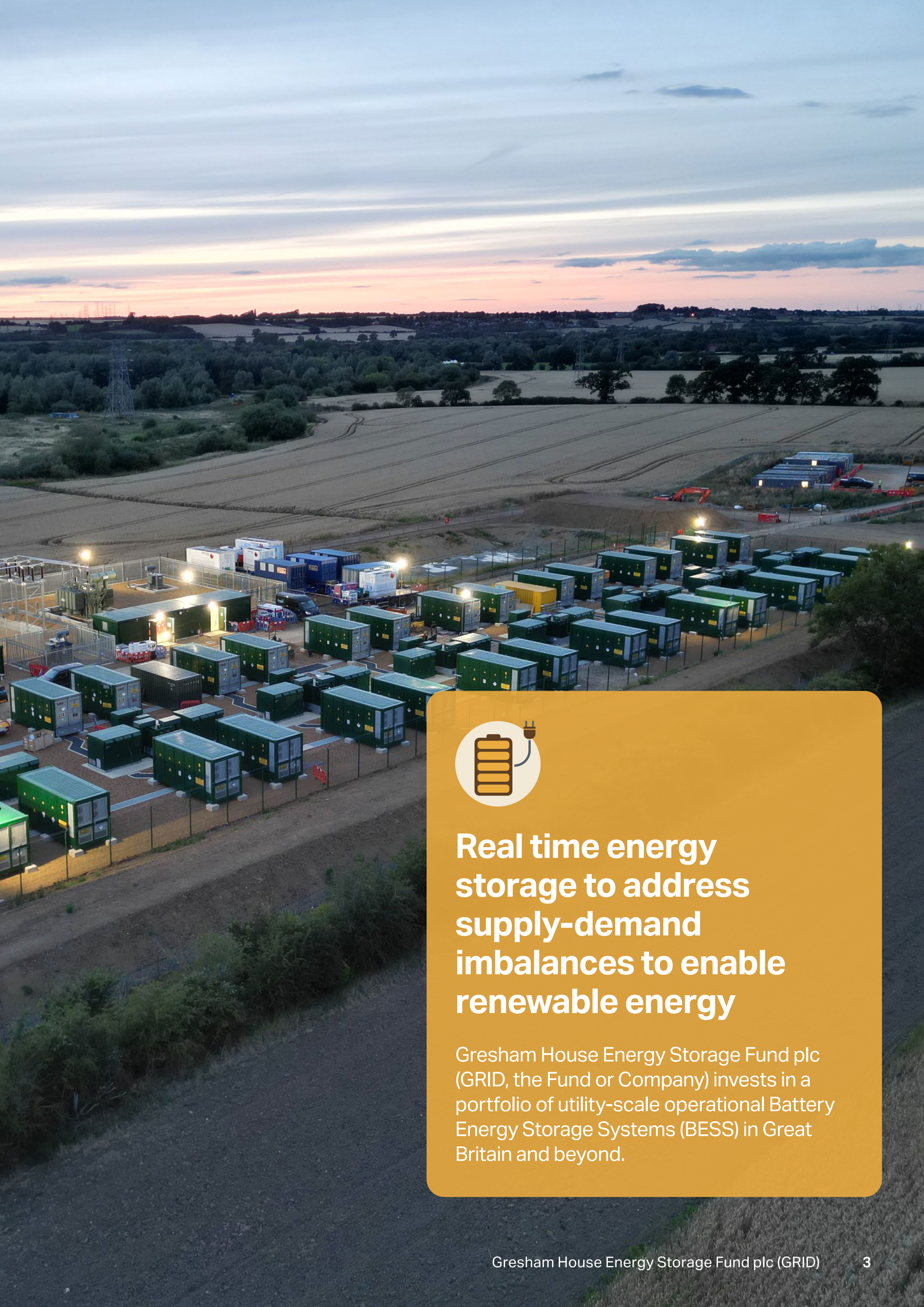
Gresham House
Specialist investment

Powering the renewable energy transition

Gresham House Energy Storage Fund plc (GRID)

Annual Report and Financial Statements for the year ended 31 December 2023

Contents



Real time energy storage to address supply-demand imbalances to enable renewable energy

Gresham House Energy Storage Fund plc (GRID, the Fund or Company) invests in a portfolio of utility-scale operational Battery Energy Storage Systems (BESS) in Great Britain and beyond.

Highlights

NAV per share
(as at 31 December 2023)

129.07p
-17%

Dec 22: 155.51p
Dec 23: 129.07p

Dividend per Ordinary Share[1]
(as at 31 December 2023)

5.5p

Dec 22: 7.0p
Dec 23: 5.5p

Company (loss) / profit and total comprehensive income
(as at 31 December 2023)

£(110.1)mn

Dec 22: £217.1mn
Dec 23: £(110.1)mn

Ordinary Share Price Total Return since IPO[1]
(as at 31 December 2023)

+40.1%

Dec 22: +96.4%
Dec 23: +40.1%

Total gross equity funds raised
(as at 31 December 2023)

£50.0mn

Dec 22: £150mn
Dec 23: £50mn

NAV per Ordinary Share Total Return[1]
(as at 31 December 2023)

-12.9%

Dec 22: +40.1%
Dec 23: -12.9%

EBITDA of underlying investment portfolio[1]
(as at 31 December 2023)

£25.8mn
-47%

Dec 22: £48.8mn
Dec 23: £25.8mn

Operational portfolio size[1]
(as at 31 December 2023)

690MW
+25.5%

Dec 22: 550MW / 598MWh
Dec 23: 690MW / 788MWh

1 Alternative Performance Measures are defined and calculated on page 114

Performance highlights

- The Net Asset Value (NAV) as at 31 December 2023 declined to £740.1mn or 129.07 pence per share (HY 2023: 145.11 pence / FY 2022 155.51 pence).
- Given the recent difficult revenue environment, the Board decided to not declare a dividend in relation to Q4 2023. Dividends totalling 5.51 pence per share were paid in relation to the first three quarters of 2023 and nothing for the fourth quarter.
- Alongside its growth ambitions, income distribution will continue to be an important part of the Company's strategy. The future dividend policy will reflect the balance between merchant and contractual revenues with the principle of paying a covered dividend.
- The dividend for the year of 5.51 pence per share was equivalent to a 5.1% dividend yield based on the closing share price of 109 pence on 31 December 2023.
- £50mn equity was raised in FY 2023 at a share price of 155.5 pence per share.

Operational highlights

- The underlying investment portfolio generated revenues[1] of £38.7mn (2022: £62.7mn) and EBITDA of £25.8mn (2022: £48.8mn).
- Operational capacity of the portfolio has now reached 690MW as of 31 December 2023 with Coupar (40MW), Grendon (50MW) and West Didsbury (50MW) completed in the period. The total further increased to 740MW in January 2024 with the commissioning of York (50MW). The Company anticipates operational megawatts (MW) to reach 1,072MW by the end of 2024.
- The duration of the portfolio increased from an average of 1.09 hours as at 31 December 2022 to 1.14 hours as at 31 December 2023. Further augmentations will take place in 2024 increasing the duration average to 1.58 hours.

1 Alternative Performance Measures are defined and calculated on page 114

Chair's Statement

On behalf of the Board, I present the Annual Report and Accounts of Gresham House Energy Storage Fund plc ("GRID", the "Fund" or the "Company") for the year ending 31 December 2023.

Summary

On behalf of the Board, I present the Annual Report and Accounts of Gresham House Energy Storage Fund plc ("GRID", the "Fund" or the "Company") for the year ending 31 December 2023.

In November 2023 GRID reached its fifth anniversary since its IPO in 2018. During this period, the Company has grown operational capacity from 70MW to 690MW (as of 31 December 2023), an 886% increase. As at the date of this report, operational capacity has further increased to 740MW with further growth to 1,072MW expected in 2024. This makes GRID the clear market leader at scale in Battery Energy Storage Systems (BESS) in Great Britain.

As set out below, 2023 (and early 2024) have proved to be very difficult for the Great Britain BESS sector. The Board and the Investment Manager are acutely aware that 2023 has been deeply disappointing and has required patience from our shareholders. The pathway to recovery in 2024 may require further leeway until our results bear the fruits of our action plans.

The industry in the UK experienced weakening revenues through 2023. This was driven by a combination of an over-supplied wholesale market and the under-utilisation of BESS by National Grid ESO (ESO)[2] in the Balancing Mechanism which is being negatively impacted by the ongoing use by ESO of more expensive and carbon emitting legacy gas and coal fired generation, a matter which we are taking up with the Regulator. We firmly believe that the wholesale market is at or very near the bottom of a cycle and that ESO are taking programmed incremental steps to improve utilisation of BESS.

2. Soon to be National Energy System Operator, or NESO, once nationalised later in 2024.

Intermittent renewable generation is still increasing sharply, driving the need for BESS in Great Britain

The wholesale market will become more favourable as i) older thermal assets come offline, including the last remaining 1.8GW coal plant which is set to decommission in September 2024, ii) reduced reliance on CCGT Generation and as iii) electricity demand rises for structural reasons (driven by Electric Vehicles, AI (Artificial Intelligence) supporting data centres, increased penetration of heat pumps, etc) and as low wholesale power prices feed through to consumer bills.

In the meantime, intermittent renewable generation is still increasing sharply, driving the need for BESS in Great Britain. In 2024 alone, renewable capacity is expected to grow by at least 3GW, led by offshore wind projects, increasing renewable penetration to 50% within 12 months[3].

At the ESO, it is clear there is a restated commitment to decarbonise the electricity system. Firstly, with the Balancing Programme which started with the launch of the Open Balancing Platform (OBP) in December 2023 and is set to conclude in 2027, completely modernising all systems and processes used to manage and balance the electricity system. Secondly, the Stability Pathfinders, first launched in 2020, are gradually removing the need to utilise gas turbines by installing additional stabilising technologies around the Great Britain network. The Investment Manager's report provides more details about the steps being taken by ESO, especially in the near term. The combination of these efforts is reducing the under-utilisation and "skipping"[4] of BESS by the ESO when BESS is clearly the economic "in merit" solution.

At a portfolio level, completion of our ongoing construction programme will have a significantly positive impact on our revenue generation and ability to cover future dividends. I am pleased to report that progress has been strong and we expect the imminent energisation of our Penwortham project (50MW / 50MWh) having already completed the augmentation at Arbroath. We also expect the energisation of Shilton Lane (40MW / 80MWh), re-energisation of Nevendon (upgraded to 15MW / 30MWh from 10MW / 7MWh) and completion of augmentations from one hour to two hours at Enderby and West Didsbury which are all expected by the end of May.

3. Gresham House New Energy research

4. BESS are considered as "skipped" when they have not been utilised even if in merit

The Board has made the difficult decision to cancel the Q4 2023 dividend and has also decided not to pay dividends in relation to 2024. We realise this is unwelcome news. However, prioritising cash generation from the portfolio, along with available financing, towards the completion of the current project pipeline and duration extensions will create an additional near-term EBITDA contribution. This is in the best interests of shareholders and will put GRID in the strongest possible position to take full advantage of a market recovery and build towards a re-rating of our stock. This capital discipline also applies to share-buybacks: the recent programme was completed on 17 April 2024 and is not being renewed.

We remain convinced that the fundamental investment case for BESS is still strong and that the Company sees a positive outlook into 2025 and beyond. The Company will constantly review the ability to resume dividend payments and share buy-backs. In addition, the Investment Manager is pursuing opportunities to dispose of assets to reduce debt and potentially contract short-term stable revenue streams to de-risk income whilst the merchant BESS market recovers its dynamism.

We look forward to putting this difficult period behind us, building out a larger and more diversified portfolio for the future. This will put GRID into an excellent position to take advantage of the upside opportunities that lie ahead.

Strategic focus and capital allocation

While we remain in an uncertain revenue environment, it is vital for the Company to exercise strict capital discipline, protect shareholder value and come through this period well positioned. As such the Board and Investment Manager are actively reprioritising how the Company allocates capital in the following five areas.

1. Capital expenditure

The Company is focused only on investments which lead to near term cash flow generation. This entails completing construction on the remaining new project pipeline of 327MW / 504MWh and duration extensions adding 5MW and 328MWh to current projects (with batteries which are already owned). This will approximately double the operational megawatt-hour capacity by the end of 2024 and subsequently improve the already cash-generative portfolio to capture further revenues. A significant amount of the remaining capex is expected to be financed with available cash (including cash in the underlying portfolio, which was in excess of £40mn as of 31 December 2023) and the remainder with debt.

2. Dividends

Given the recent difficult revenue environment, the Board decided to not declare a dividend for Q4 2023.

Therefore, dividends totalling 5.51 pence per share were paid in relation to the first three quarters of the year and nothing for the fourth quarter. The Company also announced on 18 April 2024 that it has decided to prioritise capital for the remainder of 2024, keeping leverage levels low to ensure greater dividend paying ability in future, and therefore does not expect to pay any dividends in relation to the 2024 financial year. We understand this news is unwelcome, but the long term interests of shareholders are best served by taking this action.

From 2025 onwards, the Company aims to deliver an attractive dividend from distributable cash-flow after debt covenant testing. Dividends will be commensurate with a blended merchant and contractual income model.

3. Share buybacks

Recognising the sharp decline in the share price at the start of 2024, the Company began a share buyback programme on 2 February 2024. Investing in shares trading at a significant discount to NAV per share represents a valuable incremental investment opportunity for the Company. The Company has purchased 4,380,555 shares at an average price of 45.6 pence under this programme. The accretion to NAV per share as a result of this will be reflected in the Q1 2024 NAV per share.

The Company's share buyback programme completed on 17 April 2024 and has not been renewed. This is in order to ensure capital remains focused on future pipeline whilst reducing debt funding requirements. The Company will continue to review if this programme should be recommenced but does not expect further buybacks in 2024 beyond the date of this report.

4. Debt facility

As at 31 December 2023, the Company's wholly owned subsidiary, Gresham House Energy Storage Holdings plc (MidCo) had a £335mn debt facility, of which £110mn has been drawn. After the year end, the Company entered discussions with the existing lender group to optimise terms for the debt facility. The lender group remain supportive of the Company and its ability to complete current projects to take advantage of future revenue growth potential in the BESS market. The amended and restated debt facility agreement includes:

- specific consent to draw all funds required (up to £65mn) to complete the current construction programme, which is expected to take operational capacity to 1,072MW / 1,696MWh in 2024; and
- amended Interest Cover and Leverage covenant levels for 2024 and 2025 to provide headroom against a situation where recent low revenue levels prevail for a longer time period.

The Company also decided to reduce the overall facility by £110mn, to £225mn, in line with the plan to keep leverage down. As the Company was not planning to deploy into further projects while the revenue environment remains challenging it is sensible to cancel the excess facility and secure appropriate finance cost savings. The amendments to the existing facilities agreement enable completion of the current pipeline in addition to giving the business breathing space should a lower revenue environment persist, although we are pleased to see revenues already recovering since March 2024.

£110mn of the total £225mn facility has been drawn to date, with peak total debt to complete construction on the 1,072MW / 1,696MWh portfolio expected to be up to £175mn, prior to any asset sales, which is lower than initially expected thanks to capital preservation measures taken. Total debt to Gross Asset Value[5] is therefore not expected to exceed 20% by the time all current construction projects have been completed.

5. Project disposals to refocus capital

The Company is continuing to progress a disposal of a subset of the portfolio and the Company is hopeful that something may be announced in this regard in the coming month or two.

Portfolio, transactions, and pipeline

The Company commissioned three projects in 2023: Coupar Angus (40MW / 40MWh) in February, Grendon (50MW / 100MWh) in July and West Didsbury (50MW / 50MWh) in November. Operational capacity on 31 December was 690MW / 788MWh and grew further to 740MW / 863MWh shortly after the year end with the completion of York (50MW / 75MWh).

The focus is now on completing the remaining 327MW of new projects in 2024 as well as carrying out duration increases across seven projects with total connection capacity of 335MW, taking overall operational capacity to 1,072MW / 1,696MWh.

In relation to upcoming project completions, we are pleased to announce that Arbroath completed its upgrade on 2 April 2024 whilst the augmentations of Nevendon, Enderby and West Didsbury are approaching completion and are expected by the end of May 2024.

Penwortham and Shilton Lane are set to energise in April 2024. Melksham is expected to energise in the coming months while the West Bradford and Elland projects will follow in H2 2024. The completion of duration extensions at Penwortham, Melksham and Coupar Angus are also expected in H2 2024.

5. Alternative Performance Measures are defined and calculated on page 114.

The Company remains focused solely on projects which drive immediate earnings and increase cash generation in 2024. As a result, we took the difficult decision to defer our first international project, Project Iliad. We plan to revisit international opportunities to enhance our geographic diversification and growth once the market backdrop improves.

The Investment Manager is continuing to work on longer term further domestic and international pipeline. This will be pursued once earnings improve and capital is available.

Discount rates and valuations

The discount rate on contracted income was increased by 100bps at the interim stage in 2023 but no further changes were made in the year. The weighted average discount rate was 10.9% as at December 2023 (10.9% at 31 December 2022) which remains higher than our listed peers.

The Company values projects on a discounted cash flow (DCF) basis only when they are within nine months of commissioning (and a 75bp premium to the discount rate is applied during construction) and only if they are fully funded.

The Company uses forecast revenue curves from third-party consultants when valuing projects on a DCF basis. For the project valuations as at 31 December 2023, the Company has applied reductions to these third-party forecasts for 2024, 2025 and 2026 to reflect the weak but gradually improving market. Our adjusted revenue forecasts converge with third-party forecasts in 2027. This is further detailed in the Investment Manager's report.

Debt drawn to date from the debt facility has been fully hedged and has therefore reduced exposure to interest rates fluctuations.

Capital structure and share price performance

The higher interest rate environment has seen capital allocated away from infrastructure funds during 2023. This has impacted share prices across the renewables and infrastructure sector, including those of energy storage funds. The Company's share price stood at a discount to NAV of 16% at the year end. This discount has widened at the start of 2024 as continued selling pressure caused by uncertainty and a difficult revenue environment has further impacted the share price. The Company was in confidential discussions with the lending group and was unable to issue an RNS until 18 April 2024 and we recognise that the inability to communicate widely was unwelcome.

We remain confident in the long-term opportunity for BESS assets both in Great Britain and internationally, and the potential for income and capital growth.

The Board notes the current share price is trading at a significant discount to NAV and, in consultation with the Investment Manager, is actively considering ways to reduce costs, drive operational efficiencies and improve investor confidence.

The MidCo has drawn £110mn of its £335mn (before reduction) debt facility as at 31 December 2023. The MidCo has fully hedged its interest rate exposure on debt drawn.

After the year end the Company converted its £613mn loan due from MidCo into equity in order to mitigate against VAT (Value Added Tax) rule changes post Brexit: from 1 January 2024 the management fees from the Investment Manager include VAT and if the Company continued to receive high levels of interest income from MidCo this would lead to high levels of irrecoverable VAT. The conversion of the loan due from MidCo into equity will change the optics of the Company's Income Statement: in future only dividends paid up to the Company and valuation gains or losses will now appear as Income. The Company will ensure the Alternative Performance Measures continue to provide transparency in relation to the performance of the Company and its portfolio.

Dividends

The Company paid dividends of 5.51 pence per share, down 21% on 2022, primarily because the 2023 Q4 dividend was cancelled due to low operational dividend coverage and a preference to maintain capital discipline. The Company also made the difficult decision to refocus capital resources during 2024 and does not expect to pay any dividends in relation to the 2024 financial year. After sector-leading Operational Dividend Cover at 1.07x in 2022, cover fell to 0.25x in 2023 as the Company's portfolio faced a difficult revenue environment.

The Company intends to pay fully covered dividends in future when capital discipline allows.

Sustainability

The Company remains focused on increasing BESS capacity to support the cost effective, decarbonisation of our electricity supply in line with Great Britain's climate objectives. The Investment Manager continues to work with environmental experts to improve its sustainability reporting and is hopeful of further recognition of the benefit of batteries in carbon avoidance methodology. Further updates are provided in the Sustainability Report on page 28.

Outlook

The energy transition from fossil fuels to renewables in Great Britain was always expected to be challenging, and even more so once levels of intermittent generation begin to dominate the electricity system. The Board and the Investment Manager have progressively worked their way through the many challenges of recent years including COVID, supply chain issues, demand destruction caused by high power prices following Russia's invasion of Ukraine and new grid connection delays. We have seen how challenging it is for ESO to automate and digitise their legacy systems and processes to a fully modernised platform that can fully utilise and reward BESS assets. During 2024 we expect to see further trends demonstrating improvement in our earnings as a result of planned and announced systems changes.

Despite this currently challenging environment for the battery storage sector, the continued rapid deployment of new renewable output, particularly offshore wind, drives a parallel demand for battery energy storage. The merits of this technology and the long term commercial attractions remain as true as ever, both in Great Britain and more so internationally

We look forward to reaching 1GW of operational capacity this year which will be a significant milestone for GRID. Due to the expansion of the size and duration of the portfolio during the course of 2024, the robustness in our revenue streams will naturally follow allowing us to get back to full operational dividend cover and further potential for capital growth.

John Leggate CBE, FREng

Chair

Date: 26 April 2024

Investment Manager’s Report

Gresham House Asset Management Limited (GHAM) is wholly owned by Gresham House Limited (formerly Gresham House plc), a specialist alternative asset manager. Gresham House provides funds, direct investments, and tailored investment solutions, including co-investment, across a range of highly differentiated alternative strategies. Gresham House's expertise includes strategic public equity, private equity, forestry, housing, new energy, and infrastructure.

In the current challenging revenue environment, we are focused on taking the right actions to ensure continued capital efficiency and discipline which will position the Company for continued growth. We are focussing on deploying capital where it has the biggest cash generation impact and believe a redefined dividend policy will be more appropriate for the merchant business model going forward.

Efficiently deploying capital primarily means focusing on pipeline projects that deliver earnings in the near term. This approach reduces exposure to long lead time projects, diversifies earnings, preserves capital and reduces exposure to ESO’s system improvement rollout. It also means reviewing if existing capital is better deployed elsewhere: the Investment Manager will therefore consider disposals if these are in the best interests of the Company.

Whilst the revenue environment has remained challenging in January and February 2024, we have seen revenue improvements for BESS assets since March 2024 as the launch of Balancing Reserve and the change of the 15-minute rule to a 30-minute rule alongside improvements in utilisation of BESS by ESO all contributed to an improving revenue picture for BESS. See Market update section below for further details on the progress made and improvements to come for BESS assets in Great Britain.

Deployment of capital into improving the portfolio

To maximise near-term cash generative returns, we are focused on deploying capital into projects which contribute to earnings in 2024. This includes the completion of York (50MW) in January 2024, 327MW of further projects which are approaching construction completion and the duration extensions of a further 340MW of operational projects, including an increase in Nevendon’s connected capacity by 5MW.

77% of the cost of assets under construction had already been paid as at 31 December 2023. This means that there is a disproportionately larger positive impact on near term revenues from spending the remaining incremental capital expenditure on these projects as they are commissioning in 2024. This approach is even more powerful for project extensions as we already own the batteries for these extensions with 83% of the total augmentation cost already paid for by 31 December 2023. There are significant revenue advantages from moving from a one-hour to a two-hour duration.

In the current revenue environment, the Investment Manager has decided to defer its first investment in the US. The Company maintains its strategic intent to diversify internationally and we will revisit this when the market backdrop improves.

The Company’s tight focus on efficient capital allocation will remain through this period. Finally, while deeply regrettable and disappointing to shareholders, the cancellation of the 2023 Q4 dividend and the decision not to pay dividends in relation to 2024 puts the Company in a stronger positive cash generative position. It also allows the business to continue to build its portfolio while reducing drawings on our debt facility.

Diversification into contracted revenue streams

The issue of under-utilisation of BESS by National Grid Electricity System Operator (ESO) and their very gradual progress fixing their system-based issues has driven us to look for alternative revenue opportunities. In the shorter term, we have been focused on other revenue generative opportunities for our assets.

For example, we are working with several DNOs (Distribution Network Operators) to create additional revenue opportunities for our assets through availability-linked payments and higher export tariffs during peak times to provide DNO networks with additional flexibility during times of higher demand.

Portfolio and pipeline overview: additional capacity and durations

At the present time, the focus is to complete the current pipeline whilst reassessing the environment. It is clear that focusing on completing the existing pipeline will result in a near doubling in the earnings potential of the portfolio, relative to the run-rate at the end of 2023, with limited additional capital expenditure required. Even in an uncertain revenue environment this will substantially improve earnings potential into the future.

GRID increased its operational portfolio to 690MW / 788MWh by the end of the period with the commissioning of Coupar Angus (40MW / 40MWh) in February, Grendon (50MW / 100MWh), its first 2-hour project and largest operational asset to date in July, and West Didsbury (50MW / 50MWh) in December.

A further 382MW of projects (including 50MW already commissioned in January 2024 from York and a 5MW connection increase at Nevendon) are due to commission in 2024 taking operational capacity up to 1,072MW / 1,696MWh and more information in relation to these projects is shared below.

Since the year end the York project (50MW / 76MWh) has been commissioned and started earning revenues thereby increasing operational capacity to 740MW / 864MWh while the energisation of Penwortham and Shilton Lane are imminent. The energisation of Melksham, West Bradford and Elland are anticipated in the coming months.

In addition to completing the construction of the current new project pipeline, the Investment Manager is focussing on augmenting a selection of operational and in construction projects to increase the duration of these sites. These augmentations have been carefully designed to reduce construction time and outages to ensure minimal revenue impact to the original sites during construction. The cost of batteries for the augmentations, the largest single cost element, has already been incurred.

The table below shows the full list of projects being upgraded:

Existing assets	Capacity (MW)	Battery size (MWh)	Battery duration (c.hours)	Capacity following augmentation (MW)	Battery size following augmentation (MWh)	Battery duration following augmentation (c. hours)	Operational status at 31 December 2023 and augmentation target
Arbroath	35	35.0	1.00	35	47.5	1.35	Augmentation completed: Apr 24
Nevendon	10	7.1	0.70	15	33.0	2.20	Operational Augmentation: May 24
Enderby	50	50.0	1.00	50	100.0	2.00	Operational Augmentation: May 24
West Didsbury	50	50.0	1.00	50	100.0	2.00	Operational Augmentation: May 24
Coupar Angus	40	40.0	1.00	40	80.0	2.00	Operational Q1 2023 Augmentation: Sep 24
Penwortham	50	50.0	1.00	50	100.0	2.00	Target energisation: Mar24 Augmentation: Oct 24
Melksham	100	100.0	1.00	100	200.0	2.00	Target energisation: Q2 24 Augmentation: Oct 24
Total Operational	335	332.1	0.99	340	660.5	1.94	

In relation to the table on the previous page, the extensions of Nevendon, Enderby and West Didsbury are all currently underway with the Arbroath extension works completed on 2 April 2024.

The result of the augmentations will be to increase the average duration of the portfolio, thereby improving the revenue and EBITDA achievable. The graph below illustrates the impact on fund revenues from completing the new project and augmentation construction pipeline[6].

Resulting Pipeline & Portfolio moves to 1,696 MWh by the end of 2024

The updated portfolio is shown in the table across.

6. Assumption made that a 2-hour battery makes 30% revenue more than a 1-hour battery

Projected MW / MWh growth over 2024

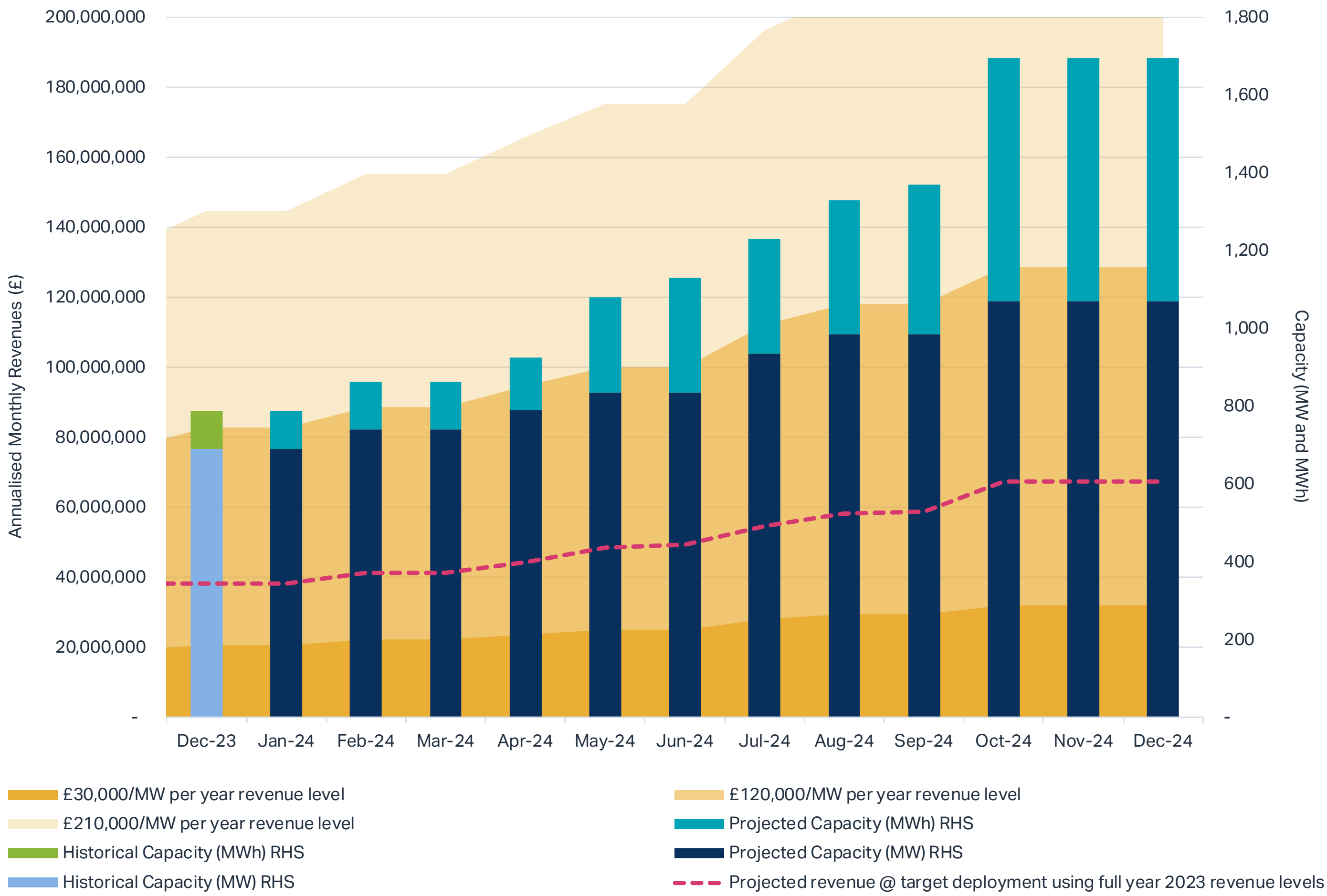


Table 1. Company portfolio (operational, in-construction & pre-construction projects) and exclusive pipeline

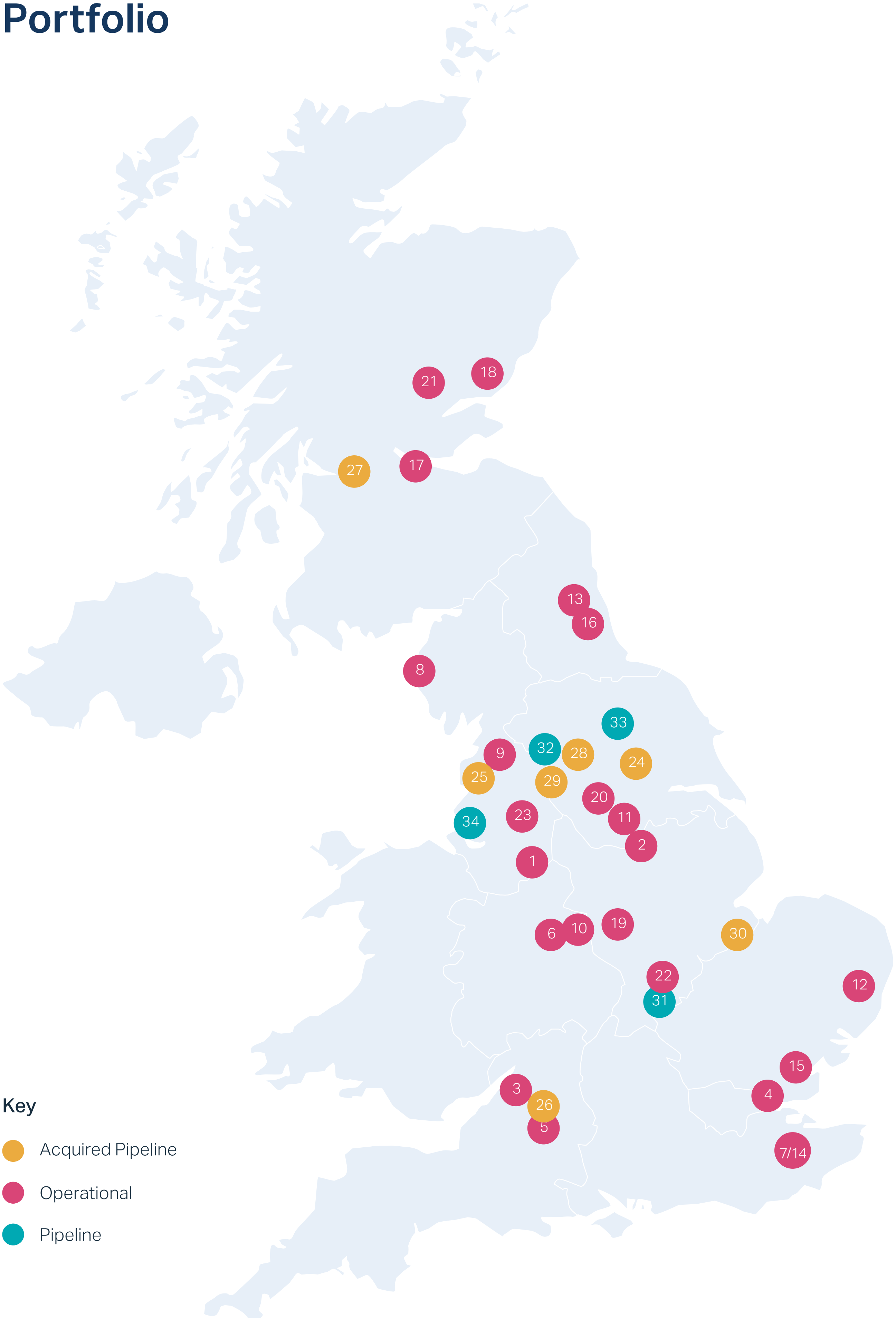
Map ref.	Existing assets	Capacity (MW)	Battery size (MWh)	Capacity post augmentation (MW)	Battery size post augmentation (MWh)	Battery duration post augmentation (c. hours)	Operational status at 31 December 2023
1	Staunch	20	3	20	3	0.20	Operational
2	Rufford	7	9	7	9	1.35	Operational
3	Lockleaze	15	22	15	22	1.45	Operational
4	Littlebrook	8	6	8	6	0.80	Operational
5	Roundponds	20	26	20	26	1.30	Operational
6	Wolves	5	8	5	8	1.55	Operational
7	Glassenbury	40	28	40	28	0.70	Operational
8	Cleator	10	7	10	7	0.70	Operational
9	Red Scar	49	74	49	74	1.50	Operational
10	Bloxwich	41	47	41	47	1.15	Operational
11	Thurcroft	50	75	50	75	1.50	Operational
12	Wickham	50	74	50	74	1.50	Operational
13	Tynemouth	25	17	25	17	0.70	Operational
14	Glassenbury Extension	10	10	10	10	1.00	Operational
15	Nevendon	10	7	15	33	2.20	Operational Augmentation: May 24
16	Port of Tyne (renamed South Shields)	35	28	35	28	0.80	Operational
17	Byers Brae	30	30	30	30	1.00	Operational
18	Arbroath	35	35	35	48	1.35	Operational Augmentation: completed
19	Enderby	50	50	50	100	2.00	Operational Augmentation: May 24
20	Stairfoot	40	40	40	40	1.00	Operational
21	Coupar Angus	40	40	40	80	2.00	Operational Q1 23 Augmentation: Sep 24
22	Grendon 1	50	100	50	100	2.00	Operational Q4 23
23	West Didsbury	50	50	50	100	2.00	Operational Augmentation: May 24
Total operational		690	788	695	966	1.39	
24	York	50	76	50	76	1.50	Energised: January 24
25	Penwortham	50	50	50	100	2.00	Target energisation: April 24 Augmentation: October 24
26	Melksham	100	100	100	200	2.00	Target energisation: Q2 24 Augmentation: October 24
27	Shilton Lane	40	80	40	80	2.00	Target energisation: April 24
28	Bradford West	87	174	87	174	2.00	Target energisation: H2 24
29	Elland 1	50	100	50	100	2.00	Target energisation: H2 24
Total Operational or Under Construction		1,067	1,368	1,072	1,696	1.58	
30	Walpole	100	200	100	200	2.00	2026 connection
Total portfolio owned by the company		1,167	1,568	1,172	1,896	1.62	

Table 2 - Pipeline summary

Map ref.	Pipeline projects	Capacity (MW)	Battery size (MWh)	Capacity post augmentation (MW)	Battery size post augmentation (MWh)	Battery duration post augmentation (c. hours)	Operational status at 31 December 2023
31	Grendon 2	50	100	50	100	2.00	-
32	Thurcroft 2	85	170	85	170	2.00	-
33	Monet's Garden	50	100	50	100	2.00	-
34	Lister Drive	50	100	50	100	2.00	-
Total Additional Pipeline not owned by the Company*		235	470	235	470	2.00	-
Total Portfolio and Additional Pipeline		1,402	2,038	1,407	2,366	1.68	-

* Construction of Additional Pipeline not owned by the Company is not planned at this stage

Portfolio



Key

Acquired Pipeline

Operational

Pipeline

NAV performance and analysis

NAV per share[7] has fallen to 129.07 pence per Ordinary Share as at 31 December 2023 (from 155.51 pence per share at 31 December 2022).

From IPO through to 31 December 2023 the Fund delivered a NAV Total Return[7] of 71.4%. The NAV Total Return in 2023 decreased by 12.9%, driven mostly by falling third-party forecasts impacting project valuations alongside weak revenues from our operational assets over the period.

Third party forecasts are now at their lowest overall levels since IPO. In addition, the Investment Manager has made further reductions to revenue assumptions for 2024 to 2026. Despite these assumed reductions, the outlook for the Company and the BESS market remain positive as the wholesale market backdrop improves, renewable penetration continues to rise, ESO executes against its Balancing Programme and other initiatives, and as new revenue opportunities emerge to diversify our revenue base. We expect all these factors to drive increased future earnings and cash generation potential.

A NAV bridge and commentary is included in the valuations methodology section below. This also summarises the discount rates and revenue assumptions used for the current NAV and NAV per share calculation.

7. Alternate performance measures are defined and calculated on page 114 of the Annual Report

Financial performance

In 2023, underlying portfolio revenues per MW declined following strong revenues in 2021 and 2022. This was due to saturation of frequency response markets and cyclically lower trading revenues cyclically lower trading revenues, driven by a decline in power price volatility and in particular due to the challenges at ESO utilising BESS appropriately in the BM, as mentioned above.

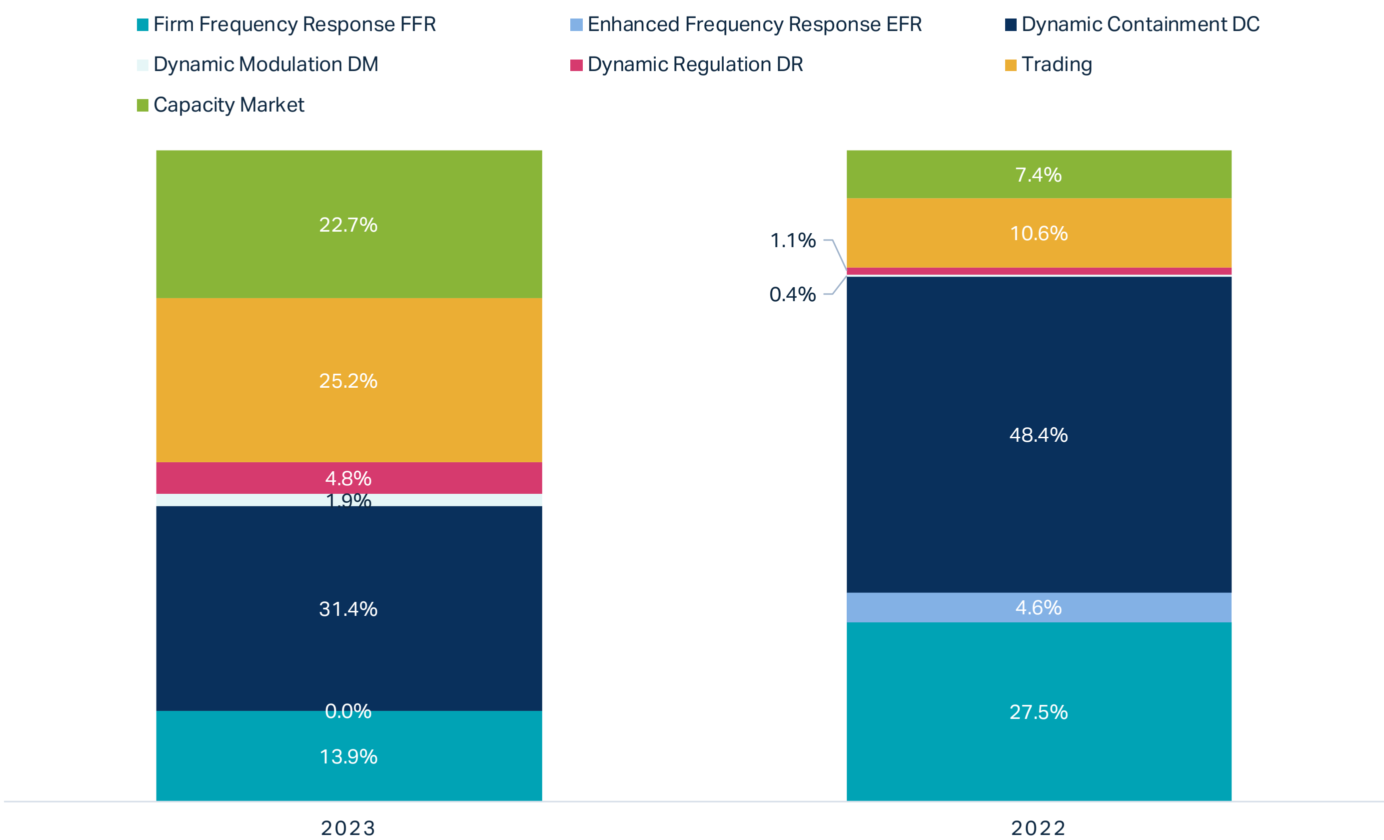
Revenues from the underlying assets for the year to 31 December 2023 were £38.4mn (£38.7mn including liquidated damages for late construction completions), down 39% on FY 2022 (£62.7mn).

In 2023, the share of revenues from trading grew from 10.6% to 25.9% as revenues from frequency response fell sharply. Had the headwinds mentioned above not prevailed, trading would have grown to a significantly larger percentage.

As a result, EBITDA generated by the Company's operational investments fell to £25.8mn from £48.8mn in FY2022, a decrease of 47%, despite a 25% increase in average operational MW during the year.

It should be noted that the portfolio remains significantly cash generative even in the current market environment.

Revenue mix FY 2023 vs FY 2022



Detailed revenue commentary

Frequency Response

The ESO's Firm Frequency Response (FFR) service was retired in November 2023 and saw procured volume decrease over the year. Demand previously from FFR moved to the ESO's new Dynamic suite of frequency response products which is a more efficient service for the system operator. Due to saturation of frequency response markets in general, and the reduced volume from FFR, frequency response's contribution to our revenues decreased from 82.0% in FY 2022 to 52.1% in FY 2023. All GRID's assets which previously participated in the FFR market are now competing in the Dynamic frequency response services.

Dynamic Frequency Response Services (Dx) generated 38.2% of total revenues in 2023 (2022: 49.9%), higher than initial expectations for the year despite a saturated market due to difficulties in the trading environment. Dynamic Containment (DC) was again the largest element of this at 31.4% of total revenues in FY 2023 compared to 48.4% in FY 2022. Dynamic Moderation (DM), launched in May 2022, and Dynamic Regulation (DR), launched in April 2022, made up 1.9% and 4.8% of total revenues respectively in 2023 compared with 0.4% and 1.1% in 2022. A hidden value of these services is the opportunity to stack with trading revenues to maximise the overall revenues generated by the battery as it can generate additional pricing opportunities for trading, for example cheaper charging opportunities whilst delivering a service which can increase the electricity price spread available.

Finally, the recent launch of the new auction platform "Enduring Auction Capability" (EAC), also allows for greater stacking between services as there is an ability to split the capacity of a site over more than one service. This is contributing to generally increased saturation of the markets.

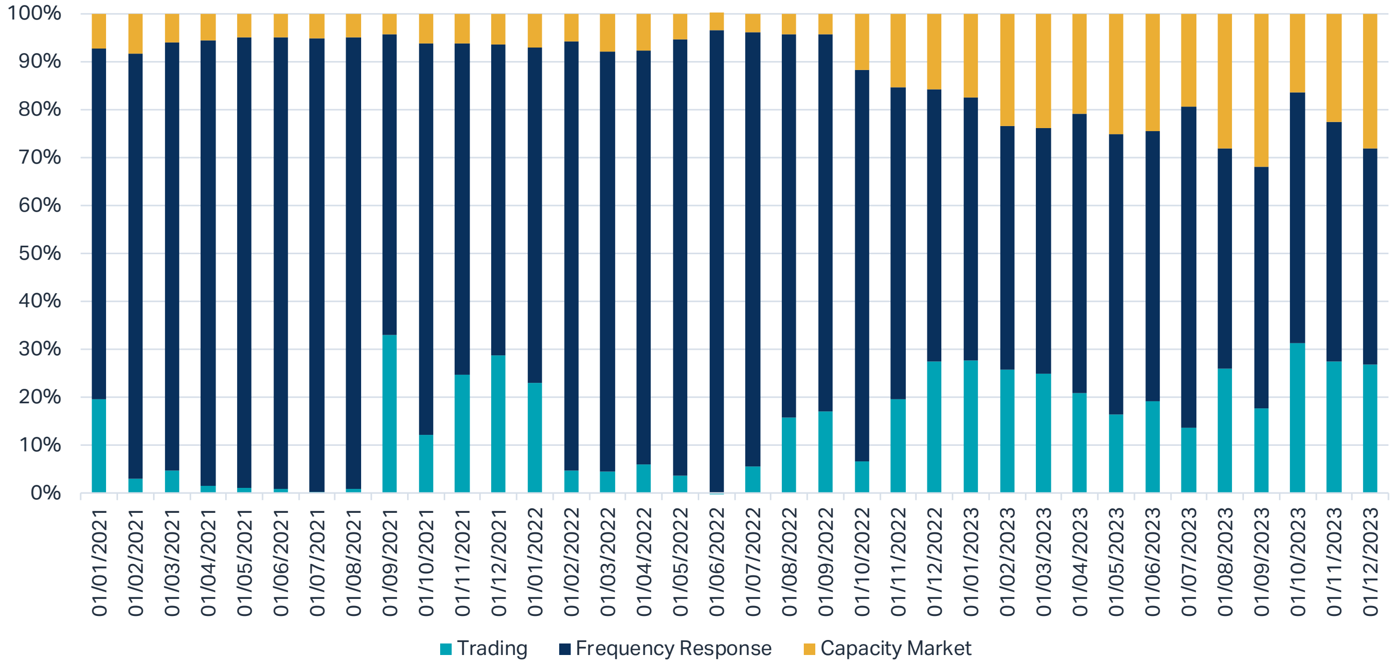
Trading

The battery market is moving towards a merchant revenue model based on trading as saturation in the ancillary services market makes those services less valuable. Despite this, GRID's trading revenues have only increased to 25.2% of total revenues in 2023, up from 10.6% in 2022. This has been due to difficulties in trading which have been driven by ESO not utilising BESS in the BM combined with excessive use of gas and coal through Winter 2023/24 and the knock-on impact to wholesale markets from the inefficient overutilisation of gas for balancing via thermal generation. This combination of factors has reduced the trading opportunities in 2023.

During 2023, and in 2024 to date, we have noticed a greater relative performance from two-hour duration assets compared to one-hour duration assets. We would normally expect performance of 2-hour batteries to be 30-50% higher in total than a 1-hour battery as the second hour price spread (high versus low price in a day) is typically smaller and therefore less valuable than the first hour spread. However, we are currently seeing the seeing the second hour performing at close to 100% of the first hour.

This is due to a flatter daily price curve, meaning daily low and high prices are persisting for longer, even though the spread is modest. Whilst we do not expect the incremental advantages of the second hour to remain as high as currently being seen, even in normal conditions the second hour provides a higher return on capital than new projects due to the lower incremental cost to add the additional hour to an existing project. This, coupled with the fact that extensions or augmentations are quicker and easier to commission than new projects due to already having grid connections, is why we are focussed on delivering duration upgrades across our portfolio.

Revenue mix



Other operating performance

Capacity market (CM) revenues rose from £4.6mn to £8.7mn due to a large number of high value T-1 contracts beginning in October 2022. We expect that CM revenues will continue to increase as new sites are brought online with long-term, 15-year CM contracts already in place. The percentage of the revenue mix from this was much higher in 2023 at 22.7% (2022: 7.4%) than would typically be expected, due to the weaker revenues from other sources. Longer term we expect Capacity Markets to represent 5-15% of revenues based on the current arrangements today and a normalised trading environment.

We are continually looking at ways to reduce the operating costs of the portfolio to increase the profit margin and cash generation of our underlying assets. The most effective way we can achieve this is by increasing the duration of sites because many costs for a site are fixed irrespective of duration.

We are pleased that we have secured reductions in insurance costs across the portfolio during the year; we expect to realise further savings over time due to increasing scale and bargaining power. In addition, as the number of BESS assets in the UK increases, and as time passes and claim levels become clearer to insurers, we expect these assets will become better understood by underwriters and this will enable the risk premium applied to these assets to fall. We would also expect additional insurers to enter the market and increase price competition.

Capacity charges (which relate to ongoing grid connection costs) are another cost we are working to reduce. From discussions with Network Operators, it is apparent that the benefits batteries can offer network operators, for example, by providing flexibility to manage local constraints or reactive power, are often undervalued. We believe that we can demonstrate the important role BESS assets have in reducing congestion, rather than increasing it, and we will seek lower connection charges as a result. As noted in relation to alternate revenues at the start of this report, we are seeing some DNOs start to recognise this value in the form of offering additional revenue opportunities, we hope to convince more DNOs of the value of our assets in due course.

Track record over the last five years

The chart below across how the Company's portfolio fortunes have varied as supply and demand dynamics have changed over the last five years.

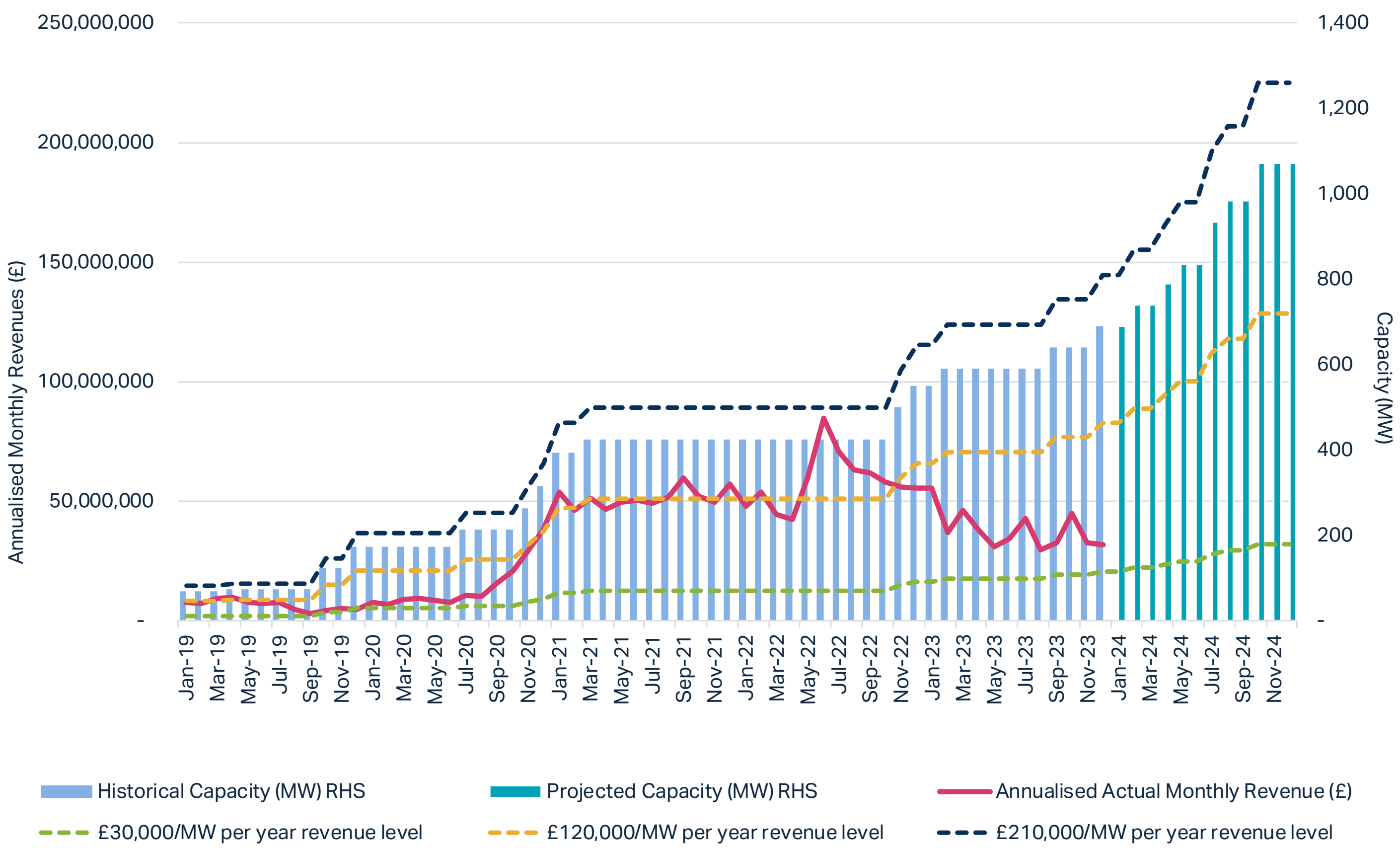
In 2020, at the start of the COVID-19 pandemic, GRID saw unprecedented low electricity demand levels as the world's power consumption habits changed during widespread lockdowns. This resulted in a period of extremely low revenue levels for BESS assets in Great Britain during the spring and summer of 2020. This improved towards the end of 2020 as rising electricity prices, increased supply volatility, and unusual demand profiles through the winter drove a significant uplift in trading returns for BESS assets as they helped support and balance the grid.

When the cost-of-living crisis began to build in 2021 consumers began to reduce their gas and electricity consumption. GRID's portfolio was largely protected from lower revenues due to undersaturation in the frequency response market. However, this began to impact revenues in the latter half of 2022 as the frequency response markets became saturated and revenues peaked between June and September 2022. The peak occurred when electricity demand from France increased after a significant reduction in its nuclear fleet and the invasion of Ukraine by Russia led to fears of gas shortages resulting in a peak in gas prices in August 2022.

Through 2023, power demand levels began to rise again as power prices fell. However, low gas prices and ESO's inefficient overutilisation of gas thermal plants within the BM meant price volatility flattened during this time. In addition, the current overuse of gas in the BM, combined with a general oversupply of generation in the market (despite outdated coal consistently generating c1.8GW through Winter 2023/24), means we are currently in a low period for price volatility, exacerbated by the ESO skipping BESS in the BM.

This will change as demand increases with ongoing increased electrification of industries, heat and transport. In addition, oversupply will reduce as old thermal generation begins to retire either due to age or economics as plant load factors decrease. This will lead to greater reliance on intermittent renewable wind and solar generation for our supply mix. The fixes planned by the ESO through 2024 will look to address the short term issues causing high skip rates for batteries and should return us to the trajectory anticipated following the growth in volatility from the renewables build out.

Revenues (actual) with revenue ranges vs Capacity (MW)



Market update

National Grid ESO and the Balancing Mechanism

The trading and revenue environment remains challenging for BESS in Great Britain as skip rates have not significantly improved since the launch of the Open Balancing Platform (OBP) in December 2023. They remain, in our view, at high levels of over 80%, with Modo Energy estimating it to be over 90%[8] in March 2024, i.e., ESO is not using BESS when offering capacity at competitive prices, at least 80% of the time. According to the Energy Storage Network, this cost the consumer £150mn in 2023 alone[9].

We understand that the reason BESS are still being skipped, despite the launch of OBP, is because there are other improvements in the control room required to unlock lower skips. We continue to actively engage with ESO to facilitate solutions to these issues.

We have seen the launch of OBP, the launch of Balancing Reserve (BR) and expect to see Fast Dispatch launched in Spring 2024. In addition, to try and lower skip rates, ESO has decided to change the '15-minute' rule which limits BESS trades to a maximum of 15 minutes to a maximum of 30 minutes effective from 12 March 2024. As a majority of BM instructions are for more than 15 minutes, this is a very positive development as it encourages more despatch of BESS.

BR gives BESS the opportunity to pre-contract their capacity in the day ahead market, in a competitive forum for BESS and gas-fired generation (for the first time since the Reserve from Storage trials in 2020). This means BESS can be "seen" and used by the Control Room ahead of real time. This represents a new revenue stream for BESS and also ensures less gas-fired power hits the market, leading to lower skip rates in real time. BR is intended to replace Regulating Reserve, through which gas-fired generation is currently reserved.

The first 10 days of Balancing Reserve saw batteries win 45% of all volume in the service. Modo's Great Britain BESS index showed revenues increased by 48% compared with the 21 days prior to the launch of the service, with Balancing Reserve accounting for 12% of revenues post launch. Currently only 400MW is being procured through the service but National Grid ESO have indicated that they aim to procure up to 2.5GW during peak periods next winter through BR. The combination of BR and the change to the 30-minute rule have driven improved revenues for the portfolio since March 2024 as we start to see improved utilisation of BESS assets.

8. Source: https://modoenergy.com/research/balancing-reserve-battery-energy-storage-revenue-march-2024

9. Source: Electricity Storage Network letter to National Grid ESO, 26 July 2023 https://www.regen.co.uk/wp-content/uploads/Electricity-Storage-Network-letter-to-ESO-on-Balancing-Mechanism-dispatch.pdf

Quick Reserve will replace the existing STOR, Fast Reserve, and Operational Downward Flexibility Management Services sourced from gas and diesel peakers today. It is primarily for restoring grid frequency to 50Hz after a large deviation and will complement the Dynamic frequency response services which BESS already participate in. Unlike the previous frequency restoration services, Quick Reserve will be open to all assets including batteries and it will operate as a single service, providing greater market transparency. Due to the quick response required, BESS are expected to be the primary technology for this reserve product and hence enhancing for our revenue mix when it launches in Summer 2024. Reserve markets are expected to be a significant driver for improved utilisation of BESS assets and removes one of the major barriers today being the ability to contract BESS ahead of real time, as such we expect the increased roll out of competitive reserve products will be very accretive for our underlying portfolio.

We have seen a significant volume of coal used over Winter 2023/24, further adding to oversupply pressures and flattening volatility. A dispensation was provided for coal fired plant to run for a further period due to the cost-of-living crisis and concerns over energy scarcity in 2022. This dispensation expires in September 2024 and will never repeat. This will mark a significant milestone for the transition to clean energy: having driven the industrial revolution since its beginning and forming the majority source of electrical generation throughout the 20th century up until the "dash for gas" in the 1990s, in the next few months coal will be gone from the Great Britain grid.

Finally, the overuse of gas assets by ESO in the BM, exacerbated by current low gas prices, is reducing day ahead wholesale price opportunities. Improvements in the BM will therefore also see greater imbalance price volatility and a return to higher volatility in the wholesale markets.

Electricity demand

Following a period of demand reduction, we have seen demand stabilise in 2023 as shown in the chart below.

Since 2005 annual electricity demand in the UK has been decreasing as energy intensive heavy industry has decreased and electrical goods such as lighting have become more energy efficient (especially due to LED lighting). This gradual decline in demand has led to an increasing oversupply in the market as older fossil fuel assets are slow to retire (and seek to extract as much revenue at the end of their lives) and the rate of build out of renewable energy increases. The spike in gas prices following Russia's invasion of Ukraine extended this downtrend.

Oversupply flattens volatility in power prices as energy scarcity occurs less frequently. The growth in electric vehicles and domestic heat pumps electrifies energy consumption and replaces oil and gas consumption.

This will see demand rise; the UK's millionth battery EV was sold in January 2024[10], and the highest volume of monthly EV sales in February 2024[11].

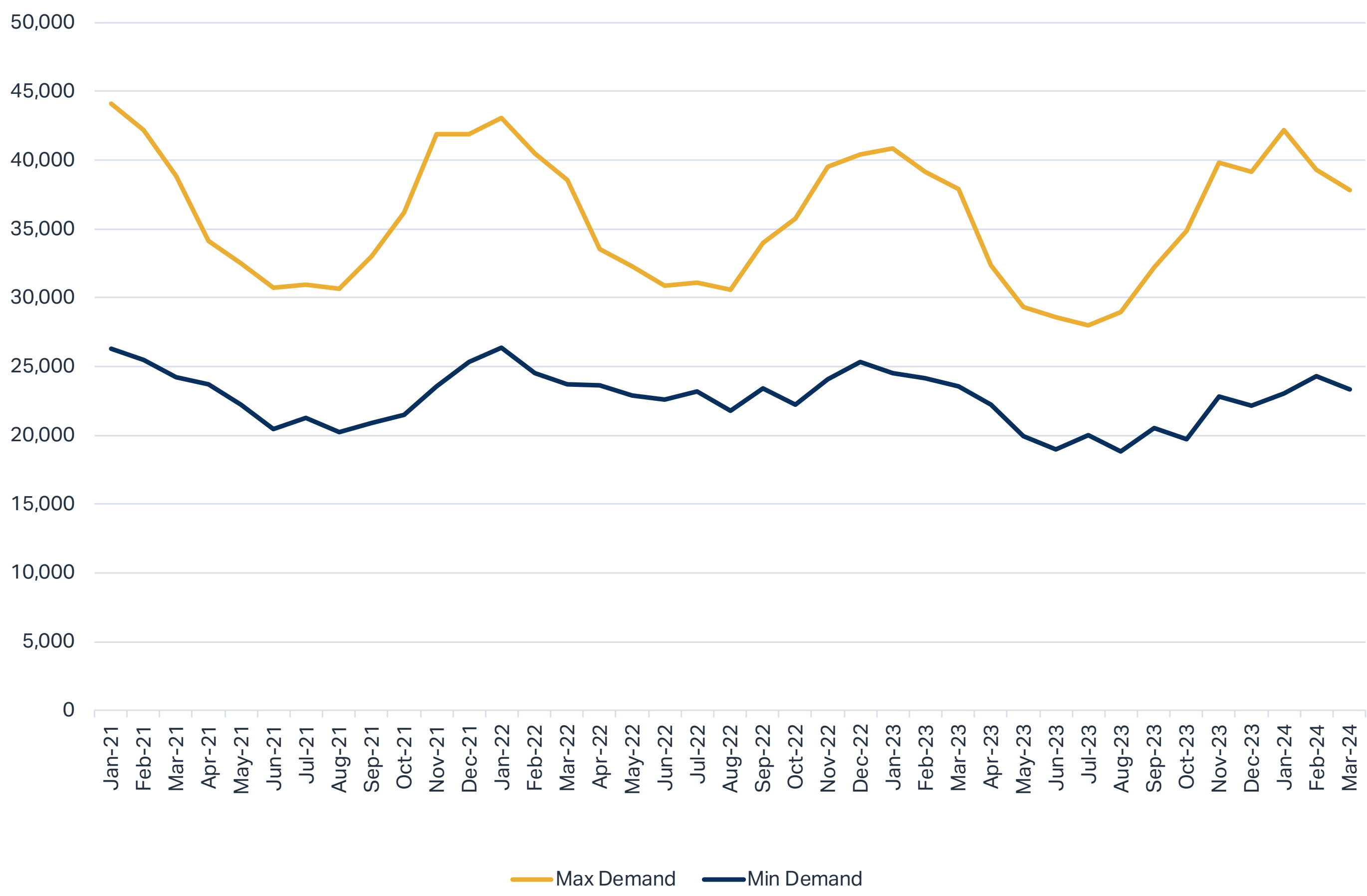
The graph at the top of the next page shows the four demand forecasts laid out in National Grid's 2023 Future Energy Scenarios publication[12]. In the three scenarios which achieve net zero by 2050 (Customer Transformation, System Transformation, and Leading the Way) demand increases by at least 40% by 2035 and 137% by 2050 from the stated 2022 levels. Even under the Falling Short scenario, where Net Zero is not reached, demand increases by 30% by 2035 and 99% by 2050. This large-scale increase in demand will rebalance supply and demand and (a direct consequence of the increased renewable generation in the power mix) increase volatility to market power prices, thus improving battery revenues.

10. Source: https://fleetworld.co.uk/uks-millionth-ev-registered-in-january-as-fleet-demand-soars/

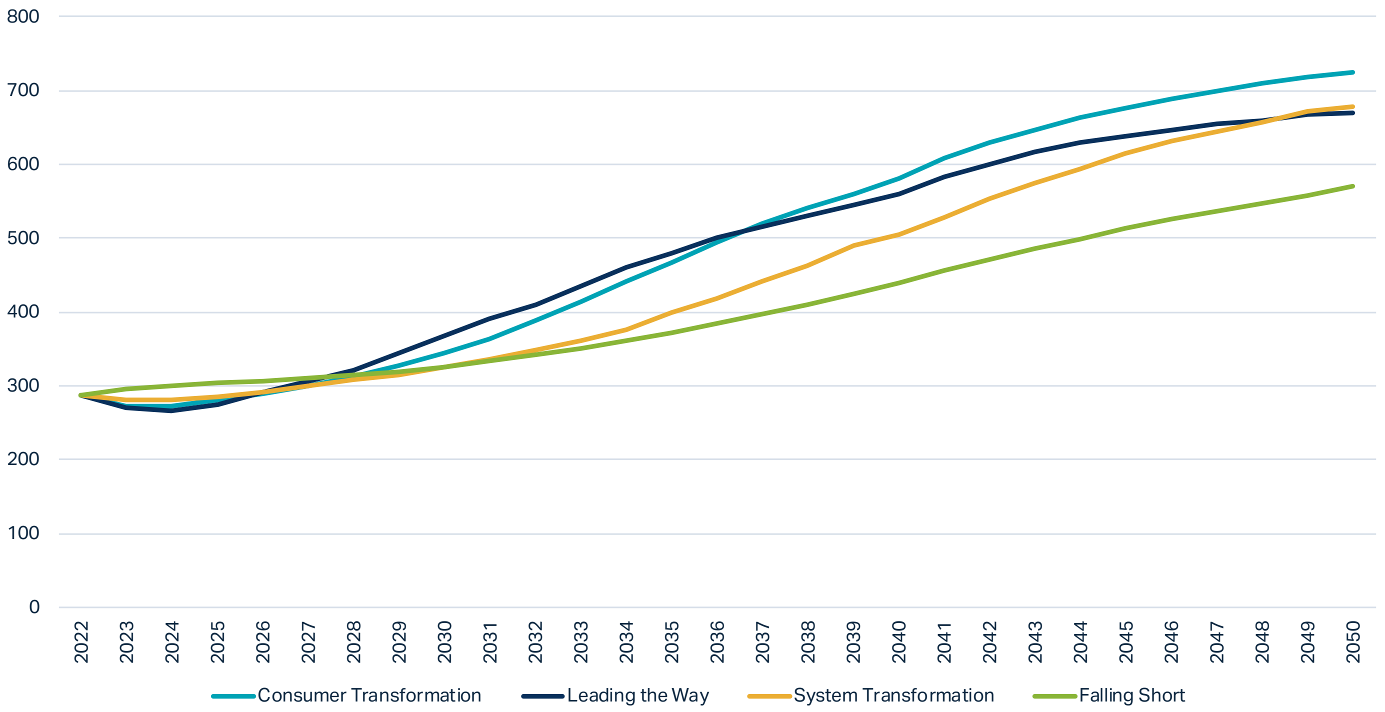
11. Source: Society of Motor Manufacturers and Traders, via https://www.current-news.co.uk/record-breaking-february-bev-sales-smmt/

12. https://www.nationalgrideso.com/future-energy/future-energy-scenarios-fes/fes-documents

Daily demand spread



FES - Forecast demand



Electricity supply

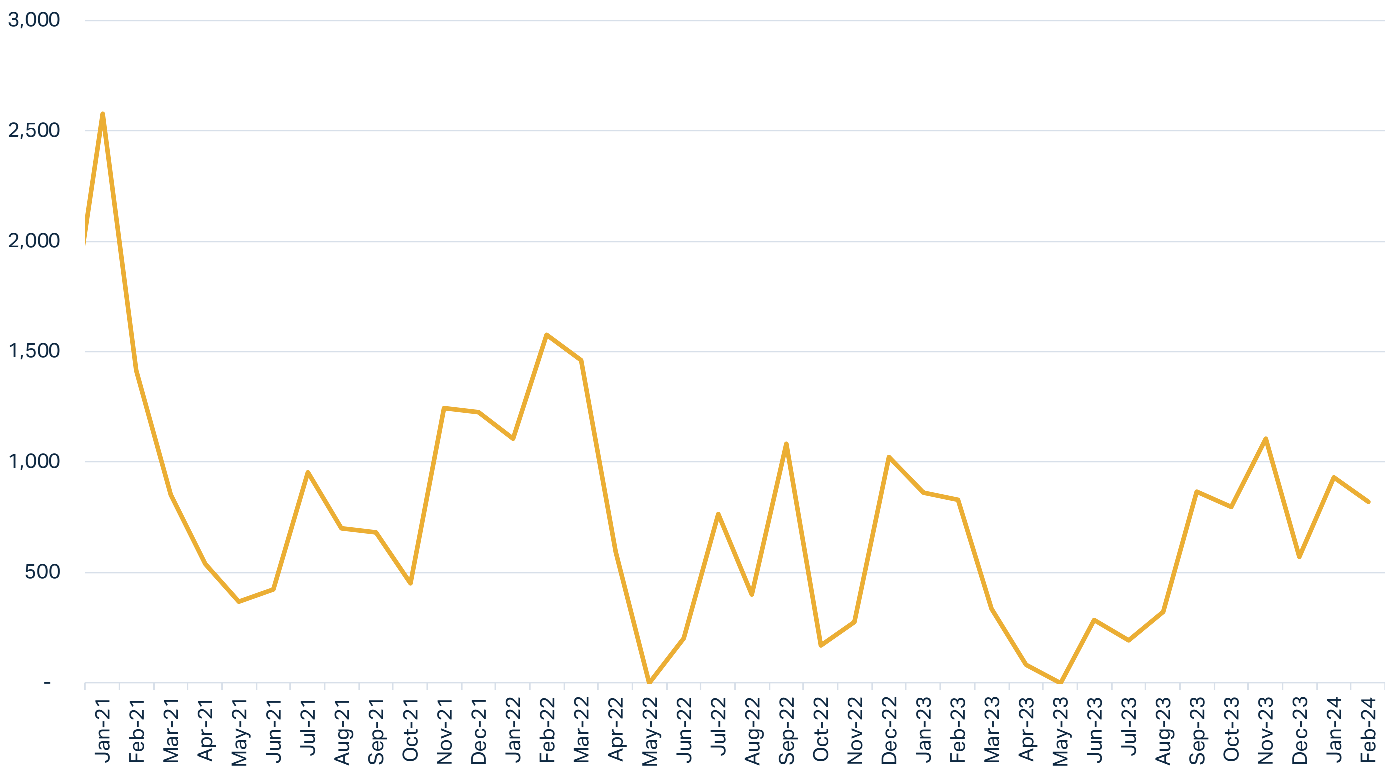
Since Summer 2023 we have seen the reintroduction, albeit temporary, of sustained use of coal for power generation on the UK grid. This has come despite wind curtailment and ever cheaper, cleaner technologies being available to generate electricity at all times. The reason the Great Britain grid has continually used c1.8GW of coal from the Ratcliffe-on-Soar plant, the last coal plant in the UK, is because National Grid scheduled it, regardless of cost merit or carbon emissions, to use up remaining coal stocks before Ratcliffe is permanently taken off the system by September 2024. The effect of this has been to distort markets as coal has been used to provide flexibility by turning up and down generators as needed. This has both crowded batteries out of the flexibility market and flattened volatility in general.

Natural gas also continues to be used in large quantities in both the wholesale market and, more importantly for batteries, in the Balancing Mechanism (BM). Much of the time gas is taken out of merit (i.e. it is selected even though it is more expensive than other market participants such as batteries) in the BM to fulfil National Grid's Regulating Reserve requirements.

Regulating Reserve gives National Grid reserve capacity (both headroom and 'footroom') as actual supply and demand almost always differ from their forecasts even a few hours ahead of real time. Through Regulating Reserve, gas-fired generation is "warmed up" when required and dialled up to a partial output level so that, for example, when it comes to the evening peak in demand, it can be turned up or down. The limitation of gas-fired generation is that it takes time and is costly to warm up in order to generate the required response. This means the market is oversupplied in the afternoon and evening due to this out-of-merit power being run for long warm up periods meaning that cheaper batteries are skipped, blocking them from generating revenue in the BM. The new Balancing Reserve (BR) service, which reserves capacity in the day ahead, will help resolve this challenge as BESS start to outbid gas assets in BR.

At the end of 2023 there was 3.5GW of operational BESS capacity (source: Modo Energy). ESO predicts that 32GW / 55GWh will be needed by 2050 in their Consumer Transformation Future Energy Scenario demonstrating the value that they believe BESS offers and the substantial requirements for storage in future. Third party forecasters model the future capacity in the electricity system as one that is built on and dispatched in merit. As the market heads towards this, in the short term through improvements in the BM, battery revenues will see improvement as they are the most cost-effective solution. A more efficient market will see increased use of BESS and prove more cost effective (and lower carbon) for the consumer.

Average daily peak coal generation (MW)

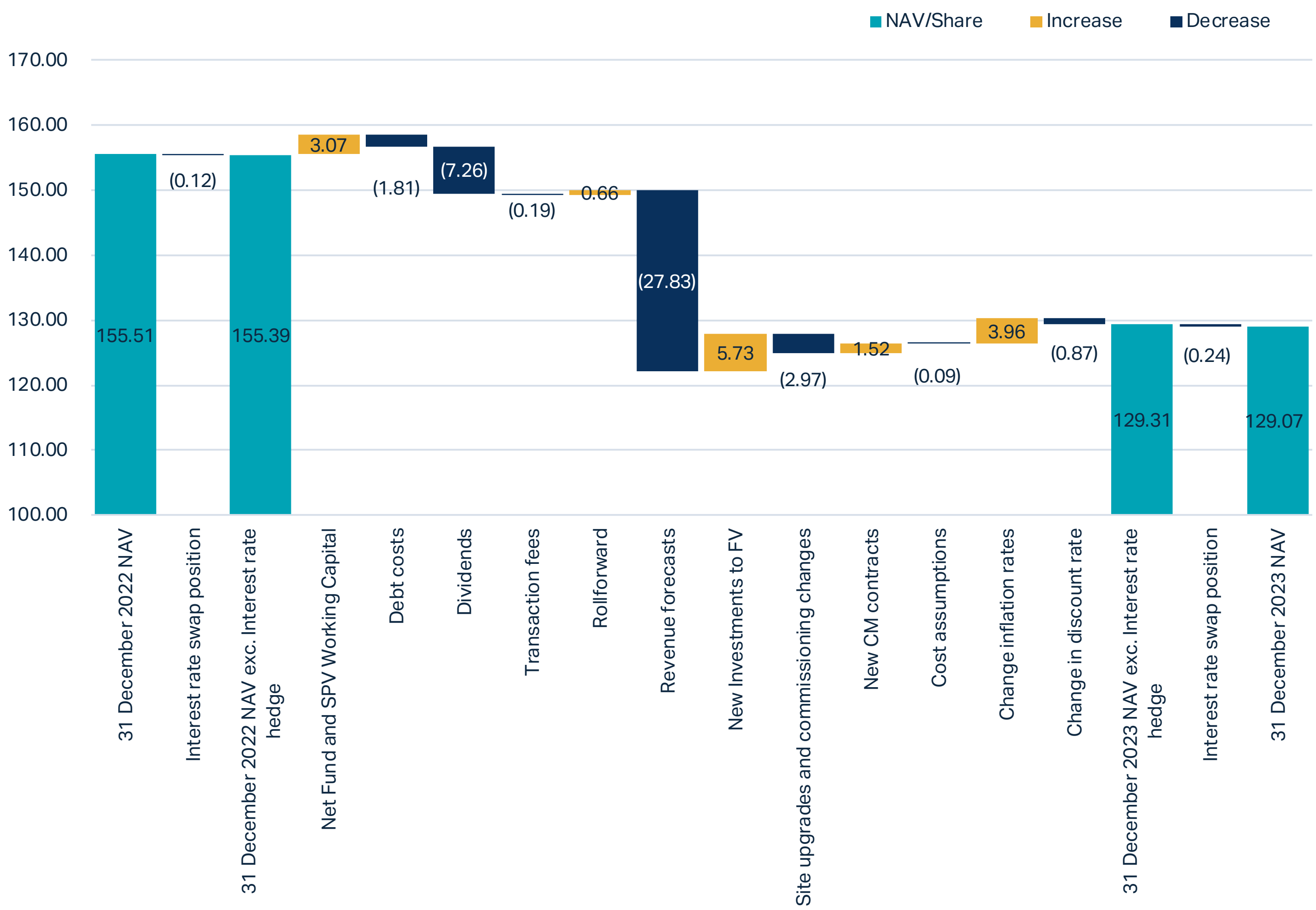


Valuations methodology

NAV per share has fallen to 129.07 pence per Ordinary Share at 31 December 2023 (from 155.51 pence per share at 31 December 2022 and 146.66 pence per share at 30 June 2023). This is largely driven from a significant reduction in third-party revenue forecasts.

The value of the Company's investments was £728.0mn as at 31 December 2023 down from £834.8mn at 31 December 2022. Further details of the portfolio of investments included in the valuations is set out below.

NAV (p/share) bridge from 31 December 2022 to 31 December 2023



Operational assets were valued at £771k/MW as at 31 December 2023. Adjusting for working capital, i.e. taking just the NPV of future cash flows, the valuation stood at £697k/MW. Working capital included cash and batteries and other equipment held for upgrades across the portfolio.

Stairfoot (40MW), Enderby (50MW), and Coupar Angus (40MW) were all revalued as operational in the first half of 2023 adding 130MW of operational capacity. Grendon (50MW), the fund's first operational two-hour battery, was energised in July 2023 and was revalued as operational as at the year-end adding 0.39 pence per share. West Didsbury (50MW) was operational in December 2023 but as the provisional acceptance certificate (PAC) was signed after the year-end it remains with a 75bps premium on its discount rate. Shilton Lane, a 40MW / 80MWh battery moved from being valued at cost at 31 December 2022 to being valued as a construction asset at the half year and remains as such at 31 December 2023. In total, asset revaluations as they progress through construction contributed 5.73 pence per share in the year.

A decrease in revenue forecasts contributed the largest decrease to NAV per share at 27.83 pence. Third party forecasts over the course of 12 months have reduced from their highest levels in December 2022 to their lowest at 31 December 2023. Additionally, at the year end, the Investment Manager has reduced the forecast revenue assumption in 2024, 2025, and 2026 to reflect the current trading environment.

Whilst the third-party forecast curves have reduced over the period, we note that short term forecasts remain above current revenue levels and therefore do not reflect the current restrictions preventing BESS assets achieving their full revenue potential. Therefore, the Board believes a reduction in short-term third-party revenue assumptions are appropriate. In the valuation models GRID has applied a reduction of 45% to third-party optimisation revenue streams in relation to 2024 and we assume revenues gradually return to third-party forecasts from the beginning of 2027 as we remain confident in the long-term revenue opportunity for BESS. The curves return to the central case in 2027 after the conclusion of the ESO's Balancing Programme.

Valuation basis	Discount rate approach applied:	MW (31 Dec 2022)	MW (30 Jun 2023)	MW (31 Dec 2023)
Operational DCF	Contracted cash flows e.g. CM contract revenues: 6.5% discount rate (5.5% at FY22, 5% at HY22) Merchant/uncontracted revenues: 10.85% (no change)	460	590	640
Commissioning DCF (energised)	Cash flows of projects in a 30-day proving period following energisation: we apply a 50bp premium to Operational discount rates (50bps at FY 22, n/a in earlier periods)	40	-	-
Construction DCF (energised)	Cash flows of projects in construction phase – energised project but not achieved PAC at valuation date: 75bps construction premium to Operational discount rates (75bps at FY22 and 50bps at HY22)	50	-	50
Total MW in Operational Portfolio		550	590	690
Construction DCF	Cash flows of projects in construction phase: 75bps construction premium to Operational discount rates (75bps at FY22 and 50bps at HY22)	437	437	377
Cost incurred to date	Assets held at cost as valuation thresholds not met	230	140	100
Total Portfolio MW included in valuations		1,217	1,167	1,167

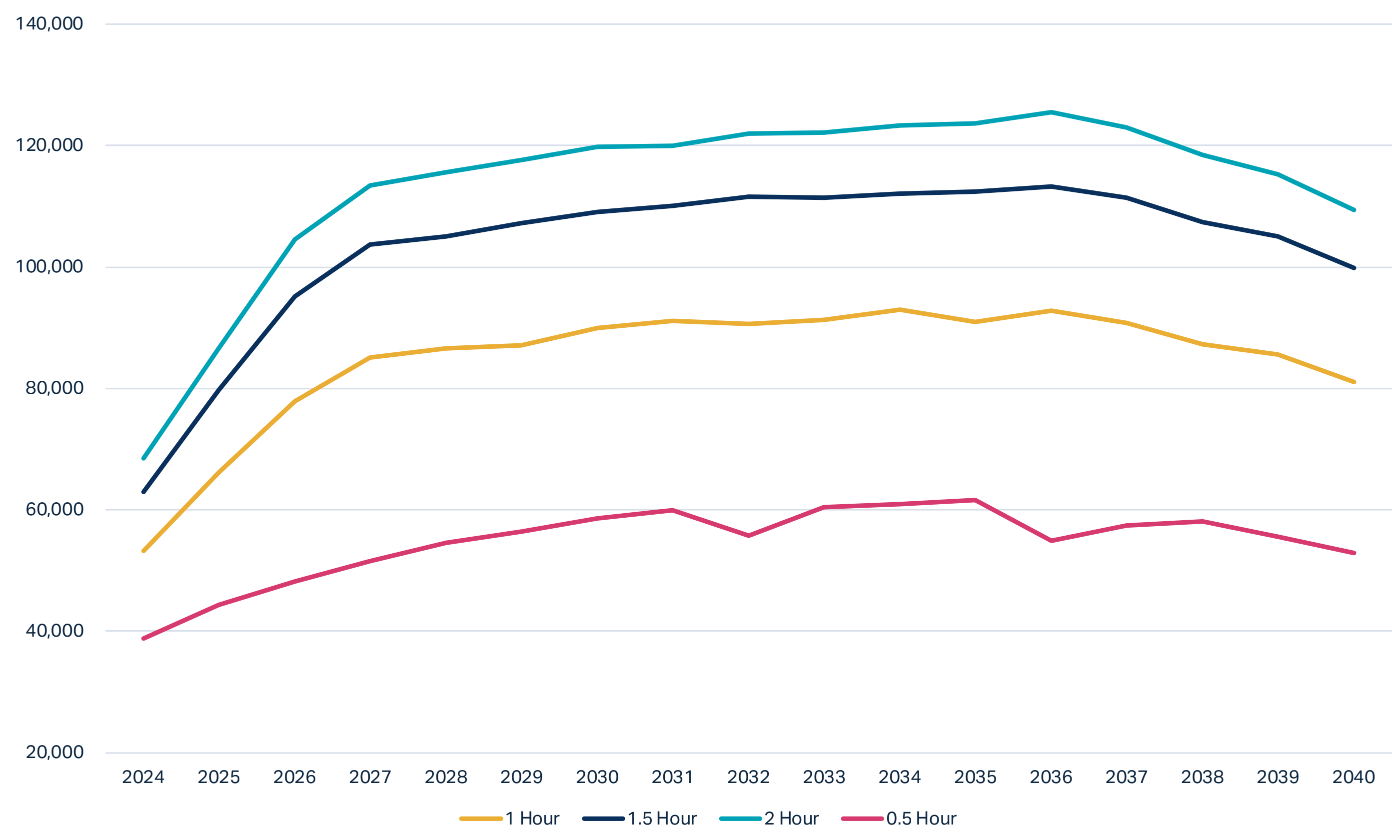
The latest revenue assumptions used in our valuations are shown in the chart below.

The discount rates applied in the valuations at 31 December 2023 are unchanged from those applied at 30 June 2023. These remain among the highest in the listed BESS sector and there is upside potential to NAV per share if interest rates fall. At 30 June 2023 we increased the discount rate for contracted revenues by 100bps to 6.5% which resulted in a NAV per share decrease of 0.87 pence. This increase was applied to maintain the discount rate for contracted revenues at a margin above the Bank of England base rate. The Investment Manager has reviewed the discount rate at year-end and deems it appropriate, particularly given the reduction in near-term revenue assumptions. The overall weighted average discount rate (WADR) at 31 December 2023 is 10.9%. This is consistent with the WADR at 31 December 2022 despite the increase in underlying rates due to the impact of additional CM contracts and more assets being valued as operational.

We have not changed the inflation assumptions from the half year as there has been limited movement in forecast inflation rates. The Bank of England, as per their November 2023 Monetary Policy Report, expected RPI (Retail Prices Index) inflation rates to fall to 4.5% in Q1 of 2024 which is in line with our current assumptions. The long-term assumption is that rates will reduce gradually towards the Bank of England target rates. The impact of the inflation assumption changes made at half year was an increase in NAV per share of 3.96 pence for 2023.

		2024	2025	2026	2027+
Inflation assumptions at 31 Dec 2023	RPI	4.5%	2.75%	2.5%	2.5%
	CPI	4.0%	2.5%	2.25%	2.25%
Inflation assumptions at 30 June 2023	RPI	4.5%	2.75%	2.5%	2.5%
	CPI	4.0%	2.5%	2.25%	2.25%
Inflation assumptions at 31 Dec 2022	RPI	2.0%	1.5%	1.5%	2.25%
	CPI	1.5%	1.0%	1.0%	2.0%

Modelled revenue inputs £/MW/yr



Delays and cost increases during the commissioning of new projects has reduced valuations by 2.97 pence per share during the year. The Investment Manager is focusing on converting the 2023 pipeline into operational projects in order to begin generating cash from these projects. West Didsbury (50MW / 50MWh) energised in December 2023 and York (50MW / 76MWh) energised in January 2024. As such, both will be included in the Q1 2024 NAV as operational projects.

New CM contracts awarded in February 2023 resulted in a 1.52 pence per share uplift. CM contracts awarded post year end, in February 2024, are not included in the 31 December 2023 valuation assumptions but will be included in the Q1 2024 valuations.

Outlook

The Company experienced a challenging revenue period during 2023 and into early 2024 and, in reaction to that, the Investment Manager has worked with the Board to put in place additional operational headroom to navigate through this period, including cancellation of the 2024 dividend and amending and restating its loan arrangements.

The Investment Manager's aim is to maximise value. In 2024, this includes commissioning the remaining pipeline of projects under construction and duration extensions. Capacity in MWh is set to double by the end of 2024 compared with the portfolio as at 31 December 2023 and this will approximately double the cash generating potential of the Company's investments.

Another key objective of the Investment Manager is to maximise revenues. This creates two sub-objectives:. to maximise the uptime of assets, which is exemplary in this portfolio; and to maximise revenues from operational assets. Referring to the latter, we are confident that the downtrend in revenues has passed its low point and that the stage is set for an improving revenue backdrop for batteries. Rising renewable power generation, which we estimate will reach at least 50% penetration by the end of 2025 and c.70% by the end of 2027, will drive a significant need for more energy storage and increase the volatility of supply and power prices. This, combined with the all-too-gradual improvements in battery utilisation by ESO, will see energy storage emerge as the true counterpoint to intermittent renewable power (rather than gas-fired generation which has been overused to date) by 2027, as ESO's Balancing Programme completes, unlocking the full revenue potential of batteries.

Finally, the Investment Manager also seeks to make portfolio construction decisions that create value. In its simplest form this means raising and deploying capital as efficiently as possible. Today, such decisions include considering a sale of assets to recycle capital to redeploy it at more attractive returns. This will also demonstrate the value of assets that may be sold. The Investment Manager is today actively engaged in this area which would also secure greater operational flexibility through a reduction in the Company's gearing. The Investment Manager is looking forward to reporting progress on all fronts.

Sustainability Report

This Sustainability Report describes the integration and enhancement of sustainability in the Company's investment processes and asset operations.

Introduction

Battery energy storage systems (BESS) play a crucial role in the energy transition to renewables. BESS can store excess energy produced by solar and wind to use when generation drops thereby smoothing the inherently intermittent renewable energy production. BESS also provide ancillary services, such as frequency response services, to the grid which improve grid stability and protects the system from very short term (sub-second) fluctuations. The Company's business model of investing in this technology is therefore supporting the decarbonisation of global electricity grids and sustainability is at the core of what we do. As a leader in the energy storage industry, the Company's mission is to facilitate the transition to a low-carbon future by providing reliable and efficient energy storage solutions.

The Board continues to focus on several key indicators to monitor and communicate the sustainability of the Company's operations. These indicators include operational BESS capacity in both MW and MWh, carbon emissions produced, and emissions avoided, all of which are reported here.

The Company's sustainability strategy is implemented within the framework of processes and policies established by the Investment Manager. Although the Company is not currently obligated to adhere to the EU's Sustainable Finance Disclosure Regulation (SFDR) or the Taskforce for Climate-related Financial Disclosures (TCFD), the Board has voluntarily provided appropriate disclosures. This decision reflects the Board''s commitment to comprehending and addressing climate-related risks and opportunities.

	31 Dec 2023	31 Dec 2022
Operational BESS - connection capacity	690MW	550MW
Operational BESS - battery capacity	788MWh	598MWh
Carbon emissions avoided (tCO_2)	677,775	510,291
Carbon emissions produced (tCO_2):		
Scope 1	7,541	9,423
Scope 2	5,228	5,149
Scope 3*	1,876	593

*2023 figures include WTT emissions from natural gas consumption

Grendon Case Study

Grendon is a newly built 50MW / 100MWh battery in Northamptonshire and is the first 2-hour operational project for the Fund. 2-hour batteries are able to support the grid during periods of high or low renewable output over longer periods than shorter duration assets. They are an important part of the energy transition as they allow more renewable power to be stored and then released over a longer timeframe.

By storing electricity produced by excess renewable generation, the site can deliver power to 100,000 homes for a continuous 2-hour period[13]. Using this renewable energy rather than burning gas to produce electricity could save 13,140 tCO_2e per year[14]. This is the same amount of CO_2 generated as 4,530 return flights between London and Hong Kong[15].
To increase the penetration of green energy on the UK grid more BESS Projects will also need to be built to smooth the intermittency of renewables.

GRID is in the process of upgrading Nevendon to a 15MW / 30MWh site and is set to commission Shilton Lane (40MW / 80MWh), West Bradford (87MW / 174MWh), and Elland (50MW / 100MWh) during 2024. Additionally, upgrades of operational, shorter duration sites are to be carried out throughout 2024, adding a further 328MWh of battery capacity on existing projects. Due to most of the infrastructure already being on site, augmentations will generate a smaller carbon footprint from construction and are quicker to build than the initial site.

13. 1 MWh is enough energy to supply the average power requirement for 2,000 homes for an hour – **OFGEM**

14. Assuming 2 cycles a day and emissions from natural gas are 0.18kgCO_2e/KWh – **BEIS 2022.**

15. An economy return flight to Hong Kong is 2.9 tCO_2e – **BEIS 2021**

Environment

The main sustainability focus of the Company is increasing BESS operational capacity to facilitate the decarbonisation of electricity. The Company has further increased its operational capacity in the year with the completion of Coupar Angus (40MW / 40MWh), Grendon (50MW / 100MWh), and West Didsbury (50MW / 50MWh). Total operational capacity as of 31 December 2023 now totals 690MW, an increase of 25% from the 550MW operational capacity as at 31 December 2022.

The Manager is increasingly focused on adding longer duration BESS assets to the portfolio, either by constructing new-build, 2-hour systems or by increasing the duration of current assets, which has been identified as a cost-effective way to increase the impact of the Company's assets in a shorter timeframe whilst maximising returns for investors.

In 2023, operational megawatt-hours (MWh) increased 32% from 598MWh to 788MWh. The addition of Grendon in the year marks the first 2-hour operational project in the portfolio and in 2024 three more 2-hour systems, Shilton Lane (40MW / 80MWh), West Bradford (87MW / 174MWh) and Elland (50MW / 100MWh) are to be commissioned along with adding 328MWh of capacity to operational sites. This increased average duration provides greater flexibility for the shifting of renewable power from times of excess supply to excess demand, thereby supporting the energy transition.

This year the Company has partnered with Carbon Responsible for its emissions reporting. The change has been made to enable the Company to be better aligned with the carbon reporting of Gresham House Asset Management and has improved collaboration in the assessment of Scope 3 emissions.

The methodology for calculating emissions generated and avoided has remained the same as last year for consistency. We are in discussion with Carbon Responsible over ways to improve our carbon reporting going forward.

With an increased operational portfolio, the Company has increased annual emissions avoided to 677,775 tCO_2, up from 510,291 tCO_2 avoided in 2022. The Company is committed to the development of new BESS capacity in the UK and overseas which will lead to an increase in emissions avoided.

Social

As we continue to achieve our goals in increasing operational capacity, consumers benefit from ESO having a robust, renewable energy supply, balanced with energy storage which is significantly cheaper than balancing demand with carbon-intensive generation, such as gas-fired CCGTs or gas, or diesel peakers.

The Company places great importance on the health and safety of its contractors and communities and the Company's BESS sites adhere to the highest safety standards and practices. In 2023, there were no major incidents on any site and no significant issues detected during regular Health & Safety audits.

Governance

In 2022, the Investment Manager established a new Sustainability Committee overseeing all its current energy initiatives. This committee is led by the dedicated Gresham House Sustainability team, replacing previous smaller sub-committees with more specific missions. The shift aims to provide clearer objectives and actions for the broader team and ensures consistent adoption of new policies. The committee serves as a platform for knowledge exchange among its renewables and Battery Energy Storage Systems (BESS) teams, incorporating representatives from various facets of the Investment Manager's team, including construction, technical and commercial operations, fund management, M&A and finance.

This committee maintains regular meetings, focused on achieving all the Company's sustainability objectives. Meanwhile, the Company's Board convenes at least quarterly, with discussions routinely encompassing the Company's approach to Environmental, Social, and Governance (ESG) considerations and associated risks.

Task Force on Climate-related Financial Disclosures (TCFD)

The recommendations of the Task Force on Climate-Related Financial Disclosures provide a reporting framework based on a set of consistent disclosure recommendations. This framework provides a level of comparability and transparency around climate-related risk exposures and approaches.

Whilst the Company is not required to comply with TCFD, the Company supports the disclosure recommendations and has therefore voluntarily provided TCFD disclosures. The Company began reporting against the TCFD recommendations in its 2021 Annual Report and has added to those disclosures in subsequent periods. In this 2023 Annual Report, the Company continues to provide climate-related financial disclosures which aim to be consistent with the TCFD recommendations and recommended disclosures, although in relation to the disclosure of GHG Scope 3 emissions, the Company continues to engage with third-party providers to establish suitable methodologies. The Company has provided Scope 3 transportation and distribution losses in this report and aims to provide further Scope 3 emissions data in future annual reports.

Governance

1 Describe the Board's oversight of climate-related risks and opportunities.

The Board has overall responsibility for the Company's sustainability risks, opportunities and compliance, which include those related to climate change. The Board meets at least once per quarter and in those meetings discusses the Company's approach to ESG considerations and risks, which include the potential impact of the physical consequences of climate change and changes to the business outlook for BESS as a result of governmental policy and the increased penetration of renewables.

Climate change risks are also captured by the Company's Risk Management Framework. A risk register is maintained by the Investment Manager which is subject to review by the Board and is discussed at its quarterly meetings and updated accordingly.

The outcome of discussions around ESG considerations and climate-related risks and opportunities are reflected in the Company's strategy, including the intention to continue to expand the portfolio to capture opportunities arising from the decarbonisation of energy use and the increased penetration of renewable energy.

In relation to ESG and climate considerations, the Company follows the Gresham House New Energy Sustainable Investment Policy.

Climate change and environmental pollution is a key topic within the Sustainable Investment Framework which is used to structure analysis, monitoring and reporting of ESG issues and opportunities within the lifecycle of our investments.

The Board monitors progress made towards targets of operational capacity in the underlying portfolio at each quarterly board meeting and reviews all aspects of the Investment Manager's performance annually, including adherence to the Company policies. The Board's Audit Committee considers the Company's climate-related disclosures.

2 Describe management's role in assessing and managing climate-related risks and opportunities.

Whilst ESG considerations and risks are discussed formally with the Board on a quarterly basis, the day-to-day management of ESG and climate matters is the responsibility of the Investment Manager. The Investment Manager has positioned the investment portfolio to benefit from the increasing penetration of renewable energy generation and monitors climate-related risks through the risk register, utilising knowledge gained by its experience in operating the investment portfolio, information gathered through due diligence processes entered into when acquiring new investments and by engaging with third parties as appropriate.

The Investment Manager's Sustainable Investment team monitors the evolving climate-related government policy and participates in industry forums and discussions to influence sustainable investment-related policy developments that may include climate change mitigation and adaptation. In April 2023, Gresham House released its third Sustainable Investment Report highlighting the Investment Manager's increasing focus on ESG and climate change related matters as part of its 2025 Corporate Sustainability Strategy (CSS) and which included updates on climate-related activities across the Gresham House group. This is available on the Gresham House website. Gresham House intends to publish a fourth Sustainable Investment Report in Q2 2024.

The Gresham House New Energy Sustainable Investment Policy, which includes climate change considerations, applies when making new investments and in the running of the Company's existing investments. The Manager also ensures that climate change-related risks are considered for individual investment projects.

The CSS and Sustainable Investment Policy inform the application of the Company's strategy and assessment of the risks faced by the Company. This is complemented by sustainable investment objectives that have been established for the New Energy division and align to the Investment Manager's CSS. The New Energy division's sustainable investment objectives include Climate Change & Pollution as a priority topic with an objective by 2025 to "Demonstrate the role of New Energy in the energy transition and understand the carbon footprint of the full lifecycle of assets with the intention of reducing it".

The Investment Manager has also engaged with the Company's largest shareholders to better understand the investor community's perspective on sustainability-related issues, including climate-related strategy, disclosure, and metrics.

Strategy

3 Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.

The Company is committed to investing in and developing Battery Energy Storage Systems (BESS) to contribute to the decarbonisation of energy systems. The Manager and the Board support this commitment, and this guides the Company's activities. The portfolio is currently geographically limited to Great Britain although the Company has ambitions to develop internationally and therefore the Company's climate-related risks and opportunities are currently focussed on Great Britain.

The Company's investments in BESS are well positioned to benefit from climate-related opportunities over the short, medium and long-term by participating in the opportunities arising in the UK and overseas from the decarbonisation of energy usage and the increased penetration of renewable energy. These climate-related issues, which are applicable over the life-cycle of the Company's investments, are incorporated into third-party revenue curves which are used within the Company's financial modelling.

The Company investments have already benefitted from climate-related opportunities arising from the transition to renewable energy technologies which are inherently intermittent and which have contributed to additional requirements for ancillary services to support the transmission network balancing mechanism.

The Board and Investment Manager also recognise that there are certain climate-related risks that could have an impact on the Company in relation to changes in the business environment and physical risks caused by extreme weather events.

As described above, the Investment Manager maintains a risk register, which includes climate-related risks, and this is subject to regular discussion with the Board. As part of this risk management process the Board and Investment Manager have identified what they consider to be the principal risks facing the Company and this includes climate-related risks. The Company's investments are designed to operate over time horizons of 25 years or more. The table below sets out the key climate-related risks and opportunities identified by the Board and Investment Manager over the short-term (<12 months), medium-term (1-5 years) and long-term (5-25 years) and include their potential impact on the financial performance of the Company. Climate-related risks and opportunities are embedded in the Company's strategy.

Timeframe	Opportunity	Risks
Short-term	▪ The continuing rollout of renewable generation, encouraged by governments, increases demand for BESS to balance the energy system	▪ Lower power prices due to over-deployment of renewables may affect ability to earn revenues from wholesale trading activities ▪ Saturated market for ancillary services, driven by significant capacity increases in BESS, has led to low pricing for those services ▪ ESO systems are unable to keep pace with rapid increases in BESS availability and restrict their ability to operate effectively in the BM or other services
Medium-term	▪ Increased government and public support for decarbonisation increases the volume of sustainable and impact investing ▪ Implementation of carbon pricing in new sectors may lead to increased investment in companies that enable renewable deployment	▪ Increased competition for investment opportunities will increase project costs and lead to a reduction in financial returns ▪ Increased focus on BESS as a key enabler of renewable deployment may lead to greater regulation and associated costs ▪ Co-located batteries on renewable generation sites may reduce the need for standalone BESS
Long-term	▪ As economies continue to move away from fossil fuels, demand for electricity will increase and could increase power prices ▪ Advances in battery technology may lower cost of ownership and provide new opportunities to increase participation in energy markets	▪ Physical risks arising from extreme weather events including flooding and storm damage ▪ Extreme temperatures can affect the performance of battery technologies ▪ Development of alternative energy storage systems to support the roll-out of renewable power generation may lead to early obsolescence of BESS causing asset write-downs ▪ Advances in battery technology may lead to lower cost of production leading to a reduction in financial returns for existing projects

4 Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Investment portfolio

Opportunities

The Company's operational BESS investments participate in the market opportunities identified above and benefit from governmental and societal support for deployment of renewable technologies. These operational entities have historically benefitted from high levels of power price volatility, in part caused by increased renewables penetration and a relative lack of BESS capacity, and the continued roll-out of renewable power generation is expected to drive power price volatility in the future.

The Company has also developed a significant future portfolio by investing in projects which have been constructing BESS assets. Large parts of this pipeline have recently been commissioned or are expected to be commissioned shortly and will benefit from market opportunities once operational.

Risks

The Company's portfolio is focussed exclusively on BESS and as such are exposed to the physical, technological and market risks identified above. However, the investment portfolio is geographically spread in the UK, and given the nature of BESS technology, are not generally adversely affected by weather patterns. Consideration is given to potential physical risks such as flooding during the planning phase and the geographic spread provides resilience against localised issues.

Strategy

Opportunities

Increasing awareness and attention to climate change has spurred increased deployment of renewable energy worldwide. The Board and the Investment Manager believe that this will continue, providing significant opportunities for BESS in the short, medium and long term. The Company is a leading provider of BESS in the UK and has a significant future pipeline of investments in different stages of development in the UK and overseas.

Since IPO, the Company has received high levels of investor interest enabling it to raise equity funds providing the Company with capital to invest in BESS portfolio projects. The Company's development is part of a growing industry as BESS is rolled out by peers in the UK and overseas.

Risks

As anticipated by the Investment Manager, development of BESS capacity by the Company's portfolio investments and competitors has led to the saturation of the market for BESS ancillary services in the UK. Increased exposure to the wholesale trading market in pursuit of profits may result in greater volatility of returns.

High levels of investment in BESS, and wider awareness of the market opportunities, is leading to increased competition for project rights and key equipment and consequently increases in prices of those project rights and the equipment required, which results in higher costs to develop projects and may lead to a reduction in returns.

Financial planning

Opportunities

Strong investor demand for organisations with strong ESG credentials that are addressing environmental and social challenges has provided the Company with capital to grow its investment portfolio. The medium and long term outlook for BESS remains strong and this is anticipated to provide access to investor capital in the future.

The importance of BESS in supporting the further deployment of renewable energy generation, and the resulting strong investment case underpinning BESS, has also opened up access to further sources of funding, such as bank debt, further enabling the Company to grow its portfolio.

Volatility of wholesale power prices, driven by volatility in the availability of renewable energy generation, may provide significant opportunities for trading energy as renewables become an increasing proportion of the energy mix. As high energy prices are typically driven by fossil fuel generation and low prices driven by high renewable generation, any increase in carbon pricing is likely to extend spreads with fossil fuel generation having to increase pricing to cover the cost of running. This means there is an opportunity for increased revenues resulting from increasing carbon prices.

The Company uses the services of third-party experts to estimate revenue opportunities for BESS over the short, medium and long term, taking into account the large number of potential variables, and the financial outputs generated by the third-party experts are used within the Company's financial modelling.

Risks

As noted above, future cash flows of the portfolio investments are likely to be significantly affected by wholesale power prices as the market for BESS ancillary services has become saturated. During periods of high renewable energy generation, the revenue opportunities will be diminished. Over time this could lead to the reduction of asset values.

Increased input prices linked to carbon-related raw material costs may increase construction costs of pipeline assets and therefore reduce returns available to the Company.

The emergence of new energy storage technologies may require the Company to invest in research and development, thereby impacting on returns.

5 Describe the resilience of the organisation's strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario.

Physical risks

Given the geographic spread of the Company's investment portfolio within the UK and the nature of BESS technologies the Board and Investment Manager do not consider that there are likely to be significant physical risks to the current investment portfolio arising from various climate scenarios. Potential physical risks that could exist, such as flooding in an extreme weather event, are considered as part of design specifications and increased infrastructure costs to cope with potential physical risks are not anticipated to be material. Flood defences are already considered in the investment portfolio with a number of projects having key equipment elevated above the ground to reduce risk of damage in the event of a flood. The geographic spread provides resilience against localised issues.

Transition risks

As previously noted, since the end of 2022 the portfolio investment companies' principal sources of revenue are focussed more on the wholesale energy market rather than the provision of ancillary services. It is likely that wholesale energy markets will be significantly impacted by a number of climate-related factors. Some of the most important factors include:

- government policy (including carbon cost regimes and mandated plant closure);
- penetration of renewables and the ability of the ESO to develop appropriate systems to manage variable energy supply;
- development in future technologies designed to deal with climate-related matters (e.g. a move to a hydrogen-based energy system); and
- changing patterns of demand (including the impact of electric vehicles, heat pumps and increased use of air conditioning).

The Company uses the services of third-party experts to estimate the impact of those factors in energy prices over the short, medium and long term to create low, high and central case scenarios. These scenarios, which factor in Government Net Zero commitments, a view on the likelihood of their implementation, and expected carbon prices, are then embedded within financial modelling. Although the scenarios are used within the Company's financial modelling, the precise effect on power price of any of the identified factors, and their timing, is highly uncertain.

The ability of BESS to participate flexibly within the wholesale market, or to provide ancillary services, provides revenue opportunities even in low case scenarios.

Risk Management

6 Describe the organisation's processes for identifying and assessing climate-related risk.

The Company's processes for identifying and assessing climate-related risk have not changed in the last 12 months. Climate-related risks which may affect the Company or its investment portfolio are identified and assessed by the Investment Manager as part of the risk management process described above. These risks are included within the Company's risk register which is maintained by the Investment Manager and discussed and reviewed with members of the Board including at its formal quarterly meetings where strategic decisions are taken. When preparing the risk register the Investment Manager draws upon its experience of operating the investment portfolio and its knowledge of developments that are taking place within the BESS sector and wider energy industry gained through its membership of relevant industry bodies and discussions with key suppliers and National Grid. Identified risks are included in the risk register and quantified with consideration given to likelihood and impact and ranked accordingly.

Potential risks may also be identified as part of the due diligence process that is carried out by the Investment Manager and independent experts prior to acquiring new portfolio companies. The Investment Manager has created a detailed ESG Decision Tool which is completed prior to making acquisitions of portfolio companies. This decision tool includes consideration of numerous ESG and climate factors including environmental assessment, potential flooding / drainage and the suitability of construction contractors to adequately deal with environmental or climate-related mitigation actions. During investment appraisal, consideration is given to available climate mitigation and the costs of putting this in place, which are not anticipated to be material, are factored into the investment proposal which is reviewed by the Board before such acquisitions are made.

Principal and emerging risks, which may include climate-related risks, are disclosed within the Company's Annual Financial Statements.

The Company will continue to refine its climate risk assessment approach in line with the evolving nature of climate factors and emergence of climate-related tools and data.

7 Describe the organisation's processes for managing climate-related risks.

Discussions between the Board and the Investment Manager are focussed on the most significant risks facing the Company, as determined and quantified in the risk register.

Physical risks

As previously stated, the Investment Manager and the Board do not consider that there are likely to be significant physical climate-related risks to the investment portfolio. Potential physical risk factors that are identified as part of the initial acquisition process, or identified subsequently via design reviews, site inspections or during routine maintenance, may be mitigated via design changes. Such design changes include the cooling systems used, and heating where it may be required, as well as having containers raised on plinths which can reduce flood risks where applicable. The geographical spread of the investment portfolio mitigates against local environmental factors such as flooding. Flood risk assessments, based on Environment Agency data, are undertaken and will determine a flood zoning and a probabilistic analysis of flooding, including effects of climate change. BESS assets have temperature managements (such as air conditioning or liquid cooling), further mitigations of physical risks are considered at the planning stage and are often required to be considered as part of planning approval.

Transition risk

The anticipated growth of renewable energy generation, which is likely to lead to increased volatility of wholesale power prices, is considered to be an opportunity for the investment portfolio rather than a risk. However, shifts in power demand or supply and their effect on power market pricing impact the ability of the portfolio companies to generate revenue and the Company's ability to meet its dividend target. The Investment Manager regularly updates the portfolio cash flow model to reflect future net revenue yield curves.

The Manager engaged in the Review of Electricity Market Arrangements (REMA) consultation with National Grid ESO and UK Government departments, having submitted initial consultation responses in October 2022 and holding several meetings during this time on proposals put forward. The Manager is also an active participant in industry bodies. The Manager is currently involved in an industry study looking into the possible effects of some of the proposed changes such as locational pricing. The results of these studies will be discussed with the ESO and the UK Government to ensure an effective market design is agreed on.

The Investment Manager keeps abreast of developments in battery and storage technologies which may affect the Company's market opportunities in the future.

8 Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

As noted above, climate-related risks are integrated into the Company's risk management framework through the investment process and through the regular review of the Company's risks carried out by the Investment Manager and are included in the risk register which is reported quarterly to the Board. The Board considers the completeness of the risks recognised and the proposed mitigations.

Metrics

9 Disclose the metrics used by the organisation to assess climate-related risks and opportunities.

The Company's investments in BESS play an important role in facilitating the continued deployment of renewable energy generation. Renewable energy generation through wind and solar is inherently intermittent and the increased penetration of renewable energy generation therefore increases the challenges facing energy system operators to ensure a stable supply of energy.

BESS has the ability to help deal with some of those challenges by providing ancillary services that support the transmission network balancing system and by storing energy from the electricity grid during period of high supply / low demand and releasing energy to the Grid during periods of low supply / high demand.

To date, the roll-out of BESS has lagged behind the deployment of renewable energy. The Company has been targeting rapid growth of its investments in BESS to help close the gap and support the future increase in renewable generating capacity and thereby reduce dependency on fossil fuels.

The Board and Investment Manager consider that the most important climate-related metrics for the Company relate to the scale, availability and efficiency of the Company's BESS investments, measured as:

- Total operational BESS capacity at the year-end (MW and MWh)
- Weighted average BESS capacity for the year (MW)

Carbon emissions avoided (tCO_2e)

In addition, the Investment Manager will monitor carbon emissions and carbon intensity metrics in line with TCFD recommendations for the financial industry, including:

GHG emissions - Scope 1,2 & 3 carbon emissions (tCO_2e)

- Weighted average carbon intensity (WACI) (scope 1+2 emissions/£mn revenue)

The methodology used to calculate the average carbon intensity and carbon emissions is documented in sections 10 and 11 of this report respectively.

10 Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks.

The Company reports emissions using the Greenhouse Gas (GHG) Protocol which is the most widely used framework for reporting on carbon emissions and this framework separates emissions into the following categories:

- Scope 1: Direct emissions from owned or controlled sources
- Scope 2: Indirect emissions from the generation of purchased energy
- Scope 3: Indirect emissions that occur in the value chain

The Company has calculated Scope 1, Scope 2 and Scope 3 (Transmission and distribution losses) CO_2 emissions for the year ended 31 December 2023. The calculations were supported with input from third-party carbon consultant, Carbon Responsible (2022: Carbon Trust), and apply the Partnership for Carbon Accounting Financials' (PCAF) "The Global GHG Accounting & Reporting Standard for the Financial Industry" (December 2022). UK Government conversion factors and EEIO emissions factors have been utilised to facilitate the calculations.

Metric	2023	2022
Scope 1 emissions (tCO_2e)	7,541	9,423
Scope 2 emissions (tCO_2e)	5,228	5,149
Scope 3 (Transmission and distribution losses) emissions (tCO_2e)*	1,876	593
WACI (tCO_2e/£mn revenue in portfolio, Scope 1 and 2 emissions)	297	248

*2023 figures include WTT emissions from natural gas consumption

Carbon emissions methodology

All carbon emissions are calculated in line with PCAF guidance for project finance. Scope 1, 2 and 3 emissions are calculated using the following formula:

$$Financed\ Emissions = \sum \frac{Outstanding\ Amount_c}{Total\ Equity\ and\ Debt_c} \times Company\ Emissions_c$$

Emissions reported currently encompass only operational assets and do not yet account for assets under construction. The Company intends to expand reporting to cover construction assets in future periods.

More information on Scope 1, 2 and 3 emissions

Scope 1 emissions for the Company reflect diesel and gas fuel consumed by certain assets. Only one of the Company's portfolio companies uses significant amounts of gas or diesel, with the bulk of generation coming from gas at that site. Further, one other asset used a small amount of diesel for testing under its Capacity Market contract obligations and did not represent a material trading return.

Scope 2 emissions reflect greenhouse gas emissions released from indirect consumption of energy. For battery assets, the presumed energy consumption of an asset is calculated by deducting energy exported from energy imported (kWh) by the asset. Half-hourly UK electricity grid carbon emissions factors are then applied to estimate the carbon footprint associated with this energy consumption.

Scope 3 emissions in this reporting only include Transmission & Distribution (T&D) losses. T&D losses reflect emissions associated with loss during transmission and distribution of energy consumed by the BESS assets.

In future the Company intends to expand its metrics for Scope 3 emissions, which will give clarity on emissions within its value chain and will enable the Company to engage with suppliers to take action to reduce such emissions. The Investment Manager is engaging with third-party providers to establish suitable mechanisms to calculate the Company's Scope 3 emissions and data gathering to support these estimates has commenced. For this report the Company has stated Scope 3 T&D losses only and plans to extend further in future reporting periods.

It is likely that the Company's Scope 3 emissions will represent the majority of its carbon footprint.

Weighted-average carbon intensity methodology and metric

The Company's weighted average carbon intensity reflects a portfolio's exposure to carbon-intensive assets, expressed in tCO_2e/£mn revenue. It is calculated, as per TCFD guidance for Financial Institutions, using the following formula:

$$\sum_{n}^{i}\left(\frac{\textit{current value of investment}_i}{\textit{current portfolio value}}\times\frac{\textit{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\textit{issuer's \$M revenue}_i}\right)$$

Note that "issuer" in the case of the Company refers to its battery assets.

11 Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

BESS capacity

BESS capacity supports multiples of renewable generation capacity and therefore incremental BESS deployment is a key measure. The Investment Manager continues to develop a pipeline of BESS investments and the Company has made good progress in expanding operational capacity despite COVID-related construction and supply chain challenges.

The operational capacity and pipeline reported by the Company, measured in MW capacity, has grown as follows:

	Operational capacity	Total pipeline capacity
31 December 2020	315MW	1,227MW
31 December 2021	425MW	1,557MW
31 December 2022	550MW	1,967MW
31 December 2023	690MW	1,407MW

GHG emissions avoided

As BESS generally store energy during periods of high renewable energy generation / low demand and release energy during periods of low renewable energy generation / high demand, there is an inherent carbon benefit to using BESS within the electricity grid (on the assumption that BESS exports would otherwise by met by fossil generation). However, BESS will also displace fossil fuel-based energy generation operating as a backup system (which is often kept "warm" in advance of use) and it therefore enables the avoidance of emissions greatly in excess of the differential between the carbon associated with the energy imports and exports.

More detail on the methodology applied for this is found below. It should be noted that at this stage the carbon avoided methodology only accounts for operational assets and does not account for lifecycle carbon impact, i.e., carbon emissions associated with the supply chain and construction of the assets.

On this measure, the carbon avoided by the Company's BESS investments is calculated by a third-party consultant (2023: Carbon Responsible, 2022: Carbon Trust) as follows:

YE 31 December 2022: **510,291 tCO_2**

YE 31 December 2023: **677,775 tCO_2**

Carbon emissions avoided methodology

Scope 2 emissions show the net carbon emissions impact of assets operations through energy consumption. This methodology for BESS assets is such that the net metering, i.e. import and exports of energy by each battery, are assumed to be consumed/avoided at the average intensity of the national grid for each half hour.

This calculation demonstrates the operational carbon emissions of the assets but does not reflect the important role of BESS assets when it comes to broader grid carbon emissions and their role in supporting increased penetration of renewables and decreased use of carbon-intensive energy generation.

The Scope 2 methodology omits two key aspects of the broader role of BESS that should be factored into carbon avoidance methodologies:

1 no value is attributed to BESS services offered such as Frequency Response and the renewable generation this allows on the system; and

2 whilst trading, the battery exports would replace the next marginal asset that would otherwise be called upon, which would be a higher carbon intensity technology such as gas or even coal, than the average intensity on the grid. Therefore, the emissions avoided should reflect the marginal unit carbon cost and not the average intensity.

Imports are typically carried out during half-hourly periods when carbon intensity is lower, whilst exports are typically delivered during higher carbon intensity periods on the grid.

Low prices are typically driven by high output from cheap renewables, leading to lower grid carbon intensity, whilst high prices are typically driven by periods of lower renewables output and instead power is delivered by higher carbon-intensive and more expensive power technologies such as gas or even coal.

The average carbon intensity of the grid currently does not change too significantly due to a general high prevalence of gas today. Therefore, the difference between high and low carbon intensity is often relatively small particularly in a single day. The Scope 2 emissions methodology of a battery will therefore typically result in net consumption of energy as a result of its round-trip losses, i.e. it imports a greater volume of energy than exported with a resulting "carbon consumption". Unless consideration is given to the wider carbon emission benefits that BESS assets enable, i.e. frequency response enabling greater reliance on renewables, the carbon emissions impact of these assets will be miscalculated.

Therefore, we have worked with Carbon Responsible to factor in the benefit from assets providing frequency response services.

The avoided emissions are calculated by comparing calculated emissions against a baseline emission if these assets were not available to the grid and the grid had continued to operate as usual. The baseline can vary depending on the strategy adopted by a BESS asset. The baseline for an asset performing frequency response services is assumed to be a plant at the operating margin.

It is assumed a BESS asset would maintain headroom in the battery in order to deliver upwards and downwards actions; for simplicity, Carbon Responsible assume the state of charge of a battery is 50% in this scenario. When comparing against the baseline it is therefore assumed only half of the nominal battery capacity is used, this is multiplied against the number of hours operational in the service and then multiplied against the average operational margin grid carbon intensity in the location. The baseline calculation is therefore summarised as:

Grid stability baseline emissions = 50% BESS capacity x No. hours in service x grid operational margin

This baseline is then compared to the actual calculated emissions to calculate the emissions avoided. The approach taken is a conservative estimation of the avoided baseline emissions and today only factors in the emissions avoided during periods of frequency response services.

Whilst we view this methodology as an improvement over our previous calculations, the calculation still assumes that exports, when batteries are trading, avoid only the average carbon intensity on the system and not the marginal asset intensity. We are working with Carbon Responsible as well as other data consultants to keep iterating the calculation and derive a more detailed analysis of the carbon emissions avoided both in frequency response services and whilst trading - we hope to share further updates in future reports.

Under the current methodology the estimated carbon emissions avoided from our portfolio for 2023 was 677,775 tCO_2 (2022: 510,291 tCO_2).

Target for GHG emissions avoided

The Investment Manager is considering the setting of a Science Based Target (SBT) for its Financed Emissions, that is the emissions associated with investments managed by the Investment Manager. As part of this process, the Company is considering the potential implications of setting an SBT.

Strategic Report

The Directors present their Strategic Report for the period ended 31 December 2023. Details of the Directors who held office during the period and as at the date of this report are given on page 51 of the Annual Report and Financial Statements. This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006 and best practice. Its purpose is to inform the members of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

Business review and outlook

A detailed discussion of individual asset performance and a review of the business in the period together with outlook are covered in the Investment Manager's Report on page 10.

As set out in the Chair's Statement and the Investment Manager's report the revenue generating performance of the underlying portfolio in 2023 was disappointing, largely due to issues in the BM. The Company has a strong portfolio of investments in BESS, which are well positioned to take advantage of an anticipated improvement in the revenue environment in 2024 and beyond. The equity fundraising during Q2 of 2023 demonstrated investor support for the Company's strategy. One of the Board's key objectives for 2024 is to complete the construction of a number of portfolio investments and continuing to ensure an effective and efficient deployment of the capital raised by the Company, augmented by a drawdown of the debt facility, into a portfolio of accretive assets that are in line with the Company's Investment Policy.

Key Performance Indicators

The Board believes that the key performance indicators detailed in the Highlights section on page 4 and the Investment Manager's Report, which include profit, projected revenues, dividend, NAV, total return, project capacities and battery sizes, provide shareholders with balanced information to assess how the Company is performing against its investment objectives. The Board monitors these key metrics on a routine basis. Further discussion of the KPIs (Key Performance Indicators) and results are included in the Chair's Statement on page 6 and in the Investment Manager's Report on page 10.

After accounting for unrealised losses on investments in subsidiaries of £146.8mn (2022: unrealised gains of £191.8mn) and interest receivable from subsidiaries of £45.5mn (2022: £32.9mn) the Company has generated a loss of £110.1mn (2022: gain of £217.1mn) in the year ended 31 December 2023.

Total dividends paid in respect of 2023 were £31.0mn (2022: 36.1mn). The Board is focussed on cash flows available from the underlying investments and aims to ensure dividends are covered. As capital is deployed and underlying assets upgraded, the Board will continue to ensure this is monitored closely.

Grid connection capacity (in MW) and the capacity of the batteries (in MWh) are also crucial to ensure the underlying investments are able to operate at full capacity: the Investment Manager has ensured grid capacities (both import and export) are optimised and symmetrical wherever possible. Finally, as the Company has undertaken several fundraisings following IPO, the Board monitors the project pipeline to ensure quality projects are available to meet investor demand and that funds raised are deployed in a reasonable timeframe.

Investment Policy: diversification of assets and revenues

The Company invests in a diversified portfolio of utility-scale battery energy storage systems. The BESS Projects comprising the Portfolio will be located in diverse locations across Great Britain and overseas.

Individual BESS Projects will be held within special purpose vehicles into which the Company invests through equity and/or debt instruments. It is intended that each BESS Project Company will hold one BESS Project but a BESS Project Company may own more than one BESS Project.

The Company will typically seek legal control through direct or indirect stakes of up to 100 per cent in such BESS Project Companies, but may participate in joint ventures or co-investments, including, without limitation with other investors or entities managed, operated or advised by the Gresham House Limited group, where this approach enables the Company to gain exposure to assets within the Company's investment policy. In such circumstances the Company will seek to secure its shareholder rights through protective provisions in shareholders' agreements, co-investment agreements and other transactional documents.

Asset type and diversification

The Company invests primarily in BESS Projects using lithium-ion battery technology as this technology is considered by the Company to offer the best risk/return profile. However, the Company is adaptable as to which energy storage technology is used by the projects in which it invests and may invest in projects with alternative battery technologies such as sodium and zinc derived technologies, or other forms of energy storage technology (such as flow batteries/machines and compressed air technologies) and will consider such investments (including combinations thereof) where they meet the Company's investment policy and objectives.

The Company intends to invest with a view to holding assets until the end of their useful life. BESS Projects may also be disposed of, or otherwise realised, where the Investment Manager determines in its discretion that such realisation is in the interests of the Company. Such circumstances may include (without limitation) disposals for the purposes of realising or preserving value, or of realising cash resources for reinvestment or otherwise.

BESS Projects will be selected with a view to achieving appropriate diversification in respect of the Portfolio.

First, diversification will be sought by geographical location of the BESS Projects in which the Company invests across Great Britain and the Overseas Jurisdictions, provided that no more than 30% of Gross Asset Value (calculated at the time of investment) may be invested in the Overseas Jurisdictions.

Second, it is the Company's intention that at the point at which any new investment is made, no single project (or interest in any project) will have an acquisition price (or, if an additional interest in an existing investment is being acquired, the combined value of the Company's existing investment and the additional interest acquired shall not be) greater than 20% of Gross Asset Value (calculated at the time of investment). However, in order to retain flexibility, the Company will be permitted to invest in a single project (or interest in a project) that has an acquisition price of up to a maximum of 30% of Gross Asset Value (calculated at the time of acquisition). The Company will also target a diversified exposure with the aim of holding interests in not less than five separate projects at any one time.

Third, the Company intends to achieve diversification by securing multiple and varied revenue sources across the Portfolio by investing in BESS Projects which can benefit from a number of different income streams with different contract lengths and return profiles.

The Company intends that the BESS Projects in which it invests will primarily generate revenue from in front of meter services but may also provide behind-the-meter services. The Company may invest in changes to its equipment, technical configurations and technology in order to access revenue streams as they become available, noting that revenue streams and revenue stacking continues to evolve not only in Great Britain but also in the Overseas Jurisdictions as the energy storage market matures.

BESS Projects in which the Company invests may diversify their revenue sources further by collaborating with renewable generators or large users of power in close proximity to a BESS Project or providing availability-based services to restore electric power stations or part of electric grids to operation. The Company may also invest in BESS Projects with Co-Location Arrangements in the Overseas Jurisdictions and may purchase solar panels for use at such co-located BESS Projects in the Overseas Jurisdictions provided that the proportion of an investment spent on purchases of solar panels does not exceed 6% of Gross Asset Value (calculated at the time of such purchase).

Fourth, the Company aims to achieve diversification across the Portfolio through the use of a range of third-party providers, as far as appropriate, in respect of each energy storage project such as developers, EPC contractors, battery manufacturers and landlords.

Finally, each BESS Project internally mitigates operational risk because each BESS Project will contain a battery system with a number of battery modules in each stack, each of which is independent and can be repaired, upgraded or replaced separately, thereby reducing the impact on the project as a whole of the failure of one or more battery modules.

Other investment restrictions

The Company will generally seek to acquire BESS Projects where construction is substantially complete and where BESS Projects are capable of commercial operations ("Operational Projects"). Operational Projects will need to have in place sufficient land rights, either in the form of a freehold interest or substantially similar interest in the Overseas Jurisdictions or a completed lease on satisfactory terms in relation to the land where that BESS Project is situated, a grid connection agreement or grid sharing or such other rights to import or export from the relevant network as are market standard, and completion of relevant commissioning tests confirming commissioning completion.

The Company may also acquire BESS Projects or rights to acquire BESS Projects which are considered "shovel ready" that as a minimum have in place sufficient land rights either in the form of a freehold interest or substantially similar interest in the Overseas Jurisdictions or a completed lease, lease option, or agreement for lease, on satisfactory terms in relation to the land where that BESS Project is situated, full planning permission enabling the construction of a suitable BESS Project on that land, and a grid connection offer or grid sharing or such other rights to import or export from the relevant network as are market standard prior to connection works being completed (Ready to Build Projects).

The Company may invest in Ready to Build Projects provided that no more than 10% of Gross Asset Value (calculated at the time consideration is paid for such acquisition) may be exposed in aggregate to such Ready to Build Projects.

If the Company wishes to acquire other Ready to Build Projects in excess of the 10% of Gross Asset Value restriction, it may acquire such Ready to Build Projects for a nominal upfront consideration provided that (i) any remaining consideration is paid by the Company only where construction is substantially complete and where such BESS Projects are capable of commercial operations and (ii) the Company has a put option to transfer back the Ready to Build Project to the seller in certain circumstances.

The Company may provide loan finance to BESS Project Companies before they hold Operational Projects so that the BESS Project Companies can acquire equipment or make payments in connection with the BESS Projects' construction or delivery, provided that no more than 25% of Gross Asset Value (calculated at the time that finance is provided based on the latest available valuations) may be exposed in aggregate to any such loans.

Once an Operational Project is acquired, or after a Ready to Build Project becomes an Operational Project, the Company may invest in upgrades by loans or otherwise and enter into new lease arrangements to increase the size of the site, new planning permissions enabling construction of an increased capacity BESS Project on that land, a new and/or amended grid connection which provides for increased capacity or altered technical parameters, and/or an EPC contract, EPCm (Engineering, Procurement and Construction Management) contract suite or other construction contracts to undertake construction of the relevant upgrades.

The Company does not intend to invest in listed closed-ended investment funds or in any other investment fund (other than, potentially, in money market funds as cash equivalents) and in any event shall not invest any more than 15% of its total assets in listed closed-ended investment funds or in any other investment fund.

Investment in Developers

The Company may invest in one or more Developers of BESS Projects through equity issued by the relevant Developer, provided that investment in Developers (calculated at the time of investment) shall be capped at £1mn in aggregate.

Cash management

Uninvested cash or surplus capital may be invested on a temporary basis in:

- cash or cash equivalents, money market instruments, money market funds, bonds, commercial paper or other debt obligations with banks or other counterparties having a "single A" or higher credit rating as determined by any internationally recognised rating agency selected by the Board which, may or may not be registered in the European Union; and
- any UK "government and public securities" as defined for the purposes of the FCA (Financial Conduct Authority) Rules.

Leverage and derivatives

The Company may raise debt and introduce leverage (at the Company level and/or the level of one or more of its subsidiaries, such leverage to be introduced directly or through one or more subsidiaries) to the extent funding is available on acceptable terms. In addition, it may from time-to-time use borrowing for short-term liquidity purposes which could be achieved through a loan facility or other types of collateralised borrowing instruments. The Group is permitted to provide security to lenders in order to borrow money, which may be by way of mortgages, charges or other security interests or by way of outright transfer of title to the Group's assets. The Directors will restrict borrowing to an amount not exceeding 50% of the Company's Net Asset Value at the time of drawdown. There will be no cross collateralisation between the BESS Projects.

Derivatives may be used for currency, interest rate and power price hedging purposes as set out below and for efficient portfolio management. The MidCo has entered into interest rate swap agreements in relation to each individual drawdown under its debt facility to fix the interest rate. However, apart from those contracts the Directors do not anticipate that extensive use of derivatives will be necessary.

Efficient portfolio management

Efficient portfolio management techniques may be employed by the Group, and this may include (as relevant) currency hedging, interest rate hedging and power price hedging.

Amendment to and compliance with investment policy

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

In the event of any material breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Investment Manager through a Regulatory Information Service.

Bribery and Corruption Policy

The Investment Manager has an Anti-Bribery and Corruption Policy. The Company has considered whether it needs to have an Anti-Bribery and Corruption Policy that are separate from the Investment Manager and its other service providers and has concluded that separate policies are not required.

Dividends

Following the trading update on 1 February 2024, and taking account of current market conditions, the Board has re-evaluated the dividend policy.

From 2025 onwards, the Company aims to deliver an attractive dividend from distributable cash flow after debt covenant testing. Dividends will be commensurate with a mixed merchant and contractual income model.

In 2024, GRID will focus operational cash generation and debt facilities to complete the current construction and augmentation pipelines. This will create future earnings potential into an improving market. The uncertain revenue environment expected to continue throughout 2024 would be unlikely to generate a meaningful dividend which would be fully covered. Therefore, GRID does not expect to pay a dividend in relation to 2024

In 2025, GRID expects the BESS revenue environment to improve and will closely monitor the potential to pay dividends from the expanded and improved portfolio. Additionally, GRID is currently considering opportunities to beneficially dispose of some assets to repay debt and also lock-in long term stable revenue streams from tolling and other arrangements.

The Board reserves the right to retain, within a revenue reserve, a proportion of the Company's net income in any financial year, such reserve then being available at the Board's absolute discretion for subsequent distribution to shareholders, subject to the distribution requirements of the Investment Trust Regulations.

The dividend policy will be subject to an annual vote at each Annual General Meeting (AGM). The Company may, at the discretion of the Board, and to the extent possible, pay all or part of any future dividend out of capital.

Share buybacks

The Company may purchase Ordinary Shares in the market at prices which represent a discount to the prevailing NAV per Ordinary Share of that class so as to enhance the NAV per Ordinary Share for the remaining holders of Ordinary Shares of the same class. The Company is authorised to make market purchases of up to 35,117,170 Ordinary Shares.

The Board intends to seek shareholder approval to renew its authority to make market purchases of its own issued Ordinary Shares once its existing authority has expired or at subsequent AGMs (Annual General Meeting).

Purchases of shares will be made within guidelines established from time to time by the Board and only in accordance with the Statutes and the Disclosure Guidance and Transparency Rules. Any purchase of shares may be satisfied by the available cash or cash equivalent resources of the Company, from borrowings, the realisation of the Company's assets or any combination of these sources of liquidity, at the Directors' discretion.

Ordinary Shares bought back by the Company may be held in treasury or cancelled. Such shares may (subject to there being in force a resolution of shareholders to disapply the rights of pre-emption that would otherwise apply) be resold by the Company. C Shares bought back by the Company will be cancelled.

Recognising the sharp decline in the share price at the start of 2024, the Company began a share buyback programme on 2 February 2024. Investing in shares trading at a significant discount to NAV per share represents a valuable incremental investment opportunity for the Company. The share buy-back programme has completed and the Company acquired 4,380,555 shares. These shares are held in treasury.

The Company's share buyback programme has not been renewed. This is in order to ensure capital remains focused on future pipeline. The Company will continue to review if this programme should be recommenced.

Continuation votes

Shareholders have the opportunity to vote on an ordinary resolution on the continuation of the Company at the AGM of the Company with the first vote held and passed in 2023. Shareholders may for the continuation of the Company   at every fifth AGM thereafter. If any such ordinary resolution is not passed, the Directors shall draw up proposals for the voluntary liquidation, unitisation, reorganisation, or reconstruction of the Company for consideration by the shareholders at a general meeting to be convened by the Directors for a date not more than six months after the date of the meeting at which such ordinary resolution was not passed.

Going concern and viability

The Strategic Report describes the Company's business activities, together with factors likely to affect its future performance and development and an assessment of the principal risks and uncertainties facing the Company.

The key risks facing the Company include, but are not limited to, the risks mentioned on page 44. The Board notes that it is difficult to foresee the viability of any business over the long term given the inherent uncertainty

involved and that the risks associated with investments within the infrastructure sector could result in a material adverse effect on the Company's performance.

Going concern

As at 31 December 2023, the Company had net current assets of £12.1mn and net cash balances of £14.1mn (excluding cash balances within investee companies) and no debt. The Company is a guarantor to the £335mn debt facility (£150mn capex facility, £155mn incremental facility and £30mn revolving credit facility) entered into by the MidCo in September 2021 and amended and restated in November 2022 and April 2024 which was partially drawn at the year end. As described on page 8 the MidCo renegotiated the facility in April 2024 to reset debt covenant levels in line with the current revenue environment and to cancel £110mn of available commitments.

It is anticipated that £65mn of incremental facilities will be utilised during 2024 to enable completion of the projects already under construction and the duration increases of seven projects.

Financial models have been prepared for the going concern period on a conservative basis which consider liquidity at the start of the period and key financial assumptions at the Company level as well as at the operational project level. These financial assumptions include expected cash generated by the portfolio companies available to be distributed to the Company. Financial assumptions also include inflows and outflows in relation to the external debt and interest payments expected within the MidCo, committed expenditure for construction projects, and the ongoing administrative costs of the Company as well as debt covenants.

As described in the Chair's statement on page 6 and in the Investment Manager's report on page 10 the Company's investments have experienced a negative trading environment throughout 2023 and into 2024 due to under-utilisation of batteries in the BM. Changes made by the ESO in March 2024 in relation to the "15 minute rule" have already led to an improvement in the revenue environment. The Directors and Investment Manager believe that the trading environment will improve over the period from 2024 to 2026 due to systems changes committed by ESO. However, the going concern assessments are made on a conservative basis assuming improvements to the revenue environment will happen gradually over the period.

The Directors have applied two scenarios to their going concern assessment:

1. a conservative base case assessment, based on the low revenue environment experienced by the portfolio over recent months, to consider the Company's ability to continue in operation under the current planned strategy to complete projects already under construction with a gradual pick-up in the operating environment over the period to 2026; and
2. a severe but possible downside case scenario which assumes a further reduction in underlying portfolio EBITDA of 10% to the base case.

Both the conservative base case and the downside case show that the Company is expected to have sufficient cash available to meet current obligations and commitments as they fall due and that the debt covenants of MidCo's debt facility, which include interest cover, leverage tests and minimum liquidity requirements are expected to be met. The underlying investments have valuable assets which could be sold to generate cash flow if required.

The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue its operations for at least 12 months from the date of signing these financial statements. As such, the Directors have therefore adopted the going concern basis in preparing the Annual Report and Financial Statements.

Viability statement

The Directors have assessed the prospects of the Company for the period to June 2028. Although the Company maintains cash flow models for valuation purposes which extend well beyond this period, there is less certainty over the later cash flows as the profitability of the underlying investment portfolio is driven by future pricing volatility in the electricity market. The next continuation vote is to be held by June 2028. We therefore limit the review to four and a half years to reduce this uncertainty in forecasting and which also reflects the date of the next continuation vote. The MidCo's financing facility expires in October 2028, after the end of the viability assessment period.

As with the going concern period, financial models have been prepared for the viability period which consider liquidity at the start of the period and key financial assumptions at the Company level as well as at the operational project level. These financial assumptions include expected cash, generated and distributed by the portfolio companies, this includes inflows and outflows in relation to the external debt and interest payments expected within the MidCo, committed expenditure for investments and expected dividends as well as the ongoing administrative costs of the Company. Sensitivities in line with those undertaken in the going concern period have been applied to the viability period.

Based on the assessment of the Company's financial position, after assessing the risks and significant assumptions together with cash available to the MidCo and forecasts of the Company's future performance under the various scenarios, the Board has a reasonable expectation that the Company remains viable and can meet its liabilities as they fall due over the period to June 2028.

Principal Risks and Uncertainties

Risk management approach

The Company recognises that effective risk management is critical to enable it to meet its strategic objectives. The Company has a clear framework for identifying and managing risk, at both an operational and strategic level, through a detailed risk register and quarterly risk reviews.

Risk identification and mitigation processes have been designed to respond to the changing environment in which the Company operates. The impact of emerging risks on the Company's business model are also considered and used to make informed decisions, including as to the delivery and evolution of the Company's strategy. The table below captures those risks that would have the most significant adverse impact on the Company (and the underlying investments), based on their impact and/or likelihood.

Existing risks in detail

Risk area	Gross impact	Mitigation	Net impact
Performance and availability of grid connections and their impact on future project commissioning dates causing delay to investment revenues and earnings. Residual risk: high (2022 FY: high; 2023 HY: medium)	Grid connection performance affects project commissioning timescales. This affects the ability of the Company's portfolio to generate project revenues to deliver earnings to pay dividends on the timescales expected by the markets.	The existing construction pipeline has grid connection certainty.	This risk has increased to high as it has the potential to delay delivery of earnings to service debt and provide cash flows for dividends. Due to the low revenue environment experienced the earnings from these projects are increasingly important
Financing risk of existing investments and availability of future growth capital. Residual risk: high (2022 FY: medium; 2023 HY: high)	Equity or debt financing is not available to expand pipeline due to poor short-term revenue forecasts and substantial NAV discount preventing equity fund raises. Debt financing covenant tests create risk of non-payment of dividends and default The Company's investments are subject to banking covenants which have been amended and restated in early 2024.	The Company does not have any unfunded commitments. The debt facility has been amended and restated to enable the completion of the current pipeline projects and planned extensions. The banking covenants have been carefully modelled by the manager to ensure they are achievable within the amended and restated debt facility agreement. These are monitored regularly.	As debt is drawn the Company enters into interest rate hedging instruments to manage this risk. The short term low revenue environment has increased the risk in relation to the debt covenants. However, these been modelled as part of the amended and restated banking covenants which allows for additional BESS capacity to be brought online to capture higher future revenues.

Risk area	Gross impact	Mitigation	Net impact
Great Britain located assets are based on a business model which relies on certain revenue streams sourced from National Grid mechanisms and resulting from overall roll-out of intermittent renewables. Residual risk: high (2022 FY: medium; 2023 HY: high)	Adverse changes by National Grid in relation to services contracted, caused by either: A) National Grid moving away from their "Net Zero" ambition (e.g. utilising thermal plant rather than BESS) may reduce the size/scope of income earning opportunities to the Company's investments and have potential impact on valuation; or B) National Grid not utilising available assets efficiently in their management of the electricity market; or HM Government Energy Strategy moves away from intermittent renewable assets which create revenue opportunities for BESS and instead move to other strategies which impact on BESS future growth. Any of the above may impact on the revenues available to BESS on the Great Britain grid.	The Company's investments enjoy several different income streams ranging from BM, Capacity Payments, TRIADs, and DC as contracted services to National Grid; the Company's investments are able to select which services to provide on any given time period: this is continuously monitored by the Investment Manager and optimisation partners. National Grid ESO has been slow to utlise BESS capacity and this has created revenue streams for legacy fossil assets at the expense of BESS. However, National Grid ESO has begun to make progressive changes in early 2024 to ensure BESS will form an integral part of transforming the electricity sector in the UK. The Investment Manager works with industry groups and engages with National Grid ESO to ensure BESS opportunities are maximised.	BESS projects are versatile assets and can perform a variety of roles to manage risk. Projects have the potential to "revenue stack" and gain multiple revenue streams from different services. The income stream opportunities and usage of BESS is expected to evolve over time. Delays in the National Grid ESO's control room changes have meant the portfolio has had limited access to the BM in 2023 and this has increased the residual risk. Progress is being carefully monitored and managed restoring appropriate usage of BESS by National Grid ESO is a key management focus.
Operational and performance risk in the underlying investments leading to loss of value. Residual risk: high (2022 FY: low; 2023 HY: medium)	The BESS investments do not perform in the manner expected or are not optimised in the best commercial manner to capture revenue streams which could lead to reduction in valuations. Performance within the SPVs may not meet planning or safety requirements and result in curtailment of operations and loss of investment value. The portfolio relies on contracts with suppliers to maintain certain key equipment: these suppliers may fail to provide adequate support. Poor market conditions create lower volatility and ancillary services saturation creates lower revenue streams.	The Company has ensured that assets are designed in a flexible manner. Battery duration for new investments is considered to ensure flexibility for future operation. Each investment is subject to commissioning testing to ensure all relevant planning and HSE conditions are met. Fire risk is carefully assessed and sites are designed and operated to ensure this risk is as low as practicable. Cyber security risk is managed via secure systems used by optimisation partners. The portfolio has a number of alternative suppliers and optimisers to manage risk. The portfolio relies on multiple income streams to ensure diversification. The Investment Manager works with industry groups and engages with National Grid ESO to ensure BESS opportunities are maximised.	The Investment Manager has substantial experience managing BESS assets and works with leading asset optimisers to ensure assets are designed and operated as expectedly. Health and safety performance is rigorously tested and reviewed. Performance of the Company's BESS investments have been impacted by market issues and this has increased the residual risk. A key focus of the Company is to improve utilisation of BESS and the economic performance of these assets.

Risk area	Gross impact	Mitigation	Net impact
Geographic risk Residual risk: medium (2022 FY: low; 2023 HY: medium)	UK assets dominate the portfolio at present: there is a concentration risk and over reliance on the UK market. Recent issues with National Grid ESO have therefore impacted on the whole portfolio.	Over time, the international exposure of the Company will be increased and the portfolio become diversified: a number of strategic relationships / opportunities are in place.	In the short term the portfolio will remain Great Britain dominated. As Great Britain is currently experiencing low revenues this risk has increased. US expansion plans are available but no investments will take place in the short term.
Valuation risk. Residual risk: medium (2022 FY: low; 2023 HY: low)	The Company's investments are valued using discounted cash flows and assessment of future income streams: these valuations may be materially incorrect or not held at fair value. The Company's investments are impaired if income streams are not as profitable as expected or costs are higher than expected. Volatile inflation and interest rates may impact upon these valuations.	Risk adjusted discount rates drive valuation along with the external pricing curves. The Company utilises a modelling methodology which discounts income streams using discount rates appropriate to the perceived risks. The weighted average discount rates are reviewed regularly and the Company believes the valuations are set cautiously. A third-party valuer reviews valuations and confirms appropriateness.	Compared to market peers the risk is deemed to be low when the discount rates are considered. The risk has increased to medium as the third-party revenue curves used do not adequately reflect the recent dysfunctional scheduling within the BESS marketplace in the recent past. In order to generate a coherent valuation the Company has adjusted these curves downwards in anticipation of a gradual market recovery over the period to 2027.
Availability of batteries and other key components. Residual risk: low (2022 FY: high; 2023 HY: medium)	Inability of the Company to deploy capital raised into investments due to incomplete or lengthening project timescales. Price increases for components making investments less attractive and impacting on overall returns.	The Company's construction projects and augmentations are being completed in the next 12 months and are not reliant on the acquisition of additional components.	The Company's portfolio has acquired batteries and many key components already: this risk is mitigated in relation to current construction portfolio and is substantially reduced.
Reliance on the Investment Manager. Residual risk: low (2022 FY: low; 2023 HY: low)	The Company relies on the Investment Manager and "key persons" as a mission critical supplier.	The Company has long-term contractual arrangements in place with the Investment Manager which has confirmed that the growth of the Company is one of its key focus areas.	The Investment Manager remains incentivised to continue to grow the Company and drive value. The Investment Manager has built out a large team of experts which reduces "key people" risks.
Tax compliance. Residual risk: low (2022 FY: low; 2023 HY: low)	The Company is registered as an Investment Trust and must comply with certain tests.	The Investment Manager undertakes the relevant tests each quarter and the Company's tax advisers review this regularly.	In order to ensure continued compliance in a low revenue environment the Company capitalised the loan with MidCo on 15 March 2024.

Risk area	Gross impact	Mitigation	Net impact
Environmental, Social and Governance: production and recycling of batteries creates risk. Residual risk: low (2022 FY: low; 2022 HY: low)	BESS are manufactured, installed and operated with the intention of driving the transformation to a low carbon energy supply in the UK. However, the lifecycle ESG impact of the batteries needs to be considered and minimised.	The supply for battery manufacture relies on high quality global partners who ensure their supply chain does not involve the use of illegally or unethically sourced "rare earth" materials or inadequate labour standards. The Company undertook a supply chain review in 2022. The recycling of the BESS systems is subject to constant development and research. The Company is motivated to ensure low environmental impact. This is an industry wide focus and the residual value of materials remains high and there is likely to be value from recycling of materials in future.	Some aspects of this are still evolving over time, especially the end use/recycling of BESS. The ability of BESS to drive a low carbon electricity system needs to be considered in comparison to other options when considering the overall ESG impact of BESS. Work will continue to minimise this over time.

Emerging risks

Risk area	Gross impact	Mitigation	Net impact
Dividend policy is not in accordance with shareholders' expectations Residual risk: high (new risk at Dec 2023)	Uncertainty in the level of dividend distributions undermines shareholder confidence and therefore undermines share price and ability to access capital.	The banking covenants have been amended and restated and a new dividend policy will be announced in 2025. The dividend will be dependent on revenue performance.	Shareholder reaction and feedback will be carefully reviewed. The Company remains fully asset backed. Revenues are expected to recover with improvements to National Grid ESO systems and development of other revenue opportunities. This will allow dividends to resume in due course.
Emerging technology replaces battery energy storage assets. Residual risk: low (2022 FY: low; 2023 HY: low)	The Company invests in battery storage projects: a new or disruptive technology might adversely impact on the Company's investments. Future income streams may be reduced if new entrants have significantly lower marginal costs.	The Company utilises proven technologies with associated Tier 1 supplier warranties and performance guarantees. The Company continues to review available technologies. It is currently viewed as unlikely that a completely new reliable and cost competitive technology will appear during the lifetime of these batteries and impact on the lifecycle of these batteries.	The Company will also benefit from lower costs and the valuation model assumes continuing cost reductions for replacement assets over time.
Geopolitical risk of potential equipment shortages if China is subject to sanctions. Residual risk: low (2022 FY: medium; 2023 HY: medium)	Any conflict involving China would cause the disruption of the supply chain of crucial equipment.	The Company has relationships with other non-Chinese suppliers, but they are likely to source components from China.	The Company ensures it is securing key equipment orders in advance. The project pipeline has secured appropriate equipment and therefore this risk is substantially reduced and the risk is reduced to low.

Stakeholder Engagement and Statement under Section 172

The Board recognises that the Company should be run for the benefit of shareholders, but that the long term success of a business is dependent on maintaining relationships with stakeholders and considering the external impact of the Company's activities.

The Company has identified the following key stakeholders:

- The Company's shareholders and lenders
- The Company's Investment Manager
- The communities in which the Company's assets are located
- The Company's business partners and key service providers

Engagement with shareholders and lenders

Who they are?

The Company will require further funding to continue the requirements of the investment strategy and complete construction of the portfolio assets. As such, existing and prospective equity investors and existing lenders are vitally important stakeholders.

Why is it important to engage with this group of stakeholders?

Through our engagement activities, we strive to obtain investor buy-in into our strategic objectives and how they are executed. Since IPO, the Company has issued a significant number of shares to allow the Company to meet the investment strategy of the Company.

How has the Company engaged with the equity investors and lenders?

The Company engaged with the stakeholder group in the period through the following:

- Interim and full year accounts
- The Company's corporate brokers and Investment Manager are in regular communication with shareholders and shareholder views are reported to the Board on at least a quarterly basis
- Company's corporate brokers set up direct call between investors the Board members
- At the request of shareholders, the Chair and the Board members have made themselves available to engage in discussions around issues of governance and overall performance
- One-to-one meetings with the Investment Manager
- Regular news and quarterly NAV updates
- A webinar and Q&A session with the Chair and the Investment Manager

What came out of the engagement?

Through these engagement activities, the Company has developed a strong and diversified list of shareholders who support the Company in its ambitions notwithstanding the current market difficulties. These shareholders were instrumental in the successful equity raise in 2023. The share buyback programme was commenced in Q1 2024 following shareholder engagement using cash saved from cancelling the Q4 2023 dividend.

As noted in the Chair's Statement and the Investment Manager's report, since the year end the Company has renegotiated the debt facility to align covenant levels with current market conditions and to resize the facility in line with expectations of lower capital expenditure in the medium term.

The Company's underlying investments also entered into Capacity Market contracts, these offered valuable government backed contracts and had a positive contribution to revenues and NAV. This supported the UK Government and the Company's shareholders.

The Company also acquired the Coupar and Walpole projects during 2023.

The Company tested investor's priorities re ESG, including Board composition and diversity.

Engagement with the Investment Manager

Who they are?

The Investment Manager implements and oversees the investment strategy of the Company, including acquisition identification, and manages the value enhancement in the underlying SPVs. The Investment Manager is crucial for the Company to meet dividend, profit and NAV expectations.

Why is it important to engage with the Investment Manager?

Constructive engagement with the Investment Manager is important in order to ensure that the expectations of the shareholders are being met and that the Board is aware of challenges being faced by the Investment Manager.

How does the Company engage with the Investment Manager?

The Company, supported by its Management Engagement Committee and a board advisor, conducts both ongoing reviews and an annual review of the Investment Manager's performance and the terms of engagement of the Investment Manager. The Board and the Investment Manager maintain an ongoing open dialogue on key issues facing the Company with a view to ensuring that key decisions such as investment decisions, Investment Manager's capabilities and resourcing, trading partner performance in the SPVs and the Company's strategy are aligned with achieving long-term shareholder value. The Board has also engaged an independent board advisor that acts as an interface between the Board and the Investment Manager to help review, test and challenge the reporting and financial analysis provided by the Investment Manager. The Board has discussed the linkage of the management fee to the Company's NAV with the Investment Manager. The Investment Manager and Company will continue to discuss cost efficiencies during 2024.

This open dialogue takes the form of a number of ad hoc Board meetings, as discussed in the Corporate Governance Report, and more informal contact, as appropriate to the subject matter.

What came out of the engagement?

The Company and Investment Manager have aligned interests to ensure the future success of the Company. The Investment Manager sees the growth of the Company as both a key element of its strategy and a Company which fits well with the ESG strategy of the Investment Manager.

Through this engagement the Company has been able to carry out an additional equity raise during the year.

The Board and the Investment Manager also discussed and revisited governance and resourcing arrangements going forward as the Company's number of investments grows.

Engagement with communities

During construction of investment projects, the Company ensures all relevant planning and construction conditions are met. In addition, the Company remains committed to proactively engaging with the communities within which the Company operates. The Investment Manager is part of the Gresham House Limited group and is focused on a sustainability agenda which includes engagement with communities.

Engagement with business partners and key service providers

Who they are?

The Company has various key service providers who provide management services.

Why is it important to engage with the key service providers?

The intention of the Company is to maintain long-term and high-quality business partnerships to ensure stability while the Company pursues its growth strategy.

How does the Company engage with the key service providers?

The Company, supported by its Management Engagement Committee, reviews all key service providers to the Company and the terms of their engagement. During the period, the Company conducted a review of the terms of all service provider engagements along with their fee levels to ensure appropriate levels of support to the Company during the period. The Company seeks two-way engagement between the Board and key service providers on service delivery expectations and feedback on important issues experienced by service providers during the period. The intention of the Company is to maintain long-term and high-quality business partnerships to ensure stability while the Company pursues its growth strategy.

What came out of the engagement?

The Company has ensured that the interests of key service providers are aligned with the Company. The support of the Company's key service providers was also fundamental in the successful completion of the Company's equity placing.

Key strategic decisions during 2023

The Company's investments experienced a difficult trading environment in the year ended 31 December 2023 which resulted in changes to the Company's strategy.

Key strategic decisions included:

- Investment in future asset pipeline
- Fund-raising decisions to align the investment programme with available funds
- Continuing to further broaden the depth of the Investment Manager's team to match the increasing scale of the portfolio
- Setting the level of dividends to align expectations with the performance of the underlying portfolio

In relation to these key decisions, stakeholders, such as key contractors, were involved to ensure asset pipeline was available to the Company on the timescales required.

This Strategic Report is approved on behalf of the Board by:

John S Leggate CBE, FREng
Chair

26 April 2024

Board of Directors

The Company has a Board of five Independent Non-Executive Directors. The Board has 40% female and 20% ethnic minority representation. The Board has also adopted a formal diversity policy and considers diversity on the Company's Board as an important part of its existing skills, experience and knowledge.

All appointments to the Board are, and will continue to be, subject to a formal, rigorous and transparent procedure as required by the AIC Code. The Board's requirements for vacancies on the Board are set with reference to objective criteria and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Further, the Board reviews, at least annually, its effectiveness and its combination of skills, experience and knowledge. The Board will conduct an externally facilitated effectiveness evaluation every three years.

The first evaluation took place during 2021 and the Board is expected to conduct a further externally facilitated effectiveness evaluation in 2024.

The Board's Nomination Committee reviews the requirement for succession planning on an annual basis and during 2023 considered there to be no immediate succession requirements. Additional detail can be found in the Nomination Committee Report on page 76.

John Leggate CBE, FREng

Chair and Independent Non-Executive Director

John was appointed to the Board on 24 August 2018.

Catherine Pitt

Chair of the Nomination Committee and Independent Non-Executive Director

Catherine was appointed to the Board on 1 March 2019.

Isabel Liu

Chair of the Management Engagement Committee and Independent Non-Executive Director

Isabel was appointed to the Board on 1 October 2022.

David Stevenson

Chair of the Remuneration Committee and Senior Independent Non-Executive Director

David was appointed to the Board on 24 August 2018.

Duncan Neale

Audit Committee Chair and Independent Non-Executive Director

Duncan was appointed to the Board on 24 August 2018.

John Leggate CBE, FREng

John is highly experienced as an energy sector executive and is a venture investor in the "clean tech" and digital technologies. John has significant Board experience and is currently on the Board of cyber security firm Global Integrity in Washington DC and is a senior advisor in the energy sector to "blue chip" international consultants and senior advisor to Dial Partners LLP/Clairfield International. John was appointed to the Board on 24 August 2018.

Significant interests: John is a Director of Global Integrity, Inc. and Flamant Technologies.

Isabel Liu

Isabel has over 25 years' global experience investing equity in infrastructure, including the AIG Asian Infrastructure Fund, the ABN AMRO Global Infrastructure Fund and was managing director of the Asia Pacific investment business of John Laing plc. Isabel served as a non-executive director of Pensions Infrastructure Platform, backed by UK pension schemes to invest in UK infrastructure. She has been a board member of Transport Focus, the consumer watchdog for public transport and England's highways, and Heathrow Airport's Consumer Challenge Board. Isabel was appointed to the Board on 1 October 2022.

Significant interests: Isabel is a Director of Schroder Oriental Income Fund Limited and Utilico Emerging Markets Trust plc.

Duncan Neale

Duncan is a CFO and Finance Director with over 20 years' of commercial experience working for both publicly listed and privately-owned companies. Duncan is a Fellow of the Institute of Chartered Accountants and qualified with Price Waterhouse in London. Duncan was appointed to the Board on 24 August 2018.

Significant interests: Duncan is a Trustee of the Cambodian Children's Fund UK, a Director of DJN Consultancy Limited, a Director of Atrato Onsite Energy plc and a Director of AFC Energy plc.

Catherine Pitt

Cathy is a legal adviser who has specialised in the investment company and asset management sectors for over 20 years, specialising in governance, regulation and capital markets. Cathy was appointed to the Board on 1 March 2019.

Significant interests: Cathy is a non-executive director of Baillie Gifford UK Growth Trust plc and the Association of Investment Companies.

David Stevenson

David is a financial journalist and commentator for a number of leading publications including The Financial Times (the Adventurous Investor), Citywire, and MoneyWeek. He is also Executive Director of the world's leading alternative finance news and events service www.altfi.com, which focuses on covering major trends in marketplace lending, crowdfunding, and working capital provision for small to medium sized enterprises as well as www.ETFstream.com. David was appointed to the Board on 24 August 2018.

Significant interests: David is a Director of ETF Stream Limited, Aurora Investment Trust PLC, Secured Income Fund PLC, Stockmarkets Digest Limited, Doceo Group Limited

In the AGM held on 30 May 2023 John, Duncan, David, Cathy and Isabel were re-appointed as Directors. As is the Company's policy, all of the Directors will all stand for re-election at the Company's AGM every year. For the year ended 31 December 2023 there have been no new appointments or resignations.

Investment Team

Ben Guest
Managing Director, New Energy

Charlie Von Schmeider
Investment Director, New Energy

Fernando Casas Garcia
Head of Operations and Asset Manager, New Energy

Nick Vest
Finance Director, Energy Storage

James Bustin
Investment Manager, New Energy

Lefteris Strakosias
Investment Director, New Energy

Ana Segizbayeva
Associate Director, Project Delivery, New Energy

Stephen Beck
Finance Director, Real Assets

Rupert Robinson
Managing Director, Gresham House Asset Management Limited

Ben Guest

Ben was the founder and managing partner of Hazel Capital which was acquired by Gresham House in 2017. He has 29 years of investment experience. Ben's expertise spans the investment spectrum, across infrastructure, public equities and venture capital. Today, Ben is Managing Director of Gresham House's New Energy division, and the Lead Manager of the Company. He is responsible for the origination and execution of investment opportunities and is responsible for the overall strategy and ongoing portfolio management of the Fund. Ben started his fund management career at Lazard Asset Management in 1994 before going on to co-found Cantillon Capital and later founded Hazel Capital in 2007. Ben currently serves as a director of many project companies.

James Bustin

James has nine years of experience across investments, finance and accounting and joined the team in 2019 having previously worked on public equities and venture capital in the Gresham House Ventures team. James' role in the New Energy team covers fund and portfolio management as well as new investments.

James joined Gresham House in 2018 as part of the acquisition of Livingbridge VC where he had been working as an analyst since 2016. Prior to Livingbridge James worked in TMT audit at EY for three years, qualifying as a Chartered Accountant.

Charlie von Schmieder

Charlie has over 20 years' experience having started his career as a commercial solicitor before moving to Investment Management for the past nine years.

Charlie has extensive experience in the development, funding and asset management of distributed energy infrastructure projects and has worked on a wide range of technologies including solar PV, hydroelectric, anaerobic digestion, thermal heat networks, gas peaking and battery energy storage.

Charlie's current role began in February 2021, following a year in the team as a contractor. He is responsible for executing investments in energy storage systems, whether acquired before construction or when already operational.

Lefteris Strakosias

Lefteris joined Gresham House in March 2023 and has over 15 years of experience in infrastructure and energy transition investments including solar PV, onshore and offshore wind, anaerobic digestion, and hydroelectric power.

He has held principal investment and advisory roles with large institutions such as Columbia Threadneedle Investments, National Pension Service of South Korea (NPS), Macquarie, and Société Générale, as well as corporate and business development roles with Libra Group and Maple Power.

Lefteris holds a MSc in Finance from Imperial College London and a BSc in Management Science from Athens University of Economics and Business.

Ana Segizbayeva

Ana joined Gresham House in September 2022 and is responsible for implementing the Engineering, Procurement and Construction Management (EPCM) structure and delivering the New Energy team's project pipeline.

Ana is a multi-skilled professional with 12 years of experience delivering innovative, award-winning renewable energy projects in the UK.

Previously, Ana helped to establish quality management, project delivery, and commercial project functions at GRIDSERVE Sustainable Energy. She also successfully delivered the UK's first Electric Forecourt and subsidy-free solar and battery storage hybrid projects with bi-facial panels and tracking technology. Prior to that, Ana was part of the BELECTRIC projects team building utility-scale solar farms.

Fernando Casas Garcia

Fernando has 15 years' experience in the renewable energy sector, mostly in solar PV. Since joining the team in May 2021, Fernando has been focused on the design, development and deployment of processes and procedures that allow the growth in MWs under management and improvement in operational performance.

Prior to Gresham House Fernando was Global Head of Technical for a 2.2GW solar PV portfolio at WiseEnergy focused on the operation of their solar PV assets and increasing overall revenues.

Stephen Beck

Stephen has 28 years of industry experience and is a law graduate and Barrister called to the Bar in 1996. He is also a Fellow of the Institute of Chartered Accountants of England and Wales and qualified with PricewaterhouseCoopers.

He leads an in-house finance team managing New Energy, Renewables, Commercial Forestry and Sustainable Infrastructure sectors.

Prior to this, Stephen worked at E.ON, where he held a variety of financial and commercial roles from 2000 onwards, ranging from leading large finance teams, developing power station projects, M&A transactions, and working with HM Government delivering low carbon solutions.

Nick Vest

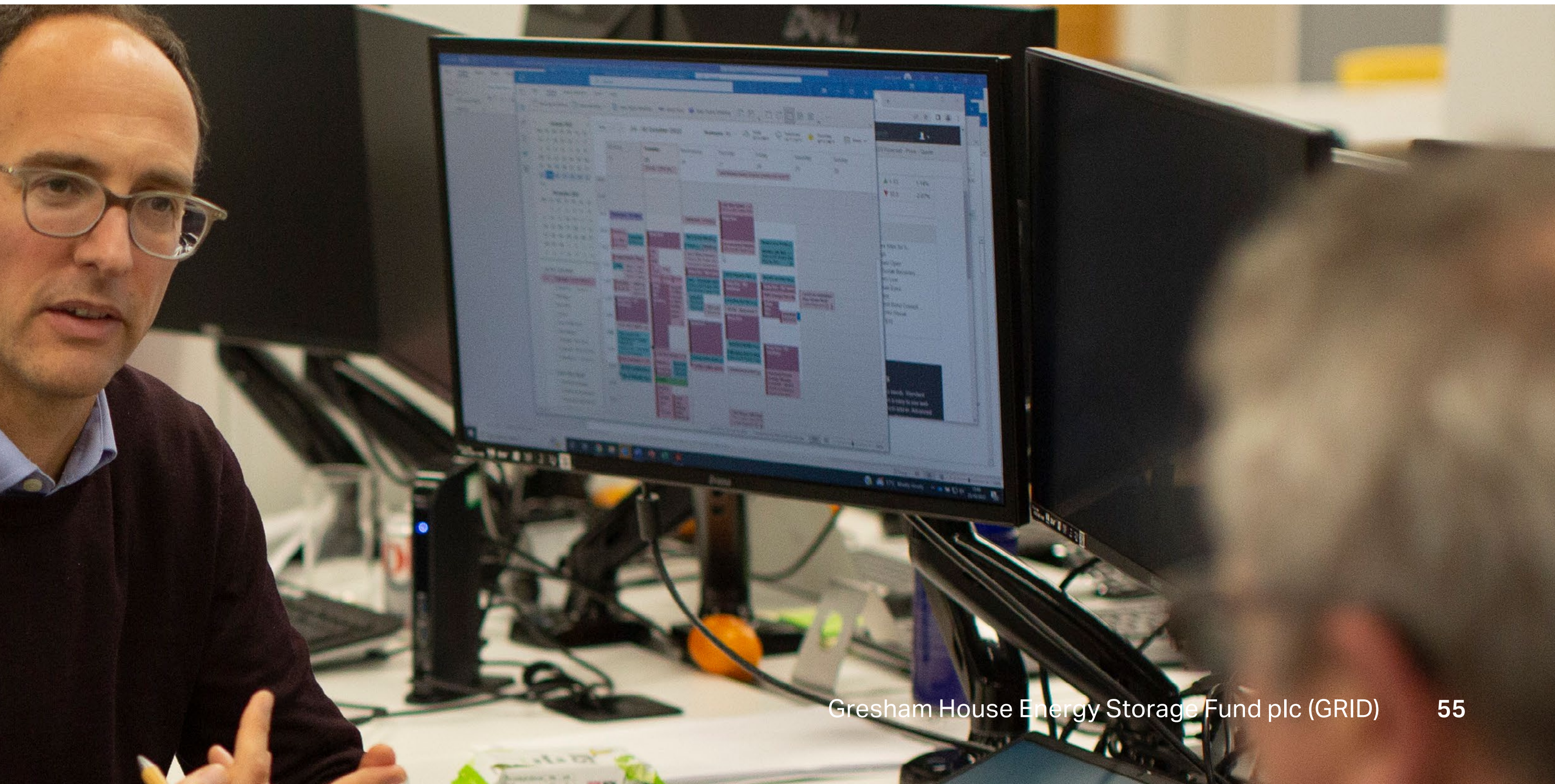
Nick joined Gresham House in January 2021. He has over 20 years' accounting and finance experience and is a Chartered Accountant and Chartered Tax Advisor.

Prior to Gresham House, Nick worked as Finance Director for an internationally focused property investment group and before that was Associate Director of Tax at Temenos Group SA in Switzerland.

Rupert Robinson

Rupert has been the Managing Director of Gresham House Asset Management Limited since September 2015. Before joining Gresham House, Rupert was CEO and CIO of Schroders (UK) Private Bank for 11 years and prior to that spent 17 years at Rothschild where he was latterly Head of Private Clients at Rothschild Asset Management. Rupert has a proven track record of delivering significant value to shareholders.

He has over 30 years of experience in asset management, private banking and wealth management, focusing on product innovation, investment management, business development, banking and wealth structuring. He is a member of the Gresham House Group Management and Investment Committees.



Directors Report

The Directors present the Annual Report and Financial Statements of the Company for the year ended 31 December 2023. The Company has no employees. The Directors during the period, including their appointment dates, are set out in the Nomination Committee Report on page 76.

The Corporate Governance Report on page 65 forms part of this report.

Company performance

The Directors have reviewed the performance of the Company throughout the period. Details of the performance of each investment owned by the Company are included in the Investment Manager's Report on page 10 and the Chair's Statement on page 6.

Financial risk management

Details in relation to the Company's use of financial instruments, financial risk management objectives and policies, including policies for hedging each major type of forecasted transaction for which hedge accounting is used; the Company's exposure to price, credit, liquidity, or cash flow risk can be found under Note 18 on page 107.

Share capital

At the period end, the Company had in issue 573,444,694 Ordinary Shares (2022: 541,290,353) with a nominal value of £0.01. There are no other share classes in issue. The Company commenced a share buyback programme on 1 February 2024. As at the publication date of this report, the Company has bought back 4,380,555 Ordinary Shares. These shares are held in treasury.

All shares have voting rights; each Ordinary Share has one vote. No shares were held in treasury as at 31 December 2023 (2022: nil).

Dividends

All Ordinary Shares are entitled to receive dividends and interim dividends have been paid by the Company as shown in the table below. No final dividend has been or will be declared, but the Company's dividend policy of paying four interim dividends will be tabled for approval at each AGM.

The Board decided not to declare a dividend for Q4 2023. As set out in the Chair's Statement on page 6 the Board intend to set out a new dividend policy for the Company in 2025.

Period in relation to which dividend was paid	Announcement date	Ex-dividend date	Payment date	Amount per Ordinary Share	Total amount
1 January to 31 March 2023	5 May 2023	18 May 2023	8 June 2023	1.8375p	£9,946,210
1 April to 30 June 2023	7 September 2023	14 September 2023	29 September 2023	1.8375p	£10,537,046
1 July to 30 September 2023	17 November 2023	7 December 2023	21 December 2023	1.8375p	£10,537,046

Shareholder	Number of Ordinary Shares as at 31 Dec 2023	Percentage of Issued Share Capital as at 31 Dec 2023
BlackRock Investment Mgt – Index (London)	45,657,089	7.96%
Schroder Investment Management	41,453,723	7.24%
Gresham House Limited	31,693,661	5.53%
Sarasin & Partners (London)	31,114,737	5.43%
Border to Coast Pensions Partnership (Leeds)	25,412,579	4.43%
Gravis Capital Management	21,425,010	3.74%
Close Asset Management Limited	20,107,668	3.51%
Rowan Dartington & Co (Bristol)	19,683,215	3.43%
JM Finn & Co (London)	19,097,005	3.33%
BlackRock Investment Mgt (London)	19,086,390	3.33%
abrdn Capital (London)	17,620,377	3.07%

Shareholder	Number of Ordinary Shares as at 26 April 2024	Percentage of Issued Share Capital as at 26 April 2024
Gresham House Limited (London)	49,546,467	8.67%
BlackRock Investment Mgt - Index (London)	45,657,089	7.99%
Schroder Investment Mgt (London)	41,604,223	7.28%
Sarasin & Partners (London)	28,465,478	4.98%
Border to Coast Pensions Partnership (Leeds)	23,734,573	4.15%
Gravis Capital Mgt (London)	22,194,510	3.89%
BlackRock Investment Mgt (London)	19,436,024	3.40%
Rowan Dartington & Co (Bristol)	19,165,445	3.36%
Hargreaves Lansdown Asset Mgt (Bristol)	18,546,025	3.25%

Substantial interests

As at 31 December 2023, and the date of this report, the Company had been notified of the above detailed beneficial interests exceeding 3% of the issued share capital, being 573,444,694 Ordinary Shares.

As at the date of this report the Company has not been notified of, or made aware of, any changes to the holding in voting rights in the Company.

The Directors' interests in the Ordinary Share capital of the Company are disclosed in the Directors' Remuneration Report on page 61.

Annual General Meeting (AGM)

The Company's AGM was held on 30 May 2023. All resolutions proposed to the Company's shareholders at this AGM were duly passed on a poll vote.

The Company's next AGM is expected to be held in June 2024. The Notice of the AGM and Form of Proxy will be circulated to all shareholders in advance of this meeting.

The Company intends to implement a routine share premium account reduction as part of the forthcoming AGM.

Auditor

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

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements and have elected to prepare the Company financial statements in accordance with UK adopted international accounting standards.

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 Company and of the profit or loss for the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Director's Report, a Strategic Report and Director's Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR 4

The Directors confirm to the best of their knowledge:

- the financial statements have been prepared in accordance with UK adopted international accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and
- the annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

Insurance cover

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

Corporate governance

The Company's corporate governance statement and compliance with the 2019 AIC Code of Corporate Governance which has been endorsed by the Financial Reporting Council (www.frc.org.uk) is shown on page 65.

Streamlined energy and carbon reporting: quantification and reporting methodology

Associated greenhouse gases have been calculated in accordance with the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry, using National Grid ESO half-hourly carbon intensity data and where applicable 2022 conversion factors published by the Department for Business, Energy & Industrial Strategy.

Boundaries

We have used the equity share approach.

The Company itself is not an emitter of greenhouse gas. However, the underlying investments within the Company's portfolio companies import and export electricity which are sourced from either the grid or, in limited cases, from gas or diesel generators. These have been included in our emissions disclosures. The energy used and produced by the companies is fully metered and carefully monitored.

Energy used:	2023	2022
Scope 1 emissions in metric tonnes CO_2e		
Gas consumption	7,541	9,299
Diesel consumption	-	124
Total Scope 1	7,541	9,423
Scope 2 emissions in metric tonnes CO_2e		
Consumption of electricity*	5,228	5,149
Total Scope 2	5,228	5,149
Scope 3 emissions in metric tonnes CO_2e		
Transmission and distribution losses**	1,876	593
Total Scope 3	1,876	593
UK energy consumption used to calculate emissions (MWh)		
Gas	41,222	50,942
Diesel	-	519
Electricity*	25,242	26,678
Total UK energy consumption	66,464	78,140
Weighted Average Carbon Intensity ratio CO_2 emissions per £mn revenue in underlying portfolio companies	297	248

*The figures shown are the net import/(export) of electricity from the grid

**2023 figures include WTT emissions from natural gas consumption

UK energy use covers the battery storage activities across all the portfolio companies owned directly or indirectly by the Company from the date of ownership. It does not cover energy use of assets under construction where construction is being carried out by third parties. All operations are in the UK.

Scope 3 emissions

We have identified the following as Scope 3 emissions which have been partially quantified:

- Carbon emissions from transmission and distribution system losses
- End-to-end manufacturing, transport, and installation at battery energy storage systems (not quantified)
- Investment Manager emissions (i.e. office buildings) (not quantified)

Intensity measurement

The chosen intensity measurement ratio is gross emissions per £mn revenue in the underlying investment portfolio. This is considered a more appropriate ratio than MWh due to variability in operation of assets and different service types.

Measures taken to improve energy efficiency

The usage of diesel generators within the operational portfolio has been significantly reduced since IPO. Diesel generators are in place to meet CM contract requirements and TRIAD operations on three of the sites but are also available for trading activities. One of the seed portfolio sites also uses gas fired generation, this is predominantly used for trading and to support the grid in periods of higher demand. The use of gas has remained consistent but represents an ever-decreasing percentage of the overall portfolio. The Company is not currently making new investments in projects which require either diesel or gas generators.

Going concern

The going concern statement is detailed on page 42 of this Annual Report.

Future developments

Future developments in the Company are detailed in the Chair's Statement on page 6.

Engagement with stakeholders

Further information on the Directors' engagement with the Company's stakeholders can be found on page 49.

Post balance sheet events

Post Balance Sheet events are disclosed in Note 24 of the Accounts on page 113.

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.

This Directors' Report is approved on behalf of the Board by:

John Leggate CBE, FREng
Chair

26 April 2024

Directors Remuneration Report

The Board has prepared the Directors' Remuneration Report for the period to 31 December 2023 which has been prepared 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 Company's Auditor is required to audit certain disclosures contained within the report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on page 80.

The Annual Remuneration Statement

The Chair of the Remuneration Committee has summarised the major decisions on Directors' remuneration, including the discretion which has been exercised in the award of Directors' remuneration, the changes relating to Directors' remuneration made during the year and the context in which those changes occurred, and decisions have been taken in the report from the Remuneration Committee on page 74.

Remuneration Policy

The remuneration of Non-Executive Directors should be determined with due regard to the experience of the Board as a whole, the time commitment required and to be fair and comparable to that of other non-executive Directors of similar companies. The Company may also periodically choose to benchmark Directors' fees with an independent review, to ensure they remain competitive, fair, and reasonable. The Non-Executive Directors are entitled to an annual increase in remuneration, effective from the first date of each financial year, at the rate of the UK Consumer Price Inflation as at December each year.

The fees for the Directors are determined within the limits set out in the Company's Articles of Association which states that the Directors' remuneration for their services in the office of Director shall, in the aggregate not exceed £500,000 per annum or such higher figure as the Company, by ordinary resolution, determines.

The Directors are entitled only to their annual fee and to be reimbursed for any expenses properly and reasonably incurred by them respectively in and about the business of the Company or in the discharge of his or her duties as a Director.

Any Director who performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such reasonable additional remuneration to be determined by the Directors or any committee appointed by the Directors and such additional remuneration shall be in addition to any remuneration provided for by way of their annual fee and their reasonable expenses.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long-term incentive plans from the Company.

The Directors hold their office in accordance with the Articles and their appointment letters. No Director has a service contract with the Company, nor is any such contract proposed. The Directors' appointments can be terminated in accordance with the Articles and without compensation.

In order to avoid conflicts of interest, no Director is involved in the setting of their own remuneration and remuneration is set by the Remuneration Committee, in line with the Remuneration Policy and aggregate remuneration levels are limited under the Company's Articles of Association.

This remuneration policy will be put to shareholders for approval at least every three years and was approved at the Company's AGM in 2023. The remuneration policy will be tabled again for shareholder approval at the Company's AGM in 2026.

Recruitment

The Board applies the same remuneration policy for recruitment purposes.

Directors' Appointments

John Leggate and David Stevenson signed letter of appointments with the Company dated 14 October 2018. Duncan Neale signed a letter of appointment with the Company dated 15 October 2018. Catherine Pitt signed a letter of appointment with the Company dated 28 February 2019.

Isabel Liu signed a letter of appointment with the Company dated 26 September 2022. These agreements are available for inspection at the Company's registered office and at the AGM. The agreements are terminable on three months' notice by either side. The Directors are not entitled to any variable consideration or any other taxable benefits under these agreements.

The Annual Remuneration Report

The Remuneration Committee considers any change in the Directors' remuneration policy. The report from the Remuneration Committee is set out on page 74.

Directors' remuneration and interests (audited)

Directors' remuneration (excluding National Insurance Contributions) for the Company and dividend received for the period under review was as follows:

2023	Fixed salary and fees Period from 01/01/23 to 31/12/23 £	Total variable remuneration Period from 01/01/23 to 31/12/23 £	Total remuneration Period from 01/01/23 to 31/12/23 £
John Leggate	92,908	-	92,908
Duncan Neale	72,585	-	72,585
Catherine Pitt	52,261	-	52,261
David Stevenson	52,261	-	52,261
Isabel Liu	52,261	-	52,261
Total fixed remuneration	322,276	-	322,276

2022	Fixed salary and fees Period from 01/01/22 to 31/12/22 £	Total variable remuneration Period from 01/01/22 to 31/12/22 £	Total remuneration (fixed and variable) Period from 01/01/22 to 31/12/22 £
John Leggate	84,080	-	84,080
Duncan Neale	65,687	-	65,687
Catherine Pitt	47,295	-	47,295
David Stevenson	47,295	-	47,295
Isabel Liu	11,824		11,824
Total fixed remuneration	256,181	-	256,181

2023 (unaudited)	Percentage increase from 24 August 2018 to 31 December 2020 on salary annual fees	Percentage increase from 31 December 2010 to 31 December 2021 on salary annual fees	Percentage increase from 31 December 2021 to 31 December 2022 on salary annual fees	Percentage increase from 31 December 2022 to 31 December 2023 on salary and annual fees
John Leggate	23.1%	23.0%	5.1%	10.5%
Duncan Neale	38.9%	38.8%	5.1%	10.5%
Catherine Pitt	12.5%	12.5%	5.1%	10.5%
David Stevenson	12.5%	12.5%	5.1%	10.5%
Isabel Liu	N/A	N/A	5.1%	10.5%

The Directors of the Company had the following beneficial interests in the issued Ordinary Shares as at 31 December 2023 and at the date of this report:

Directors	As at the date of this report 26 April 2024	As at 31 Dec 2023
John Leggate	181,850	144,350
Duncan Neale	26,432	26,432
Catherine Pitt	40,036	40,036
David Stevenson	30,050	24,907
Isabel Liu*	115,070	64,705

*Isabel Liu holds her shares through her PCA

The Company does not oblige the Directors to hold shares in the Company, but this is encouraged to ensure the appropriate alignment of interests.

2023/2024 remuneration

Subject to a further review, the remuneration levels for the forthcoming year for the Directors are expected to be at the annual fee level, as shown in the table above. In line with the Remuneration policy described above, the Directors' remuneration increased at the rate of the UK Consumer Price Inflation as at December 2023, which was set at 4.2%. The Board reviews Directors' remuneration at least annually to ensure that it is in line with market rates.

Consideration of shareholders' views

An ordinary resolution to approve the Remuneration Report will be put to shareholders at the Company's 2024 AGM and shareholders will have the opportunity to express their views and raise any queries in respect of the Remuneration Policy at this meeting.

Statement of voting at the 2023 Annual General Meeting

The Directors' Remuneration Report was subject to an advisory vote at the 2023 AGM. The voting outcome is shown in the table below:

Resolution to approve Directors' Remuneration Report	Votes	%
Votes for*	313,535,990	99.98
Votes against	72,491	0.02
Total votes validly cast	313,608,481	
Total votes cast as % of issued share capital		57.94
Votes withheld**	51,152	

* Includes discretionary votes

** A vote withheld is not a vote in law and is not counted in the calculation of the votes for or against a resolution.

No concerns were noted from the shareholders as part of the AGM.

The Company's Remuneration Policy was approved at the 2023 General Meeting. The voting outcome is shown in the table below:

Resolution to approve the Company's Remuneration Policy	Votes	%
Votes for*	323,542,622	99.46
Votes against	1,765,319	0.54
Total votes validly cast	325,307,941	
Total votes cast as % of issued share capital		56.76
Votes withheld**	70,837	

* Includes discretionary votes

** A vote withheld is not a vote in law and is not counted in the calculation of the votes for or against a resolution.

No concerns were noted from the shareholders as part of the AGM.

Payments to past Directors or for loss of office

There are no payments to disclose. Under the terms of the Directors' Remuneration Policy there would be no compensation for loss of office.

Performance graph

The graph below represents the Company's performance during the period since the Company's Ordinary Shares were first admitted to trading on the London Stock Exchange on 13 November 2018 and shows Ordinary Share price total return and NAV total return performance on a dividend reinvested basis. Both series are rebased to 13 November 2018, being the date the Company's Ordinary Shares were listed.

This graph 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.

Relative importance of spend on pay

The difference in actual spend between 31 December 2022 and 31 December 2023 on Directors' remuneration in comparison to distributions (dividends and share buybacks) and other significant spending are set out in the table below.

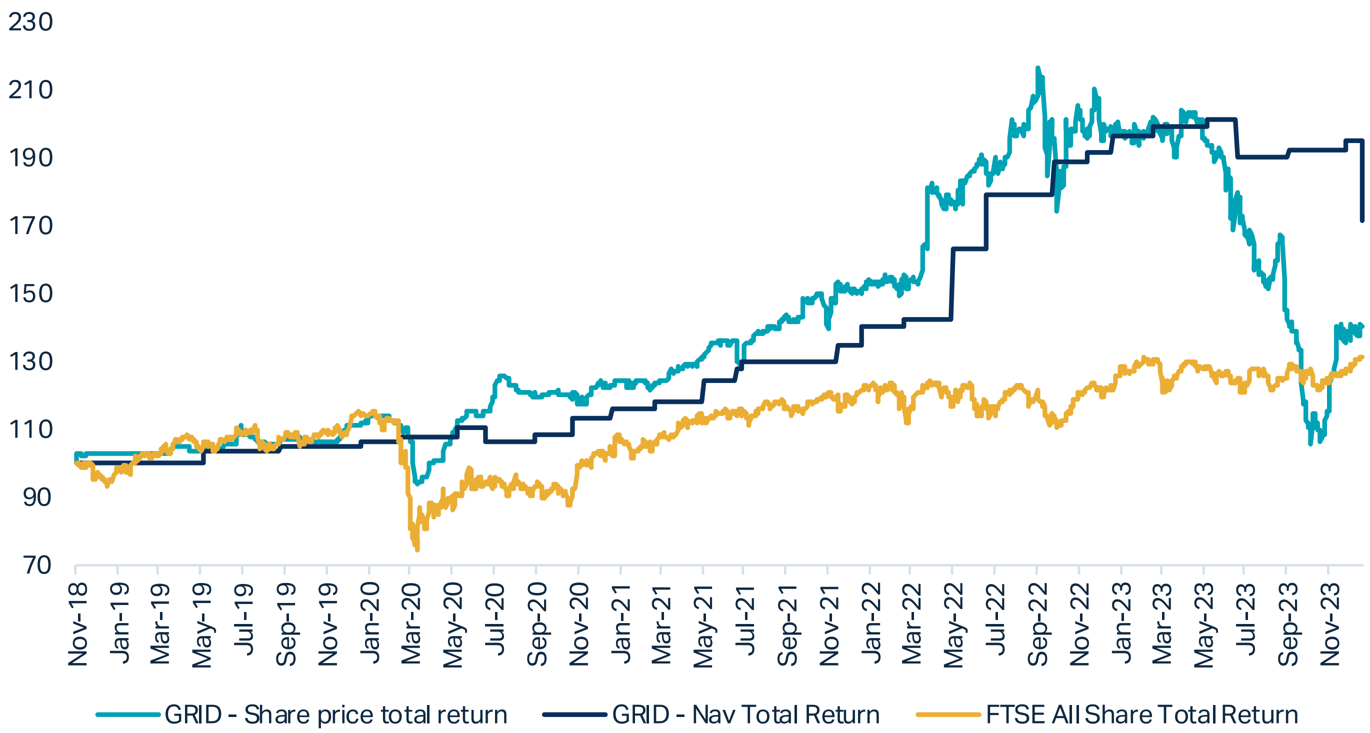
	Payments made during the year ended 31 December 2023 £	Payments made during the year ended 31 December 2022 £
Remuneration to Directors	322,276	256,181
Dividends paid to shareholders	40,492,884	34,269,634
Buy-back of Ordinary Shares	-	-
Total	40,815,160	34,525,815

This Directors' Remuneration Report is approved on behalf of the Board by:

David Stevenson
Chair of the Remuneration Committee

26 April 2024

GRID vs FTSE All Share Total Return



Corporate Governance Report

On behalf of the Board, I am pleased to introduce the Company's Corporate Governance report for the period ended 31 December 2023. In the year, the Board has considered the Principles and Provisions of the AIC Code of Corporate Governance (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 Energy Storage Fund plc.

The powers to issue the Company's shares and any amendments to the Company's Articles of Association require approval by shareholders.

The Board considers that reporting against the Principles and Provisions of the AIC Code provides relevant information to shareholders.

The Company 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.

Capital structure and voting rights

Information about the Company's capital structure and voting rights are set out in Note 20 of the Financial Statements on page 111.

The Directors were granted the authority at the 2023 AGM to issue new Ordinary Shares, on a non-pre-emptive basis, of up to up to an aggregate nominal value of £541,290.35, representing approximately 10% of the issued Ordinary Share capital as 21 April 2023. Further, the Directors were also granted the authority to make market purchases of its own Ordinary Shares from time to time of up to 81,139,424 of its Ordinary Shares, or, if less, 14.99% of the Company's issued Ordinary Share capital.

On 18 May 2023, the Directors proposed a placing of Ordinary Shares to institutional investors and a separate retail offer to existing retail investors. The placing raised a gross total of £50mn through the issue of 32,154,341 new Ordinary Shares at a price of 155.5 pence per share. 30,584,387 of the shares were issued via the placing and 1,569,954 shares were issued via the retail offer. On 2 February 2024, the Company began its share buyback programme and, as at the date of this report, has purchased 4,380,555 shares under these authorities. All shares that have been repurchased are currently held in treasury.

Board leadership and purpose

The Board views its purpose as supporting the Investment Manager, including providing constructive challenge, to achieve the Company's intended acquisition of a portfolio of BESS projects to take advantage of the significant market opportunity for battery-based energy storage systems. The Board is also committed to delivering the Company's targeted dividends and NAV total return. Further discussion of the Company's strategy has been set out within the Strategic Report on page 39.

The Board seeks to establish a culture of integrity, transparency and acceptance of challenge. The Board considers this culture aligned with the strategic purpose of the Company through its growth phase. The Board met frequently with the Investment Manager throughout the period in an effort to sustain continuous dialogue on key issues.

As set out in the section on Stakeholder Engagement and Statement under Section 172, page 49, the Board seeks to understand the views of the Company's key stakeholders and to consider these views in Board discussions and decision-making.

The Board assesses and monitors its own culture, including its policies, practices, and behaviour to ensure it is aligned with the Company's purpose, values, and strategy.

The Board remains committed to diversity and further detail on the Company's Diversity Policy and approach to diversity is set out in the Nomination Committee Report on page 76.

Chair

The Chair, John Leggate, is responsible for the leadership of the Board and ensuring its effectiveness. Further, the Chair, supported by the Investment Manager and key advisors, including the Broker and Company Secretary, ensures that the Board has a clear understanding of the views of the Company's stakeholders, including shareholders. The Board conducts an annual review of the Company's stakeholders and their interests.

Composition and succession

The Board has 40% female representation and has one Board member from minority ethnic background (as defined in the Listing Rules). Although the Board considers Chairing of the Board's committees as a senior position on the Board, both the Nomination Committee and Management Engagement Committee are chaired by female directors, the Chair of the Board and Senior Independent Director are both male.

The Board has adopted a formal diversity policy and strongly believes that diversity in all its forms (whether of skills, background or characteristic) is an important contributor to strong decision-making and intends to prioritise diversity in its ongoing succession planning.

All appointments to the Board are, and will continue to be, subject to a formal, rigorous and transparent procedure as required by the AIC Code. The Board's requirements for vacancies on the Board are set with reference to objective criteria and promote diversity of sex, social and ethnic backgrounds, cognitive and personal strengths.

Division of responsibilities

Matters reserved to the Board

Formal Board meetings take place at least 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 proposals from the Investment Manager; making decisions concerning the acquisition or disposal of investments; and reviewing, annually, the terms of engagement of all third-party advisers (including the Investment Manager) and the appointment and removal of the Company Secretary.

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

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with all relevant information requested by the Chair, in advance of each Board meeting, advise the Board on governance matters and ensure the Board are up to date with directors' duties.

There is a clear division of responsibilities between the Board and the Investment Manager. Under the AIFM Agreement, the Investment Manager acts as discretionary investment manager and AIFM to the Company within the strategic guidelines set out in the Investment Policy and subject to the overall supervision of the Board. The asset management role encompasses the oversight of all operational and financial management, the placing and managing of all operational contracts, management of all health and safety operational risks, advising the Board on the monthly and quarterly asset/portfolio performance, management of power price/market exposure, progress with the asset pipeline and reporting to the Board, identifying any circumstances in which the manager should refer to the board for approval before undertaking transactions and reporting to the Board.

The Company also has a business relationship with Gresham House DevCo Limited, a related party of the Investment Manager, which:

- sources, due diligences and acquires pipeline on a speculative basis exclusively for the Company to ensure the Company's ability to grow in a burgeoning market with few operational projects;
- manages these projects through construction;
- sells projects to the Company; and
- takes development risk on behalf of the Company, where the Company's investment mandate prevents taking this risk.

The Management Engagement Committee, on an annual basis, reviews the Investment Manager's performance during the year along with its adherence to the terms of the AIFM Agreement. Further details are contained in the Management Engagement Committee Report on page 78.

The capital structure of the Company is disclosed in the Financial Statements.

Board committees

The Board has four committees: the Audit Committee, Remuneration Committee, Nomination Committee, and the Management Engagement Committee (MEC). All the Directors of the Company are Non-Executive Independent Directors and served on all committees. Isabel Liu was appointed to each of the Committees with effect from 9 December 2022.

Board and committee meetings

The table on page 69 sets out the Directors' attendance at the Board and committee meetings during the period.

During the period, the Board held a number of additional ad hoc Board meetings outside of the regular quarterly Board meetings. Ad hoc Board meetings were held mainly to discuss the Company's market communications, placing of shares and Company strategy. The Board had focused and effective communication with the Investment manager and encouraged constructive engagement on key issues throughout the year.

Typically, there was attendance by the full Board at these ad hoc meetings and attendance was in line with the requirements of the AIC Code.

The primary focus at Quarterly Board meetings is a review of investment performance, asset allocation, marketing and investor relations, peer group information and industry issues.

At the Company's quarterly Board meetings, the Board typically considers the following business:

- Update from the Investment Manager, including:
  - Investment portfolio commentary
  - Health & Safety commentary
  - Trading data and investment performance, by month
  - Analysis of the Company's financial model, including and updates to key assumptions
  - Risk management and risk mitigation, including climate change and ESG risks
  - Review of any recommendations made by the Investment Manager
- Update from the Company's Broker; including;
  - Market commentary
  - Share price performance against the Company's peers
  - Sales and trading commentary
- Report from the Company's Depositary
- Report from the Administrator and Company Secretary, including;
  - Compliance monitoring
  - Regulatory and governance updates

Engagement 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 to the Company or its broker during the course of the period, or to meet with major shareholders if so requested. The Board and Investment Manager welcomed a number of shareholders at the Company's AGM and had constructive discussions on the Company's strategy. The Board was pleased with the level of engagement with shareholders and is looking forward to the Company's AGM in 2024.

In addition to the formal business of the AGM, representatives of the Investment Manager and the Board are available to answer any questions a shareholder may have. If shareholders are not able to attend the AGM in person, shareholders will be given the opportunity to ask questions in advance of the AGM, with answers to any questions received published on the Company's website.

	Quarterly Board meetings	Ad Hoc Board Meetings	Audit Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee
	(4 held)	(26 held)	(3 held)	(1 held)	(1 held)	(1 held)
John Leggate	4	26	3	1	1	1
Duncan Neale	4	21	3	1	1	1
Catherine Pitt	4	22	3	1	1	1
David Stevenson	4	20	3	1	1	1
Isabel Liu	4	21	2	1	1	1

Separate resolutions are proposed at the AGM on each substantially separate issue. The Registrar collates proxy votes and the results (together with the proxy forms) are forwarded to the Company Secretary immediately prior to the AGM. Proxy votes are announced at the AGM, following each vote on a show of hands, except in the event of a poll being called.

The Board ensured that the Company regularly kept shareholders informed of investment activities and quarterly financial performance through appropriate public announcements and the publication of quarterly factsheets by the Investment Manager that are available on the Company's website. There were no specific actions arising from the Company's interactions with shareholders in the period.

Remuneration

The Board is committed to implementing remuneration policies and practices that are designed to support strategy and promote long-term sustainable success. This policy is set out in the Directors Remuneration Report on page 61.

This Corporate Governance Report is approved on behalf of the Board by:

John Leggate, CBE, FREng
Chair

26 April 2024

Audit Committee Report

The Audit Committee plays an integral role in reviewing and challenging the Company's financial modelling, financial reporting, key financial controls, and risk management framework.

The Committee continues to work with and oversee the Investment Manager and key service providers, to ensure that the Company can rely on robust internal financial controls and clear risk management procedures.

Audit Committee composition

The Audit Committee is chaired by Duncan Neale, who is a Chartered Accountant, CFO and Finance Director and therefore has recent and relevant financial experience. Mr Neale is supported by the other four independent Non-Executive Directors on this committee.

The Audit Committee meets at least three times a year and operates within clearly defined terms of reference. The Committee met three times during the period and these meetings were also attended by representatives of the Investment Manager, the Company Secretary and the Auditor.

Given the size of the Board and the diverse range of experience and skills possessed by the Directors, the Board has considered it appropriate to have all Directors serve on this Committee. The Board has also considered it appropriate for the Chair of the Board to serve on the Committee in order to allow the Chair to directly contribute to the Committee's work and provide input on the Company's reporting obligations.

Terms of reference

The Committee reviewed its terms of reference to ensure that they remain in alignment with the pro-forma terms of reference published by the Chartered Governance Institute and the latest version of the AIC Code.

Principal responsibilities

The principal responsibilities which the Board has delegated to the Audit Committee and which are set out in the Committee's Terms of Reference are:

1. to monitor the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance;
2. reviewing the Company's internal financial controls and internal control and risk management systems, unless expressly addressed by a separate Board risk committee composed of independent Non-Executive Directors, or by the Board itself;
3. conducting the tender process and making recommendations to the Board, about the appointment, reappointment, and removal of the external Auditor, and approving the remuneration and terms of engagement of the external Auditor;
4. reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
5. to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process; and
6. to develop and implement policy on the engagement of the Auditor to supply non-audit services and considering relevant guidance regarding the provision of non-audit services by the Auditor.

The Chair of the Audit Committee is required to report formally to the Board on the Committee's findings after each meeting on all matters within its duties and responsibilities.

Financial reporting

The Audit Committee is responsible for reviewing the financial reporting and in providing advice to the Board on whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced, and understandable, as required under the AIC Code, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Audit Committee considered the detailed reviews undertaken at various stages of the production process by the Investment Manager, Administrator and Auditor, which are intended to ensure consistency and overall balance. The Committee has ensured that significant assumptions used in determining the valuation of the Company's assets and liabilities are appropriate.

The Committee also sought additional comfort from the Investment Manager in relation to the conclusions reached by the Board.

The Committee also reviews the significant financial reporting issues and judgements made in connection with the preparation of the Company's Financial Statements and considers whether the accounting policies adopted are appropriate.

The Committee has worked with the Investment Manager to improve the Company's impact on Sustainability and Environmental, Social and Governance. As a result, the Company has voluntarily adopted the Task Force on Climate-related Financial Disclosures in the 2023 Annual Accounts.

As a result of the work performed by the Audit Committee, the Board is able to conclude that the Annual Report and Financial Statements for the period ended 31 December 2023, 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.

Going concern and viability

The Committee considered the Going Concern Statement and Viability Statement on page 42. The Committee was satisfied that the Company remained a going concern and was well positioned to continue to operate and meet its liabilities over the short term and the outlook period.

Key accounting judgements and estimates

The key accounting judgement reviewed by the Audit Committee was the high level of judgement involved in determining the valuation of the Company's unquoted investments. The Investment Manager is responsible for preparing the valuation of investments which are reviewed by the Audit Committee and approved by the Board.

During the period, the valuation of the Company's investments has been a focus point for the Audit Committee and the Board. The Chair of the Audit Committee has worked closely with the Investment Manager to understand how the Company's investment valuations are calculated and this has been reported to the Board.

The Board has also carefully considered the discount rates used by the Investment Manager and considers these rates to be appropriate given the strategic objectives of the Company and the commercial risks associated with the Company's Investment activities.

The Committee has considered the key changes to the reduction to the revenue assumptions in light of the challenging market environment. The Committee also reviews how the Investment Manager applies the discount rate in conjunction with the revenue assumptions. The Committee considered the adjustments recommended by the Investment manager appropriate.

The Audit Committee has also taken additional comfort from the opinion of an external independent valuation assessment prepared by Grant Thornton, which concluded that the Investment Manager's calculation of valuation is fair and reasonable on a fair value basis.

Following the detailed assessment of investment valuations, the Audit Committee and the Board are able to conclude that the Company's investments are valued fairly and reasonably.

Auditor independence, objectivity and effectiveness

BDO has formally confirmed its independence as part of the annual reporting process, and the Audit Committee considered and agreed that BDO, the engagement team and other partners and Directors conducting the audit had complied with relevant ethical requirements including the FRC's Ethical Standard and were considered independent of the Company.

The Audit Committee discussed the effectiveness of BDO as Auditor and agreed that the Auditor had adhered to high professional and ethical principles and demonstrated the appropriate skills and knowledge about the business, industry, and environment together with the regulatory and legal frameworks in which the Company operates. The Audit Committee also agreed that the audit partner demonstrates experience in the energy sector and is well informed about current topical issues with the FRC. The Audit Committee concluded that it had no concerns with BDO's effectiveness.

Marc Reinecke has been BDO's lead audit partner for the Company since IPO in 2018. This is Mr Reinecke's fifth annual audit for the Company. In line with best practice, the Company would under normal circumstances seek a rotation of the lead audit partner every five years, with an audit firm tender process every ten years and a mandatory audit firm rotation after 20 years. BDO confirmed that Mr Reinecke would be rotated out after the conclusion of the 2024 audit.

The Audit Committee has recommended that a resolution to reappoint BDO is proposed to shareholders at the next AGM.

Internal controls and risk management systems

The Audit Committee's responsibilities in respect of internal controls and risk management are to:

1. review the reports on the internal controls of the Company's service providers which identify the risk management systems in place for assessing, managing, and monitoring risks applicable to such service providers;
2. establish a process for identifying, assessing, managing, and monitoring the risks which may have a financial impact on the Company;
3. review reports on the conclusions of any testing carried out by the Auditors;
4. carry out at least annually a robust assessment of the emerging and principal risks facing the Company; and
5. review and approve the statements included in the Annual Report in relation to internal control and the management of risk.

The Audit Committee reviews the Company's internal controls on an annual basis with the last review being conducted in November 2023. The Audit Committee obtains evidence of the internal control frameworks of the Administrator to review. Further, the Company Secretary reports to the Board quarterly on any potential internal control failures.

The Audit Committee confirms that it has completed its assessment of the Company's emerging and principal risks and the details of this assessment are set out in emerging risks, principal risks, uncertainties assessment, and going concern assessment on page 42.

The Audit Committee considers the Company's risk register on an annual basis with quarterly risk reporting being presented to the Board by the Investment Manager. The Audit Committee was satisfied with the Investment Manager's overall assessment of principal risks.

Although the Board is ultimately responsible for safeguarding the assets of the Company, the Board has delegated, through written agreements, the day-to-day operation of the Company (including the financial reporting process) to Gresham House Asset Management Limited as Investment Manager and JTC (UK) Limited as Administrator.

Whistleblowing

The Audit Committee has reviewed the arrangements by which staff of the Investment Manager and Administrator and other service providers as the Committee sees fit may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and satisfy itself that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. These arrangements are embedded into the Investment Manager's and Administrator's internal policies.

There were no instances of whistleblowing during the period.

External audit

The Audit Committee also makes recommendations to the Board in relation to the appointment of the external Auditors and to ensure the independence of the external Auditor. It also reviews and comments on 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 Audit Committee has reviewed the engagement of the external Auditor on the supply of non-audit services in order to ensure that the independence of the external Auditor is maintained, considering the relevant regulations and ethical guidance in this regard.

The Company's Auditor did not provide any non-audit services during the period.

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

Internal audit

The Audit Committee discussed the need for an internal audit function. The debate included input from the Investment Manager and consideration of the assurance received from third parties under the risk management framework. In the light of this consideration, the Audit Committee decided that there was no current requirement for an internal audit as the internal controls and risk management were adequate and effective.

Financial reporting

The Directors' responsibilities statement for preparing the accounts is set out in the Report of the Directors on page 56 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 80.

Audit Committee evaluation

An evaluation of the Audit Committee was undertaken as part of the overall Board evaluation in 2023. The evaluation concluded that the Audit Committee was found to be working well and the skills and experience of the members was found to be appropriate.

This Audit Committee Report is approved on behalf of the Board by:

Duncan Neale
Chair of the Audit Committee

26 April 2024

Remuneration Committee Report

The Remuneration Committee assists the Board to fulfil its responsibility to ensure the Remuneration policy and practises of the Company reward the Non-Executive directors fairly and responsibly.

Remuneration Committee composition

The Remuneration Committee is chaired by David Stevenson and is supported by the other four independent Non-Executive Directors on this Committee.

The Remuneration Committee meets at least once a year and operates within clearly defined terms of reference. The Remuneration Committee met once during the period. The Remuneration Committee's meeting was also attended by representatives of the Company Secretary and the Company's Investment Manager. Given the size of the Board and the diverse range of experience and skills possessed by the Directors, the Board has considered it appropriate to have all Directors serve on this Remuneration Committee. The Chair of the Board was independent on appointment to the Board and remains independent and is therefore eligible to serve on the Remuneration Committee.

Terms of reference

The Remuneration Committee reviewed its terms of reference to ensure that they were in alignment with the Chartered Governance Institute and the latest version of the AIC Code.

Principal responsibilities

The main role and responsibilities of the Remuneration Committee include:

- in conjunction with the Chair, setting the Directors' remuneration levels; and
- considering the need to appoint external remuneration consultants.

Review of the Company's remuneration policy

The Remuneration Committee reviewed the Company's remuneration policy in the year and advised that the policy had been well supported by the Company's shareholders. The Remuneration Committee resolved that the policy remained fit for purpose. The Company's Remuneration Policy was approved by the Company's shareholders at the Company's 2023 General Meeting.

Review of Directors' remuneration

During the year, the Remuneration Committee considered the appropriate level of increases to the Directors' fees for 2024.

In 2022, the Remuneration Committee decided to increase the Directors' remuneration in line with Consumer Price Inflation (CPI) each year to ensure that Directors fees remain competitive and in line with inflat on. The Committee approved a fee increase of 4.2% for 2024.

Director	2023 Fee	2024 Fee
John Leggate	£92,908	£96,811
Duncan Neale	£72,585	£75,633
Cathy Pitt	£52,261	£54,456
David Stevenson	£52,261	£54,456
Isabel Liu	£52,261	£54,456

The Remuneration Committee considers the increases in Directors' fees to be in line with the Company's Remuneration Policy approved by the Company's shareholders at the Company's 2023 GM. The Remuneration Committee has delegated authority to set the remuneration of the Non-Executive Directors, including the remuneration of the Chair of the Board, under its terms of reference. The Senior Independent Director does not receive additional remuneration for this role.

The Remuneration Committee considered that the appointment of an external remuneration consultant was not required for 2023 and will review this requirement each year.

Committee evaluation

An evaluation of the Remuneration Committee was undertaken as part of the overall Board evaluation in 2023. The evaluation concluded that there was a good balance of skills between the five Directors to support the work of the Remuneration Committee.

This Remuneration Committee Report is approved on behalf of the Board by:

David Stevenson
Chair of the Remuneration Committee

26 April 2024

Nomination Committee Report

The Nomination Committee assists the Board in ensuring there is a formal, rigorous and transparent procedure of reviewing Board and Committee composition.

Nomination Committee composition

The Nomination Committee is chaired by Cathy Pitt and is supported by the other four independent Non-Executive Directors on this Nomination Committee.

The Nomination Committee meets at least once a year and operates within clearly defined terms of reference. The Nomination Committee met once during the period. The Nomination Committee's meeting was also attended by representatives of the Company Secretary and the Investment Manager.

Given the size of the Board and the diverse range of experience and skills possessed by the Directors, the Board has considered it appropriate to have all Directors serve on this Nomination Committee.

Terms of reference

The Nomination Committee reviewed its terms of reference to ensure that they were in alignment with Chartered Governance Institute and the latest version of the AIC Code.

Principal responsibilities

The Nomination Committee's principal responsibilities are:

- leading the process for appointments;
- ensuring plans are in place for orderly succession to the Board; and
- overseeing the development of a diverse pipeline for succession to the Board.

The Nomination Committee is also responsible for supporting the Chair of the Board in an annual review of the effectiveness of the Board, its committees and each of its Directors.

Composition, succession and evaluation

Composition

The Company has a Board comprising five Non-Executive Directors, with the Chair being John Leggate. All of the Directors are independent from the Investment Manager as defined in the AIC Code and no circumstances have been identified that are likely to impair, or could appear to impair, a Non-Executive Director's independence. Further, all Directors' significant interests have been reviewed and no conflicts of interest have been identified. The Board does not consider the other current interests of the Directors to have any significant impact on the Directors' ability to discharge their duties to the Company.

Biographical details of all Board members (including significant other commitments) are shown on page 51.

When making new appointments, the Board will consider other demands on Directors' time. Prior to appointment, significant commitments will be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval of the Nomination Committee and Board, with the reasons for permitting significant appointments explained in the Annual Report.

The Nomination Committee reviewed the size and composition of the Board having regard to the skills of each Director and the commitment involved in service on the Board. The Nomination Committee recommended deadlines for circulation of information prior to Board and Committee meetings, where possible, greater collaboration between the Chairs, the Company Secretary and Investment Manager when setting meeting agendas and ensuring adequate time for discussion at Board and Committee meetings.

Board evaluation

During the period, the Board, supported by the Company Secretary undertook an internal Board evaluation. The evaluation involved the completion of Board surveys prepared by the Company Secretary and completed by the Directors. The evaluation was a comprehensive internal review of the effectiveness of the Board, individual Directors, the Chair and each of the Board's Committees.

The evaluation reviewed each of the Committees, the Board and the Non-Executive directors' performance. The evaluation concluded there was a good balance of skills on the Board, the Committees were performing well and the Directors were fulfilling their responsibilities.

The evaluation detected consistent themes across the board and Committee related to the amount of time available to the Non-Executive directors to consider information and the timeliness of circulation of information and material to the Board. The evaluation also recommended to the Board the continuing improvement of shareholder engagement,

While the Committee concluded that there was good balance of skills and experience on the Board, the Committee would seek opportunities to refresh the composition of the Board and to further support the Board's diversity.

Re-election and succession

John Leggate, David Stevenson and Duncan Neale were appointed to the Board on 24 August 2018. Cathy Pitt was appointed to the Board on 1 March 2019. All existing directors were re-elected by shareholders at the 2023 AGM.

Isabel Liu was appointed to the Board on 1 October 2022 by the Directors and subsequently elected by the shareholders at the 2023 AGM.

In accordance with the AIC Code, all Directors are required to retire at the forthcoming AGM, and being eligible, offer themselves for re-election.

Further, in relation to the tenure of the Chair, the Board considers it appropriate to have no fixed term for the tenure of the Chair and deems this appropriate given the long term nature of the Company's investments. However, the Nomination Committee will review this policy on an annual basis.

Diversity

The Company recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining an effective Board. The Company has adopted a formal Diversity Policy, which sets out the Company's approach to and commitment to diversity. The policy was reviewed by the Nomination Committee during 2022.

The Company's policy is to ensure that there is broad experience and diversity on the Board. Diversity includes, and makes good use of, differences in knowledge and understanding of relevant diverse geographies, peoples and their backgrounds including race or ethnic origin, sexual orientation, sex, age, disability, and religion. Appointments to the Board should be made on merit, in the context of complementing and expanding the skills, knowledge and experience of the Board as a whole (and in accordance with the Equality Act 2010). Accordingly, with the recruitment of the fifth Director, the Board liaised with an external independent recruitment consultant to ensure a wide pool of candidates from a diverse background were considered for the position.

The Nomination Committee will be responsible for the implementation of the Company's Diversity Policy and for monitoring progress towards the achievement of its objectives.

This Nomination Committee Report is approved on behalf of the Board by:

Cathy Pitt

Chair of the Nomination Committee

26 April 2024

Management Engagement Committee Report

Building on its work during 2022, the Management Engagement Committee continued to work with the Investment Manager and key service providers to ensure that the Company had a robust system of internal financial controls and a clear risk management procedure.

During the year, the Management Engagement Committee played an integral role in:

- reviewing the contractual relationship and performance of the Investment Manager; and
- evaluating key service providers, including the Company Secretary, Depositary, Registrar, and Broker.

Management Engagement Committee composition

The Management Engagement Committee is chaired by Isabel Liu. The Chair of the Management Engagement Committee is supported by the other four independent Non-Executive Directors.

The Management Engagement Committee meets at least once a year and operates within clearly defined terms of reference. The Management Engagement Committee met once during the period. This meeting was also attended by representatives of the Investment Manager and the Company Secretary.

Given the size of the Board and the diverse range of experience and skills possessed by the Directors, the Board has considered it appropriate to have all Directors serve on the Management Engagement Committee.

Terms of reference

The Management Engagement Committee reviewed its terms of reference to ensure that they remain in alignment with the pro-forma terms of reference published by Chartered Governance Institute and the latest version of the AIC Code.

Principal responsibilities

The Management Engagement Committee's principal responsibilities include:

- monitoring and evaluating the Investment Manager's investment performance and, if necessary, providing appropriate guidance;
- putting in place procedures by which the Board regularly reviews the continued retention of the Investment Manager's services;
- considering the merit of obtaining, on a regular basis, an independent appraisal of the Investment Manager's services;
- reviewing the level and method of remuneration, the basis of performance fees (if any) and the notice period; and
- putting in place processes to review the Company's risk management and internal control systems designed to safeguard shareholders' investment and the Company's assets. A review of the effectiveness of these systems should be made annually by the Board and reported to shareholders in the annual report.

The Management Engagement Committee also reviews the performance of other service providers to the Company and makes recommendations to the Board, including by:

- reviewing and considering the appointment and remuneration of service providers to the Company; and
- considering any points of conflict which may arise between the providers of services to the Company.

Performance of the Investment Manager

The Management Engagement Committee reviewed the performance of the Investment Manager and the Management Engagement Committee was generally satisfied that the Investment Manager had performed well during the period with the Company completing a number of acquisitions during the period, driving the performance of the operating assets, successfully deploying the capital raised during 2021 and 2022 and conducting a further successful fundraising during 2023.

The Management Engagement Committee continues to collaborate with the Investment Manager to improve reporting and information flow to the Board and its committees.

The Management Engagement Committee reviewed the size of the Investment Manager's workload, key-person policies and resources to handle the anticipated workload. The Committee reviewed the diversity of the Investment Manager and its capacity to the Company's ambitions for growth. The Management Engagement Committee also noted the additional resources being added to the Investment Manager's team, in particular the additional capacity to support the Company's financial modelling.

The Management Engagement Committee reviewed the remuneration of the Investment Manager and found these fees to be in line with market rates for the services delivered to the Company during the period.

The Management Engagement Committee is satisfied that the Investment Manager has performed well under the terms of the AIFM (Alternative Investment Fund Manager) Agreement and is of the view that the continued engagement of the Investment Manager is in the best interests of the Company and would support the Company's long-term sustainable success.

Performance of key service providers

The Management Engagement Committee undertook at review of all key service providers to the Company and there were no issues to report.

The Management Engagement Committee discussed the performance of JTC (UK) Limited appointed by the Company both as Administrator and as Company Secretary and concluded that the performance as Administrator and Company Secretary remained satisfactory. The Company is responsible for the appointment or removal of the Company Secretary.

Committee evaluation

An internal evaluation of the Management Engagement Committee was undertaken as part of the overall Board evaluation. The Management Engagement Committee was found to be working well and the skills and experience of the members was found to be appropriate for their roles.

This Management Engagement Committee Report is approved on behalf of the Board by:

Isabel Liu

Chair of the Management Engagement Committee during the reporting period

26 April 2024

Independent Auditor's Report to the Members of Gresham House Energy Storage Fund plc

Opinion on the financial statements

In our opinion:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gresham House Energy Storage Fund plc (the 'Company') for the year ended 31 December 2023 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows 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 UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors in December 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is five years, covering the years ended 31 December 2019 to 31 December 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the appropriateness of the Directors' method of assessing the going concern in light of market volatility and the present uncertainties in the battery energy storage sector in the UK by reviewing the information used by the Directors in completing their assessment;
- assessing the appropriateness of the Directors' assumptions and judgements made by comparing the prior year forecasted costs to the actual costs incurred to check that the projected costs are reasonable;
- assessing the reasonableness of the Company's cash flow forecast by comparing the expected cash flows to contractual obligations and that these are covered by the available cash reserves for the period of 12 months from the date of approval of the financial statements;
- assessing the projected management fees for the year to check that the charge is in line with the current assets under management levels and the projected market growth forecasts for the following year;
- assessing the appropriateness of the Directors' assumptions and judgements made in their base case and stress tested forecasts including consideration of the available cash resources relative to forecast expenditure and commitments;
- assessing the reasonableness of the stress test performed by the Directors which assumed that there would be a further 10% reduction in inflows and all existing funding obligations towards the investments would still be met over the next 12 months,
- challenging the Directors' assumptions and judgements made in their forecasts by performing an independent analysis of the liquidity of the portfolio;
- reviewing the terms and conditions, including any changes, of all financing agreements paying specific attention to repayment terms for capital and interest and covenants in place in particular in the revised financing agreements which were signed post year end on 18 April 2024

- reviewing the covenants which are relevant to the debt facility, which the Company is party to as Guarantor and the ability to meet these covenants even under the stress test scenario;
- reviewing current year covenant compliance certificate and forward-looking covenant calculation as part of the going concern assessment;
- reviewing the details of the waiver for the lock-up test in December 2023; and
- reviewing the adequacy and consistency of the disclosure in line with the Directors' assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

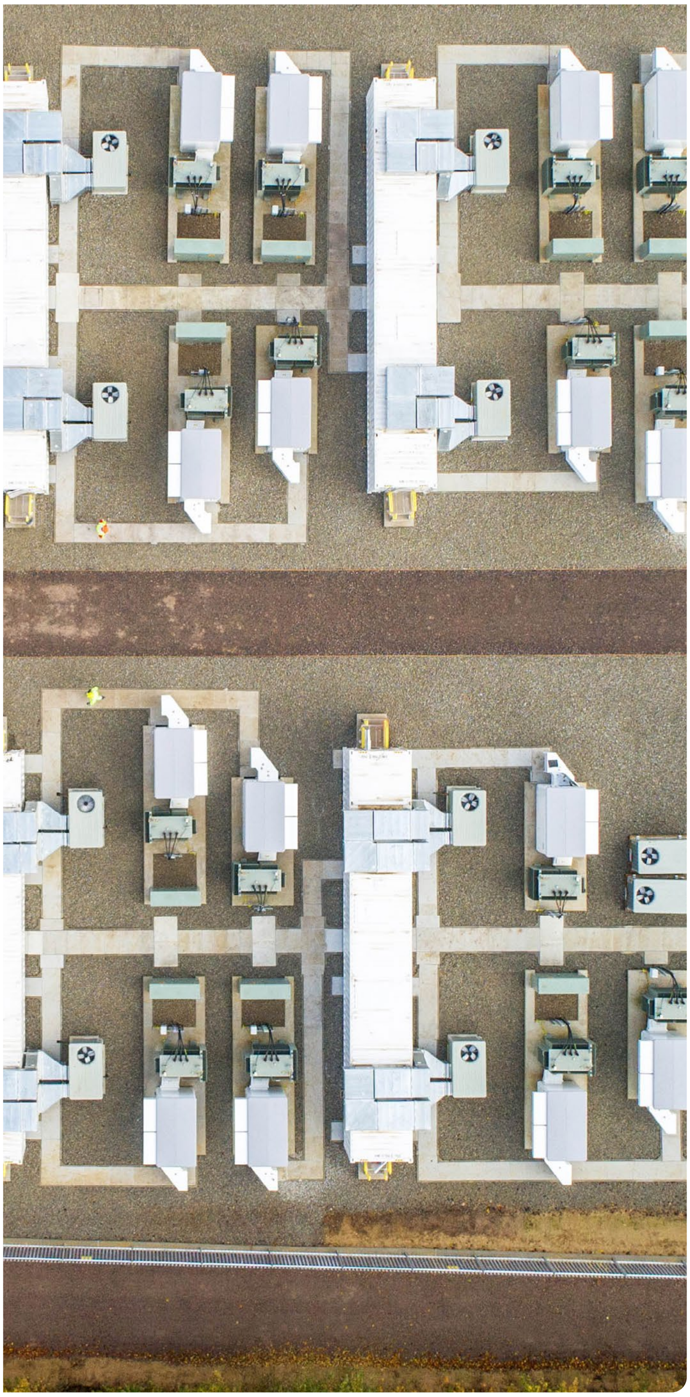
		2023	2022
Key audit matters	Valuation of unquoted investments	☑	☑
Materiality	Company financial statements as a whole £11.1mn (2022: £12.6mn) based on 1.5% (2022: 1.5%) of Net Assets Specific materiality £1.83mn (2022: £1.26mn) based on 5% of profit before tax less fair value gains		

An overview of the scope of our audit

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

Key audit matters

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



Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of unquoted investments Refer to Note 11 on page 99 and Note 17 on page 102 of the financial statements.	As detailed in Note 11, the Company owns an investment portfolio of unquoted equity and loan investments, which as described in the accounting policies in Note 5 are held at fair value in the Company Financial Statements. The valuations of the investments is a subjective accounting estimate where there is an inherent risk of management override arising from investment valuations being prepared by the Investment Manager, who is remunerated based on the Net Assets Value (NAV) of the Company. The Company has engaged an independent expert valuer to help mitigate the risk. During the year, the model has been modified which has resulted in the model being rebuilt, the key change being the valuation outputs in the model moved from monthly to quarterly. An independent model audit has been performed hereon. The fair value was determined through the use of a discounted cash flow model. The valuation involved significant judgements and estimates from management including, but not limited to discount rates, changes in net revenue yield and changes in energy generation. Changes to the estimates and/or judgements can result, either on an individual or aggregate basis, in a material change to the valuation of unquoted investments and therefore we considered this to be a key audit matter.	Our procedures in relation to management's valuation of the unquoted investments include: ▪ we assessed the design and implementation of controls around the valuations of investments; ▪ we have evaluated the prior year assumptions through a budget versus actual comparison of the results for each portfolio investment for the year to December 2023 to challenge the assumptions used in the model and critique the variances to determine whether inputs and cash flow assumptions in the current year estimates are appropriate as well as challenge the forward-looking assumptions; ▪ we have conducted research on the battery storage market and challenged the relevant assumptions accordingly; ▪ with the assistance of our internal model audit team, we have assessed the terms of the engagement and the conclusions of the third-party model auditor; ▪ we assessed the competency, qualification, independence and objectivity of the external valuer engaged by the Company and reviewed the terms of their engagement for any unusual arrangements or limitation on the scope of their work; ▪ with the assistance of our internal valuation experts, we challenged the appropriateness of the selection and application of key estimates in the discounted cash flow model including discount rate, net revenue yield, annual generation, inflation rate, underlying costs and asset life by benchmarking to available industry data and actual results in the year; ▪ we have held discussions with the project managers of the assets to critically challenge Management's assumptions and obtain evidence to support this discussion; ▪ we have critically assessed how management have considered the implications and impact of climate change in the valuation; ▪ agreed net energy yield and annual generation used in the discounted cash flow model to independent third-party net revenue yield curve report. We held discussions with them to understand the model assumptions and how the models are produced; ▪ we compared the revenue yield curve to those disclosed by competitors and assessed the impact on the valuations; ▪ for new investments, we obtained and reviewed the sale and purchase agreements and loan contracts and checked if they were accurately reflected in the valuation model; ▪ for new investments which were either acquired or committed we challenged the appropriate valuation through consideration of the stage of construction of the underlying battery storage project and our understanding of the associated risks;

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of unquoted investments (continued)	▪ for investments where the battery asset is under construction, we have challenged the policy applied to fair value these investments through obtaining an understanding of the status of each project and the risks of the projects, through discussions with Management and external tracker logs from third-party contractors. For the construction risk premium applied, we benchmarked this against other companies and considered the risks in the projects. With the assistance of our internal valuation experts, we have critically assessed and challenged the discount rate premium used; agreed period end working capital adjustments in determining the fair value of the portfolio companies to the working capital recognised in the management accounts of the portfolio companies as well as bank statements, invoices and VAT returns; ▪ agreed the movements in loans provided to the portfolio companies including interest rates to underlying loan agreements, vouched cash movements to bank statements and re-performed the calculation of interest; ▪ for forecasted maintenance capital expenditure ('capex'), we have critically challenged management's assessment by benchmarking the assumptions used to market research data and underlying data; ▪ for capacity upgrade capex and construction capex, we have agreed the total capex to EPC contracts or other relevant documentation. We have agreed capex incurred to date to underlying support, as well as compare the cost to that of pre-existing assets. **Key observations:** Based on the audit procedures performed, we found the estimates and judgements made by the management in relation to the valuation to be appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Company financial statements	
	2023	2022
Materiality	£11,100,000	£12,600,000
Basis for determining materiality	1.5% net assets	
Rationale for the benchmark applied	We consider that net assets is the most relevant performance measure for users of the financial statements.	
Performance materiality	£7,770,000	£8,750,000
Basis for determining performance materiality	70% of materiality	
Rationale for the percentage applied for performance materiality	Based on consideration of factors including the level of historical errors and nature of activities, which resulted in the performance materiality benchmark remaining consistent with prior year	

Specific materiality

We also determined that for transactions and balances that impact on the Company's return other than the valuation of the unlisted investment portfolio, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items to be £1.83mn (2022: £1.26mn), based on 5% of profit before tax less fair value gains (2022: 5% of profit before tax less fair value gains). We further applied a performance materiality level of 70% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £36,000 (2022: £25,200). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: ▪ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ▪ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: ▪ adequate accounting records have not been kept , or returns adequate for our audit have not been received from branches not visited by us; or ▪ the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or ▪ certain disclosures of Directors' remuneration specified by law are not made; or ▪ we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

Non-compliance with laws and regulations

- We obtained an understanding of the legal and regulatory framework that is applicable to the Company and determined that the relevant laws and regulations related to the elements of the Company Act 2006 and tax legislation "(specifically Section 1158 and 1159 of the Corporation Tax Act 2020 in relation to complying with requirements to remain qualified as an investment trust), the financial reporting framework, the supervisory requirements of LSE Listing and Disclosure Rules, and the Association of Investment Companies 'AIC' SORP.
- We understood how the Company is complying with these laws and regulations by making enquiries of management and those responsible for legal and compliance matters. We reviewed correspondence between the Company and regulated bodies and reviewed minutes of meetings and gained an understanding of the Company's approach to governance.

Our procedures in respect of the above included:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust status.

We assessed the susceptibility of the financial statements to material misstatement including fraud.

Our risk assessment procedures included:

- enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- obtaining an understanding of the Company's policies and procedures relating to:
  - detecting and responding to the risks of fraud; and
  - internal controls established to mitigate risks related to fraud.
- review of minutes of meetings of those charged with governance for any known or suspected instances of fraud; and
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements;

Based on our risk assessment, we considered the areas most susceptible to be valuation of unquoted investments and management override of controls.

Our procedures in respect of the above included:

- the procedures set out in the Key Audit Matters section above;
- obtained the ISAE 3402 from Deloitte for the 12 months ended 30 September and bridging letter from Cas van Aardenne (Associate Director – ICS Operations). We have reviewed and assessed the design and implementation of controls over management override
- critically reviewing estimates and judgements applied by Management in the financial statements to assess their appropriateness and the existence of any systematic bias;
- obtaining independent confirmation of bank balances;

- reviewing unadjusted audit differences for indications of bias or deliberate misstatement;
- testing journals which met a defined risk criteria by agreeing to supporting documentation and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud; and
- undertaking interviews with various members of the management and operational team to provide further risk assessment around fraud and the potential for it to occur.

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Marc Reinecke (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom

26 April 2024

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

Statement of Comprehensive Income

For the year ended 31 December 2023
Company number 11535957

For the year ended 31 December 2023	Note	Revenue	Capital	Total
		(£)	(£)	(£)
Net return on investments at fair value through profit and loss	7	45,457,656	(146,752,282)	(101,294,626)
Other income		1,191,194	-	1,191,194
Total income		**46,648,850**	**(146,752,282)**	**(100,103,432)**
Administrative and other expenses:				
Legal and professional fees		(787,152)	(92,567)	(879,719)
Other administrative expenses	8	(9,075,204)	(52,545)	(9,127,749)
Total administrative and other expenses		**(9,862,356)**	**(145,112)**	**(10,007,468)**
Profit / (loss) before tax		**36,786,494**	**(146,897,394)**	**(110,110,900)**
Taxation	9	-	-	-
Profit / (loss) and total comprehensive income (loss) for the year		**36,786,494**	**(146,897,394)**	**(110,110,900)**
Earnings per share (basic and diluted) - pence	10	6.57	(26.22)	(19.65)

For the year ended 31 December 2022	Note	Revenue	Capital	Total
		(£)	(£)	(£)
Net return on investments at fair value through profit and loss	7	32,868,283	191,828,651	224,696,934
Other income		747,218	-	747,218
Total income		**33,615,501**	**191,828,651**	**225,444,152**
Administrative and other expenses:				
Legal and professional fees		(713,709)	-	(713,709)
Other administrative expenses	8	(7,592,943)	-	(7,592,943)
Total administrative and other expenses		**(8,306,652)**	**-**	**(8,306,652)**
Profit before tax		**25,308,849**	**191,828,651**	**217,137,500**
Taxation	9	-	-	-
Profit and total comprehensive income for the year		**25,308,849**	**191,828,651**	**217,137,500**
Earnings per share (basic and diluted) - pence	10	5.07	38.46	43.53

The total column of this statement is the Statement of Comprehensive Income of the Company prepared in accordance with UK adopted International Accounting Standards (UKIAS). The supplementary revenue return and capital columns have been prepared in accordance with the Association of Investment Companies Statement of Recommended Practice (AIC SORP).

All results are derived from continuing operations. The notes starting on page 91 form an integral part of these Financial Statements.

Statement of Financial Position

As at the year ended 31 December 2023
Company number 11535957

	Note	31 December 2023 (£)	31 December 2022 (£)
Non-current assets			
Investments in subsidiaries at fair value through profit or loss	11	727,981,694	834,771,492
Current assets			
Cash and cash equivalents	13	14,073,513	7,327,492
Trade and other receivables	14	525,310	217,698
Total current assets		**14,598,823**	**7,545,190**
Total assets		**742,580,517**	**842,316,682**
Current liabilities			
Trade and other payables	15	(2,433,017)	(571,020)
Total net assets		**740,147,500**	**841,745,662**
Shareholders' equity			
Share capital	20	5,734,447	5,412,904
Share premium	20	543,915,072	495,230,993
Merger relief reserve	20	13,299,017	13,299,017
Capital reduction reserve	20	3,892,537	3,892,537
Capital reserves	20	120,353,097	267,250,491
Revenue reserves	20	52,953,330	56,659,720
Total shareholders' equity		**740,147,500**	**841,745,662**
Net Asset Value per Ordinary Share (pence)	19	129.07	155.51

The Financial Statements were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

John Leggate CBE, FREng
Chair

Date: 26 April 2024

The notes starting on page 91 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31 December 2023

	Note	Share capital (£)	Share premium (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Capital reserve (£)	Revenue reserve (£)	Total shareholders' equity (£)
Shareholders' equity at 1 January 2023		5,412,904	495,230,993	13,299,017	3,892,537	267,250,491	56,659,720	841,745,662
Total comprehensive income for the year:								
Profit / (loss) for the year		-	-	-	-	(146,897,394)	36,786,494	(110,110,900)
Transactions with owners:								
Ordinary Shares issued at a premium during the year	20	321,543	49,678,457	-	-	-	-	50,000,000
Share issue costs	20	-	(994,378)	-	-	-	-	(994,378)
Dividends paid	20	-	-	-	-	-	(40,492,884)	(40,492,884)
Shareholders' equity at 31 December 2023		**5,734,447**	**543,915,072**	**13,299,017**	**3,892,537**	**120,353,097**	**52,953,330**	**740,147,500**

	Note	Share capital (£)	Share premium (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Capital reserve (£)	Revenue reserve (£)	Total shareholders' equity (£)
Shareholders' equity at 1 January 2022		4,378,421	349,058,720	13,299,017	38,162,172	75,421,840	31,350,871	511,671,041
Total comprehensive income for the year:								
Profit for the year		-	-	-	-	191,828,651	25,308,849	217,137,500
Transactions with owners:								
Ordinary Shares issued at a premium during the year	20	1,034,483	148,965,516	-	-	-	-	149,999,999
Share issue costs	20	-	(2,793,243)	-	-	-	-	(2,793,243)
Dividends paid	20	-	-	-	(34,269,635)	-	-	(34,269,635)
Shareholders' equity at 31 December 2022		**5,412,904**	**495,230,993**	**13,299,017**	**3,892,537**	**267,250,491**	**56,659,720**	**841,745,662**

The total distributable reserves available at 31 December 2023 are £56,845,867 (2022: £60,552,257). Distributable reserves consist of the capital reduction reserve and revenue reserve.

The notes starting on page 91 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 December 2023

	Note	31 December 2023 (£)	31 December 2022 (£)
Cash flows used in operating activities			
(Loss) / profit for the year		(110,110,900)	217,137,500
Net loss / (gain) on investments at fair value through profit and loss	7	146,752,282	(224,696,934)
Interest income		(46,111,864)	(312,217)
(Increase) / decrease in trade and other receivables		(307,612)	141,769
Increase in trade and other payables		1,861,997	360,765
Net cash used in operating activities		**(7,916,097)**	**(7,369,117)**
Cash flows used in investing activities			
Loans made to subsidiaries		(2,004,828)	(220,727,811)
Loans repaid by subsidiaries		7,500,000	-
Bank interest received		654,208	312,218
Net cash received from / (used in) investing activities		**6,149,380**	**(220,415,593)**
Cash flows used in financing activities			
Proceeds from issue of Ordinary Shares at a premium	20	50,000,000	149,999,999
Share issue costs	20	(994,378)	(2,793,243)
Dividends paid	20	(40,492,884)	(34,269,635)
Net cash inflow from financing activities		**8,512,738**	**112,937,121**
Net increase / (decrease) in cash and cash equivalents for the year		**6,746,021**	**(114,847,589)**
Cash and cash equivalents at the beginning of the year		7,327,492	122,175,081
Cash and cash equivalents at the end of the year		**14,073,513**	**7,327,492**

The notes starting on page 91 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 December 2023

1 General information

Gresham House Energy Storage Fund plc (the Company) is a company limited by shares and is listed on the special fund Segment of the London Stock Exchange. The Company was incorporated in England and Wales on 24 August 2018 with Company number 11535957 as a closed-ended investment company. The Company's business is as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010. The registered office of the Company is The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF. Its share capital is denominated in Pounds Sterling (GBP or £) and currently consists of Ordinary Shares. Through its subsidiaries, the Company's principal activity is to invest in SPVs which operate a diversified portfolio of operating utility-scale Battery Energy Storage Systems (BESS), which utilise batteries and may also utilise generators. The BESS Projects comprising the investment portfolio are located in diverse locations across Great Britain.

These Annual Financial Statements cover the year ended 31 December 2023 with comparatives for the year ended 31 December 2022 and comprise only the results of the Company as all its subsidiaries are measured at fair value.

2 Basis of preparation

Statement of Compliance

The Annual Report and Financial Statements have been prepared in accordance with UK adopted international accounting standards (UKIAS). The accounts have been prepared on a historical cost basis except for financial assets at fair value through profit or loss. All accounting policies have been applied consistently in these financial statements.

Where presentational guidance set out in the Statement of Recommended Practice (the SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued by the Association of Investment Companies (AIC) is consistent with the requirements of UKIAS, the Directors have prepared the annual Financial Statements on a basis compliant with the recommendations of the SORP. The supplementary information which analyses the Statement of Comprehensive Income between items of revenue and a capital nature is presented in accordance with the SORP.

Functional and presentation currency

The currency of the primary economic environment in which the Company operates (the functional currency) is Pound Sterling (GBP or £) which is also the presentation currency.

Going Concern

As at 31 December 2023, the Company had net current assets of £12.2mn and net cash balances of £14.1mn (excluding cash balances within investee companies) and no debt. The Company is a guarantor to the £335mn debt facility (£150mn capex facility, £155mn incremental facility and £30mn revolving credit facility) entered into by the MidCo in September 2021 and amended and restated in November 2022 and April 2024 which was partially drawn at the year end. As described on page 8 the MidCo renegotiated the facility in April 2024 to reset debt covenant levels in line with the current revenue environment and to reduce the total available facility to £225mn.

Following the signing of the April 2024 amended and restated facility agreement, it is anticipated that £65mn of incremental facilities will be utilised during 2024 to enable completion of the projects already under construction and the augmentations of 7 projects.

Financial models have been prepared for the going concern period on a conservative basis which consider liquidity at the start of the period and key financial assumptions at the Company level as well as at the operational project level. These financial assumptions include expected cash generated by the portfolio companies available to be distributed to the Company. Financial assumptions also include inflows and outflows in relation to the external debt and interest payments expected within the MidCo, committed expenditure for construction projects, and the ongoing administrative costs of the Company.

As described in the Chair's statement on page 6 and in the Investment Manager's report on page 10 the Company's investments have experienced a negative trading environment throughout 2023 and into 2024 due to under-utilisation of batteries in the BM.

The Directors and the Investment Manager believe that the trading environment will improve over the period from 2024 to 2026 due to systems changes committed by ESO. Changes made by the ESO in March 2024 in relation to the "15 minute rule" have already led to an improvement to the revenue environment. The going concern assessments are made on a conservative basis assuming improvements to the revenue environment will happen gradually over the period.

The Directors have applied two scenarios to their Going Concern assessment:

1. A conservative base case assessment, based on the low revenue environment experienced by the portfolio over recent months, to consider the Company's ability to continue in operation under the current planned strategy to complete projects already under construction with a gradual pick-up in the operating environment over the period to 2026; and
2. A severe but possible downside case scenario which assumes a further reduction in underlying portfolio EBITDA of 10% to the base case.

Both the conservative base case and the downside case show the Company is expected to have sufficient cash available to meet current obligations and commitments as they fall due and that the debt covenants of MidCo's debt facility, which include interest cover and leverage tests, are expected to be met. The underlying investments have valuable assets which could be sold to generate cashflow if required.

Having performed the assessment of going concern, the Directors have adopted the going concern basis in preparing the Annual Report and Financial Statements .

Shareholders voted via ordinary resolution in favour of the continuation of the Company at the AGM of the Company held in 2023. Such voting opportunity will be repeated at every fifth AGM into the future of the Company. If any such ordinary resolution is not passed, the Directors shall draw up proposals for the voluntary liquidation, unitisation, reorganisation, or reconstruction of the Company for consideration by the shareholders at a general meeting to be convened by the Directors for a date not more than six months after the date of the meeting at which such ordinary resolution was not passed. The Board have considered this when evaluating the Going concern assessment for the Company.

3 Significant accounting judgements, estimates and assumptions

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

During the year the Directors considered the following significant judgements:

Assessment as an investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate their subsidiaries unless their subsidiaries provide investment management services to the Company and the subsidiaries are not themselves investment entities. To determine that the Company continues to meet the definition of an investment entity, the Company is required to satisfy the following three criteria:

a. the Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;
b. the Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
c. the Company measures and evaluates the performance of its investments on a fair value basis.

The Company meets the criteria as follows:

- the stated strategy of the Company is to deliver stable returns to shareholders through a mix of battery energy storage investments;
- the Company provides investment management services and has several investors who pool their funds to gain access to infrastructure-related investment opportunities that they might not have had access to individually; and
- the Company has elected to measure and evaluate the performance of all of its investments on a fair value basis. The fair value method is used to represent the Company's performance in its communication to the market, including investor presentations. In addition, the Company reports fair value information internally to Directors, who use fair value as the primary measurement attribute to evaluate performance.

The Company also meets the typical characteristics of an investment entity as it (via the MidCo) holds more than one investment, has more than one investor, has investors that are not related parties of the Company and it has ownership interests in the form of equity or similar interest.

Based on the above factors the Directors are of the opinion that the Company meets the characteristics of an investment entity and meets the definition in the standard. The Directors will reassess this conclusion on an annual basis.

Assessment of the MidCo as an investment entity

The MidCo is not consolidated as the MidCo is also considered to be an investment entity. The Board of the MidCo has considered the requirements of IFRS 10 as per above and confirm the MidCo meets these criteria. If the MidCo was not considered to meet the definition of an investment entity, then the Company would be required to consolidate MidCo. The net assets of the MidCo have been set out in Note 11. The impact of consolidating the MidCo would be to increase the investment value to £840,178,892(2022: £855,652,348) and recognise a reduction in net working capital of £112,197,198 (2022: £20,880,856).

Note 11 includes an overview of the balances within the MidCo and what would be included in the accounts of the Company if the Company were required to consolidate the entity.

Investment Manager not a related party:

The AIFM is not disclosed as key management personnel in the financial statements. To meet the key management personnel definition the AIFM would need to have authority and responsibility for planning, directing, and controlling the activities of the entity. The Directors are of the opinion that the AIFM does not meet these criteria as the Board has to approve key decisions. The AIFM are restricted to the delivery of the investment policy.

During the year the Directors considered the following significant estimates:

Valuation of investments in subsidiaries

Significant estimates in the Company's Financial Statements include the amounts recorded for the fair value of the investments. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the Company's Financial Statements of changes in estimates in future periods could be significant. See Note 17 for further details.

4 New standards, amendments and interpretations published

Adopted:

The following standards and interpretations have been issued and are effective for annual reporting periods beginning on or after 1 January 2023 but are not expected to have a material impact on the Company's financial statements:

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

Definition of Accounting Estimates – Amendments to IAS 8

International tax reform - Amendment to IAS 12

Deferred Tax related to Asset and Liabilities arising from a Single transaction – Amendments to IAS 12

Insurance Contracts - IFRS 17

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

Not yet adopted:

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions hence they have not been presented in detail in these financial statements.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of these financial statements are disclosed below. The Company intends to adopt these new and mended standards and interpretations, if applicable, when they become effective.

General Requirements for Disclosure of Sustainability-related Financial Information - IFRS S1

Climate-related Disclosures - IFRS S2

Non-current liabilities with covenants - Amendment to IAS 1

Amendments regarding the disclosure of supplier finance arrangements – Amendments to IAS 7 and IFRS 7

Lack of Exchangeability - Amendments to IAS 21

5 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below:

Segmental information

The Board is of the opinion that the Company is engaged in a single segment business, being the investment in the United Kingdom in battery energy storage assets.

Income and expenses (excluding investments)

Income and expenses are accounted for on an accruals basis. The Company's income and expenses are charged to the Statement of Comprehensive Income. Costs directly relating to the issue of Ordinary Shares are charged to share premium.

In the Statement of Cash flows, accruals for interest income and dividend income are removed from operating activities in order to be shown separately, in line with IAS 7. Interest income and dividend income received in cash are added under investing activities if they have been capitalised to the underlying interest or are dividend earning instruments.

Net gain or loss on investments at fair value through profit and loss

The Company recognises movements in the fair value of investments in subsidiaries through profit and loss. In the Statement of Cash Flows such non-cash unrealised gain or loss are adjusted for within operating activities.

Other income

Other income consists of bank interest and management fee income which are accounted for on an accruals basis.

Taxation

The Company is approved as an Investment Trust Company (ITC) under sections 1158 and 1159 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 Statutory Instrument 2011/2999 for accounting periods commencing on or after 25 May 2018.

The approval is subject to the Company continuing to meet the eligibility conditions of the Corporations Tax Act 2010 and the Statutory Instrument 2011/2999. The Company intends to ensure that it complies with the ITC regulations on an ongoing basis and regularly monitors the conditions required to maintain ITC status.

From 1 April 2015 there was a single corporation tax rate of 19%. This rate has increased to 25% since 1 April 2023. Current tax is the expected tax payable on any taxable income for the period, using tax rates enacted or substantively enacted at the end of the relevant period. The Company may use taxable losses from within the Group to relieve taxable profits in the Company and also income streams part of the dividends paid into interest payments to achieve tax efficiency for the Company. The increase in the headline rate of corporation tax does impact on the valuation of the Company's investments.

Investment in subsidiaries

Investments in subsidiaries are held at fair value through profit and loss.

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary entity and has the ability to affect those returns through its power over the subsidiary entity. In accordance with the exemption under IFRS 10 Consolidated Financial Statements, the Company is an investment entity and only consolidates subsidiaries that provide investment management services and which are not themselves investment entities. As a result, the Company does not consolidate any of its subsidiaries.

Investments in subsidiaries comprise of equity interests and loans but in respect of each subsidiary are treated as a single investment as investment decisions are made considering both instruments. Investments in subsidiaries are treated as financial assets measured at fair value through profit or loss (FVPL), as further explained below.

Financial instruments

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of amortised cost or fair value through profit or loss.

Financial assets

The Company classifies its financial assets at amortised cost or fair value through profit or loss on the basis of both:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category short-term non-financing receivables which include cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and term deposits held with the bank with maturities of up to three months which can be readily converted to cash.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently stated at amortised cost less impairment calculated using the provision matrix of the expected credit loss model.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss, including short-term payables.

Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently stated at amortised cost.

Financial asset measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

a its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or

b it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or

c it is classified as held for trading (derivative contracts in an asset position).

The Company's investment in subsidiaries (which comprises both debt and equity instruments) is held at fair value through profit or loss under IFRS 9 as the equity portion of the investment does not meet the SPPI test nor will the Company elect to designate the investments at fair value through other comprehensive income. The debt investment forms part of a group of assets that are managed, and the performance evaluated on a fair value basis.

Recognition and derecognition

Financial assets are derecognised on the date on which the Company commits to sell an asset. A financial asset is derecognised where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset. The Company derecognises financial liability when the obligation under the liability is discharged, cancelled, or expired.

Dividends

Dividends are recognised as a reduction in equity when they become legally payable. In the case of interim dividends this is when they are paid. Final equity dividends will be recognised when approved by the shareholders.

Equity

Equity instruments issued by the Company are recorded at the amount of the proceeds received, net of directly attributable issue costs. Costs not directly attributable to the issue are immediately expensed in the Statement of Comprehensive Income.

Fair value measurement and hierarchy

Fair value is the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market. It is based on the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. A fair value measurement of a non-financial asset considers the best and highest value use for that asset.

The fair value hierarchy to be applied under IFRS 13 is as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are carried at fair value and which will be recorded in the financial information on a recurring basis, the Company will determine whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period.

Investments in subsidiaries are treated as Level 3 as the inputs used to determine their fair values are unobservable. Fair value is calculated on a levered discounted cash flow basis in accordance with IFRS 13. Measurement is discussed in further detail in Note 17.

6 Fees and expenses

Accounting, secretarial and Directors

JTC (UK) Limited has been appointed to act as Secretary and Administrator for the Company through the Administration and Company Secretarial Agreement. JTC (UK) Limited is entitled to a £60,000 annual fee for the provision of Company Secretarial services and a £55,000 annual fee for the provision of fund accounting and administration services, based on a Company Net Asset Value of up to £200mn. An ad valorem fee based on total assets of the Company which exceed £200mn will be applied as follows:

- 0.04% on the Net Asset Value of the Company in excess of £200mn

During the year, expenses incurred with JTC (UK) Limited for administrative and secretarial services amounted to £403,910 (2022: £409,798) with £92,978 (2022: £192,258) being outstanding and payable at the year end.

AIFM

The AIFM, Gresham House Asset Management Limited (the Investment Manager), is entitled to receive from the Company, in respect of its services provided under the AIFM agreement, a fee as follows:

- 1% on the first £250mn of the NAV of the Company
- 0.9% on the NAV of the Company in excess of £250mn and up to and including £500mn
- 0.8% on the NAV of the Company in excess of £500mn

There were no changes in the AIFM agreement during the year and remains consistent with the prior year. During the year Investment Manager fees amounted to £7,509,803 (2022: £6,245,057) with no outstanding payables at the year-end (2022: nil).

The AIFM also provides accounting and administration services to the underlying project companies and is entitled to an annual fee of £9,000 per project. During the year, expenses incurred with the AIFM for accounting and administration services amounted to £270,568 (2022: £220,500 with £75,900 (2022: £62,100) being outstanding and payable at the year end.

The Investment Manager is a wholly owned subsidiary of Gresham House Limited, a significant shareholder in the Company, holding 5.53% (2022: 5.34%) of total issued Ordinary Shares. Ben Guest (a Director of the Investment Manager) holds 2.51% (2022: 2.66%) of total issued Ordinary Shares, including direct and indirect holdings.

7 Net gain on investments at fair value through the profit and loss

	31 December 2023 (£)	31 December 2022 (£)
Unrealised (loss) / gain on investments at fair value through the profit and loss	(146,752,282)	191,828,651
Interest on loans to subsidiaries	45,457,656	32,868,283
	(101,294,626)	224,696,934

8 Administrative and other expenses

	31 December 2023 (£)	31 December 2022 (£)
Administration and secretarial fees	403,910	409,798
Remuneration received by the Company's Auditor for the audit of these financial statements	303,992	263,800
Remuneration received by the Company's Auditor for the audit of the subsidiary accounts (recognised in underlying investments financial statements)	18,260	17,200
Depositary fees	100,298	77,079
Directors' remuneration salary	322,276	256,181
Directors' remuneration social security contributions and similar taxes	25,306	31,285
Investment Manager fee	7,509,803	6,245,057
Sundry expenses	391,359	292,543
	9,075,204	**7,592,943**

9 Taxation

The Company is recognised as an Investment Trust Company (ITC) for the accounting period and is taxed at the main rate of 25% applicable from 1 April 2023 (19% until 31 March 2023). Due to the change in corporate tax rate on 1 April 2023 from 19% to 25% the effective tax rate for 2023 will be 23.5%.

For the year ended 31 December 2023, the Company may utilise group relief or make interest distributions to reduce taxable profits to nil. There is no corporation tax charge for the year (2022: Nil).

	31 December 2023 (£)	31 December 2022 (£)
(a) Tax charge in profit or loss		
UK corporation tax	-	-
(b) Reconciliation of the tax charge for the year		
(Loss) / profit before tax	(110,110,900)	217,137,500
Tax at UK main rate of 23.5% (2022: 19%)	(25,876,062)	41,256,125
Tax effect of:		
Net loss / (gain) on investments at fair value through the profit and loss	34,486,786	(36,447,444)
Non-deductible expenses	34,126	-
Subject to group relief/designated as interest distributions	(8,644,850)	(4,808,681)
Tax charge for the year	**-**	**-**

10 Earnings per Ordinary Share

Earnings per Ordinary Share (EPS) amounts are calculated by dividing the profit or loss for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As there are no dilutive instruments outstanding, basic, and diluted EPS are identical.

	Revenue	Capital	31 December 2023 Total
Net profit attributable to Ordinary Shareholders (£)	36,786,494	(146,897,394)	(110,110,900)
Weighted average number of Ordinary Shares for the year	560,318,675	560,318,675	560,318,675
Profit / (loss) per share (basic and diluted) – pence	**6.57**	**(26.22)**	**(19.65)**

	Revenue	Capital	31 December 2022 Total
Net profit attributable to Ordinary Shareholders (£)	25,308,849	191,828,651	217,137,500
Weighted average number of Ordinary Shares for the year	498,777,363	498,777,363	498,777,363
Profit per share (basic and diluted) – pence	**5.07**	**38.46**	**43.53**

11 Investments in subsidiaries at fair value through profit or loss

The Company meets the definition of an investment entity. Therefore, it does not consolidate its subsidiaries but, rather, recognises them as investments at fair value through profit or loss. The Company is not contractually obligated to provide financial support to the subsidiaries, except as a guarantor to the debt facility entered into by the MidCo, and there are no restrictions in place in passing monies up the structure.

	Immediate parent	Place of business	Registered office	Percentage ownership
Gresham House Energy Storage Holdings plc	The Company	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	Gresham House Asset Management Limited, 5 New Street Square, London, England, EC4A 3TW	100%

Refer to Note 17 for valuation disclosures relating to the investments in subsidiaries.

The Directors evaluate the performance of the portfolio of energy storage investments through its subsidiary companies on a fair value basis. The income approach is used to value investments as it indicates value based on the sum of the economic income that a project, or group of projects, is anticipated to earn in the future.

The Company engaged with Grant Thornton as independent and qualified valuers to assess the fair value of the Company's investments and have provided their opinion on the reasonableness of the valuation of the Company's investment portfolio.

Therefore, the investments in subsidiaries are measured at FVTPL under IFRS 9, as these financial assets are managed and their performance evaluated on a fair value basis.

	31 December 2023 (£)	31 December 2022 (£)
Equity	114,200,507	260,952,789
Loans	613,781,187	573,818,703
Total equity and loans	**727,981,694**	**834,771,492**

Reconciliation	31 December 2023 (£)	31 December 2022 (£)
Opening balance	834,771,492	389,346,748
Less: disposals during the year	-	-
Add: loans advanced	2,004,828	220,727,810
Less: loan repayments	(7,500,000)	-
Add: accrued interest on loans	45,457,656	32,868,283
Total fair value movement through the profit or loss	(146,752,282)	191,828,651
Closing balance	**727,981,694**	**834,771,492**

The loan attracts an interest rate of 8% per annum from the date of advance. Interest compounds on 31 December of each year and the loan is unsecured.

Unless otherwise agreed, the loan principal and any interest accrued shall be repayable on the earlier of (i) written demand from the Company, or (ii) 31 December 2030.

Further analysis

The Company owns 100% of the Ordinary Shares in Gresham House Energy Storage Holdings plc (the MidCo) which itself holds a number of 100% owned subsidiaries. The investment in the MidCo of £727,981,694 (2022: £834,771,492) comprises underlying investments as follows:

	Percentage ownership		Total Investment	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
			(£)	(£)
Noriker Staunch Ltd	100%	100%	14,424,512	20,725,873
HC ESS2 Ltd	100%	100%	19,893,490	26,249,676
HC ESS3 Ltd	100%	100%	17,160,576	21,021,765
West Midlands Grid Storage Ltd	100%	100%	3,428,295	4,649,291
Cleator Battery Storage Ltd	100%	100%	10,597,554	12,635,799
Glassenbury Battery Storage Ltd	100%	100%	46,761,803	55,572,940
HC ESS4 Ltd	100%	100%	41,173,725	50,735,176
Bloxwich Energy Storage Ltd	100%	100%	21,945,511	26,329,677
HC ESS6 Ltd	100%	100%	40,552,676	49,672,338
HC ESS7 Ltd	100%	100%	42,467,133	51,549,996
Tynemouth Energy Storage Ltd	100%	100%	13,227,606	17,276,210
Gridreserve Ltd	100%	100%	18,589,464	22,494,647
Nevendon Energy Storage Ltd	100%	100%	10,133,433	11,646,848
South Shields Energy Storage Ltd	100%	100%	29,953,750	35,279,004
Enderby Storage Ltd	100%	100%	33,964,005	35,056,336
West Didsbury Storage Ltd	100%	100%	29,109,414	31,816,696
Penwortham Storage Ltd	100%	100%	29,003,841	30,637,328
Grendon Storage Ltd	100%	100%	53,267,283	37,124,697
Melksham East Storage Ltd and Melksham West Storage Ltd	100%	100%	56,125,569	60,303,907
UK Battery Storage Ltd	100%	100%	187,812,426	172,918,927
Stairfoot Generation Ltd	100%	100%	29,328,616	32,367,129
GreenGridPower1 Ltd	100%	100%	18,856,094	4,763,091
Gresham House Energy Storage Solutions Ltd	100%	100%	10,565,915	8,899,321
Arbroath Ltd	100%	100%	28,945,546	31,781,429
Roc Noir Ltd	100%	100%	5,509,220	-
Coupar Ltd	100%	100%	27,381,435	-
Investments in subsidiaries – subtotal			**840,178,892**	**851,508,101**
Coupar Ltd*			-	4,144,247
Total investments			**840,178,892**	**855,652,348**
Working capital in MidCo**			(112,197,198)	(20,880,856)
Total investment in MidCo			**727,981,694**	**834,771,492**

*Coupar Limited became a wholly owned subsidiary of the MidCo during the year

** Working capital in MidCo - page 101

The place of business for all the investments is 5 New Street Square, London, England, EC4A 3TW.

An example of what the Company would look like if the MidCo was consolidated is included in Note 3.

**Working capital in MidCo	31 December 2023 (£)	31 December 2022 (£)
Cash at bank	20,767,752	58,986,195
Trade and other receivables	381,450	767,063
Loan arrangement fees	5,702,146	7,714,666
Trade and other payables	(25,712,253)	(28,462,722)
Bank loan	(110,000,000)	(60,000,000)
Interest payable on bank loan	(1,968,783)	(546,427)
Derivative (liability) / asset	(1,367,510)	660,369
	(112,197,198)	**(20,880,856)**

12 Loans receivable

The only loans receivable at 31 December 2023 are loans to the MidCo, which are accounted for as investments in subsidiaries – see Note 11.

13 Cash and cash equivalents

	31 December 2023 (£)	31 December 2022 (£)
Cash at bank	10,008,138	7,327,492
Investment in liquidity funds	4,065,375	-
	14,073,513	**7,327,492**

14 Trade and other receivables

	31 December 2023 (£)	31 December 2022 (£)
Prepayments	77,689	59,479
Accrued income	311,228	147,302
VAT receivable	136,393	10,917
	525,310	**217,698**

15 Trade and other payables

	31 December 2023 (£)	31 December 2022 (£)
Administration and secretarial fees	92,978	192,258
Audit fee accrual	206,480	166,468
Other accruals	2,133,559	212,294
	2,433,017	**571,020**

16 Categories of financial instruments

	31 December 2023 (£)	31 December 2022 (£)
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	14,073,513	7,327,492
Trade and other receivables*	311,228	147,302
Fair value through profit or loss:		
Investment in subsidiaries	727,981,694	834,771,492
Total financial assets	**742,366,435**	**842,246,286**
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	(2,433,017)	(571,020)
Net financial assets	**739,933,418**	**841,675,266**

*excludes prepayments and VAT

As at 31 December 2023, the Company had an outstanding charge with Santander UK plc in respect of its position as guarantor to MidCo's debt facility, held against all the assets and undertakings of the Company.

At the balance sheet date, all financial assets and liabilities were measured at amortised cost except for the investment in subsidiaries which are measured at fair value.

17 Fair Value measurement

Valuation approach and methodology

The Company, via the MidCo, used the income approach to value its underlying investments. The income approach indicates value based on the sum of the economic income that an asset, or group of assets, is anticipated to produce in the future. Therefore, the income approach is typically applied to an asset that is expected to generate future economic income, such as a business that is considered a going concern. Free cash flow to total invested capital is typically the appropriate measure of economic income. The income approach is the DCF approach and the method discounts free cash flows using an estimated discount rate.

Valuation process

The Company, via the MidCo, held a portfolio of energy storage investments with a capacity of 690 Megawatt (MW) (the Investments) with a further 388MW in construction at 31 December 2023 and 100MW of longer-term pipeline. The wholly owned portfolio comprises 30 projects held in 27 special project vehicles.

All of the investments are based in the UK. The Directors review and approve the valuations of these assets following appropriate challenge and examination. The current portfolio consists of non-market traded investments, and valuations are analysed using forecasted cash flows of the assets and use the discounted cash flow approach for valuation purposes. The Investment Manager prepares financial models utilising revenue forecasts from external parties to determine the fair value of the Company's investments and the Company engages external, independent, and qualified valuers to verify the valuations. For the year ended 31 December 2023 the revenue forecasts utilised are blended forecasts from two providers. As at 31 December 2023, the fair value of the portfolio of investments has been determined by the Investment Manager and reviewed by Grant Thornton UK LLP.

The valuations have been determined using discounted cash flow methodology, whereby the estimated future cash flows relating to the Company's equity investment in each project have been discounted to 31 December 2023, using discount rates reflecting the risks associated with each investment project and the time value of money. The valuations are based on the expected future cash flows, using reasonable assumptions and forecasts for revenues, operating costs, macro-level factors and an appropriate discount rate.

When acquiring new investments, the Company's valuation approach is based on the status of the projects. If projects are under construction but not expected to be completed within nine months the project will be held at cost. After this date, during construction and once certain key milestones which reduce risk are met the project will be fair valued. However, a construction premium of 0.75% will be added to the discount rate. When the investment reaches PAC a project will be fair valued with a reduced construction premium for 60 days as a Proving Period. After 60 days the project will be fair valued without a construction premium. From 2023 onwards this Proving Period has been reduced to 30 days. Conditional acquisitions, where the price of an acquisition has been agreed but shares have not been transferred, result in the recognition of a derivative at fair value.

The determination of the discount rate applicable to each individual investment project considers various factors, including, but not limited to, the stage reached by each project, the period of operation, the historical track record, the terms of the project agreements and the market conditions in which the project operates.

The Investment Manager exercises its judgement in assessing the expected future cash flows from each investment. The Investment Manager produces detailed financial models for each underlying project. The Investment Manager makes amendments where appropriate to:

a discount rates (i) implied in the price at which comparable transactions have been announced or completed in the UK energy storage sector (if available); (ii) publicly disclosed by the Company's peers in the UK energy storage sector (if available); and (iii) discount rates applicable for other comparable infrastructure asset classes and regulated energy sectors;

b changes in power market forecasts from leading market forecasters and the current revenue environment;

c changes in the economic, legal, taxation or regulatory environment, including changes in retail price index expectations;

d technical performance based on evidence derived from project performance to date;

e the terms of any power purchase agreement arrangements;

f accounting policies;

g the terms of any debt financing at project level;

h claims or other disputes or contractual uncertainties; and

i changes to revenue, cost, or other key assumptions (may include an assessment of future cost trends, as appropriate).

Valuation assumptions include consideration of climate-related matters such as expected levels of renewable energy entering the grid system, demand patterns and current regulatory policy. These are factored into the pricing assumptions which are prepared by independent consultants. In respect of the valuations at 31 December 2023 the Investment Manager has made certain downward adjustments to the revenue curves over the period from 2024 to 2026 to reflect current market conditions.

The Board reviews the operating and financial assumptions, including the discount rates, used in the valuation of the Company's underlying portfolio and approves them based on the recommendation of the Investment Manager.

	31 December 2023		31 December 2022	
Key valuation input	Range	Weighted average	Range	Weighted average
WACC/WADR	9.8% - 11.4%	10.9%	9.7 - 11.6%	10.9%
RPI	2.6% - 2.7%	2.6%	2.7 – 3.1%	2.7%

Another key assumption in the valuation models is the volatility of power prices. Due to the Asset Optimisation strategy, the investments are able to benefit from a range of revenue streams including arbitrage on power price volatility or FFR and other similar income streams. Due to the nature of the assets owned by the investments, should one revenue stream be impacted the asset is able to switch to alternative sources of revenue to seek to maintain total revenue targets, as mentioned in the Investment Manager's report.

Sensitivity analysis

The below table reflects the range of sensitivities in respect of the fair value movements of the Company's investments, via the MidCo.

The sensitivity analysis does not include an assessment of the fall in the power price as underlying power information is provided on a net revenue basis as the investment portfolio generates value through maximising on the volatility in the market, therefore adjusting revenue as a total is a more relevant measure. We have therefore provided a sensitivity based on percentage changes in revenue overall.

Investment	Project	Valuation technique	Significant inputs description	Sensitivity	Estimated effect on fair value 31 December 2023 (£)	Estimated effect on fair value 31 December 2022 (£)
Noriker Staunch Ltd	Staunch	DCF	Discount rate	+1%	(989,754)	(1,267,783)
				-1%	1,111,690	1,424,331
			Revenue	+10%	98,616	1,754,827
				-10%	(99,187)	(1,767,537)
HC ESS2 Ltd	Rufford, Lockleaze, Littlebrook	DCF	Discount rate	+1%	(1,384,337)	(1,490,168)
				-1%	1,554,621	1,672,160
			Revenue	+10%	2,151,930	2,065,501
				-10%	(2,254,280)	(2,163,631)
HC ESS3 Ltd	Roundponds	DCF	Discount rate	+1%	(1,263,738)	(1,347,472)
				-1%	1,445,053	1,547,308
			Revenue	+10%	1,497,622	1,603,570
				-10%	(1,534,323)	(1,599,661)
West Midlands Grid Storage Two Ltd	Wolverhampton	DCF	Discount rate	+1%	(246,278)	(240,241)
				-1%	276,236	269,205
			Revenue	+10%	418,288	435,117
				-10%	(457,701)	(440,407)
Cleator Battery Storage Ltd	Cleator	DCF	Discount rate	+1%	(383,187)	(432,857)
				-1%	427,916	486,654
			Revenue	+10%	484,269	649,849
				-10%	(485,793)	(650,364)
Glassenbury Battery Storage Ltd	Glassenbury A and B	DCF	Discount rate	+1%	(2,096,784)	(2,410,337)
				-1%	2,349,623	2,715,542
			Revenue	+10%	2,608,642	3,363,710
				-10%	(2,611,329)	(3,366,223)
HC ESS4 Ltd	Red Scar	DCF	Discount rate	+1%	(3,378,646)	(3,510,236)
				-1%	3,924,386	4,091,406
			Revenue	+10%	4,463,582	4,670,803
				-10%	(4,488,432)	(4,670,761)

Investment	Project	Valuation technique	Significant inputs description	Sensitivity	Estimated effect on fair value 31 December 2023 (£)	Estimated effect on fair value 31 December 2022 (£)
Bloxwich Energy Storage Ltd	Bloxwich	DCF	Discount rate	+1%	(1,596,398)	(1,497,684)
				-1%	1,792,901	1,687,936
			Revenue	+10%	2,813,160	2,838,453
				-10%	(2,833,980)	(2,843,308)
HC ESS7 Ltd	Thurcroft	DCF	Discount rate	+1%	(3,455,743)	(3,460,667)
				-1%	4,000,692	3,996,481
			Revenue	+10%	4,487,571	4,981,152
				-10%	(4,507,638)	(4,925,842)
HC ESS6 Ltd	Wickham	DCF	Discount rate	+1%	(2,906,428)	(3,025,000)
				-1%	3,294,299	3,440,682
			Revenue	+10%	4,231,794	4,373,582
				-10%	(4,273,310)	(4,332,843)
Tynemouth Battery Storage Ltd	Tynemouth	DCF	Discount rate	+1%	(785,644)	(862,114)
				-1%	910,977	1,000,169
			Revenue	+10%	1,289,339	1,605,779
				-10%	(1,295,822)	(1,606,256)
Gridreserve Ltd	Byers Brae	DCF	Discount rate	+1%	(1,266,615)	(1,343,939)
				-1%	1,425,018	1,516,214
			Revenue	+10%	2,018,014	2,262,625
				-10%	(2,023,244)	(2,264,247)
Nevendon Energy Storage Ltd	Nevendon	DCF	Discount rate	+1%	(777,887)	(764,076)
				-1%	863,613	849,082
			Revenue	+10%	1,123,819	1,439,471
				-10%	(1,124,293)	(1,450,232)
South Shields Energy Storage Ltd	Port of Tyne	DCF	Discount rate	+1%	(714,481)	(830,756)
				-1%	768,923	897,888
			Revenue	+10%	1,301,237	1,779,700
				-10%	(1,301,461)	(1,783,821)
Enderby Storage Ltd	Enderby	DCF	Discount rate	+1%	(3,713,689)	(2,603,101)
				-1%	4,256,663	2,980,365
			Revenue	+10%	4,991,172	3,779,732
				-10%	(5,034,671)	(3,801,665)
West Didsbury Storage Ltd	West Didsbury	DCF	Discount rate	+1%	(3,509,794)	(2,599,789)
				-1%	4,010,765	2,977,481
			Revenue	+10%	4,587,518	3,662,585
				-10%	(4,648,492)	(3,682,752)

Investment	Project	Valuation technique	Significant inputs description	Sensitivity	Estimated effect on fair value 31 December 2023 (£)	Estimated effect on fair value 31 December 2022 (£)
Penwortham Storage Ltd	Penwortham	DCF	Discount rate	+1%	(3,069,697)	(2,353,004)
				-1%	3,470,007	2,662,278
			Revenue	+10%	4,295,182	3,523,047
				-10%	(4,359,672)	(3,539,812)
Melksham East Ltd and Melksham West Ltd	Melksham	DCF	Discount rate	+1%	(6,893,088)	(5,240,274)
				-1%	7,902,313	6,016,075
			Revenue	+10%	9,073,680	7,108,029
				-10%	(9,142,253)	7,141,352)
Arbroath Ltd	Arbroath	DCF	Discount rate	+1%	(2,640,359)	(2,062,233)
				-1%	3,047,599	2,384,896
			Revenue	+10%	3,217,043	2,830,840
				-10%	(3,245,071)	(2,847,661)
Grendon Storage Ltd	Grendon	DCF	Discount rate	+1%	(4,134,740)	(3,434,102)
				-1%	4,741,802	3,946,188
			Revenue	+10%	5,052,662	4,975,944
				-10%	(5,096,692)	(5,031,805)
UK Battery Storage Ltd	Elland	DCF	Discount rate	+1%	(3,128,791)	(3,213,603)
				-1%	3,520,488	3,625,829
			Revenue	+10%	4,422,703	4,763,463
				-10%	(4,471,803)	(4,831,907)
UK Battery Storage Ltd	York	DCF	Discount rate	+1%	(2,721,348)	(2,729,687)
				-1%	3,063,902	3,083,764
			Revenue	+10%	4,070,740	4,360,138
				-10%	(4,116,824)	(4,401,773)
UK Battery Storage Ltd	West Bradford	DCF	Discount rate	+1%	(5,359,658)	(5,480,685)
				-1%	6,033,651	6,186,530
			Revenue	+10%	7,702,758	8,220,846
				-10%	(7,801,266)	(8,317,154)
Stairfoot Generation Ltd	Stairfoot	DCF	Discount rate	+1%	(2,211,726)	(2,105,812)
				-1%	2,532,851	2,416,662
			Revenue	+10%	2,974,098	3,118,903
				-10%	(2,989,066)	(3,142,585)
Greengridpower1 Ltd	Shilton Lane	DCF	Discount rate	+1%	(3,003,628)	n/a
				-1%	3,455,697	
			Revenue	+1%	3,730,729	n/a
				-1%	(3,770,427)	
Coupar Limited	Coupar Angus	DCF	Discount rate	+1%	(2,733,868)	(2,818,321)
				-1%	3,083,283	3,187,110
			Revenue	+10%	3,752,746	3,928,913
				-10%	(3,785,451)	(3,974,311)

All other projects are held at cost.

Portfolio Sensitivity of RPI	Sensitivity	Estimated effect on fair value 31 December 2023 (£)	Estimated effect on fair value 31 December 2022 (£)
Inflation	+0.25%	19,038,472	15,848,661
	-0.25%	(18,479,800)	(15,370,105)

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, significance of the inputs is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a Level 3 measurement.

The fair value hierarchy of financial instruments measured at fair value is provided below.

31 December 2023	Level 1 (£)	Level 2 (£)	Level 3 (£)
Investment in subsidiaries	-	-	727,981,694
	-	-	727,981,694

31 December 2022	Level 1 (£)	Level 2 (£)	Level 3 (£)
Investment in subsidiaries	-	-	834,771,492
	-	-	834,771,492

Valuation of financial instruments

The investment at fair value through profit or loss is a Level 3 in the fair value hierarchy and the reconciliation in the movement of this Level 3 investment is presented in Note 11. No transfers between levels took place during the period.

18 Financial risk management

The Company is exposed to certain risk through the ordinary course of business and the Company's financial risk management objective is to minimise the effect of these risks. The management of risks is performed by the Directors of the Company and the exposure to each financial risk considered potentially material to the Company, how it arises and the policy for managing it is summarised below:

Counterparty risk

The Company is exposed to third-party credit risk in several instances and the possibility that counterparties with which the Company and its subsidiaries, together the Group, contracts may default by failing to pay for services received from the Company or its subsidiaries or fail to perform their obligations in the manner anticipated by the Group. Such counterparties may include (but are not limited to) manufacturers who have provided warranties in relation to the supply of any equipment or plant, EPC contractors who have constructed the Company's plants, who may then be engaged to operate assets held by the Company, property owners or tenants who are leasing ground space and/or grid connection to the Company for the locating of the assets, contractual counterparties who acquire services from the Company underpinning revenue generated by each project or the energy suppliers, demand aggregators, insurance companies who may provide coverage against various risks applicable to the Company's assets (including the risk of terrorism or natural disasters affecting the assets) and other third parties who may owe sums to the Company. In the event that such credit risk crystallises, in one or more instances, and the Company is, for example, unable to recover sums owed to it, make claims in relation to any contractual agreements or performance of obligations (e.g. warranty claims) or unable to identify alternative counterparties, this may materially adversely impact the investment returns. Management has completed a high-level analysis which considers both historical and forward-looking qualitative and quantitative information, to assess the credit risk of these exposures and has determined that the credit risk as at 31 December 2023 is low due to the financial position of these counterparties.

Further, the projects in which the Company may invest will not always benefit from a turnkey contract with a single contractor and so will be reliant on the performance of several suppliers. Therefore, the key risks during battery installation in connection with such projects are the counterparty risk of the suppliers and successful project integration.

The Investment Manager regularly assesses the creditworthiness of its counterparties and enters into counterparty arrangements which are financially sound and ensures, where necessary, the sourcing of alternative arrangements in the event of changes in the creditworthiness of its present counterparties.

Concentration risk

The Company's investment policy is limited to investment (via its subsidiary) in battery energy storage infrastructure, which will principally operate in the UK. This means that the Company has a significant concentration risk relating to the UK battery energy storage infrastructure sector. Significant concentration of investments in any one sector may result in greater volatility in the value of the Company's investments via its subsidiary, and consequently the NAV and may materially and adversely affect the performance of the Company and returns to shareholders.

The Fund's BESS Projects generate revenues primarily from Firm Frequency Response (FFR), Asset Optimisation, Capacity Market (CM) and other grid connection-related charges, including TRIADs and Dynamic Containment. Revenues from the portfolio's seed BESS Projects have historically been skewed to FFR revenues, FFR being the provision to the National Grid of a dynamic response service to maintain the grid's electrical frequency at 50Hz. In 2023 operations were increasingly targeted towards Asset Optimisation, as this becomes the more profitable business activity. There are several additional revenue opportunities emerging for the portfolio as a series of regulatory changes are implemented.

The Investment Manager is of the view that the UK's exposure to renewable energy generation has increased significantly over the last few years and the pace has not lessened despite the removal of legacy subsidies to onshore wind and solar. This is largely because the development of offshore wind installations has continued apace. National Grid ESO systems updates, required to fully utilise the benefit of renewable energy generation, have yet to materialise which has led to a weak trading environment for BESS in 2023 and have negatively affected valuations at the year-end as described in the Investment Manager's report on page 10.

Credit risk

Cash and other assets that are required to be held in custody will be held at bank. Cash and other assets may not be treated as segregated assets and will therefore not be segregated from the bank's own assets in the event of the insolvency of a custodian. Cash held with the bank will not be treated as client money subject to the rules of the FCA and may be used by the bank in the ordinary course of its own business. The Company will therefore be subject to the creditworthiness of the bank. In the event of the insolvency of the bank, the Company will rank as a general creditor in relation thereto and may not be able to recover such cash in full, or at all.

The Investment Manager regularly assesses its credit exposure and considers the creditworthiness of its customers and counterparties. Cash and bank deposits are held with Barclays Bank plc, a reputable financial institution with a Moody's credit rating Baa1.

Investments held at fair value through profit or loss are not subject to IFRS 9 impairment requirements.

For interest receivables on cash balances and loans receivable, the Company uses a 12-month expected loss allowance.

The Company has completed some high-level analysis and forward looking qualitative and quantitative information to determine if the interest and receivables are low credit risk. Based on this analysis the expected credit losses on interest and receivables are not material and therefore no impairment adjustments were accounted for.

Liquidity risk

The objective of liquidity management is to ensure that all commitments made by the Company which are required to be funded can be met out of readily available and secure sources of funding. As noted below, this includes debt funding.

BESS Projects have limited liquidity and may not be readily realisable or may only be realisable at a value less than their book value. There may be additional restrictions on divestment in the terms and conditions of any sale agreement in relation to a particular BESS Project.

In 2021, the Company assessed its ability to raise debt and the MidCo entered into a debt facility for £180mn, which was subsequently amended and restated in 2022 for a total of £335mn. Following the year end the facility has been resized, covenant levels revised in accordance with a lower revenue environment and total commitments reduced by £110mn to £225mn. The Company is permitted to provide security to lenders in order to borrow money, which may be by way of mortgages, charges, or other security interests or by way of outright transfer of title to the Company's assets. The Company is a guarantor to the MidCo debt facility - should there be a default by the MidCo the Company may be liable to repay all debt drawn. The Directors will restrict borrowing to an amount not exceeding 50% of the Company's NAV at the time of drawdown. As at 31 December 2023, MidCo had drawn £110mn on the facility. The Company is required to provide semi-annual covenant compliance certificates to the bank and as at the date of this report has complied with all covenant requirements.

The Company's only financial liabilities are trade and other payables. The Company has sufficient cash reserves to cover these in the short to medium term. The Company's cash flow forecasts are monitored regularly to ensure the Company is able to meet its obligations when they fall due.

The following table reflects the maturity analysis of financial assets and liabilities:

As at 31 December 2023	<1 year (£)	1 to 2 years (£)	2 to 5 years (£)	>5 years (£)	Total (£)
Financial assets					
Cash and cash equivalents (Note 13)	14,073,513	-	-	-	14,073,513
Trade and other receivables (Note 14)*	311,228	-	-	-	311,228
Fair value through profit or loss:					
Investment in subsidiaries*	-	-	-	727,981,694	727,981,694
Total financial assets	**14,384,741**	**-**	**-**	**727,981,694**	**742,366,435**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables (Note 15)	2,433,017	-	-	-	2,433,017
Total financial liabilities	**2,433,017**	**-**	**-**	**-**	**2,433,017**

As at 31 December 2022	<1 year (£)	1 to 2 years (£)	2 to 5 years (£)	>5 years (£)	Total (£)
Financial assets					
Cash and cash equivalents (Note 13)	7,327,492	-	-	-	7,327,492
Trade and other receivables (Note 14)*	147,302	-	-	-	147,302
Fair value through profit or loss:					
Investment in subsidiaries	-	-	-	834,771,492	834,771,492
Total financial assets	**7,474,794**			**834,771,492**	**842,246,286**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables (Note 15)	571,020	-	-	-	571,020
Total financial liabilities	**571,020**	**-**	**-**	**-**	**571,020**

* excludes prepayments and VAT

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The objective is to minimise market risk through managing and controlling these risks to acceptable parameters, while optimising returns. The Company uses financial instruments in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks.

Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. At 31 December 2023, the valuation basis of the Company's investments was valued at market value. This investment is driven by market factors and is therefore sensitive to movements in the market. The Company relies on market knowledge of the Investment Manager, the valuation expertise of the third-party valuer and the use of third-party market forecast information to provide comfort with regard to fair market values of investments reflected in the Financial Statements. Refer to Note 17 for trading revenue sensitivities.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is exposed to interest rate risk on its cash balances held with counterparties, bank deposits, loans receivable, advances to counterparties and through loans to subsidiaries. Loans to subsidiaries carry a fixed rate of interest until repayment at the earlier of written demand from the lender or 31 December 2030. The Company may be exposed to changes in variable market rates of interest and this could impact on the discount rate and therefore the valuation of the projects as well as the fair value of the loan receivables. The debt held within MidCo is subject to interest rate hedging.

Currency risk

All transactions and investments during the current year were denominated in Pounds Sterling, thus no foreign exchange differences arose. The Company does not hold any financial instruments at year end which are not denominated in Pounds Sterling and is therefore not exposed to any significant currency risk. Subsidiary entities may, from time to time, incur expenditure in currencies other than Pounds Sterling.

Capital risk management

The capital structure of the Company at year end consists of equity attributable to equity holders of the Company, comprising issued capital and reserves. The Board continues to monitor the balance of the overall capital structure so as to maintain investor and market confidence. The Company is not subject to any external capital requirements.

19 Net Asset Value (NAV) per Ordinary Share

Basic NAV per Ordinary Share is calculated by dividing the Company's net assets as shown in the statement of financial position that are attributable to the ordinary equity holders of the Company by the number of Ordinary Shares outstanding at the end of the period. As there are no dilutive instruments outstanding, basic, and diluted NAV per Ordinary Share are identical.

	31 December 2023	31 December 2022
Net assets per statement of financial position (£)	740,147,500	841,745,662
Ordinary Shares in issue	573,444,694	541,290,353
NAV per Ordinary Share - Basic and diluted (pence)	129.07	155.51

20 Shareholder's equity

	Ordinary Shares number	Share capital (£)	Share premium reserve (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Total (£)
Allotted and issued share capital						
As at 31 December 2022	541,290,353	5,412,904	495,230,993	13,299,017	3,892,537	517,835,451
Issue of Ordinary Shares of £0.01	32,154,341	321,543	49,678,457	-	-	50,000,000
	573,444,694	**5,734,447**	**544,909,450**	**13,299,017**	**3,892,537**	**567,835,451**
Share issue costs	-	-	(994,378)	-	-	(994,378)
As at 31 December 2023	**573,444,694**	**5,734,447**	**543,915,072**	**13,299,017**	**3,892,537**	**566,841,073**

	Ordinary Shares number	Share capital (£)	Share premium reserve (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Total (£)
Allotted and issued share capital						
As at 31 December 2021	437,842,078	4,378,421	349,058,720	13,299,017	38,162,172	404,898,330
Issue of Ordinary Shares of £0.01	103,448,275	1,034,483	148,965,516	-	-	149,999,999
	541,290,353	**5,412,904**	**498,024,236**	**13,299,017**	**38,162,172**	**554,898,329**
Share issue costs	-	-	(2,793,243)	-	-	(2,793,243)
Dividends paid	-	-	-	-	(34,269,635)	(34,269,635)
As at 31 December 2022	**541,290,353**	**5,412,904**	**495,230,993**	**13,299,017**	**3,892,537**	**517,835,451**

Share capital

The Company’s capital is represented by the Ordinary Shares.

Share premium

The surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The reserve is non-distributable.

Merger relief reserve

The Merger reserve relates to shares issued for shares to acquire investments. This reserve is not distributable.

Capital reduction reserve

Following a successful application to the High Court and lodgement of the Company’s statement of capital with the Registrar of Companies in a prior period the Company was permitted to cancel its Share premium account. This was completed on 13 February 2019 by a transfer of the balance of £97,009,475 from the Share premium account to the Capital reduction reserve. The Capital reduction reserve is classed as a distributable reserve and dividends to be paid by the Company may be offset against this reserve.

Share capital, Share premium account and Capital reduction reserve

On incorporation the Company issued 1 Ordinary Share of £0.01 which was fully paid up and 50,000 redeemable preference share of £1 each which were paid to one quarter of the nominal value. These 50,000 redeemable preference shares were subsequently redeemed.

On 31 May 2023, the Company announced and published the successful raise of gross proceeds of £50mn through the issue of 32,154,341 new Ordinary Shares at an issue price of 1.55 pence per share.

Revenue reserve

The Revenue reserve represents a distributable reserve of cumulative net gains and losses recognised in the revenue account of the Statement of Comprehensive Income.

Capital reserve

The Capital reserve represents a non-distributable reserve of cumulative net capital gains and losses recognised in the Statement of Comprehensive Income.

Dividends

For the year ending 31 December 2023

Period in relation to which dividend was paid	Announcement date	Ex-dividend date	Payment date	Amount per Ordinary Share	Total amount
1 January to 31 March 2023	5 May 2023	18 May 2023	8 June 2023	1.8375p	£9,946,210
1 April to 30 June 2023	7 September 2023	14 September 2023	29 September 2023	1.8375p	£10,537,046
1 July to 30 September 2023	17 November 2023	7 December 2023	21 December 2023	1.8375p	£10,537,046

For the year ending 31 December 2022

Period in relation to which dividend was paid	Announcement date	Ex-dividend date	Payment date	Amount per Ordinary Share	Total amount
1 January to 31 March 2022	4 May 2022	12 May 2022	27 May 2022	1.75 pence	£7,662,236
1 April to 30 June 2022	27 September 2022	6 October 2022	28 October 2022	1.75 pence	£9,472,581
1 July to 30 September 2022	31 October 2022	24 November 2022	16 December 2022	1.75 pence	£9,472,581
1 October to 31 December 2022	10 February 2023	2 March 2023	27 March 2023	1.75 pence	£9,472,581

Ordinary shareholders are entitled to all dividends declared by the Company and, in a winding up, to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All Ordinary Shares carry equal voting rights.

21 Cash and non-cash flow items

The non-cash movements for the year ended 31 December 2023 predominantly relate to movement in the investments. These non-cash movements are reconciled and discussed in Note 11.

22 Transactions with related parties and other significant contracts

The Company and the Directors are not aware of any person who, directly or indirectly, jointly, or severally, exercises or could exercise control over the Company. The Company does not have an ultimate controlling party.

Details of related parties are set out below:

Directors

	31 December 2023 (£)	31 December 2022 (£)
Directors' remuneration	322,276	256,181
Employers' NI	25,306	31,285
Total key management personnel	**347,582**	**287,466**

All directors' remuneration is short term salary.

The remuneration arrangements of Directors are disclosed in the Director's Remuneration Report on page 61.

Dividends paid by the Company to the Directors are disclosed in the Director's Remuneration Report on page 61. No dividend amounts were payable as at 31 December 2023 (2022: none).

The aggregate fees of the Directors will not exceed £500,000 per annum. There are no performance conditions attaching to the remuneration of the Directors as the Board does not believe that this is appropriate for Non-Executive Directors. The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

Loans to related parties

Loans receivable represent amounts due to the Company from its subsidiary and are disclosed in Note 11.

	31 December 2023 (£)	31 December 2022 (£)
Principal advanced	568,323,528	540,950,420
Interest accrued	45,457,656	32,868,283
Total loans	**613,781,184**	**573,818,703**

23 Capital commitments

As at 31 December 2023, there are no other significant binding or conditional future capital commitments (2022: none).

24 Post balance sheet events

In April 2024, the MidCo renegotiated its debt facility agreement to reduce the available commitments by £110mn to £225mn and to amend covenants in line with current market conditions.

After the year end, the Company has acquired 4,380,555 shares at an average price of 45.6 pence per share. These shares are held in treasury.

In March 2024, the Company subscribed for an additional 10,000 Ordinary Shares of the MidCo for an amount of £613,781,000 in order to manage Investment Trust Regulations and potential consequences of changes to VAT rules post Brexit.

There were no further events after the reporting date which require disclosure.

Alternative Performance Measures

For the period from 1 January 2023 to 31 December 2023

1 Dividend per Ordinary Share

Dividend per Ordinary Share is a measure to show the distributions made to shareholders during the year.

Dividend period: 12 months to 31 December 2023	Dividend paid per share (£)	Number of shares on dividend payment date	Total dividend paid (£)
Q1 2023 (declared 5 May 2023)	0.018375	541,290,353	9,946,210
Q2 2023 (declared 7 September 2023)	0.018375	573,444,694	10,537,046
Q3 2023 (declared 17 November 2023)	0.018375	573,444,694	10,537,046
	0.055		**31,020,302**

Dividend period: 12 months to 31 December 2022	Dividend paid per share (£)	Number of shares on dividend payment date	Total dividend paid (£)
Q1 2022 (declared 4 May 2022)	0.0175	437,842,078	7,662,236
Q2 2022 (declared 27 September 2022)	0.0175	541,290,353	9,472,581
Q3 2022 (declared 31 October 2022)	0.0175	541,290,353	9,472,581
Q4 2022 (declared 10 February 2023)	0.0175	541,290,353	9,472,581
	0.0700		**36,079,979**

2 Ordinary Share price total return

Ordinary Share price total return is a measure of the return that could have been obtained by holding a share since initial public offering.

	31 December 2023 (pence)	31 December 2022 (pence)
Share price at end of the year	109.00	161.50
Dividends paid from inception to end of the year	29.18	23.75
Dividend reinvestment impact	1.92	11.10
Share price at initial public offering	(100.00)	(100.00)
Ordinary Share price total return since inception	**40.10**	**96.35**
Ordinary Share price total return since inception %	**40.1%**	**96.4%**

3 Net asset value (NAV) per Ordinary Share

	31 December 2023	31 December 2022
NAV at end of the year	£740,147,500	£841,745,662
Ordinary Shares in issue	573,444,694	541,290,353
NAV per share (pence) – Basic and diluted	129.07	155.51

4 NAV per Ordinary Share total return for the period

NAV per Ordinary Share total return is a measure of the success of the Investment Manager's strategy to grow the NAV, showing how the NAV has changed over a period of time, considering both capital returns and dividends paid to shareholders.

	31 December 2023 (pence)	31 December 2022 (pence)
NAV per Ordinary Share at end of the year	129.07	155.51
Dividends paid from inception to end of the year	29.18	23.75
Dividend reinvestment impact	9.77	13.61
NAV per Ordinary Share at end of the year including dividend reinvestment	168.02	192.87
NAV per Ordinary Share at beginning of the year including dividend reinvestment	(192.87)	(137.63)
NAV total return for the year	(24.85)	55.24
NAV per Ordinary Share total return for the year	(12.88%)	40.14%

Dividend reinvestment impact recalculated to compound the dividend reinvestment as at the date of payment, consistent with the Ordinary share price total return calculation.

5 Gross asset value (GAV)

GAV is a measure of the total value of the Company's assets.

	31 December 2023 (£'000)	31 December 2022 (£'000)
Total assets reported in the Company at end of period	742,581	842,317
Debt held by intermediate holding company (A)	110,000	60,000
GAV (B)	852,581	902,317
Gearing as defined by the Company (A / B)	13%	7%

6 Ongoing charges figure (OCF)

OCF measures the Company's recurring fund management costs incurred during the year expressed as a percentage of the average of the net assets at the end of each quarter during the year.

	31 December 2023 (£'000)	31 December 2022 (£'000)
Fees to Investment Manager	7,510	6,245
Legal and professional fees	880	714
Transaction fees	53	-
Administration fees	343	558
Directors' remuneration	348	287
Audit fees	322	264
Other expenses	551	239
Total expenses	**10,007**	**8,307**
Non-recurring expenses not in OCF calculation	(145)	(23)
Total ongoing expenses (A)	**9,862**	**8,284**
Average NAV for the year (B)	830,129	704,188
Ongoing charges for the year (A / B)	**1.19%**	**1.18%**

7 Operational Dividend Cover

Operational Dividend Cover is a measure to demonstrate the Company's ability to pay dividends from the earnings of its underlying investments after accounting for external interest costs, facility commitment fees and administrative costs of the Company but excluding historic transaction costs and historic debt arrangement fees.

	31 December 2023 (£'000)	31 December 2022 (£'000)
EBITDA of underlying group companies	25,796	48,788
Ongoing costs in the Company	(9,862)	(8,284)
Net earnings before interest	**15,934**	**40,504**
Bank interest received in the Company and the MidCo	1,086	312
Interest income on construction capital deployed to non-owned SPVs	64	705
Facility commitment fees	(2,428)	(789)
External interest costs in the MidCo	(6,908)	(2,063)
Net earnings for Operational Dividend Cover calculation (A)	**7,748**	**38,669**
Interest income on construction capital deployed to owned SPVs	17,612	7,468
Net earnings for dividend cover as previously calculated	25,360	46,137
Dividends declared by the Company in respect of the period (B)	**31,020**	**36,080**
Operational Dividend cover (A / B)	**0.25x**	**1.07x**

8 Dividend yield

Dividend yield is a measure to show the dividend return received by shareholders for the year.

	31 December 2023	31 December 2022
Dividend per share declared in respect of the period (pence)	5.51	7.00
Share price at end of period (pence)	109.00	161.50
Dividend yield for the period	**5.1%**	**4.3%**

9 Operational capacity of the portfolio

Operational capacity of the portfolio is a measure to show the revenue generating capacity of the underlying investments.

	31 December 2023	31 December 2022
Operational capacity	690MW	550MW

Company Information

Non-Executive Directors

John Leggate - Chair
Isabel Liu
Duncan Neale
Catherine Pitt
David Stevenson

Registered office

The Scalpel
18th Floor
52 Lime Street
London
EC3M 7AF

Investment Manager and AIFM

Gresham House Asset Management Limited
5 New Street Square
London
EC4A 3TW

Corporate Broker and Financial Advisor

Jefferies International Limited
100 Bishopsgate
London
EC2N 4JL

Tax Advisor

Blick Rothenberg Chartered Accountants
16 Great Queen Street
London
EC4V 6BW

Independent Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Administrator and Secretary

JTC (UK) Limited
The Scalpel
18th Floor
52 Lime Street
London
EC3M 7AF

Registrar and Receiving Agent

Computershare Investor Services plc
The Pavilions
Bridgewater Road
Bristol
BS13 8AE

Legal Adviser

Eversheds LLP
1 Wood Street
London
EC2V 7WS

Depositary

INDOS Financial Limited
54 Fenchurch Street
London
EC3M 3JY

Investment Valuer

Grant Thornton LLP
30 Finsbury Square
London
EC2A 1AG

Ticker: GRID

Glossary

Asset Optimisation (Trading)

Asset Optimisation involves buying and selling electricity in order to capture a spread between the high and low electricity prices on any given day. This can be done via one or more market mechanisms, hence the expression "Asset Optimisation" and includes trading in the wholesale market and offering the battery to National Grid via the Balancing Mechanism.

Asymmetric

An asymmetrical grid connection is where the import and export capacities are different.

AUM

Assets Under Management: the total net assets of the Company.

Balancing Mechanism (BM)

A tool used by the ESO to balance the electricity supply and demand close to real time. The BM is used to balance supply and demand in each half hour trading period of every day. Where the ESO predicts that there will be a discrepancy between the amount of electricity produced and the level of demand during a certain period, they may accept a 'bid' or 'offer' to either increase or decrease generation (or even increase consumption in the case of storage assets). Sites must be registered in the BM to receive such actions but once registered they are able to set their own prices for being used.

Balancing services

National Grid procure services to balance demand and supply and to ensure the security and quality of electricity supply across Britain's transmission system. These include:

- Black Start
- Demand side response
- Dynamic Containment (DC)
- Enhanced Frequency Response (EFR)
- Firm Frequency Response (FFR)
- Optional Downward Flexibility Management (ODFM)
- Short Term Operating Reserve (STOR)

nationalgrideso.com/balancing-services

Black start

A total or partial shutdown of the national electricity transmission system (NETS) is an unlikely event. However, if it happens, National Grid are obliged to make sure there are contingency arrangements in place to ensure electricity supplies can be restored in a timely and orderly way. Black start is a procedure to recover from such a shutdown.

nationalgrideso.com/balancing-services/system-security-services/black-start/

Capacity Market (CM)

The income received by generators to ensure generation capacity is available to meet shortfalls.

Combined Cycle Gas Turbine (CCGT)

Energy generation technology that combines a gas-fired turbine with a steam turbine. The design uses a gas turbine to create electricity and then captures the resulting waste heat to create steam, which in turn drives a steam turbine.

Curtailment

Large wind farms are connected to the UK's high-voltage network and National Grid balances electricity supply and demand. As demand rises and falls during the day, electricity supply mirrors these peaks and troughs.

National Grid accepts bids and offers from electricity generators to increase or decrease electricity generation as and when required. As such it may mean that there are times when generators are paid to curtail their output (constraint payments).

nationalgrideso.com/news/grounds-constraint

Dividend Yield

The annual dividends expressed as a percentage of the current share price.

EBITDA of underlying group companies

EBITDA includes earnings before interest, tax, depreciation and amortisation and includes liquidated damages earnt by SPVs. Earnings are calculated on an accruals basis and therefore only SPVs which were owned in the accounting period have their earnings included here. Transactions completing after the period will have locked box income recognised once the transaction is completed.

This is important to measure the underlying performance of the investments and ensure cash earnings are available to payment of costs in the Company and dividends to shareholders.

Electricity System Operator (ESO)

Refers to National Grid ESO. The ESO is responsible for ensuring Great Britain has the essential energy it needs so that supply meets demand on the electricity system every second of every day.

nationalgrideso.com/

Engineering, Procurement and Construction (EPC) Contract

This relates to a "turnkey" construction project where the EPC contractor takes full responsibility for the delivery of a project.

Engineering, Procurement and Construction Management (EPCM) Contract

This is a type of professional engineering services contract where the EPCM contractor is responsible only for the management of the construction project.

Frequency Response services (FR)

A subset of Balancing Services which relate to services performed by batteries to manage the frequency on the electricity system. This includes the following services:

- Dynamic Containment (DC)
- Dynamic Moderation (DM)
- Dynamic Regulation (DR)
- Enhanced Frequency Response (EFR)
- Firm Frequency Response (FFR)
- Optional Downward Flexibility Management (ODFM)

nationalgrideso.com/balancing-services

Gross Asset Value (GAV)

Gross Asset Value is the total value of the investments and cash under the management of the Company including debt held by the MidCo.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB) and have been applied by the Company in the preparation of the financial statements.

Liquidated Damages (LD)

Liquidated damages are presented in certain legal contracts as an estimate of losses to one of the parties. It is a provision that allows for the payment of a specified sum should one of the parties be in breach of contract. Liquidated damages are meant as a fair representation of losses in situations where actual damages are difficult to ascertain.

Liquidated damages are often included in specific contract clauses to cover circumstances where a party faces a loss from an asset. The Company typically uses these in EPC arrangements to protect earnings from an asset in the result of delays to construction but are also common in other contracts such as for O&M arrangements.

Load Factors

The load factor is usually expressed as the percentage of the actual output of a generator compared to its theoretical maximum output in a year.

Net Asset Value (NAV) per Ordinary Share

The total net assets in the Company divided by the total number of Ordinary Shares in issue. This is an important measure to understand the capital return to shareholders.

Net Imbalance Volume (NIV)

For each Settlement Period, the Net Imbalance Volume is the volume of the overall System energy imbalance, as a net of all System and energy balancing actions.

NAV Total Return

A measure showing how the NAV per share has performed over a period of time, considering both capital returns and dividends paid to shareholders.

NAV Total Return is shown as a percentage change from the start of the period. It assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend.

NAV Total Return shows performance which is not affected by movements in discounts and premiums (share prices). It also considers the fact that different investment companies pay out different levels of dividends.

Ongoing Charges Figure (OCF)

The Ongoing Charges Figure includes all charges and costs incurred by the Company which relate to the ongoing operation of the Company. This includes management fees, administration fees, audit fees, Director's remuneration, depositary services costs and other similar costs. It excludes capital costs and costs of raising new capital. The Ongoing Charges are then divided by the weighted average NAV and annualised.

Operational Dividend Cover

Operational Dividend Cover for the purpose of this report refers to a calculation for the ratio between net earnings of the underlying investment portfolio in the review period and dividends paid in respect of the same review period. This measure aims to add clarity on the Company's ability to pay dividends from the earnings and cash generation of its underlying investments after deducting Company costs and ongoing external financing costs. This measure includes the EBITDA of underlying group companies less Company and holding company costs. The calculation excludes capital-related costs and historic debt arrangement fees but includes external interest and commitment fees expenses. If interest is paid by SPVs not owned by a group company on construction capital deployed to the SPV this income is included.

Ordinary Share

Share in the Company with a nominal value of 1 pence.

Ordinary Share price total return

A measure showing how the share price has performed over a period of time, considering both capital returns and dividends paid to shareholders.

Share price total return is shown as a percentage change from the start of the period. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend.

Share price total return shows performance which is affected by movements in discounts and premiums. It also considers the fact that different investment companies pay out different levels of dividends.

Proving Period

A period of 30 days after a project has achieved PAC. During this time, the project is fair valued subject to a premium added to the base discount rates of 50 bps to capture risk during the commissioning of the project. After this period the project is fair valued without any additional premium.

Seed Assets

The assets acquired at IPO known as Staunch, Littlebrook, Lockleaze, Rufford and Roundponds.

Skip rates

In the Balancing Mechanism, a skip is broadly defined as when an action is taken by the control room even though there is a cheaper alternative to achieving the same outcome - so the cheaper action is 'skipped'.

Site uptime

Calculation for the average level of availability in the portfolio or for an asset in Frequency Response Services. This is calculated by taking the average MWs available in each period as a percentage of total capacity contracted.

Symmetrical

A symmetrical grid connection is where the import and export capacities are the same.

System inertia

Inertia works to keep the electricity system running at the right frequency by using the kinetic energy in spinning parts in power plant generator turbines. When needed, the spinning parts in generator turbines can rotate slightly faster or slower to help balance out supply and demand. The more turbines you have, the more energy there is in the system and the greater the system inertia, which helps to stabilise the frequency.

nationalgrideso.com/information-about-great-britains-energy-system-and-electricity-system-operator-eso/technical-terms-explained

TRIADs

TRIADs are defined as the three half-hours of highest demand on the Great Britain electricity transmission system between November and February each year, the TRIADs are part of a charge-setting process. This identifies peak electricity demand at three points during the winter in order to minimise energy consumption.

However, TRIADs must be at least ten days apart. This is to avoid all three potentially falling in consecutive hours on the same day, for example during a particularly cold spell of weather.

nationalgrideso.com/news/triads-why-three-magic-number

Periodic (Annual) Disclosures - Annex IV (EU) 2022/1288)

Under the EU SFDR, the Company is required to provide periodic disclosure as referenced in Article 8 of Regulation (EU) 2019/2088. The following section provides required disclosures as per Annex IV.

	Product name:	Gresham House Energy Storage Fund plc	Legal entity identifier:	213800MSJXKH25C23D82

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.**

That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☐ Yes	☒ No
☒ It made sustainable investments with an environmental objective: ___%	☐ It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made sustainable investments with a social objective:___%	☒ It promoted E/S characteristics, but did not make any sustainable investments

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The environmental characteristic promoted by the Gresham House Energy Storage Fund plc (the "Company") is its commitment to investing in and increasing Battery Energy Storage System (BESS) capacity to support the decarbonisation and electrification of energy systems. BESS play an essential role in supporting the decarbonisation of energy systems and consequently the broader economy. In this way, the Company aims to contribute positively to climate change mitigation and net zero strategies.

The Company retains its commitment to invest in and increase BESS capacity to support the decarbonisation of energy systems. In the last reporting year, the Fund invested £107mn into BESS assets and successfully completed the development of 140MW of new operational capacity.

The increased adoption of BESS contributes, through enabling increased penetration of renewables, to the decarbonisation of the UK energy system where the Company has historically focused its investment activity.

How did the sustainability indicators perform?

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

The Manager uses the following sustainability indicators to assess the adherence of the Company to the environmental characteristics:

- Total operational battery energy storage capacity (megawatts (MW) and megawatt hours (MWh))
- Total battery energy storage capacity under construction (megawatts (MW) and megawatt hours (MWh))

As identified in pre-contractual and website SFDR disclosures, the Company intended to measure, monitor, and report on carbon emissions avoided (tCO_2e) as a result of the operation of BESS and increase in BESS capacity. Since previous disclosures, the Investment Manager has determined an interim methodology to estimate the carbon emissions avoided through the increased adoption of BESS in energy systems. This is reported below for 2022 and 2023.

The table below shows the performance of the Company against its sustainability indicators for 2022 and 2023. The indicators show an increase in the total operational battery energy storage capacity and an increase in capacity under construction. This demonstrates that the Company is continuing to contribute to supporting the decarbonisation of energy systems.

Indicator	2022	2023
Total operational BESS capacity (MW)	550	690
Total operational BESS capacity (MWh)	598	788
Total BESS capacity under construction (MW)	477	382
Total BESS capacity under construction (MWh)	689	908
Total carbon emissions avoided from operations (tCO_2)	510,291	677,775

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 1 January to 31 December 2023

Largest investments	Sector	% of portfolio by value at 31 December 2023	Country
West Bradford*	BESS	7.20%	United Kingdom
Melksham	BESS	6.68%	United Kingdom
Grendon	BESS	6.34%	United Kingdom
Glassenbury	BESS	5.57%	United Kingdom
Thurcroft	BESS	5.05%	United Kingdom
Red Scar	BESS	4.90%	United Kingdom
Wickham	BESS	4.83%	United Kingdom
Elland*	BESS	4.56%	United Kingdom
York*	BESS	4.07%	United Kingdom
Enderby	BESS	4.04%	United Kingdom

*West Bradford, Elland and York, are held under one SPV (UK Battery Storage Ltd).

What was the proportion of sustainability-related investments?

What was the asset allocation?

Asset allocation describes the share of investments in specific assets.

All assets invested in by the Company were battery energy storage system assets.

c.96% of the Company's investments, based on connection capacity (MWs), are aligned with the environmental and/or social characteristics of the Company. The remaining 4% of the Company's investments qualified as "#2 Other" investments. The Company did not make any sustainable investments.

#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

In which economic sectors were the investments made?

All assets invested in by the Company (100%) were in the energy sector, more specifically the investments in the year were into battery energy storage system assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the "greenness" of investee companies today.

- **capital expenditure** (capex) shows the green investments made by investee companies, relevant for a transition to a green economy.

- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy*?

Yes:

☐ In fossil gas ☐ In nuclear energy

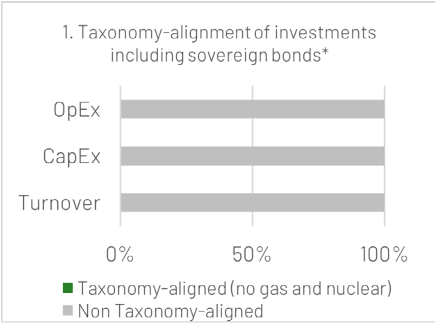
No: ☒

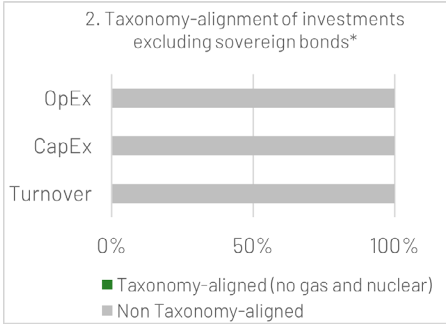
* Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

What was the share of investments made in transitional and enabling activities?

The Company did not make any Taxonomy-aligned investments, including investments in transitional and enabling activities. The share was therefore 0%.

Sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

The Company did not make any sustainable investments, including sustainable investments with an environmental objective not aligned with the EU Taxonomy. The share was therefore 0%.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

"Other" category investments include a legacy asset that uses mostly gas engine technology to provide power to the grid although it does have a small amount of BESS (used as primary energy source before gas takes over) and a small amount of diesel generator capacity across three sites (primarily used as back up for Capacity Market Obligations). The Company no longer makes and is not able to make under its investment policy, new investments in assets using fossil fuels.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

As discussed above, the Company continued to invest in and build out BESS Capacity during the period. In addition, the Investment Manager worked to improve carbon emissions data measurement and quality, and to develop a methodology to estimate carbon emissions avoided through the Company's BESS assets.

The Manager continues to work to gather more carbon-related data at construction stage and across the lifecycle of BESS components to understanded the lifecycle carbon emissions impact.

In addition, the Manager continues to engage with relevant government and industry stakeholders to drive forward initiatives to support the decarbonisation of energy systems and understanding of the mechanisms required to support greater renewables penetration in the future. A key example of this has been the Investment Manager taking part in the Review of Electricity Market Arrangements (REMA) consultation through 2022 and ongoing through meetings with BEIS and the ESO. As a result of this consultation the Investment Manager has combined with other energy market leaders to form part of an industry study into the possible impact and design of a wholesale market using locational pricing.

Gresham House
Specialist investment