610,000

REVIEW OF INVESTMENTS (CONTINUED)

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 30/09/19:	£1,000,000	Valuation at 30/09/19:	£954,000
Cost at 30/09/18:	£1,000,000	Valuation at 30/09/18:	£1,217,000
Date of first investment:	Aug 2011	Valuation method:	Discounted cash flows (business)
Investment comprises:			
Ordinary shares:	£1,000,000	Proportion of equity held:	50%
Summary financial information from statutory accounts:	30 April 2019	Turnover:	£571,000
		Operating profit:	£132,000
		Net assets:	£531,000

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 305kW. Tumblewind also owns Priory Solar Farm Limited, which owns a ROC remunerated solar farm of 3.2MW near Lowestoft.

Cost at 30/09/19:	£1,231,000	Valuation at 30/09/19:	£891,000
Cost at 30/09/18:	£1,231,000	Valuation at 30/09/18:	£1,012,000
Date of first investment:	Nov 2011	Valuation method:	Discounted cash flows (business)
Investment comprises:			
Ordinary shares:	£790,000	Proportion of equity held:	50%
Loan stock:	£441,000	Proportion of loan stock held:	45%
Summary financial information from statutory accounts:	30 April 2019	Turnover:	£37,000
		Operating loss:	£66,000
		Net assets:	£911,000

REVIEW OF INVESTMENTS (CONTINUED)

HRE Willow Limited

HRE Willow 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 HRE Willow Limited is 515kW.

Cost at 30/09/19:	£875,000	Valuation at 30/09/19:	£675,000
Cost at 30/09/18:	£875,000	Valuation at 30/09/18:	£874,000
Date of first investment:	Jun 2011	Valuation method:	Discounted cash flows (business)
Investment comprises:			
Ordinary shares:	£875,000	Proportion of equity held:	44%
Summary financial information from statutory accounts:	30 April 2019	Turnover:	£117,000
		Operating loss:	£213,000
		Net assets:	£1,348,000

St Columb Solar Limited

St Columb 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 St Columb Solar Limited is 1,021 kW.

Cost at 30/09/19:	£650,000	Valuation at 30/09/19:	£588,000
Cost at 30/09/18:	£650,000	Valuation at 30/09/18:	£594,000
Date of first investment:	Sep 2011	Valuation method:	Discounted cash flows (business)
Investment comprises:			
Ordinary shares:	£650,000	Proportion of equity held:	50%
Summary financial information from statutory accounts:	30 April 2019	Turnover:	£310,000
		Operating profit:	£70,000
		Net assets:	£1,136,000

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.

REVIEW OF INVESTMENTS (CONTINUED)

Summary of loan stock interest income

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Loan stock interest receivable in the period		
AEE Renewables UK 3 Limited	–	64
Tumblewind Limited	35	41
Chargepoint Services Limited	29	41
Minsmere Power Limited	11	10
Small Wind Generation Limited	11	10
	86	166

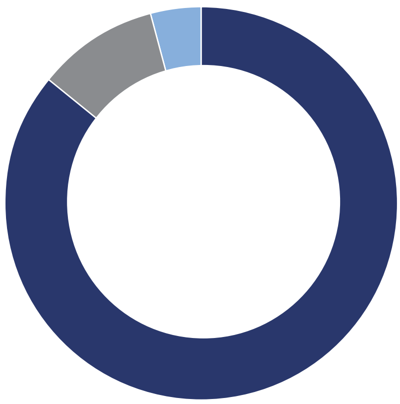
Analysis of investments by commercial sector

The split of the investment portfolio by sector (by cost and by value at 30 September 2019) is as follows:

Spread of investment by sector (cost)

Ground-mounted Solar	**48%**
Roof-mounted Solar	**23%**
Small wind	**29%**

Spread of investment by sector (value)



Ground-mounted Solar	**86%**
Roof-mounted Solar	**10%**
Small wind	**4%**

STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 30 September 2019. 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 energy sector 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 2019, the investments held increased in value by £1,265,000 and net gains arising on investment realisations totalled £40,000.

Income over expenditure for the year resulted in a net loss, after accounting for capital expenses, of £497,000.

The total profit for the year was £808,000 (2018: £804,000) and net assets at the year end were £29.9 million (2018: £30.2 million). The annual dividend for the year to 30 September 2018 was paid on 14 December 2018. The annual dividend for the year to 30 September 2019 was announced on 21 November 2019 and will be paid on 20 December 2019.

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 1.4% of net assets for the twelve months to 6 November 2018, reducing to 1.15% thereafter. The agreement is for a minimum term of two years, effective from 7 November 2017, with a nine month notice period on either side thereafter.

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

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

TRAIL COMMISSION

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

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

	Year ended 30 September 2019		
	Haibun £	CH1 £	Total £
2010 Offer	23,899	30,953	54,852
2012 Offer	3,092	2,193	5,285
2014 Offer	1,385	2,466	3,851
Total	28,376	35,612	63,988

INVESTMENT POLICY

General

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

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

STRATEGIC REPORT (CONTINUED)

INVESTMENT POLICY (CONTINUED)

General (continued)

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

Investment strategy

Investee companies generally reflect the following criteria:

- a well-defined business plan and ability to demonstrate strong demand for its products and services;
- products or services which are cash generative;
- objectives of management and Shareholders which are similarly aligned;
- adequate capital resources or access to further resources to achieve the targets set out in its business plan;
- high calibre management teams;
- companies where the Adviser believes there are reasonable prospects of an exit, either through a trade sale or flotation in the medium term; and
- a focus on small and long term renewable energy projects that utilise proven technology.

Asset allocation

During the period the VCT was required to hold 70% of its funds in VCT qualifying investments. At 30 September 2019, the VCT had a significant margin over the 70% qualifying holdings requirement, enabling it to meet the new 80% qualifying holdings requirement which came into force for this VCT from 1 October 2019. 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 manage 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 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 VCT has ensured that Lunar 1 Limited and Lunar 2 Limited has 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 these companies. Following the 2018 AGM the articles of the VCT were amended such that amounts borrowed from investee companies are now excluded from the calculation of the 15% borrowing restriction.

STRATEGIC REPORT (CONTINUED)

INVESTMENT POLICY (CONTINUED)

Gearing (continued)

As at 30 September 2019, the VCT had the ability to borrow £4.5 million in accordance with the articles, and had actual borrowings of £nil. As at 30 September 2018 the VCT had the ability to borrow £4.5 million in accordance with the articles, and had actual borrowings of £nil.

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 2019.

DIRECTORS AND SENIOR MANAGEMENT

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

KEY PERFORMANCE INDICATORS

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

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

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

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

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

The VCT aims to increase NAV Total Return each year. As at 30 September 2019, NAV Total Return was 162.7p per share; representing an increase of 1.8% (2.9p per share) since 30 September 2018 (NAV Total Return of 159.8p) which the Directors believe meets the objective.

The VCT's dividend policy is to distribute surplus funds generated by the underlying investments, subject to maintaining an appropriate cash reserve within the VCTs to meet anticipated future requirements. The VCT has an objective of paying dividends of 5p per share per annum. In the year ended 30 September 2019, the VCT paid a dividend of 6p per share, therefore exceeding this KPI.

The position of the VCT's Net Asset Value Total Return as at 30 September 2019 is shown on page 3. A Summary of dividends per Share is shown on page 47.

BREXIT

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Note 17 includes an analysis of the sensitivity of 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.

STRATEGIC REPORT (CONTINUED)

SCHEDULE OF PRINCIPAL RISKS

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

Principal Risk	Context	Specific risks	Possible impact	Mitigation
Investment Performance	The VCT holds investments in unquoted UK businesses in the renewable energy sector.	Poor investment decisions or strategy or poor monitoring, management and realisation of investments. Adverse weather conditions and/or low inflation rates 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 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.	Increasing difficulty for the VCT in making new Qualifying investments. A change in government policy could result in a cessation of tax reliefs or reduction of the amount of tax relief available to investors which would make them less attractive to investors.	The VCT is not able to make new Qualifying investments. The VCT may not be able to raise any further funds.	Both the Investment Adviser and the Administrator closely monitor developments and attend AIC conferences. The VCT Status Adviser also has significant experience in this field and works closely with HMRC. Further commentary on VCT Status is provided on page 25. The Investment Adviser engages with HMT and industry representative bodies to demonstrate the cost benefit of VCTs to the economy in terms of employment generation and taxation revenue.
Regulatory and compliance	As a listed entity, the VCT is subject to the UK Listing Rules and related regulations.	Any breaches of relevant regulations could result in suspension of trading in the VCT's shares or financial penalties.	Reduction in the NAV of the VCT due to financial penalties and a suspension of trading in its Shares, also leading to loss of VCT status.	The VCT Secretary and Administrator have a long history of acting for VCTs. The Board, Investment Adviser and Administrator also employ the services of reputable lawyers, auditors and other advisers to ensure continued compliance with its regulatory obligations.

STRATEGIC REPORT (CONTINUED)

SCHEDULE OF PRINCIPAL RISKS (CONTINUED)

Principal Risk	Context	Specific risks	Possible impact	Mitigation
Operational	The VCT relies on the Investment Adviser, Administration Manager and other third parties to provide many of its services. At the portfolio level, this includes the 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 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. A loss of Shareholders' personal data.	The VCT, the Investment Adviser and the Administrator engage experienced and reputable service providers, the performance of which is reviewed on an annual basis. At the portfolio level, technical reviews and studies are conducted on the assets as appropriate. The Audit Committee reviews the Internal Control and Corporate Governance Manual on an annual basis. The Directors and the Investor Advisor regularly review the service providers and the procedures and policies they have in place for preventing cyber attacks.
Economic, political and other external factors	The VCT's investments are heavily exposed to the Feed in Tariff (FiT) and Renewable Obligation Certificate (ROC) regimes.	Retrospective changes to the regimes.	A significant negative impact on performance.	The Investment Adviser and Board members closely monitor policy developments. However, the UK Government has a general policy of not introducing retrospective legislation. The Investment Adviser and Board regularly review the valuation model and its inputs.

VIABILITY STATEMENT

In accordance with Provisions 33 and 36 of the 2019 AIC Code of Corporate Governance, the Directors have carried out a robust assessment of the emerging and principal risks facing the VCT that would threaten its business model, future performance, solvency or liquidity, and have assessed the prospects of the VCT over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for a period of five years from the balance sheet date as developments are considered to be reasonably foreseeable over this period. This is also the minimum recommended holding period for new investors.

The five-year review considers the principal risks facing the VCT, summarised on the previous page, as well as the VCT's cash flows and VCT monitoring compliance over the period. The five-year review also makes assumptions about new investment activity, expenditure, dividends and Share buybacks.

The Board is satisfied that the underlying assets held by the SPVs have been built to a sufficient quality and there are no indications that the assets will degrade substantially over the period. It is also considered highly unlikely that the portfolio would suffer from such poor irradiation and severe degradation that it would be unable to generate income over the period. Asset life, along with the other inputs to the valuation model, are discussed further in Note 17.

The Board also noted that the SPVs have very good debt cover and that there are significant cash reserves at the SPV level.

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 five years from the balance sheet date.

DIRECTORS' REMUNERATION

It is a requirement under The Companies Act 2006 for Shareholders to vote on the Directors' remuneration every three years, or sooner if the VCT wants to make changes to the policy. The Directors' remuneration policy for the three-year period from 1 October 2017 is set out on page 30.

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 2019 were 1.9% (2018: 2.2%) and therefore less than 3.0% of net assets.

STRATEGIC REPORT (CONTINUED)

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. This fee is not paid by the VCT.

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:			
Shareholders	99.97%	80%	70%
Management	0.03%	20%	30%

As the NAV hurdle was met and the annual dividend to be paid on 20 December 2019 will exceed the dividend hurdle, Management will receive a Performance Incentive in respect of the year ended 30 September 2019. The Performance Incentive will be equivalent to 0.2586p per Ordinary Share, or approximately £66,000 (2018: 0.2528p per Ordinary Share, or approximately £65,000). Payment of the performance incentive fee is not deemed to be a related party transaction and is therefore not disclosed in Note 20 to the financial statements.

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

VCT STATUS

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

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

		Position at the year ended 30 September 2019
1.	To ensure that the VCT’s income in the period has been derived wholly or mainly (70% plus) from shares or securities;	99.9%
2.	To ensure that the VCT has not retained more than 15% of its income from shares and securities;	0.0%
3.	To ensure that the VCT has not made a prohibited payment to Shareholders derived from an issue of shares since 6 April 2014;	Complied
4.	To ensure that at least 70% by value of the VCT’s investments has been represented throughout the period by shares or securities comprised in qualifying holdings of the VCT;	84.5%
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);	91.7%
6.	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
7.	To ensure that the VCT’s ordinary capital has throughout the period been listed on a regulated European market;	Complied
8.	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
9.	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
10.	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
11.	To ensure that since 6 April 2016, the VCT has not made a prohibited non-qualifying investment.	Complied

OVERVIEW GOVERNANCE FINANCIAL STATEMENTS

STRATEGIC REPORT (CONTINUED)

VCT STATUS (CONTINUED)

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.

VCT Regulation changes

The Government's Autumn 2017 budget outlined further changes to the VCT regulations resulting from the "Patient Capital Review". The Board has assessed the impact of such changes, and considers the following are of the greatest significance to the VCT:

- With effect from 1 October 2019, the proportion of VCT funds that must be held in qualifying holdings increased from 70% to 80%; and
- At least 30% of the proceeds of the October 2018 Share issues, along with those of any future Share issues, must be invested in qualifying companies within 12 months of the end of the financial year in which they are raised.

The Boards of the VCT and VCT2 are working together, alongside the Investment Adviser, to meet the new requirements. The Board feels that the plans in place, as outlined in the Chairman's Statement, mean that the VCTs are well placed to meet these criteria in advance of their respective deadlines.

SHARE BUYBACKS

The VCT has a policy of buying Shares that become available in the market if liquidity and regulatory constraints permit. The VCT is not currently buying in Shares as it seeks to make new VCT Qualifying investments. The Board reviews the buyback policy from time to time and may make changes if it considers that to be in the best interests of Shareholders as a whole.

During the year the VCT purchased a total of 264,048 Ordinary Shares at an average price of 111.8p per Share, and a total of 264,048 'A' Shares at an average price of 0.1p. These Shares are held in treasury.

A special resolution to renew the authority to repurchase Shares is proposed for the forthcoming AGM.

GREENHOUSE EMISSIONS

Whilst as a UK quoted company the VCT is required to report on its Greenhouse Gas (GHG) Emissions, as it outsources all of its activities and does not have any physical assets, property, employees or operations, it is not responsible for any direct emissions.

During the financial year, the portfolio generated 33,251,560 kilowatt-hours (kWh) of renewable electricity. In the calendar year 2018, each kWh of electricity generated from fossil fuels in the UK emitted 450 grams of CO_2 (source: Digest of UK Energy Statistics). This means that electricity produced by the portfolio avoided the emission of almost 15,000 tonnes of Carbon Dioxide to the atmosphere. This is equivalent to the average car driving approximately 75 million road miles.

ENVIRONMENTAL, SOCIAL AND HUMAN RIGHTS POLICY

The VCT seeks to conduct its affairs responsibly. Where appropriate, the Board and Investment Adviser take environmental, social and human rights factors into consideration when making investment decisions.

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

19 December 2019

REPORT OF THE DIRECTORS

The Directors present the ninth Annual Report and Accounts of the VCT for the year ended 30 September 2019.

The Corporate Governance Report on pages 32 to 34 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 14.9% of the total number of each class of issued shares from time to time.

At the Annual General Meeting ("AGM") that took place on 6 March 2019, the VCT was authorised to make market purchases of its Ordinary Shares and 'A' Shares, up to a limit of 3,841,114 Ordinary Shares and 5,777,636 'A' Shares which represented approximately 14.9% of the issued Ordinary Share capital and 'A' Share capital at the date of the AGM. At the current date, authority remains for 883,596 Ordinary Shares and 2,722,436 'A' Shares. A resolution to renew this authority will be put to Shareholders at the AGM taking place on 17 March 2020.

The payment of an annual dividend of 5.8p (5.3133p per Ordinary Share and 0.4867p per 'A' Share) was announced on 21 November, and this will be paid on 20 December 2019.

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 2019, 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
Profit for the year	808	3.4	–
14 Dec 2018 Dividend	1,612	5.4965	0.5035
20 Dec 2019 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 2019 and at the date of this report were as follows:

Directors		As at the date of this report	As at 30 Sept 2019	As at 30 Sept 2018
Gill Nott	Ord	24,953	24,953	24,953
	'A'	24,953	24,953	24,953
Stuart Knight	Ord	330,750	330,750	420,000
	'A'	330,750	330,750	420,000
Duncan Grierson	Ord	16,635	–	–
	'A'	16,635	–	–
David Hunter(1)	Ord	–	–	–
	'A'	–	–	–

(1) David Hunter was appointed as a Director on 18 September 2019.

Gill Nott was appointed as a Director on 1 May 2018 and became Chairman on this date. She was subsequently re-elected at the 2018 AGM. Stuart Knight was appointed on 31 January 2017 and was subsequently re-elected at the 2017 AGM. Duncan Grierson was appointed as a Director on 16 July 2018 and subsequently re-elected at the 2018 AGM, David Hunter was appointed as a Director on 18 September 2019.

In accordance with the Articles of Association, Stuart Knight and David Hunter are required to retire at the forthcoming AGM, and being eligible, offer themselves for re-election.

Gill Nott signed a letter of appointment with the VCT dated 30 April 2018. Duncan Grierson signed a letter of appointment with the VCT dated 16 July 2018. Stuart Knight signed a letter of appointment with the VCT dated 31 January 2017. David Hunter signed a letter of appointment with the VCT dated 18 September 2019. These agreements are for a period of three years and thereafter are terminable on three months' notice by either side.

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 ninth Annual General Meeting ("AGM") will be held at The Scalpel, 18th Floor, 52 Lime Street, London EC3M 7AF at 12:00 p.m. on 17 March 2020. The Notice of the Annual General Meeting and Form of Proxy will be circulated with this Annual Report.

AUDITOR

A resolution proposing the reappointment of BDO LLP will be submitted at the AGM.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' RESPONSIBILITIES

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

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

In preparing these financial statements the Directors are required to:

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

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

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

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY RULES

Each of the Directors, whose names and functions are listed on page 4, confirms that, to the best of each person's knowledge:

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

INSURANCE COVER

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

WEBSITE PUBLICATION

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the website of the Investment Adviser (https://greshamhouse.com/real-assets/new-energy/) 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 34.

OTHER MATTERS

Information in respect of risk management and risk diversification has been disclosed within the Strategic Report on pages 23 and 24.

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

In October 2019, the VCT along with Gresham House Renewable Energy VCT2 plc ('VCT2') entered into investment agreements with Bio-bean Limited whereby the VCT and VCT2 would each purchase 615,384 ordinary shares in Bio-bean Limited as well as loan notes to the value of £215,000 for a total consideration of £615,000 each.

Following the period end the VCT will pay dividends in respect of the year ended 30 September 2019, of 5.3133p per Ordinary Share and 0.4867p per 'A' Share. These dividends will be paid on 20 December 2019 to Shareholders on the register at 29 November 2019.

REPORT OF THE DIRECTORS (CONTINUED)

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.

Gill Nott

GILL NOTT
CHAIRMAN

19 December 2019

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT OF THE REMUNERATION COMMITTEE

The changes to the Directors' remuneration are outlined in this report. No major decisions regarding the remuneration policy have been made, other than the Board changes. For this reason there were no meetings of the Remuneration Committee in the period.

REPORT ON REMUNERATION POLICY

Below is the VCT's remuneration policy. This policy applies from 1 October 2017. 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 2017 AGM.

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

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

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

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

Agreement for services

Information in respect of the Directors' agreements has been disclosed within the Report of the Directors on page 27.

Performance Incentive

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

Following the year end date, the VCT declared dividends in respect of the year ended 30 September 2019 of 5.3133p per Ordinary Share and 0.4867p per 'A' Share. These dividends are due to be paid on 20 December 2019 to Shareholders on the register as at 29 November 2019.

Directors of the VCT during the year and their beneficial interests in the issued Ordinary Shares and 'A' Shares at 30 September 2018, 30 September 2019 and at the date of this report are disclosed within the Report of the Directors on page 27.

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 35 to 39.

DIRECTORS' REMUNERATION (AUDITED)

Directors' remuneration for the VCT for the year under review was as follows:

	Current annual fee £	Year ended 30 Sept 2019 £	Year ended 30 Sept 2018 £
Gill Nott[1]	25,000	30,000[6]	10,440
Stuart Knight[2]	20,000	20,000	29,497[6]
Duncan Grierson[3]	20,000	20,000	4,185
David Hunter[4]	22,500	801	n/a
Stephen Hay[5]	n/a	n/a	40,267[7]
	87,500	70,801	84,389

(1) Gill Nott was appointed as a Director on 1 May 2018 and became Chairman on the same date.

(2) Stuart Knight was appointed as a Director on 31 January 2017.

(3) Duncan Grierson was appointed as a Director on 16 July 2018.

(4) David Hunter was appointed as a Director on 18 September 2019.

(5) Stephen Hay retired as a Director on 30 April 2018.

(6) In view of the significant additional work involved in the integration of the IA into GHAM and the share top up, the Board agreed, during the year ended 30 September 2018, to pay a one-off additional fee of £5,000 (exclusive of VAT) to Gill Nott and this was paid during the year ended 30 September 2019.

(7) In view of the significant additional work involved in evaluating the various options and arriving at the Gresham House proposals, the Board agreed, during the year ended 30 September 2017, to pay one off additional fees to Stephen Hay and Stuart Knight, of £25,000 (exclusive of VAT) and £10,000 (excluding NI) respectively. These fees were paid during the year ended 30 September 2018.

As set out in the letter to Shareholders dated 16 October 2017, with effect from 7 November 2017, the basic annual fees of the Directors increased from £20,000 to £25,000 for the Chairman and from £15,000 to £20,000 for the other Non-executive Directors.

During the period, David Hunter was appointed Director and Audit Committee Chair. Prior to this appointment, the Board as a whole discussed the appropriate fee level and agreed that in addition to the £20,000 per annum, in line with the remuneration for the other Non-executive Directors, an additional £2,500 per annum should be paid to account for the responsibilities as Audit Committee Chair.

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.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

STATEMENT OF VOTING AT AGM

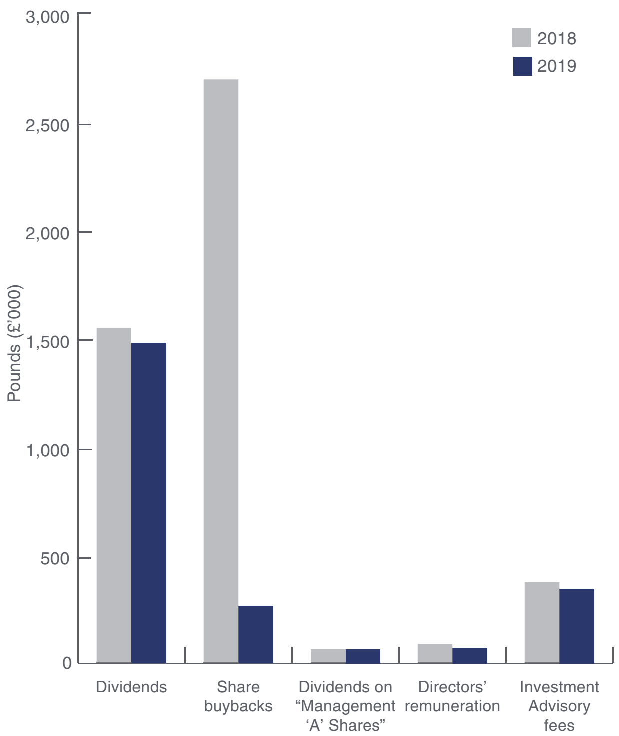
At the AGM on 6 March 2019, the votes in respect of the resolution to approve the Director's Remuneration Report were as follows:

In favour	100%
Against	nil votes
Withheld	nil votes

At the 2017 AGM, when the remuneration policy was last put to a Shareholder vote, 99.6% voted for the resolution, showing significant shareholder support.

RELATIVE IMPORTANCE OF SPEND ON PAY

The difference in actual spend between 30 September 2019 and 30 September 2018 on Directors' remuneration in comparison to distributions (dividends and share buybacks) and other significant spending are set out in the chart below.

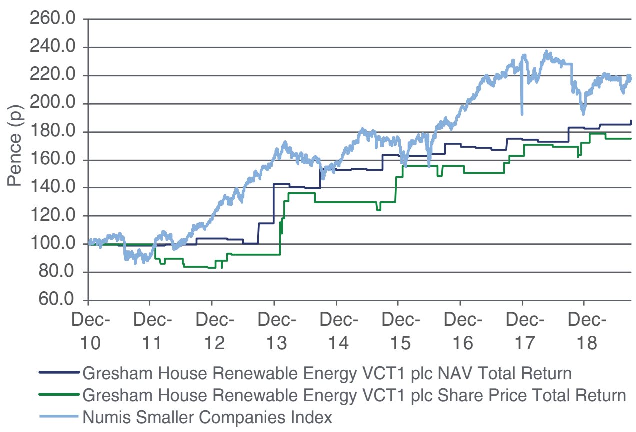


2019/2020 remuneration

The remuneration levels for the forthcoming year for the Directors of Gresham House Renewable Energy VCT1 plc are expected to be at the current annual fee level, as shown in the table on page 30.

Performance graph

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



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

Gill Nott

GILL NOTT
CHAIRMAN

19 December 2019

CORPORATE GOVERNANCE

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

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

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

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

THE BOARD

The VCT has a Board comprising four Non-executive Directors. The Chairman is Gill Nott. Gill Nott, Duncan Grierson and David Hunter are independent from the Investment Adviser. Stuart Knight is not considered independent as he is a Designated Member of Haibun Partners LLP which receives trail commission from the Investment Adviser. The VCT has not appointed a senior independent director. Biographical details of all Board members (including significant other commitments of the Chairman) are shown on page 4.

Gill Nott and Duncan Grierson were appointed to the Board on 1 May 2018 and 16 July 2018 respectively, and were subsequently re-elected at the 2018 AGM. Stuart Knight was appointed to the Board on 31 January 2017 and was subsequently re-elected at the 2017 AGM. David Hunter was appointed to the Board on 18 September 2019.

In accordance with Section 7, Provision 23 of the AIC Code and the Articles of Association all of the Directors will retire and offer themselves for re-election at the 2020 AGM.

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 Administration Manager).

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 VCT Secretary. The VCT 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 14.9% of the VCT’s issued share capital was granted at the last AGM. A resolution will be put to Shareholders to renew this authority at the forthcoming AGM.

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

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

AUDIT COMMITTEE

The Audit Committee is responsible for reviewing the half-year and annual accounts before they are presented to the Board, the terms of appointment of the 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 Audit Committee met twice during the year. The Committee reviewed the internal financial controls and concluded that they were appropriate.

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

CORPORATE GOVERNANCE (CONTINUED)

EXTERNAL AUDITOR (CONTINUED)

The VCT's auditor did not provide any non audit services during the period.

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 2019.

The Committee, after taking into consideration comments from the Investment Adviser and Administration Manager, 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 auditors.

Following assurances received from the Investment Adviser at the completion of the audit for the year ended 30 September 2019, and taking discussions held with the engagement Partner at BDO LLP into consideration, the Committee has recommended they be reappointed at the forthcoming AGM.

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
	(5 held)	(2 held)	(1 held)
Gill Nott	5	2	1
Stuart Knight	5	2	1
Duncan Grierson	5	2	1
David Hunter	–	–	–

No Remuneration Committee meeting was held in the year.

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. Details of the specific levels of remuneration to each Director are set out in the Directors' Remuneration Report on page 30.

The remuneration for David Hunter was considered by the Board as a whole and was aligned to the remuneration of the rest of the Board with an additional fee of £2,500 per annum for his role as Audit Chair.

FINANCIAL REPORTING

The Directors' responsibilities statement for preparing the accounts is set out in the Report of the Directors on page 28 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's report on page 39.

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.

The Committee met to discuss the Board's composition and in particular the requirement to replace Gill Nott as Audit Chair, given her position as Chair of the Board. During these discussions, it was thought that an additional Board member with relevant experience to become Audit Chair would be a positive addition to the Board.

Taking into account the cost involved, the Committee and the Board decided against appointing an external search consultant for this new appointment. Instead, a long list of suitable candidates was established by the Committee and three individuals were offered an interview. After due care and consideration, the Committee recommended the appointment of David Hunter who is a qualified chartered accountant, as a Non-executive Director and Audit Chair. This recommendation was based on his recent and relevant financial experience, his extensive knowledge of VCTs and his experience with early stage investing.

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.

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 Administration Manager 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 ninth AGM and proxy form will be circulated with this Annual Report.

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 Board has adopted an Internal Control Manual ("Manual") for which it is responsible, which has been compiled in order to comply with the AIC Code. The Manual is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, which it achieves by detailing the perceived risks and controls to mitigate them. The Board reviews the perceived risks in line with relevant guidance on an annual basis and implements additional controls as appropriate.

CORPORATE GOVERNANCE (CONTINUED)

INTERNAL CONTROL (CONTINUED)

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 Manual, 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.

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

Investment Adviser
Gresham House Asset Management Limited

Administration Manager
JTC (UK) Limited

ANTI-BRIBERY POLICY

The VCT operates an anti-bribery policy to ensure that it meets its responsibilities arising from the Bribery Act 2010. This policy is available on request.

GOING CONCERN

The VCT's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 5 and 6, the Investment Adviser's Report on pages 7 to 12 and the Strategic Report on pages 20 to 26. The financial position of the VCT, its cash flows, liquidity position and borrowing facilities are shown in the Cash Flow Statement on page 43.

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

The VCT has considerable financial resources at the year end and holds a diversified portfolio of investments. As a consequence, the Directors believe that the VCT is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors confirm that they are satisfied that the VCT has adequate resources to continue in business for the foreseeable future. For this reason they believe that the VCT continues to be a going concern and that it is appropriate to apply the going concern basis in preparing the financial statements.

SHARE CAPITAL

The VCT has two classes of share capital: Ordinary Shares and 'A' Shares. The rights and obligations attached to those shares, including the power of the VCT to buy back shares and details of any significant shareholdings, are set out on page 27 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 2019 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 formal performance evaluation of the Board, its Committees, the individual Directors and the Chairman has not been undertaken. Specific performance issues are dealt with as they arise. Similarly, a senior independent director has not been appointed. (6.2.14)

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

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

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

The Directors are not subject to annual re-election but must be re-elected. 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: 04301763

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

19 December 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GRESHAM HOUSE RENEWABLE ENERGY VCT1 PLC

OPINION

We have audited the financial statements of Gresham House Renewable Energy 1 VCT Plc (the 'Company') for the year ended 30 September 2019, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GRESHAM HOUSE RENEWABLE ENERGY VCT1 PLC

Key Audit Matter	How we addressed the Key Audit Matter
Valuation of investments 100% of the underlying investment portfolio is represented by unquoted equity and loan stock. Further information is disclosed in notes 10 and 17 to the financial statements. The valuation of investments is a highly subjective accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment 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 ■ Challenged the appropriateness of the selection and application of key assumptions in the model including the discount factor, inflation, asset life, energy yield and power price applied by benchmarking to available industry data and consulting with our internal valuations specialists ■ Agreed cash and other net assets to bank statements and investee company management accounts ■ Considered the accuracy of forecasting by comparing previous forecasts to actual results 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, we considered the appropriateness of the assumption and whether alternative reasonable assumptions could have been applied. We considered each assumption in isolation as well as in conjunction with other assumptions and the valuation as a whole. Where appropriate, we sensitised the valuations where other reasonable alternative assumptions could have been applied. We also considered the completeness and clarity of disclosures regarding the range of reasonable alternative assumptions in the financial statements. Based on our procedures performed we did not identify any indications to suggest that the valuation of the investment portfolio was materially misstated.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GRESHAM HOUSE RENEWABLE ENERGY VCT1 PLC

OUR APPLICATION OF MATERIALITY

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

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

Materiality measure	Purpose	Basis and Key considerations	Quantum 2018 (£)	Quantum 2019 (£)
Financial statement materiality	Assessing whether the financial statements as a whole present a true and fair view	2% of the value of non-current asset investments on the basis that the valuation of the investment portfolio is a key driver of the VCT's performance.	£580,000	£590,000
Performance materiality	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	Based on financial statement materiality, taking into consideration the risk and control environment and history of prior errors (if any)	£435,000	£440,000

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

On the basis of our risk assessment together with our assessment of the company's overall control environment, our judgment was that overall performance materiality for the company should be 75% (2018: 75%).

We agreed with the Audit Committee that we would report to the Audit Committee all audit differences in excess of £12,000 (2018: £12,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GRESHAM HOUSE RENEWABLE ENERGY VCT1 PLC

AN OVERVIEW OF THE SCOPE OF OUR AUDIT (CONTINUED)

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

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

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

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

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GRESHAM HOUSE RENEWABLE ENERGY VCT1 PLC

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed to audit the financial statements for the year ended 30 September 2011. We were reappointed by the Audit Committee in September 2019 to audit the financial statements for the year ending 30 September 2019 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ending 30 September 2011 to 30 September 2019.

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

Our audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

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

BDO LLP

VANESSA-JAYNE BRADLEY
(SENIOR STATUTORY AUDITOR)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 19 December 2019

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

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	Year ended 30 September 2019 Revenue £'000	Year ended 30 September 2019 Capital £'000	Year ended 30 September 2019 Total £'000	Year ended 30 September 2018 Revenue £'000	Year ended 30 September 2018 Capital £'000	Year ended 30 September 2018 Total £'000
Income	3	86	–	86	766	–	766
Gain on investments	10	–	1,305	1,305	–	786	786
		86	1,305	1,391	766	786	1,552
Investment advisory fees	4	(260)	(86)	(346)	(281)	(93)	(374)
Other expenses	5	(237)	–	(237)	(374)	–	(374)
		(497)	(86)	(583)	(655)	(93)	(748)
Profit/(loss) on ordinary activities before tax		(411)	1,219	808	111	693	804
Tax on total comprehensive income and ordinary activities	7	–	–	–	–	–	–
Profit/(loss) for the year and total comprehensive income		(411)	1,219	808	111	693	804
Basic and diluted earnings per share:							
Ordinary Share	9	(1.7p)	5.1p	3.4p	0.5p	3.0p	3.5p
'A' Share	9	–	–	–	–	–	–

All Revenue and Capital items in the above statement derive from continuing operations. No operations were acquired or 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 2019

		2019		2018	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Investments	10		29,572		30,453
Current assets					
Debtors	11	273		242	
Cash at bank and in hand		1,046		2,497	
		1,319		2,739	
Creditors: amounts falling due within one year	12	(147)		(130)	
Net current assets			1,172		2,609
Creditors: amounts falling due after more than one year	13	(822)		(2,832)	
Net assets			29,922		30,230
Capital and reserves					
Called up Ordinary Share capital	14		28		27
Called up 'A' Share capital	14		41		39
Share premium account	15		9,541		8,187
Treasury Shares	15		(2,991)		(2,695)
Funds held in respect of Shares not yet allotted	15		–		515
Special reserve	15		7,257		8,920
Revaluation reserve	15		17,522		16,257
Capital redemption reserve	15		3		2
Capital reserve – realised	15		(1,301)		(1,255)
Revenue reserve	15		(178)		233
Total Shareholders' funds			29,922		30,230
Basic and diluted net asset value per share					
Ordinary Share	16		117.1p		120.2p
'A' Share	16		0.1p		0.1p

The financial statements of Gresham House Renewable Energy VCT1 plc on pages 40 to 56 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: 19 December 2019

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	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 2017	60	3,910	–	–	9,062	15,504	2	(1,195)	122	27,465
Total comprehensive income	–	–	–	–	–	693	–	–	111	804
Transfer of net realised gain to Capital reserve-realised	–	–	–	–	–	60	–	(60)	–	–
Transactions with owners										
Repurchase of Shares	–	–	(2,695)	–	–	–	–	–	–	(2,695)
Issue of Shares	6	4,277	–	–	(142)	–	–	–	–	4,141
Unallotted Shares	–	–	–	515	–	–	–	–	–	515
At 30 September 2018	66	8,187	(2,695)	515	8,920	16,257	2	(1,255)	233	30,230
Total comprehensive income	–	–	–	–	–	1,219	–	–	(411)	808
Transfer of net realised gain to Capital reserve-realised	–	–	–	–	–	46	–	(46)	–	–
Transactions with owners										
Dividend paid	–	–	–	–	(1,612)	–	–	–	–	(1,612)
Repurchase of Shares	–	–	(296)	–	–	–	1	–	–	(295)
Issue of Shares	3	1,354	–	–	(51)	–	–	–	–	1,306
Unallotted Shares	–	–	–	(515)	–	–	–	–	–	(515)
At 30 September 2019	69	9,541	(2,991)	–	7,257	17,522	3	(1,301)	(178)	29,922

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Cash flows from operating activities			
Profit for the financial year		808	804
Gains on investments		(1,305)	(786)
(Increase)/decrease in debtors		(31)	201
Decrease in creditors		(48)	(3)
Net cash (outflow)/inflow from operating activities		(576)	216
Cash flows from investing activities			
Proceeds from sale of investments/loan note redemptions		546*	823
Investments purchased at cost		(5)	–
Net cash inflow from investing activities		541	823
Net cash (outflow)/inflow before financing activities		(35)	1,039
Cash flows from financing activities			
Equity dividends paid	8	(1,612)	–
Long term loans		(300)*	(694)
Issue of Shares		791^	4,203
Funds held in respect of Shares not yet allotted		–^	515
Purchase of own shares		(295)	(2,695)
Net cash (outflow)/inflow from financing activities		(1,416)	1,329
Net (decrease)/increase in cash		(1,451)	2,368
Cash and cash equivalents at start of year		2,497	129
Cash and cash equivalents at end of year		1,046	2,497
Cash and cash equivalents comprise			
Cash at bank and in hand		1,046	2,497
Total cash and cash equivalents		1,046	2,497

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

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

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

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.

2. ACCOUNTING POLICIES

Basis of accounting

The VCT has prepared its financial statements under FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies ("AIC") in November 2014 and revised in October 2019 ("SORP") as well as the Companies Act 2006.

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

The financial statements are presented in Sterling (£).

Presentation of income statement

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

Investments

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

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

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

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

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

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

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.

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

2. ACCOUNTING POLICIES (CONTINUED)

Income

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

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

Expenses

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

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

Taxation

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

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

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

Other debtors, other creditors and loan notes

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

Issue costs

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

3. INCOME

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Income from investments		
Loan stock interest	86	166
Dividend income	–	600
	86	766

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

4. INVESTMENT ADVISORY FEES

The investment advisory fees for the year ended 30 September 2019, 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 2019			Year ended 30 September 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment advisory fees	260	86	346	281	93	374

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

5. OTHER EXPENSES

	Year ended 30 September 2019			Year ended 30 September 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Administration services	50	–	50	55	–	55
Trail commission	–	–	–	111	–	111
Directors' remuneration	68	–	68	84	–	84
VAT and Social security costs	4	–	4	5	–	5
Auditor's remuneration for audit	29	–	29	25	–	25
Other	86	–	86	94	–	94
	237	–	237	374	–	374

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 2019, the ongoing charges for the VCT came to 1.9% of net assets (2018: 2.2%), therefore this cap has not been breached. The calculation of ongoing charges is based on guidelines issued by the AIC.

6. DIRECTORS' REMUNERATION

Details of remuneration (excluding employer's NIC) are given in the audited part of the Directors' Remuneration Report on page 30.

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 2019 £'000	Year ended 30 September 2018 £'000
(a) Tax charge for the year		
UK corporation tax at 19% (2018: 19%)	–	–
Charge for the year	–	–
(b) Factors affecting tax charge for the year		
Profit on ordinary activities before taxation	808	804
Tax charge calculated on return on ordinary activities before taxation at the applicable rate of 19% (2018: 19%)	154	153
Effects of:		
UK dividend income	–	(114)
Gains on investments	(248)	(150)
Expenses disallowed for tax purposes	–	1
Excess management expenses on which deferred tax not recognised	94	110
Total tax charge	–	–

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

7. TAX ON ORDINARY ACTIVITIES (CONTINUED)

Excess management fees, which are available to be carried forward and set off against future taxable income, amounted to £3,812,000 (2018: £3,401,000). The associated deferred tax asset of £648,000 (2018: £578,000) has not been recognised due to the fact that it is unlikely that the excess management fees will be set off against future taxable profits in the foreseeable future.

8. DIVIDENDS

	Year ended 30 September 2019			Year ended 30 September 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Payable						
2019 Interim Ordinary – 5.3133p	–	1,356	1,356	–	–	–
2019 Interim A – 0.4867p	–	187	187	–	–	–
Paid						
2018 Interim Ordinary – 5.4965p	–	–	–	99	1,318	1,417
2018 Interim A – 0.5035p	–	–	–	–	195	195
	–	1,543	1,543	99	1,513	1,612

The Interim 2018 dividends were paid on 14 December 2018, to Shareholders on the register as at 23 November 2018.

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

9. BASIC AND DILUTED EARNINGS PER SHARE

		Weighted average number of shares in issue	Revenue (loss)/ return £'000	Pence per share	Capital return £'000	Pence per share
Year ended 30 September 2019	Ordinary Shares	23,957,228	(411)	(1.7)	1,219	5.1
	'A' Shares	36,912,555	–	–	–	–
Year ended 30 September 2018	Ordinary Shares	23,100,931	111	0.5	693	3.0
	'A' Shares	35,440,770	–	–	–	–

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

10. FIXED ASSETS – INVESTMENTS

	2019 Unquoted investments £'000	2018 Unquoted investments £'000
Opening cost at start of the year	14,196	15,886
Net unrealised gains at start of the year	16,257	15,504
Opening fair value at start of the year	30,453	31,390
Movement in the year:		
Purchased at cost	5	–
Disposals proceeds/redemption of loan notes	(2,191)	(1,723)
Realised gains on disposals	40	33
Net unrealised gains in the income statement	1,265	753
Closing fair value at year end	29,572	30,453
Closing cost at year end	12,050	14,196
Net unrealised gains at year end	17,522	16,257
Closing fair value at year end	29,572	30,453

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

10. FIXED ASSETS – INVESTMENTS (CONTINUED)

During the year, the VCT received £2,191,000 from the disposal of investments comprising of both equity and loan notes. The cost of these investments was £2,151,000 and therefore the realised gain on disposal was £40,000. These investments have been revalued and measured at fair value over time, and up until the point of disposal any unrealised gains or losses were included in the fair value of the investments.

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

Level 1 Reflects financial instruments quoted in an active market;

Level 2 Reflects financial instruments that have prices that are observable either directly or indirectly; and

Level 3 Reflects financial instruments that use valuation techniques that are not based on observable market data (unquoted equity investments and loan note investments).

	Level 1	Level 2	Level 3	2019	Level 1	Level 2	Level 3	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Unquoted loan notes	–	–	809	809	–	–	2,658	2,658
Unquoted equity	–	–	28,763	28,763	–	–	27,795	27,795
	–	–	29,572	29,572	–	–	30,453	30,453

During the years ended 30 September 2019 and 30 September 2018 there were no transfers between levels.

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 2018	2,658	27,795	30,453
Movements in the income statement:			
Unrealised gains in the income statement	245	1,020	1,265
Realised gains in the income statement	–	40	40
	245	1,060	1,305
Additions at cost	–	5	5
Sales proceeds/redemption of loan notes	(2,094)	(97)	(2,191)
Balance at 30 September 2019	809	28,763	29,572

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 2019 reflects the most appropriate assumptions at that date, giving due regard to all information available from each investee company. Consequently, the variation in the spread of reasonable, possible, alternative valuations is likely to be within the range set out in Note 17.

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

11. DEBTORS

	2019 £'000	2018 £'000
Prepayments and accrued income	273	242
	273	242

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Other loans*	65	–
Taxation and social security	4	4
Accruals and deferred income	78	126
	147	130

* Other loans falling due within one year:

Investee company	Repayment date	2019 £'000	2018 £'000
Hewas Solar Limited	7 September 2020	65	–
		65	–

Whilst the above loan has an applicable repayment date, the VCT has the right to repay all or any part of the loan at any time. The loan is interest free. In the prior year, this loan would have been included within amounts falling due after more than one year, please refer to Note 13.

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £'000	2018 £'000
Other loans	822	2,832
	822	2,832

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 on the next page. Whilst each loan has an applicable repayment date, the VCT has the right to repay all or any part of the loans at any time. All loans are interest free.

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONTINUED)

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

Investee company	Repayment date	2019 £'000	2018 £'000
HRE Willow Limited	15 June 2021	18	100
	12 September 2021	68	68
	23 September 2021	29	29
		115	197
Minsmere Power Limited	2 August 2021	–	110
	16 August 2021	–	33
	12 September 2021	–	75
		–	218
Hewas Solar Limited	7 September 2020*	–	65
	30 April 2021	66	66
		66	131
St Columb Solar Limited	30 April 2021	20	20
	2 February 2023	40	40
		60	60
Ayshford Solar (Holding) Limited	12 September 2021	–	75
	23 September 2021	31	125
	13 October 2021	20	20
	11 September 2022	300	300
	28 September 2022	50	50
	22 February 2023	180	180
		581	750
Amounts repayable in up to five years		**822**	**1,356**
Lunar 2 Limited	17 December 2043	–	1,476
Amounts repayable after more than five years		**–**	**1,476**
Other loans		**822**	**2,832**

On 31 December 2018 the loan note investment of £1,645,000 made in Lunar 2 Limited was repaid and the proceeds were used to settle the outstanding amount in respect of the loan balance due to Lunar 2 Limited.

On 4 January 2019 the VCT made further loan repayments of £82,000 to HRE Willow Limited and £218,000 to Minsmere Power Limited.

* For the current year, this loan has been included within amounts falling due within one year, please refer to Note 12.

14. CALLED UP SHARE CAPITAL

	2019 £'000	2018 £'000
Allotted, called up and fully-paid:		
25,515,242 (2018: 24,694,442) Ordinary Shares of 0.1p each	28	27
38,512,032 (2018: 37,034,352) 'A' Shares of 0.1p each	41	39
	69	66

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 pages 20 to 21. There has been no significant change in the objectives, policies or processes for managing capital from the previous period.

The VCT has the authority to buy back shares as described in the Report of the Directors. During the year ended 30 September 2019 the VCT repurchased 264,048 Ordinary Shares (2018: 2,361,063 Ordinary Shares) and 264,048 'A' Shares (2018: 2,360,869 'A' Shares) at an average price, per combined holding, of 111.8p (2018: 113.7p). These shares are currently held in treasury.

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

14. CALLED UP SHARE CAPITAL (CONTINUED)

During the year ended 30 September 2019 the VCT issued 1,084,848 Ordinary Shares (2018: 3,417,557 Ordinary Shares) at an average price of 124.9p (2018: 125.3p) and 1,741,728 'A' Shares (2018: 3,417,557 'A' Shares) at an average price of 0.1p (2018: 0.1p).

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

1) Unless and until Ordinary Shareholders receive a dividend of at least 5.0p per Ordinary Share, and one Ordinary Share and one 'A' Share has a combined net asset value of 100p (the Hurdle), distributions will be made as to 99.9% to Ordinary Shares and 0.1% to 'A' Shares;
2) After (and to the extent that) the Hurdle has been met, and subject to point 3 below, the balance of such amounts shall be applied as to 40% to Ordinary Shares and 60% to 'A' Shares; and
3) Any amount of a dividend which, but for the entitlement of 'A' Shares pursuant to point 2 above, would have been in excess of 10p per Ordinary Share in any year shall be applied as to 10% to Ordinary Shares and 90% to 'A' Shares.

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

a) in aggregate be less than £5,000; or
b) be less than an amount being equivalent to 0.25p per 'A' Share

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

The VCT does not have any externally imposed capital requirements.

15. RESERVES

	2019 £'000	2018 £'000
Share premium account	9,541	8,187
Funds held in respect of Shares not yet allotted	–	515
Treasury shares	(2,991)	(2,695)
Special reserve	7,257	8,920
Revaluation reserve	17,522	16,257
Capital redemption reserve	3	2
Capital reserve – realised	(1,301)	(1,255)
Revenue reserve	(178)	233
	29,853	30,164

The Special reserve is available to the VCT to enable the purchase of its own shares in the market without affecting its ability to pay dividends. The Special reserve, Capital reserve – realised and Revenue reserve are all distributable reserves. The distributable reserve is reduced by unrealised holding losses of £2,515,000 (2018: £1,658,000) which are included in the Revaluation reserve. At 30 September 2019, distributable reserves were £3,263,000 (2018: £6,240,000).

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.

Funds held in respect of Shares not yet allotted

This reserve represents cash value of Shares which were due to be issued by the VCT as at the Balance Sheet date.

Treasury shares

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

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

15. RESERVES (CONTINUED)

Revaluation reserve

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

Capital redemption reserve

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

Capital reserve – realised

The following are disclosed in this reserve:

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

Revenue reserve

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

16. BASIC AND DILUTED NET ASSET VALUE PER SHARE

	Shares in issue		2019		2018	
	2019	2018	Net asset value		Net asset value*	
			Pence per share	£'000	Pence per share	£'000
Ordinary Shares	25,515,242	24,694,442	117.1	29,884	120.2	29,678
'A' Shares	38,512,032	37,034,352	0.1	38	0.1	37

* Excluding funds held in respect of Shares not yet allotted.

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

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

17. FINANCIAL INSTRUMENTS

The VCT held the following categories of financial instruments at 30 September 2019:

	2019 Cost £'000	2019 Value £'000	2018 Cost £'000	2018 Value £'000
Assets at fair value through profit or loss	12,050	29,572	14,196	30,453
Other financial (liabilities)/assets	(68)	(68)	103	103
Cash at bank	1,046	1,046	2,497	2,497
Other loans	(887)	(887)	(2,832)	(2,832)
Total	12,141	29,663	13,964	30,221

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

17. FINANCIAL INSTRUMENTS (CONTINUED)

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. 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 below.

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.

Investment price risk

The VCT's investments which comprise both equity and debt financial instruments in unquoted investments are all 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 2019, the unquoted portfolio was valued at £29,572,000 (2018: £30,453,000). 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.

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

17. FINANCIAL INSTRUMENTS (CONTINUED)

Investment price risk (continued)

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	6.00% – 6.75%	+0.5%	(966)	(3.8)
		-0.5%	1,028	4.0
Inflation	2.90% – 3.40%	+0.5%	938	3.7
		-0.5%	(1,023)	(4.0)
Irradiation	785 – 1,270kWh/m2	+1.0%	617	2.4
		-1.0%	(617)	(2.4)
Degradation	0.30% – 0.40%	+0.1%	(712)	(2.8)
		-0.1%	722	2.8
Power prices	£35 – £75/MWh	+10.0%	646	2.5
		-10.0%	(646)	(2.5)

Asset life

The Board has also considered the potential impact of changes to the anticipated lives of assets in the portfolio. Close to 90% of the VCT's value is in assets refinanced by debt, and under the debt facility agreements, substantial reserves are in place for renewing key equipment as and when required. Furthermore, the underlying assets have leases that are valid for the lifetime of the VCT, which cannot be terminated early, and any extensions to the leases would require further planning permission. Accordingly, the 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.

	Average interest rate	Average period until maturity	2019 £'000	2018 £'000
Fixed rate	8%	1,636 days	489	665
Floating rate	0%		1,046	2,497
No interest rate			28,128	27,059
			29,663	30,221

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 £10,000 (2018: £25,000). The Bank of England base rate increased from 0.5% to 0.75% on 2 August 2018; on 19 September 2019 the Bank of England opted to leave the base rate unchanged at 0.75%. 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.

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

17. FINANCIAL INSTRUMENTS (CONTINUED)

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:

	2019 £'000	2018 £'000
Investments in loan stocks	809	2,658
Cash and cash equivalents	1,046	2,497
Interest, dividends and other receivables	265	233
	2,120	5,388

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. As the VCT has a relatively low level of creditors being £82,000 (2018: £130,000) and has long term loans from investee companies (see Note 13 for an analysis of the repayment terms), which have either been repaid at the date of this report or are expected to be repaid by way of future dividends from these companies, being £887,000 (2018: £2,832,000), the Board believes that the VCT's exposure to liquidity risk is low. The VCT always holds sufficient levels of funds as cash in order to meet expenses and other cash outflows as they arise. For these reasons the Board believes that the VCT's exposure to liquidity risk is minimal.

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

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 2019, as analysed by the expected maturity date, is as follows:

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

As at 30 September 2018	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	–	–	–	–	2,658	2,658
Past due loan stock	–	–	–	–	–	–
	–	–	–	–	2,658	2,658

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

18. CAPITAL MANAGEMENT

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

By its nature, the VCT has an amount of capital, at least 70% (as measured under the tax legislation; for the VCT this increases to 80% from 1 October 2019) of which is and must be, and remain, invested in the relatively high risk asset class of small UK companies within three years of that capital being subscribed. The VCT accordingly has limited scope to manage its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. Subject to this overall constraint upon changing the capital structure, the VCT may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares, or sell assets if so required to maintain a level of liquidity to remain a going concern.

As the Investment Policy implies, the Board would consider levels of gearing. As at 30 September 2019 the VCT had loans from investee companies of £887,000 (2018: £2,832,000). It regards the net assets of the VCT as the VCT's capital, as the level of liabilities are small and the management of them is not directly related to managing the return to Shareholders. There has been no change in this approach from the previous period.

19. CONTINGENCIES, GUARANTEES AND FINANCIAL COMMITMENTS

At 30 September 2019, the VCT had no contingencies, guarantees or financial commitments.

20. CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

In the opinion of the Directors there is no immediate or ultimate controlling party.

Related party transactions include Investment Advisory Fees payable to the Investment Adviser, Gresham House Asset Management Ltd, as disclosed in Note 4, and fees paid to the Directors along with their shareholdings as disclosed in the Directors' Remuneration Report.

21. SIGNIFICANT INTERESTS

Details of shareholdings in those companies where the VCT's holding, as at 30 September 2019, 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 14 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
Minsmere Power Limited	EC2V 6AA	Ordinary	200,001	50%	£345,000	(£70,000)
Penhale Solar Limited	EC2V 6AA	Ordinary	299,601	50%	£557,000	(£80,000)
Small Wind Generation Limited	EC2V 6AA	Ordinary	840,001	50%	(£457,000)	(£153,000)
Lunar 3 Limited	EC2V 6AA	Ordinary	100	50%	£nil	£nil

22. EVENTS AFTER THE END OF THE REPORTING PERIOD

In October 2019, the VCT along with Gresham House Renewable Energy VCT2 plc ('VCT2') entered into investment agreements with Bio-bean Limited whereby the VCT and VCT2 would each purchase 615,384 ordinary shares in Bio-bean Limited as well as loan notes to the value of £215,000 for a total consideration of £615,000 each.

Following the year end date, the VCT declared dividends in respect of the year ended 30 September 2019 of 5.3133p per Ordinary Share and 0.4867p per 'A' Share. These dividends are due to be paid on 20 December 2019 to Shareholders on the register as at 29 November 2019.

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

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