31 December
2019

Energy storage systems specialists

Gresham House Energy Storage Fund plc (GRID)
Accounts as at 31 December 2019

Since 1857
Gresham House
Specialist asset management

Energy storage to address supply-demand imbalances on the National Grid, in real time.

Gresham House Energy Storage Fund plc (GRID, the Fund or Company) invests in a portfolio of utility-scale operational Energy Storage Systems (ESS) primarily using batteries in Great Britain.

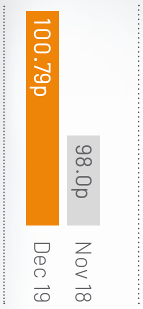
For more information visit
www.greshamhouse.com/gresham-house-energy-storage-fund-plc

GREEN ECONOMY LONDON STOCK EXCHANGE

Financial Highlights

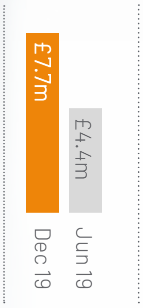
100.79p

NAV per Share (pence)
(as at 31 December 2019)



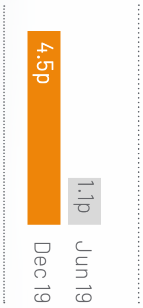
£7.7m

Profit (£m)
(£million for the period to 31 December 2019)



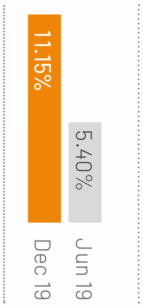
4.5p

Dividend per Ordinary Share (pence)
(for the period to 31 December 2019)



11.15%

Ordinary Share price return since IPO
(for the period to 31 December 2019)



£207m (inc IPO)

Total gross funds raised (£m)
(£million for the period to 31 December 2019)

1. The unaudited NAV is reported quarterly via a Fund Factsheet reported on the Gresham House plc website: https://greshamhouse.com/real-assets/new-energy/gresham-house-energy-storage-fund-plc/ This is calculated as the total Net Asset Value of the Company divided by the total number of Ordinary Shares in issue.

Performance Highlights

- Growth in the post-admission NAV of 6.48% (on a total return basis assuming dividends reinstated) to 100.79 pence per Ordinary Share driven by cash generated by the portfolio, improved revenue forecasts, project-level value enhancements and a reduction in the weighted average discount rate
- Net assets at 31 December 2019 was £205.9 million
- Total dividend of 4.5 pence for the period, as targeted
- Strong share price performance since IPO
  – the Ordinary Share price has delivered a return of 11.15% at 31 December 2019 when compared to their issue price. Ordinary Shares have consistently traded on the London Stock Exchange at a premium to the reported NAV per Ordinary Share during 2019[1]
- £138 million gross funds raised via three placings (including £31 million raised in February 2020), adding to the £100 million IPO proceeds

Operational Highlights

- The deployment of funds is progressing as expected. It is anticipated that the Company will own a portfolio of at least 324MW by the end of Q2 2020, having achieved 174MW by the end of 2019 and will represent the GB's largest portfolio of battery storage projects. Further highlights include:
  - The first acquisition since IPO, the 5MW Wolverhampton project, was completed on 20 August 2019
  - The Company completed the acquisition of the 49MW Red Scar project in December 2019
  - The Company also completed the acquisition of two projects totalling 50MW capacity, Cleator and Glassenbury, from Vitol and Low Carbon in December 2019
  - Substantial progress has been made on the two additional 50MW pipeline projects (Thurcroft and Wickham) targeted for acquisition in Q2 2020
- The Company added value to the Seed Assets acquired at IPO known as Staunch, Littlebrook, Lockleaze, Rufford and Roundponds through:
  - Extending duration of the leases at Staunch, Rufford and Littlebrook
  - Improving the revenue generation capability of Rufford, Lockleaze and Roundponds
  - The physical enhancement and upgrade of the Seed Assets

Where we operate

In November 2018, upon IPO, the Fund acquired five separate projects known as the Seed Assets (representing 70MW). These comprised of projects known as: Staunch, Littlebrook, Lockleaze, Rufford and Roundponds. During the period to 31 December 2019, the Fund also acquired new projects for an additional 104MW of capacity. These additional projects comprised Wolverhampton, Glassenbury, Cleator and Red Scar. These projects offer a mix of storage and generation configurations and technologies.

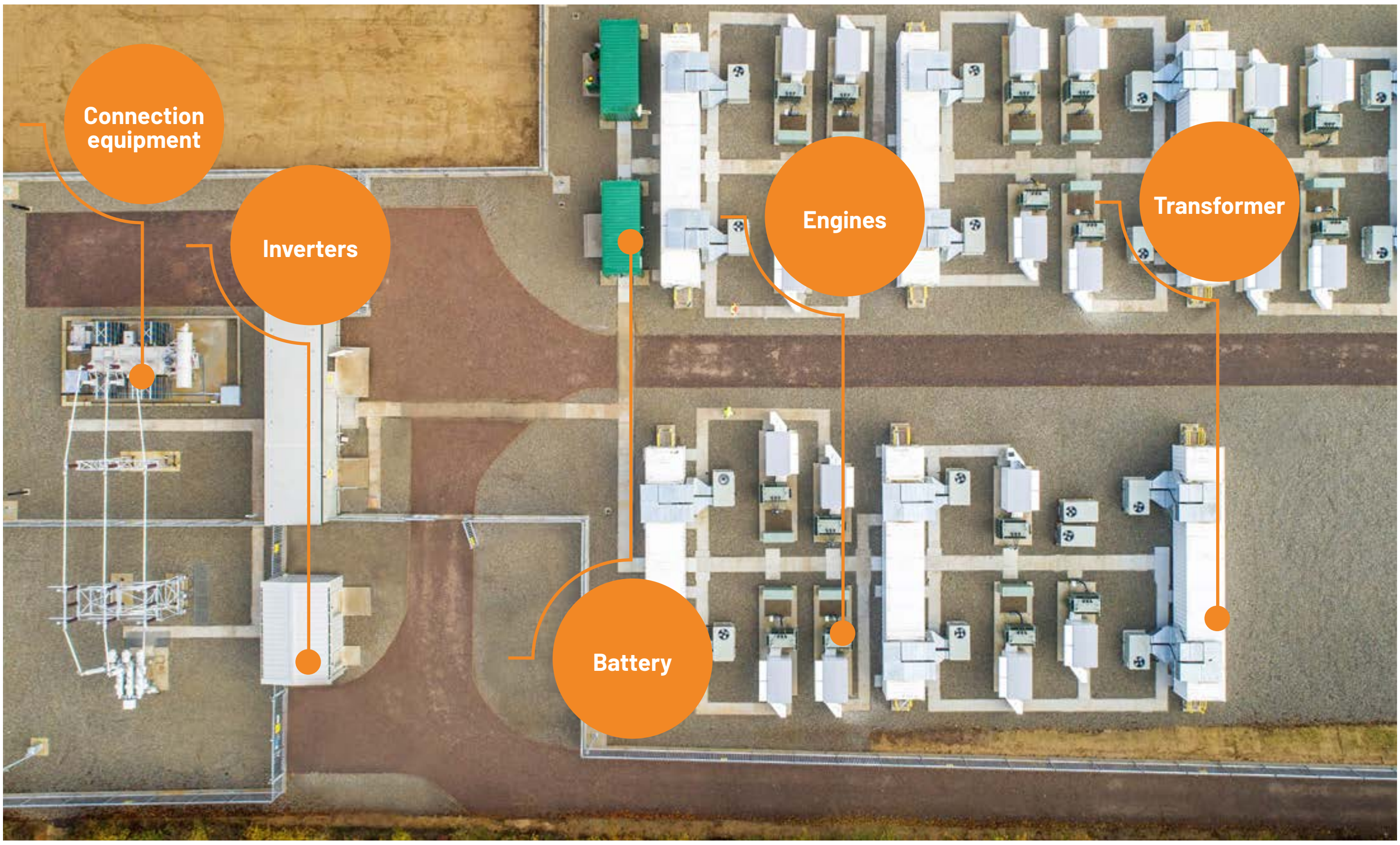
Current portfolio

174MW

2018: 70MW

2. Based on date G59 certificate issued

Energy storage infrastructure



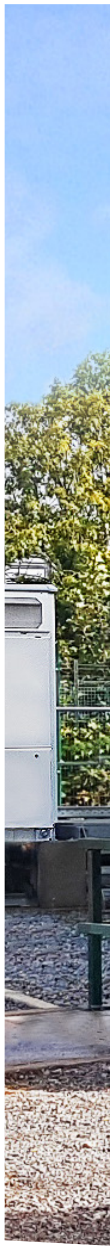
Announcement of acquisitions

In addition to progress on Thurcroft and Wickham, the acquisition of a stake of 5% Ordinary Share capital in Noriker Power Limited is being progressed and is expected to complete in the near future. Board approval for this transaction was announced on 28 August 2019. This one-off transaction further consolidates the strategic alliance and the alignment of interest between Noriker and the Fund and provides shareholders in the Fund with the opportunity to participate in potential development profits. In particular:

- Noriker and the Investment Manager have a pipeline of Energy Storage Systems (ESS) in development with an expected total grid capacity of 187MW over the next 12 months, with further assets being developed beyond this pipeline
- Under the framework agreement which has been in place since the IPO, Noriker provides the Investment Manager exclusive rights of first refusal on all projects developed by Noriker and, once projects are developed, provides other services including project management

Investing in Battery Storage

Gresham House Energy Storage Fund plc (GRID) invests in a portfolio of utility-scale operational Energy Storage Systems (ESS) primarily using batteries in Great Britain.



Why invest?

The UK's approach to electricity generation is undergoing fundamental change, shifting from coal and gas-fired power stations towards an energy mix dominated by renewable energy.

Energy storage is a cost-effective solution to the intermittency of renewable energy, helping to address supply-demand imbalances on the National Grid, in real time.

Investment approach

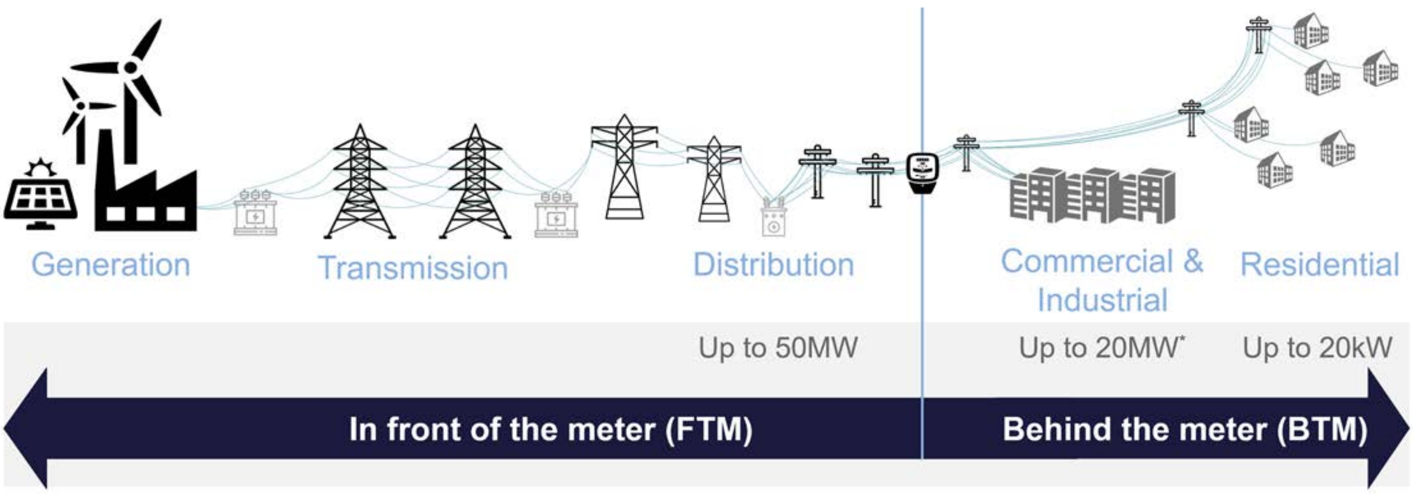
GRID targets a Net Asset Value (NAV) total return of 8.0%+ per annum, once the Fund is fully invested, before leverage and net of Fund expenses, and a minimum target dividend of 7.0 pence per Ordinary Share[13]. Returns are not correlated to the absolute level of wholesale power prices and are not dependent on any subsidies.

GRID aims to provide investors with an attractive and sustainable dividend. The portfolio of ESS are located across Great Britain, and primarily use batteries to import and export power, accessing multiple revenue sources available in the power market.

The Fund focuses on four sources of revenue:

- Asset Optimisation
- Firm Frequency Response
- Capacity Market
- Grid Payments

How battery storage works



** The Investment Manager has not encountered any commercial and industrial energy users that require over 20MW of peak power at one location.*

Battery storage acronyms

- **BM** - Balancing Mechanism
- **BMS** - Battery Management System
- **CCGT** - Combined Cycle Gas Turbine
- **CM** - Capacity Market
- **EFR** - Enhanced Frequency Response
- **EPC** - Energy Performance Certificate
- **ESS** - Energy Storage Systems
- **FFR** - Firm Frequency Response
- **PCS** - Power Control System
- **SPV** - Solar Photovoltaic
- **STOR** - Short Term Operating Reserves
- **TCR** - Target Charging Review
- **TRIAD** - the three half-hour periods of highest system demand on the Great Britain electricity transmission system between November and February each year, separated by at least ten clear days

Please see glossary on page 78 for more battery storage terms.

3. This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Fund will make any distributions at all. This target return should not be taken as an indication of the Fund's expected or actual current or future results. The Fund's actual return will depend upon a number of factors, including but not limited to the Fund's net income and the Fund's ongoing charges figure. Potential investors should decide for themselves whether or not the return is reasonable and achievable in deciding whether to invest in the Fund.

Investment Manager's Overview of Battery Storage

Battery storage is key to the future of green energy.

The importance of renewable energy is well understood by environmentally conscious investors. However, the need for storing this intermittently produced energy remains underappreciated.

Without the ability to store renewable energy, it is difficult to balance supply and demand effectively – meaning excess wind and solar generation produced at off-peak times of the day is essentially wasted.

Currently, there is no reliable alternative to batteries with the exception of the UK's pumped hydro fleet. Pumped hydro, however, behaves like a battery that can be discharged quickly but it can only be charged slowly and experiences higher per-cycle energy losses than lithium-ion batteries.

Large-scale battery systems using lithium-ion technology are a reliable, cost-effective and a proven way to buy energy when it is cheap, store it and sell it back to the market at a higher price, when demand is higher or when renewable supply is lower, or a mix of both.

Government subsidies for offshore wind are driving the deployment of renewable energy in the UK. Wind capacity reached 9.8GW in Q3 2019 up by 1.7GW, resulting in offshore wind generating more power than onshore wind in Q3 2019 for the first time, and significantly more than any other renewable technology. As a result, wind generation makes up around 50% of all renewable generation today.

This growth in renewables is set to continue, led by offshore wind. Offshore wind benefits from the falling cost of wind turbines and as such it is expected that the existing subsidy pot, as it is known, will be able to fund at least 2GW of new capacity per year until the end of the 2020's.

One might ask, "why does renewable electricity get to be used over other perfectly good electricity that could still be generated from coal or gas-fired power plants?"

The simple answer is that the use of this growing supply of renewable energy is mandated through regulation. National Grid must, if safe to do so, prioritise power by 'Order of Merit' which is dictated by the short-run marginal cost of each technology. Renewable sources such as solar and wind have no fuel and low maintenance costs making them significantly cheaper than nuclear, coal and gas energy, at the margin. As a result, traditional baseload generation is being forced off the grid as more renewables are deployed. In fact, as shown in the chart on page 9, most renewable energy projects enjoy negative short-run marginal costs in that they would make money at negative power prices, thanks to the subsidies that they currently earn.

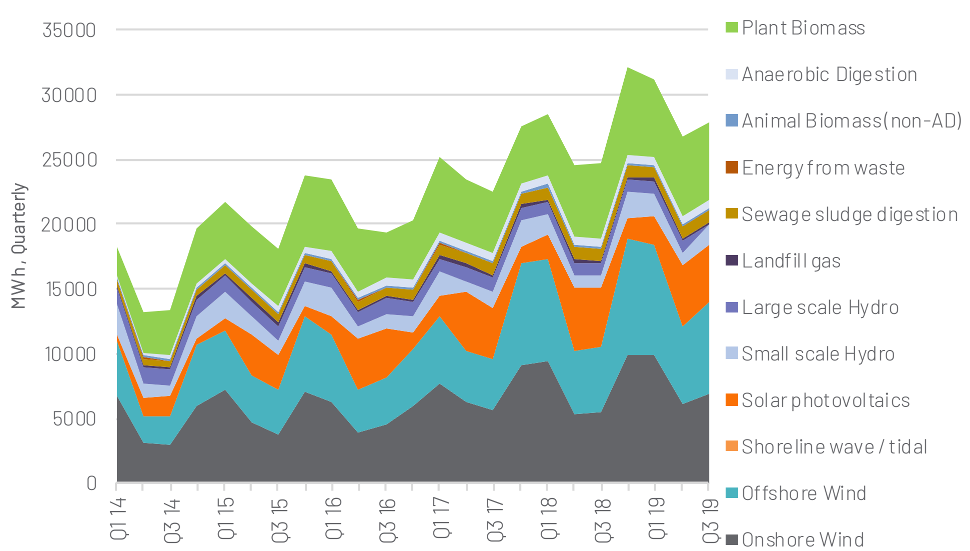
Ben Guest
Managing Director,
New Energy

Thus, as renewable generation grows, gas power stations are required to produce energy less frequently. This has lowered the load factor of these traditional base-load generators to approximately 30%. However, these producers need to generate well above this level to remain profitable. Effectively, the rise of renewables is forcing fossil fuels off the grid.

Coal-fired plants have already been effectively phased out of the UK market: falling to less than 1% of total generation in the last year, with many plants having reached a natural end of life. Large scale gas-fired power plants will soon follow. This is reflected in the share prices of prominent large scale gas generators illustrating that the value of such assets has fallen in recent years.

Additionally, the price of carbon has shot up, reducing the margin which gas power plants can make from electricity after accounting for the price of carbon.

UK renewable energy generation



Source: BEIS

The EU emissions trading scheme, which provided corporates a lot of leeway to offset carbon emissions, led governments to sequester carbon credits, causing a threefold increase in the price of carbon in the last few years.

The storage imperative
The disappearance of consistent baseload energy is increasing the need for flexible generation – made possible through battery storage. As the market share of renewable energy grows, the amount of temporary excess generation will get worse. By our estimates, instances of more than 10GW of excess power from renewables will occur frequently within the next four years – requiring 10GW of energy storage. In ten years, this could reach 30GW.

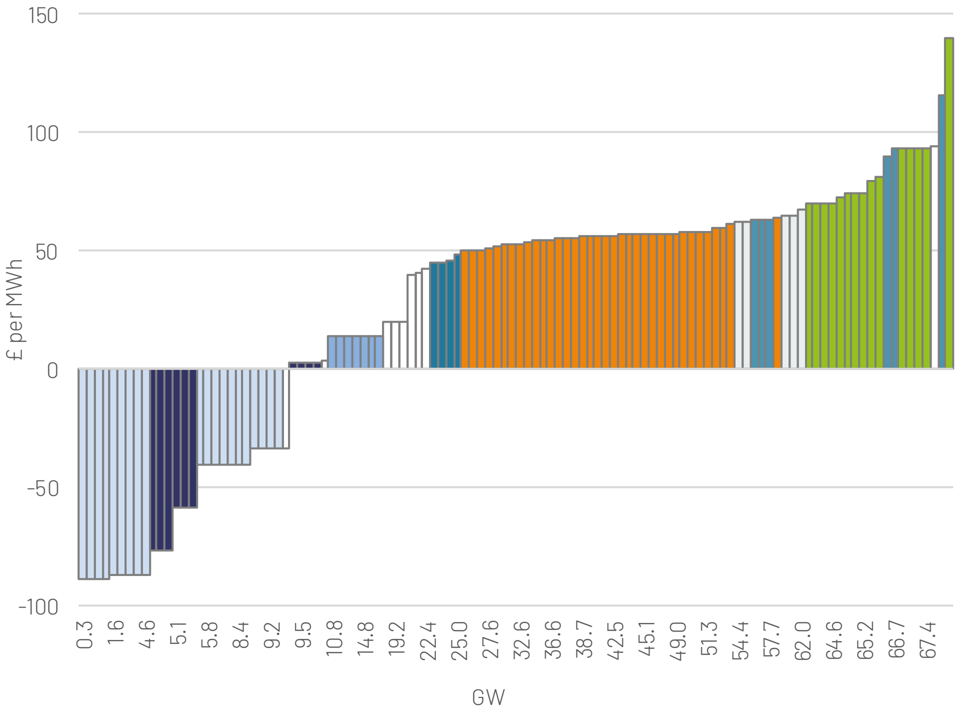
Industry forecasters are expecting the rise of renewables will lead to a surge in the volatility of power prices. With the current penetration of intermittent carbon-free generation in the UK energy market, we have already reached a tipping point whereby wholesale energy prices increasingly reach zero or negative levels when their intermittent generation creates supply in excess of demand. Nuclear power, whilst carbon-free, is not flexible and cannot provide a mechanism to balance the system in real time.

This is an excellent backdrop and financial incentive for energy storage operators to 'buy low' at times of overgeneration and 'sell high' when demand outstrips supply; either through participation in the wholesale market or by offering the available battery capacity to the National Grid through the Balancing Mechanism.

As GB's largest battery storage business, GRID is exceptionally well positioned to profit from the expected surge in energy storage demand. By investing in large-scale projects, the Fund benefits from substantial economies of scale. This allows GRID to invest in large, operational batteries and run sites more efficiently at a lower cost.

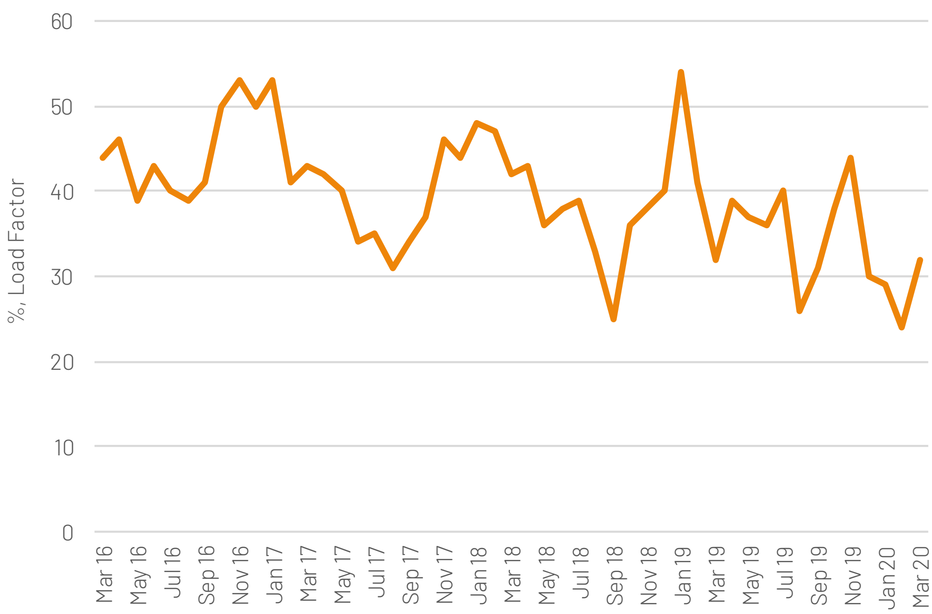
We expect the deployment of battery storage and renewable energy generation to evolve in a complementary way. Now that renewables have reached the tipping point we refer to above, every additional unit of power generation will cause an increasing oversupply at certain times while also reducing the market available for baseload, forcing this type of generation out of existence and creating a deeper trough in generation when renewables do not generate.

Short run marginal cost of existing generating capacity



Source: Aurora Energy Research

Load factor of UK large scale gas-fired power station fleet



Source: Aurora Energy Research

Thus, there is an urgent need for battery storage capacity to catch up to and keep up with renewable generation installations.

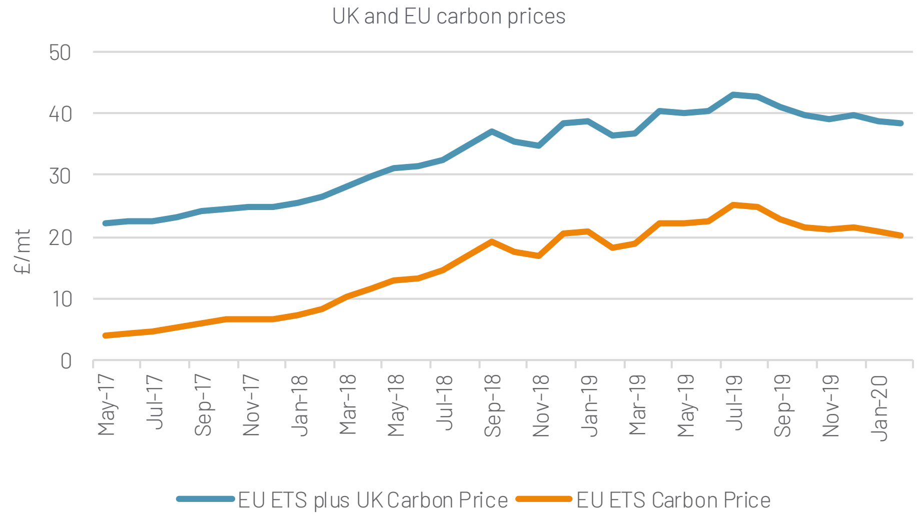
Ben Guest
Investment Manager of the Gresham House Energy Storage Fund plc (GRID)

About the Investment Manager
Gresham House Asset Management Limited (GHAM) is the Investment Manager appointed by Gresham House Energy Storage Fund plc. GHAM is wholly owned by Gresham House plc, an AIM-quoted specialist alternative asset manager providing funds, direct investments and tailored investment solutions, including co-investment across a range of highly differentiated alternative strategies. GHAM's expertise includes strategic public equity, private equity, forestry, renewable energy, and housing and infrastructure.

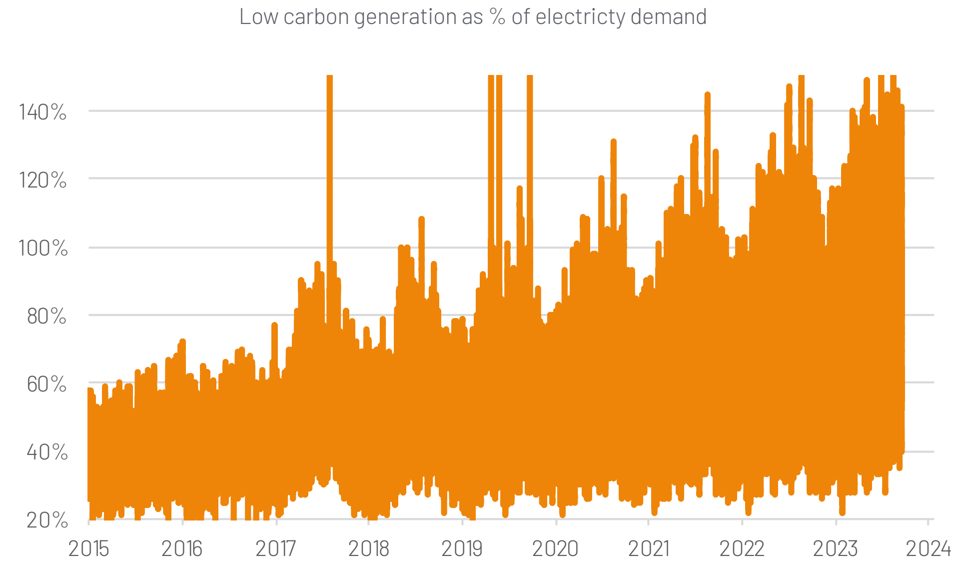
Gresham House New Energy (GHNE) was formed in November 2017 following the announcement to acquire the business of Hazel Capital LLP. Members of the GHNE team have worked together for up to 12 years and have developed and invested in 28 solar projects (290MW) and nine ESS projects (174MW) to date.

Noriker Power Ltd is a specialist in the design of control systems, provides technical and project management oversight of the delivery of projects, and additionally provides technical support and oversight of operational ESS projects.

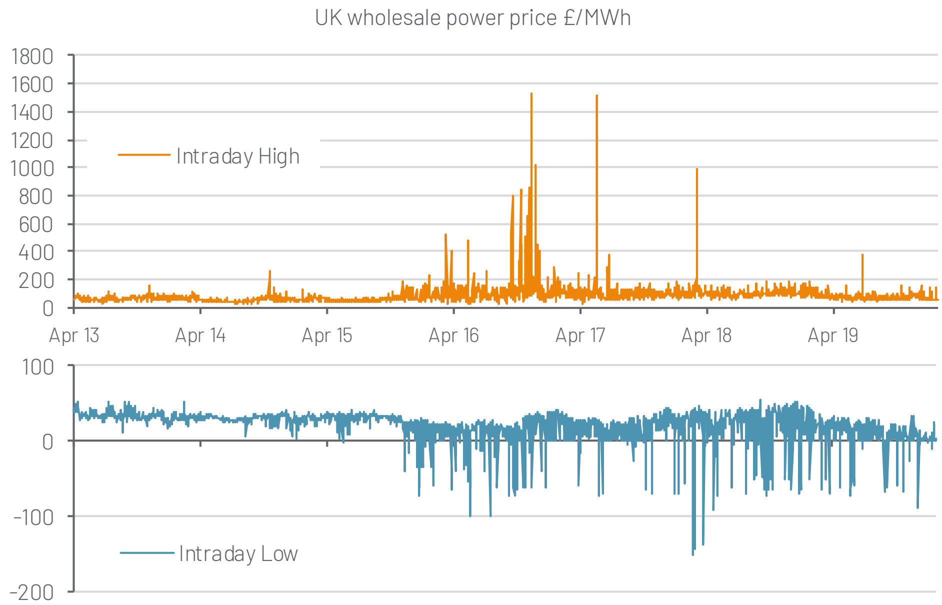
The GHNE team and Noriker Power Ltd have collaborated since 2016 to deliver and bring into commercial operation 124MW of operational ESS projects which have now been acquired by the Company.



Source: Aurora Energy Research



Source: Elexon and Gresham House New Energy



Source: Elexon

Chair's Statement

It is a positive confirmation of our investment thesis to see that grid-scale batteries are now becoming an essential feature of the UK's critical national infrastructure.

John Leggate
Non-Executive Chair,
Gresham House Energy Storage Fund plc Board

Summary
On behalf of the Board, I am delighted to present the audited Report and Accounts of Gresham House Energy Storage Fund plc (the Fund or the Company) and our first Annual Report since our IPO in November 2018. This has been a transformative period for the Company.

We closed our IPO with £100 million of subscriptions from investors . We completed the acquisition of the 70MW of Seed Assets in November 2018. The investment portfolio has now grown to 174MW of operational ESS projects. In addition to this, the Company has signed agreements to purchase a further two project investments totalling 100MW as announced on 20 March 2020 and 14 April 2020. These are in construction at the time of writing and the completion of these acquisitions is contingent on full commissioning of the projects. In addition, the Company has in place an exclusivity agreement for the acquisition of a further c.80MW across two projects. The first of these is the c.50MW potential acquisition for which the Company has raised the necessary funds in March and where completion of the acquisition is targeted in Q2 2020.

The second is a new 30MW project near Edinburgh which is expected to start construction shortly. Finally, an extension of the recently acquired Glassenbury investment by 10MW is expected to complete in Q4 2020.

The successful completion of all these transactions should result in a portfolio of c.364MW of operational capacity by late 2020. This portfolio should place the Company some way in front of the competition in terms of scale, with a market share in the region of 30%.

To achieve this growth the Company has taken advantage of its access to a good pipeline of deals as well as an Ordinary Share price that traded consistently above its NAV during 2019 enabling the Company to raise additional gross equity proceeds of £106.7 million in 2019 (since IPO) and £31.2 million in 2020. Following the year end, fears relating to COVID-19 have significantly affected markets and the share price has dropped to a discount. This is discussed later in my report.

KPIs

- → 2019 Dividend per share 4.5 pence
- → Profit: £7.7 million
- → Number of projects: 9
- → Connection capacity 174MW
- → Connection capacity (incl. pipeline): 364MW
- → Current MWh battery size: 179MWh

Read more about the highlights of the Fund
See page 02

While executing this growth strategy, the Investment Manager has been able to improve the average acquisition value of incremental investments, enjoying the benefits of falling construction and battery costs which we expect, naturally, to improve the Company's ability to deliver its dividend goal.

A crucial task for the Investment Manager in 2019 was to prepare the existing investment portfolio for electricity trading, or 'Asset Optimisation'. Asset Optimisation is becoming the main activity for the portfolio's investments as the Firm Frequency Response (FFR) contracts that the assets enjoyed at the time of their acquisition came to the end of their terms. To achieve readiness for Asset Optimisation, the battery sizes on the Seed Assets were increased and the control systems adapted to allow remote despatching so that traders are able to instruct the batteries to import and export (charge and discharge) as required to buy or sell electricity.

The Investment Manager has also been doing the critical job of evaluating the capabilities of different third-party traders in the marketplace. This is a continuous process as we seek to maximise returns. The Company has now contracted with four trading houses. Some of the players are unsurprisingly traditional electricity wholesalers adding strings to their bows while others are new market entrants. It is a positive signal that the potential of this emerging segment of the electricity market has been met by the emergence of several impressive trading platforms using advanced computing to fully maximise returns whilst managing the batteries within their operational limits. It is important to note that the success of the Asset Optimisation trading activity is not based on the absolute level of power prices achieved in the market, which have been subject to falls due to reductions in oil and gas prices. The trading activity achieves successful outcomes based on the volatility and spread on such prices which remain as expected.

Bringing all these elements together, the investment portfolio today is expected to generate between two thirds and three quarters of its revenues from merchant activities (defined as trading plus TRIAD revenues) during 2020. This is in accordance with its long-term business plan.

We are pleased, however, that a good proportion of revenue is contracted, helped by the Glassenbury and Cleator acquisitions which both benefit from Enhanced Frequency Response (EFR) contracts.

At the time of writing this report, operational availability for the assets which have either completed their upgrades or were not subject to upgrade (78% of the portfolio by MW) were meeting expected standards in March 2020. The projects which are being upgraded (22% of the portfolio by MW) remain subject to operational constraints whilst these upgrades are completed. These are due to be completed in the near term as outlined in the Investment Manager's Report.

The underlying trading performance in March 2020 was either at or close to expectations for 67% of the portfolio (by MW). There is a shortfall in trading performance in relation to one asset (11% by MW). The Investment Manager is focused on ensuring these issues are rectified. The remaining assets in the portfolio (22%) are subject to operational constraints due to ongoing upgrades: in consequence trading performance is not yet fully optimised. The trading optimisation for these assets will continue when operational constraints due to the upgrades are complete.

Net Asset Value and results

During the period since IPO, the NAV has risen from 98.0 pence immediately following IPO to 100.79 pence at 31 December 2019. This improvement has been driven by cash and other working capital generated and retained in the investment portfolio, project-level value enhancements and a reduction in the weighted average discount rate from 11.9% to 11.2%.

The Company has created further value by acquiring new projects at improving valuation levels. This is expected to be recognised in subsequent quarters as projects, currently valued at cost, are revalued, subject to any adverse impacts, post 31 December 2019. A NAV bridge showing the breakdown in the movement of NAV is provided on page 21.

The asset portfolio is currently unleveraged. The Company will consider leverage at an appropriate level within the 50% limit of NAV outlined in the IPO documentation.

The recent reductions seen in bond yields are expected to enhance the attractiveness of leverage and create value for shareholders.

Dividends

The Company has announced dividends of 4.5 pence per Ordinary Share for the period ending 31 December 2019, thereby meeting the target set out in the IPO Prospectus. The dividend payments were covered, mainly by cash flow from the Seed Assets.

The Company continues to target a progressive dividend policy totalling 7.0 pence per Ordinary Share in the 2020 calendar year. However, the Company is conscious that recent events in relation to COVID-19 and the social distancing and other social and economic measures may have unknown impacts and the Board will keep a close eye on the situation.

During 2020, the Investment Manager is focused on driving asset productivity and efficiency including cost reductions and ensuring the funds raised are fully invested.

Investment portfolio

We are pleased that the Company has grown to this scale so quickly. As I wrote in the Interim Report, leveraging scale is key to success. The Investment Manager has also capitalised on the incremental pipeline where project sizes have gone up to between 30MW and 50MW, which has accelerated growth and is driving down unit costs.

The Board was also pleased to see the completion of its first investment in operational projects acquired from VLC Energy Limited which are operating well. These investments provide significant downside protection to the portfolio as close to 100% of revenues are fully contracted with the National Grid for the next two years. They also have significant opportunity for potential expansion.

Fundraising and pipeline

The Company was launched on 13 November 2018 with the IPO raising £100 million of gross proceeds in difficult equity market conditions.

The Company has since been back to the market on three occasions: first, in May 2019 raising gross proceeds of £49.72 million through a placing of 49,228,000 Ordinary Shares at a price of 101 pence per Ordinary Share; secondly, in July 2019, a further £15.34 million of gross proceeds were raised following a placing of 14,610,000 Ordinary Shares at a price of 105 pence per Ordinary Share; finally, in October 2019, the Company raised a further £41.65 million following a placing of 40,432,650 Ordinary Shares at a price of 103 pence per Ordinary Share. The total of £206.71 million raised exceeded the £200 million goal under the IPO Prospectus.

The Ordinary Shares were admitted to trading on the main market (Specialist Fund Segment) of the London Stock Exchange.

Since the year end, the Company has raised a further £31.2 million to accommodate the opportunity to make a potential acquisition of a c.50MW operational project and drive value through the expansion of the Glassenbury project acquired last December and to increase working capital.

The Company also announced the signing of a conditional Sales and Purchase Agreement (SPA) on 20 March 2020 to acquire the Thurcroft project. This is expected to complete in Q2 2020. In addition, the Company announced the signing of a conditional Sales and Purchase Agreement on 14 April 2020 to acquire the Wickham project. This is also expected to complete in Q2 2020.

Finally, the Company advanced secured loans totalling £6.1 million in 2019 to three project companies (including Thurcroft and Wickham) to secure these in the future investment pipeline.

Outlook for the market

Our journey, we believe, has just begun. The market still has only around 1GW of installed ESS capacity compared with a requirement of at least 10GW within four years (according to research from the Gresham House New Energy division). The increasing opportunity for ESS is evident from how much over-generation of renewable energy there is likely to be as more renewables are deployed and thus the amount of power that could need storing when renewables are supplying more electricity than is required by the system.

It is this oversupply which requires the National Grid to support ESS battery and rapid response technologies.

Thus, the growth in renewables generation clearly provides the potential for more pronounced and frequent imbalances in supply and demand, and therefore increased power price volatility. Batteries are uniquely able to capture and monetise power price volatility.

We are also confident of improvements in the traders' systems seeking to capitalise on the market volatility and, separately, an increase in the National Grid's active use of batteries in the Balancing Mechanism which is being driven by improvements in the National Grid's own systems.

In addition, Ofgem have made their final decision relating to the Targeted Charging Review, a review of grid-related charges which has been ongoing for around three years. It is expected to lead to a reduction in our projects' fixed grid-related costs in a staged manner from 1 April 2021 and 1 April 2022.

The energy markets in which the assets operate remain robust and this operational backdrop endorses the Investment Manager's belief that energy storage project revenues are driven by the volatility of half-hourly power prices - which remain broadly unchanged simply because half hourly power prices vary according to the weather which drives the amount of renewable energy being generated – and not the level or general direction of daily power prices which can be affected by overall electricity demand as well as commodity prices.

We also expect to see gradual decreases in costs as a function of our portfolio's scale on the one hand, and from the market's maturation, on the other.

In summary, the Company has made very significant progress since the IPO in becoming the largest ESS portfolio in the GB. The Investment Manager is continuing to drive value by growing the Company, to match the burgeoning need for support services to the National Grid as the deployment of renewable energy, and especially offshore wind projects, progresses as a major contributor to the UK's Net Zero target for 2050.

COVID-19

On a final note, we are living in a rapidly changing world as a result of the COVID-19 pandemic outbreak echoed by the significant impact to the financial markets and the broader economy. At the time of writing this statement, whilst the facts are still emerging, the Board have assessed the potential impact on the Company using a range of stress test scenarios. Indeed, the share price of the Company has reduced from its historic high of 110.5 pence in mid-January to 92.0 pence at the end of March.

The Investment Manager does not foresee a significant delay in the commissioning of the 100MW of projects currently in construction due to COVID-19. The main items of equipment for this investment pipeline have already been secured contractually although the ability of commissioning personnel to attend site to complete these projects is being carefully monitored. However, these risks are being managed and will remain a constant focus of the Company and the Investment Manager.

The Company and the Investment Manager have so far been able to ensure that the operational integrity of the projects has been maintained, particularly in terms of Operations & Maintenance, and in terms of all planned commercial activities, including Asset Optimisation.

In addition, the Board is taking a prudent and conservative approach in the current circumstances, such that the Company will be able to take full advantage of the opportunities if and when the world returns to "business as usual".

Finally, due to the exceptional circumstances of the COVID-19 pandemic the arrangements for the Annual General Meeting (AGM) have been reconsidered. The Board welcomes full dialogue with shareholders and will arrange for a virtual AGM to be convened in accordance with the applicable legislation and constitutional documents of the Company. These arrangements will be announced shortly along with the relevant resolutions.

John Leggate CBE, FREng
Chair
Date: 24 April 2020


Gresham House
Specialist asset management

Investment Manager's Report

Ben Guest
Managing Director,
New Energy

Gresham House Asset Management Limited (GHAM) is the Investment Manager appointed by Gresham House Energy Storage Fund plc. GHAM is wholly owned by Gresham House plc, an AIM-quoted specialist alternative asset manager providing funds, direct investments and tailored investment solutions, including co-investment across a range of highly differentiated alternative strategies. GHAM's expertise includes strategic public equity, private equity, forestry, renewable energy, and housing and infrastructure.

Headline information

- During the financial period from IPO to 31 December 2019 the Company added 174MW of connection capacity to the portfolio through the acquisition of nine energy storage projects
- Profit for the period was £7.7 million with 48% of Total Income from interest on loans and cash deposits and 52% from value uplift in the portfolio
- The Company met its 2019 dividend target of 4.5 pence per Ordinary Share
- The Company continues to target a progressive dividend policy totalling 7.0 pence per Ordinary Share in the 2020 calendar year. However, the Company is conscious that recent events in relation to COVID-19 and the social distancing and other social and economic measures may have unknown impacts and the Board will keep a close eye on the situation
- Cash flows are expected to grow in 2020 as a result of the deployment of capital, Capacity Market (CM) contracts which start in October 2020 and cost reductions which are expected to strengthen the cash flow generating potential of the portfolio
- The NAV as at 31 December 2019 was 100.79 pence per Ordinary Share. The acquisitions made in December are currently valued at cost which is taken to be the fair value due to the proximity of the acquisition to the year end
- Immediate pipeline of 110MW connection capacity across three projects:
  - Thurcroft and Wickham Market projects together make up 100MW and are in advanced stages of construction
  - 10MW represents an expansion of the Glassenbury site
- £31.2 million of gross funds were raised post year end to enable the Company to acquire the c.50MW "Potential Acquisition". The acquisition is now in the due diligence phase

Acquisitions to date

Note: further details on these acquisitions are contained in Note 12 on page 63 of this report.

The Company commenced operations in November 2018 by acquiring the 70MW Seed Assets, comprising Staunch, Rufford, Lockleaze, Littlebrook and Roundponds assets for a total of £70 million.

At the time, the Company was also granted exclusivity over projects in various stages of development by (or otherwise under the control of) Gresham House Asset Management, referred to as the "Exclusivity Projects". In August 2019, the Company acquired the Wolverhampton project out of the Exclusivity Projects pipeline.

Later, in mid-December, the Glassenbury and Cleator projects were purchased from VLC Energy Limited (owned by Vitol and Low Carbon).

Finally, at the end of December, the Red Scar project was acquired, also from the Exclusivity Projects pipeline. The total investment value of the acquisitions made in the period but post the IPO was over £138 million. As a result of the deployment in the period the cash percentage has decreased to 31% of net assets as at 31 December 2019.

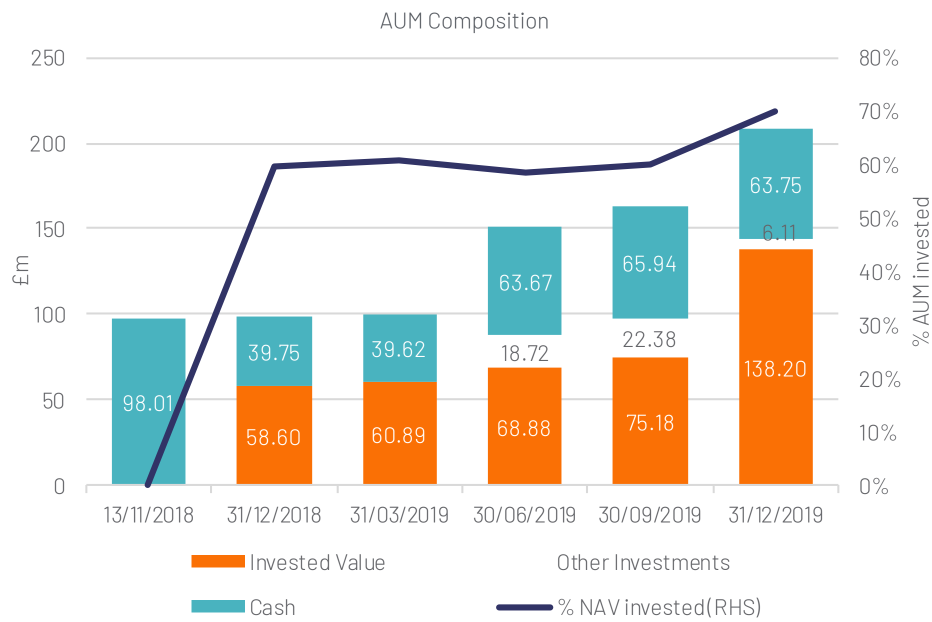
During the period, the Company also extended secured loans to the project companies owning Wolverhampton and Red Scar to support equipment funding, as permitted under the Investment Policy. These loans earned an 8% interest rate. Loans to such pipeline companies are shown as "Other Investments" in the AUM Composition chart on page 16.

Existing assets	Location	Capacity (MW)	Battery size (MWh)	Battery duration (hrs, approx.)	Site type	Acquisition date
Staunch	Staffordshire	20	4.0	0.25	Battery and generators, 0.5MW import	14 November 2018
Rufford	Nottinghamshire	7	9.5	1.40	Battery and generators, symmetrical	14 November 2018
Lockleaze	Bristol	15	22.1	1.50	Battery, symmetrical	14 November 2018
Littlebrook	Kent	8	7.5	0.90	Battery, symmetrical	14 November 2018
Roundponds	Wiltshire	20	25.8	1.30	Battery and generators, 10MW import	14 November 2018
Wolverhampton	West Midlands	5	7.8	1.55	Battery, symmetrical	1 August 2019
Glassenbury	Kent	40	22.1	0.55	Battery, symmetrical	13 December 2019
Cleator	Cumbria	10	5.9	0.60	Battery, symmetrical	13 December 2019
Red Scar	Lancashire	49	74.3	1.50	Battery, symmetrical	31 December 2019
Total		174	179.0			

The Thurcroft (50MW) and Wickham Market (50MW) projects from the Exclusivity Projects pipeline are both in advanced stages of construction and will see funds raised for the Exclusivity Projects fully deployed by the summer of 2020. The SPAs for these projects are structured such that the Company is compensated for any delay in cash flow generation starting from 1 April 2020.

The Potential Acquisition remains subject to due diligence and subject to contract. It is targeted to complete by the end of Q2 2020.

The updated Exclusivity Projects and visible pipeline for further investment are set out below and the Investment Manager is in discussions with third party asset owners about further investment opportunities in addition to those shown below.



Portfolio and pipeline summary

Pipeline projects	Location	Capacity (MW)	Battery size (MWh)	Site type	Commissioning status[3]
Wickham Market	Suffolk	50	75	Battery, 40MW import	Expected Q2 2020
Thurcroft	South Yorkshire	50	75	Battery, symmetrical	Expected Q2 2020
Glassenbury Extension[4]	Kent	10	15	Battery, symmetrical	Expected Q3 2020
Potential Acquisition	Not disclosed	50	50 (c.)	Battery, symmetrical	Expected Q2 2020
Potential Acquisiton	Scotland	30	45	Battery, symmetrical	Expected Q4 2020
Total		190	260 (c.)		
In addition to the above, the Manager has identified over 250MW of additional pipeline					

3. Expected commissioning dates are indicative and based on most recent conversations with relevant Distribution Network Operators (DNOs)

4. Remains subject to planning consent

Further descriptions of each project can be found in the portfolio description section.

It is worth restating that the Company is only mandated to acquire operational projects. As this is an emerging sector there have, so far, been few operational projects available to acquire outside the Exclusivity Projects communicated in the IPO Prospectus. However, the Company acquired Cleator and Glassenbury in December 2019 as operational projects outside the Exclusivity Projects. These projects were commissioned in 2017 and have a proven track record. Subject to future funding, the Company would purchase further existing operational assets.

For this reason, there has been a natural lag between raising funds and acquiring further projects post IPO as it takes time to order equipment and engage with EPC contractors.

With the 99MW of capacity added in December 2019 and two projects signed after year end, the Company is demonstrating traction in the deployment of capital into assets as they reach the commissioning milestone at the end of their development. Processes are expected to become increasingly streamlined.

Assuming successful commissioning of Thurcroft and Wickham Market and the timely completion of the 50MW Potential Acquisition, the Company is targeted to have c.324MW in operational projects by the end of Q2 2020. With the additions of the 30MW Potential Acquisition and the 10MW extension of Glassenbury B this will result in 364MW by late 2020.This is expected to represent the GB's largest battery portfolio.

All the pipeline projects mentioned above as well as further pipeline projects not yet disclosed, are designed as battery-only projects and so do not use any gas engines or other generation technologies.

The Investment Manager has a good pipeline of prospective projects to consider should any incremental funds be raised. The Investment Manager believes that scale is important at a project as well as at a portfolio level. Thus, the Investment Manager does not envisage adding projects of less than 30MW going forward while most are likely to be in the region of 50MW.

Upgrades
Most of the Seed Assets have been upgraded since IPO. Seeing the opportunity in longer duration batteries, as a better platform to conduct Asset Optimisation activities, we are typically installing c.1.5-hour batteries, meaning batteries that would take 1.5-hour to charge or discharge fully through the relevant grid connection.

Upgrade works began across the Seed Assets from 1 August 2019 running through to the end of the period. Due to the nature of this work, de-energising (i.e. temporary disconnection from the grid) the sites was necessary and this resulted in some downtime. The return to service was phased following which the integration of the control systems with Asset Optimisation partners' control systems was carried out. Partial return to service for TRIAD operations was possible at most sites.

The batteries at Rufford, Lockleaze and Roundponds have been upgraded to c.1.5-hours on average. Roundponds is also due an upgrade to 16MW of import capacity by Q3 2020. In time this is expected to increase to 20MW of import capacity to create a symmetrical system. There was a change of plan on the proposed Littlebrook upgrade and extension of 5MW. Opportunistically the Investment Manager evaluated 10MW of unused import and export capacity at Glassenbury and deemed that the equipment ordered for the Littlebrook project could be more valuably deployed at Glassenbury. This equipment (valued at £6.7 million as disclosed in Note 12 of the Accounts) has now been reassigned to Glassenbury. As a result, Littlebrook will remain an 8MW FFR-focused project for the time being, while Glassenbury will be operationally upgraded to 50MW.

There was also a change, on further analysis, to the upgrade plans at the 20MW Staunch project, the only significantly asymmetrical project (i.e. where import and export capacity are different) in the portfolio. Here we have decided to replace diesel generating capacity with gas generators, rather than create bi-fuel gas-cum-diesel generating capacity. This was also mentioned in the Interim Report to shareholders.

The Investment Manager has also managed to achieve some lease extensions starting with a five year extension to the lease at Staunch to a 30 year lease.

Meanwhile the leases at Rufford and Littlebrook have been extended by five years and ten years, and to 30 and 35 years, respectively. The extensions have been taken into account in the NAV calculations.

Portfolio operations
An overview of the portfolio revenue and costs is provided below.

Frequency response
During 2019, before being upgraded, the Seed Assets performed well, earning over 99% of all possible revenues reflecting stable technical performance. During this period, the Seed Assets was almost exclusively focused on delivering FFR services, enjoying well-priced contracts which commenced during 2017.

These contracts, with an original term of two years, expired between May and September 2019 and it was following expiry that the upgrade works referred to above commenced.

The acquisition of Glassenbury and Cleator, at the end of the period adds lower risk EFR revenue for 2020, contracted until January 2022. The 50MW contract that these two sites share represents a quarter of the National Grid's EFR capacity.

FFR and EFR are similar to each other, operationally-speaking, in that they both require projects to vary the amount of power they import and export in real time according to the frequency measured on the grid.

Capacity Market (CM)
The CM provides income to generators to ensure generation capacity is available to meet short-falls in the system. In November 2017, the European Court of Justice annulled the European Commission's decision not to raise objections to the aid scheme establishing the CM in the UK. This ruling put the CM into abeyance until October 2019 when it was reinstated. As announced at the time, there was no immediate effect on the investments of the Company because the earliest CM contract in the investment portfolio commenced in October 2019.

During the period, CM revenues were earned in the portfolio with Staunch, Glassenbury and Cleator all participating.

The Staunch contract is for 15 years and is index-linked to CPI. 15 year CM contracts for Glassenbury, Cleator and 10MW, i.e. half the capacity at Roundponds (as stated in the IPO Prospectus), totalling 60MW will also come into force from October 2020 resulting in a total of at least 80MW of high-value CM contracts for the portfolio from Q4 2020.

Further CM contracts will commence in October 2021 and 2023 (not 2022) for the majority of the rest of the current portfolio. The combination of all CM contracts will give some long-term visibility over revenues sufficient to cover the major operating expenses of the portfolio. We believe these contracts should help to reduce the perceived risk of revenue sources for the Company by creating a significant contracted revenue base. Upside, in terms of revenues, then comes from Asset Optimisation, FFR and other revenues. To be clear, participation in the CM does not preclude other revenue activities.

TRIADs
The period under review spans the entire 2018/19 TRIAD season and half of the 2019/20 TRIAD season. All Seed Assets sought to hit TRIADs in the 2018/19 season.

It is currently estimated that operations were achieved during two of the three possible TRIADs in the latest season.

Asset Optimisation/Trading
The IPO Prospectus had projected that ESS projects earn over 70% of revenues from Asset Optimisation (Trading and Balancing Mechanism activity – please see Glossary on page 78) in 2019/20. For all projects excluding Glassenbury and Cleator, we still expect this to be the case. At a portfolio level, however, we believe income from Asset Optimisation will be less than this during 2020 due to the almost fully contracted revenue profile of the Glassenbury and Cleator projects.

The Exclusivity Projects acquired (Wolverhampton and Red Scar), and those being acquired (Wickham and Thurcroft) are following, or will follow, the Comapnys core business plan of trading combined with CM and TRIAD income. The Investment Manager has gone through an extensive process to identify the most promising Asset Optimisation companies in the market. We have identified the strengths a trading partner requires; from balance sheet strength, to the intelligence of their trading algorithms to deep understanding of the industry.

An initial set of partners has been identified and appointed; the strongest performers will be given the opportunity to grow with us over the longer term. The entities contracted so far are mostly well known in the electricity marketplace although some credible new entrants have also emerged.

Thus far, the Company's investments have contracted with the following parties:

- → EDF in respect of Littlebrook and Rufford
- → KiWi Power in respect of Lockleaze
- → Flexitricity in respect of Staunch
- → Habitat Energy in respect of Roundponds, Wolverhampton and Red Scar

Trading performance is a function of the volatility in electricity pricing available in the electricity market, whether in the wholesale market or the Balancing Mechanism, and the abilities of the Asset Optimisation companies responsible for these assets to convert this volatility into revenues for the projects.

The Investment Manager is pleased to report that a key feature of trading physical batteries is that trades are inherently profitable; the Asset Optimisers commit the batteries to sell and buy power at levels that make money only with capacity that is available in the battery. So daily losses are rare and weekly or monthly losses are not expected to occur.

It is also positive to see that the distribution of returns has so far been within a fairly narrow range on a monthly basis. With no, or limited, concerns about the potential for losses or the volatility of monthly revenues, the Investment Manager is most focused on achieving the highest absolute level of performance possible by working on high operational availability and selecting the best Asset Optimisation strategy which will be used to identify increasingly reliable forecasts for the Company.

Also, as part of our ongoing, dynamic evaluation of the market, if FFR pricing can, at times, be achieved at rates which exceed the opportunity cost of trading then we may see FFR hold a larger percentage and achieve higher contracted revenue values.

This scenario is given impetus by events such as the blackouts in August 2019, which could see the National Grid procuring more frequency response capacity (in MW), as well as other services.

There is also an ongoing effort to look for additional revenue opportunities, such as services to address reactive power, constraint management, black start (used during blackouts) and private wire opportunities, connecting locally to users or generators of power. None of these are factored into any business model projections at this stage.

Portfolio revenue and cost mix
Total project revenues of £10.0 million in the period came almost exclusively from FFR (75%) and TRIAD income (24%) (Winter 2018/19).

TRIAD rates stepped down again as planned in 2018/19 and for one last time in 2019/20 which reduces the future revenue potential from this stream; however, TRIAD income still represents a reasonable portion of forecast revenues for 2020 (8.4%).

There was limited trading revenue during the period under review due to the need to temporarily decommission assets during upgrades. Both revenue and operating profit run rates across the portfolio fell in the final six months of the period particularly the final three months of the period as upgrade works across the Seed Assets left most sites incurring down time. However, the projects were trading for some of the period ended 31 December 2019 as well as during 2020. This included good performance against TRIAD revenue budgets at the start of the period. Most projects are now back online, with fully functioning connections (known as APIs) to their respective Asset Optimisation counterparties.

Software and communications
The integration of software and communications is key to battery projects to ensure uptime and seamless operation. The Investment Manager has worked hard during 2019 to achieve best in class operations across all projects.

The Investment Manager believes there is further room for improvement and will be targeting this as a key area of focus in 2020.

Software exists at every level of these projects:

- From battery cell operation, safety and monitoring (the BMS or Battery Management System)
- Inverter software (often called the PCS or Power Control System)
- The main site Control System which integrates all components and makes sure the site operates safely and interprets operational signals correctly and is used for the safe turning on and off of the site
- The API (Application Programming Interface) is necessary for the Asset Optimisers operating in the wholesale market or the Balancing Mechanism to instruct the batteries to charge and discharge
- Communications links with the National Grid are necessary for projects operating in the Balancing Mechanism (known as EDT/EDL lines and control and system telephony)
- The Asset Optimisers themselves rely on sophisticated trading software to generate the trading instructions for the batteries
- A "front end" or portal to the main site Control System is required so that O&M contractors have good visibility of what is going on, on site, at a technical level at any time, remotely

All these systems operate over standard telecoms and IP standard IT systems.

Performance during key events – 9 August 2019 Blackout

A lightning strike at 16:52 on 9 August 2019 caused a loss of 1,691MW of generation from the system and a frequency drop to 48.8Hz. Roundponds and Staunch responded to the drop in frequency under their FFR contracts and were ramping to full power before being disconnected as the Low Frequency Demand Disconnection scheme started to trip out parts of the system. Wolverhampton did not respond to the event due to aggregation rules not requiring this. Littlebrook, Lockleaze and Rufford were not contracted to provide any service at this time and so did not respond.

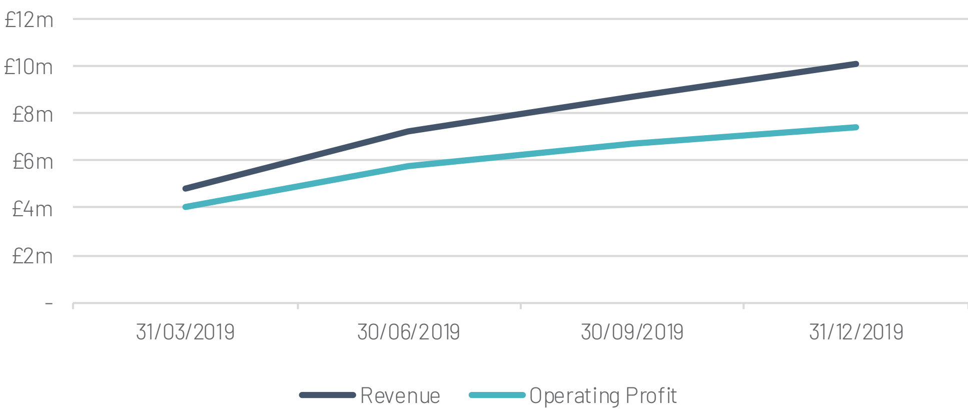
Portfolio cost performance

Cost performance in the projects has been an area of focus. The Investment Manager has identified savings similar to the cost savings identified for in the early years of rollout of wind and solar projects. Thus, O&M costs are expected to fall significantly on a per MW basis as the Company's scale grows.

The Investment Manager has identified new contractors and sub-contractors to provide the service at reduced costs to the Fund going forward. This commenced during Q1 2020. Due to this, the Investment Manager is forecasting O&M costs to fall below £4k/MW per annum over the next three to four years versus £8k/MW per annum average observed in 2019 and £7.2k/MW per annum run rate as of December 2019. This is expected to be possible thanks, largely, to the portfolio's scale.

Grid connection-related fixed charges were, as expected, a significant part of the project cost base for the period at c.£740,000 (28% of operating costs). Fixed charges, on a £ per MW per annum basis, are expected to be more or less stable in 2020. In 2021 recent changes in regulations, pursuant to the Target Charging Review (TCR) have exempted battery projects from the "residual" element of these fixed charges and will result in a roughly 30% reduction in these charges phased between April 2021 and April 2022.

Cumulative revenue and operating profit



FFR contract uptime

Category	Item	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	A
Site	**Staunch**	100.0%	100.0%	99.8%	100.0%	100.0%	9
	Littlebrook	100.0%	100.0%	100.0%	100.0%	100.0%	10
	Lockleaze	100.0%	100.0%	100.0%	100.0%	100.0%	10
	Rufford	100.0%	100.0%	100.0%	100.0%	100.0%	10
	Roundponds	99.1%	99.2%	100.0%	99.5%	100.0%	10
	Wolverhampton						
Portfolio	**Weighted Average**	99.8%	99.8%	100.0%	99.9%	100.0%	9

Note: The grey boxes indicate that no FFR contracts were in place at this time

Rent on a £ per MW basis is expected to stay broadly at the current level, however maximising the use of each site through increasing capacity or battery sizes should help to reduce the impact relative to revenue potential going forward. Target insurance costs for 2020 are expected to be lower than 2019 as the Fund starts to see cost benefits from scale of the portfolio and average size of projects.

Fund operating expenses
The Ongoing Charges Figure for the Fund for the period to 31 December 2019 was 1.43%. Total fund costs for the financial period to 31 December 2019 were £4.4 million. The largest cost in the period was transaction fees of £2.1 million from the 174MW of capacity acquired in the period. In addition to this, Investment Management fees for the period were £1.57 million and Director fees were £265,000.

Dividends
During regular operational months to 30 September 2019 and so before the upgrade works in Q4 2019, the Fund generated cash flows from operating activities to provide a 1.5x cover over the 3.5 pence dividends in relation to the same period and 1.1x over the total 2019 dividend of 4.5 pence. Thus, 90% (after allowing for costs in the Company) of the total 4.5 pence dividends in relation to the period to 31 December 2019 will be paid for by the cash flow from project operations. The remaining balance was more than covered by the interest accrued on loans to pipeline projects, not yet acquired by the Fund, as permitted under the Prospectus. Such loans earn an 8% interest rate. If projects had not been taken offline for upgrades, the Fund would have generated more cash flow, but the Investment Manager believes this course of action, was the best for the portfolio for the long-term.

	Staunch	Littlebrook	Lockleaze	Rufford	Roundponds	Wolverhampton
SoH %	97.1%	97.8%	98.1%	98.1%	98.2%	100%

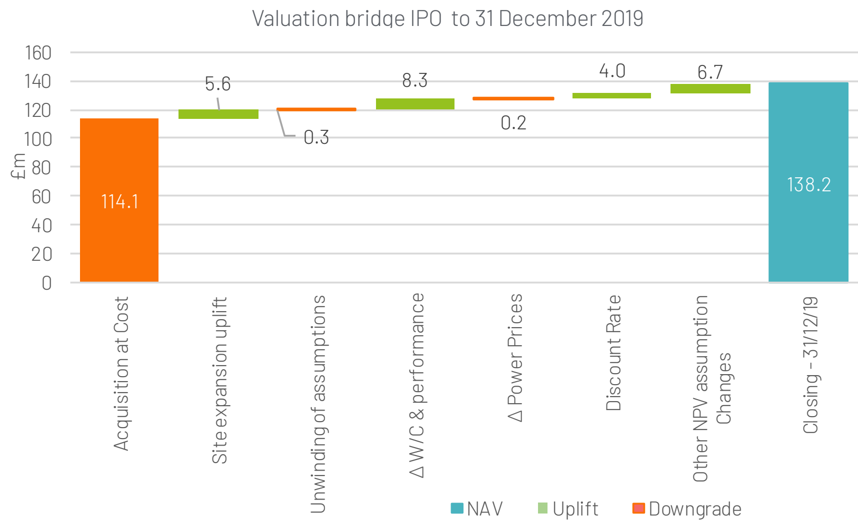
The Fund is expected to increase cash flow from project operating activities in 2020, by starting the year with 174MW of operational projects and by then adding the additional 190MW of funded pipeline to the portfolio during 2020 to reach a total of 364MW.

FFR site uptime
Uptime for FFR contracts has been consistently high during normal operations in the run up to upgrade works, with average uptime in this period at 97.5%.

Battery state of health
The state of health of the Seed Asset battery systems is shown in the table above. The relatively low degradation of the battery health is reflective of the generally benign usage profile which is associated with FFR and other frequency services.

We expect the relatively conservative degradation assumptions indicated in the warranty agreements in our forecasting, although this will be confirmed in future following a longer operating period.

Valuation
Portfolio valuation bridge – IPO to 31 December 2019
The Fund has seen cost per MW for the construction of new projects falling since the Seed Assets was acquired. This is in part due to falling battery and equipment costs as well as targeting larger capacity sites which are cheaper to build on a per MW basis. This has led to a fall in the price paid for new acquisitions during 2019 and this trend is expected to continue for additional pipeline projects. This is what is providing the potential for an initial value uplift for recent and future acquisitions, which also demonstrates a further benefit of scaling up the MW capacity of the portfolio.



pr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Average
9.2%	100.0%	99.0%	99.3%	98.2%					99.5%
0.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
0.0%	100.0%	100.0%	100.0%						100.0%
0.0%	100.0%	100.0%	100.0%	100.0%	100.0%		100.0%	100.0%	100.0%
0.0%	100.0%	99.7%	99.5%	100.0%	99.8%				99.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
9.8%	100.0%	99.7%	99.7%	99.4%	99.9%	100.0%	100.0%	100.0%	99.8%

Excluding the recent acquisitions which are valued at cost, the weighted average discount rate on projects has fallen since the Seed Assets was acquired from 11.9% to 11.2% as at 31 December 2019. This reflects the reduced risk from certain revenue sources such as CM and FFR revenues to the portfolio, which are now being valued at an 8% discount rate, while Asset Optimisation and TRIAD cash flows are still valued at a 12%. There is potential for further reductions to the discount rate in future as the Fund builds more evidence of success from the Asset Optimisation model subject also to agreement by the Audit Committee.

NAV per Ordinary Share bridge – IPO to 31 December 2019

Since IPO the NAV per Ordinary Share has risen from 98.0 pence to 100.79 pence as at the end of December 2019. The bridge between the two valuations is broken down in the chart across. The largest contribution to growth has been in the cash performance in the underlying portfolio. Further information on the valuation process and sensitivities can be found in Note 19 on pages 67 and 68.

Forecasts

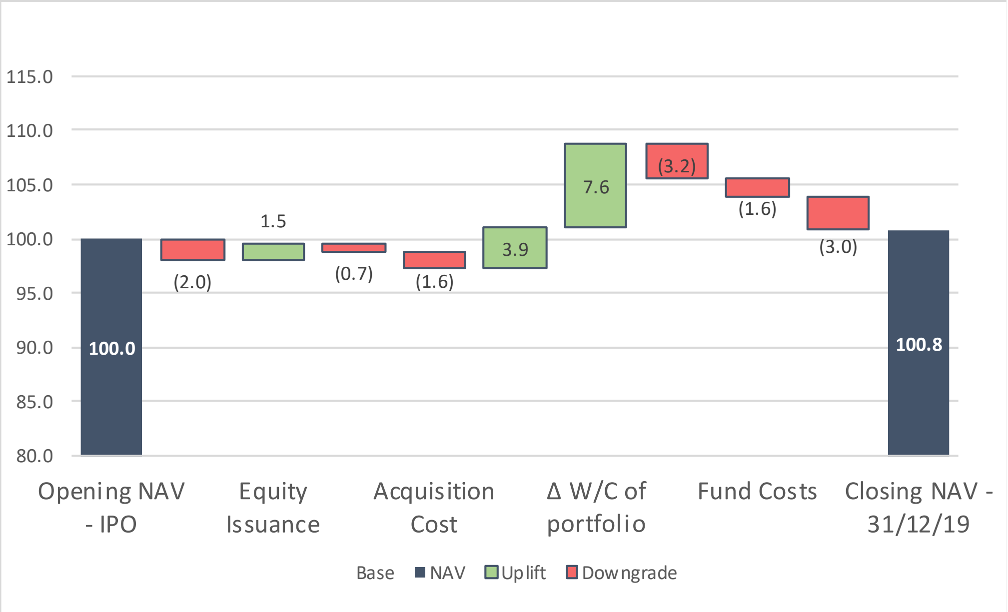
While the Investment Manager evaluates the potential of the market, the forecasts for existing and prospective projects are provided by Cornwall Insight, a consultant. We also closely track the forecasts and reports of other consultants active in the sector. In addition, trading performance is providing a practical real-world indication of what is possible from Asset Optimisation.

Outlook

We are excited by developments in the electricity market and in our portfolio, in terms of renewables deployment, favourable regulatory changes, increasing confidence in trading performance, cost reductions and our growing scale. These are all things that we expect to keep our investment thesis and ability to achieve our target dividend and total return on track.

The core focus for the Investment Manager in 2020 is on costs, operational uptime and performance of Asset Optimisation counterparties for the existing portfolio and on further integration of new acquisitions.

NAV/share bridge



In addition, subject to market conditions being appropriate, further fund raising may be considered in order to strengthen the Fund's cash generating ability and cement its market position as leader in Great Britain.

Woven into this, is a wish to be nimbler if changes need to be made. This will mean focusing on creating redundancy in our software systems so that projects can be ported to new or complementary traders or other revenue opportunities with the National Grid or others in a timely way.

2019 was transformational. We expect 2020 to be the year of bedding in the transformation and proving the ability of the asset portfolio to deliver cash flows under the emerging business model. As stated in the Strategic Report, the Board and Investment Manager have considered the potential risks of the COVID-19 pandemic and have mitigating measures in place.

Portfolio description

In November 2018, on admission to listing, the Fund acquired five separate projects known as the Seed Assets. These comprised the projects known as: Staunch, Littlebrook, Lockleaze, Rufford and Roundponds. During the period ending 31 December 2019, the Fund also acquired further projects adding 104MW of capacity. These additional projects comprised Wolverhampton, Glassenbury, Cleator and Red Scar.

These projects have a range of storage capacity, grid configurations and technologies which are outlined below but are, for the most part, projects with the same amount of import and export capacity.

All the Seed Assets were constructed by Metka-EGN Limited, who also currently provide operations and maintenance services. All the Seed Assets have undergone or will shortly complete an upgrade, and an overview is provided later in the Investment Manager's report. The Investment Manager has identified additional pipeline to expand the capacity held by the Fund to 364MW. Further details can be found in the Pipeline section of this report.

Staunch

The Staunch project, which is situated in Newcastle-Under-Lyme, Staffordshire, was commissioned in March 2017 and has an asymmetric grid connection capacity of 20MW export, 0.5MW import.

This project is located within a secure compound on the Holditch House Industrial Estate, a brownfield site previously used for waste collection/sorting. The industrial activity in the surrounding area is of a significant size; the neighbouring foundry has 24-hour operation. The site itself is approximately 200 metres from the nearest residential area which is well screened by industrial buildings and the acoustic fence surrounding the compound.

The Staunch project, following its upgrade in Q4 2019 consists of utility-scale batteries plus generators with a capacity currently split as follows: 16MW gas reciprocating generators and 4MW of diesel engine capacity and a battery system which comprises 4MW (3MWh) of lithium-ion batteries and 16MW (3MWh) of VRLA (lead acid) batteries. The diesel engines are typically not used but remain installed to meet the requirements of the CM contract belonging to this site.

The project has undergone an extensive upgrade during 2019, removing most of the diesel engine capacity and replacing these with efficient gas engines, following an evaluation of the project's business model.

Flexitricity is the Asset Optimisation partner for this project.

Littlebrook

The Littlebrook project is an 8MW import and export battery-only project. This project is located near the site of the old Littlebrook power station near the Dartford river crossing on the south side of the Thames on less than 0.5 acres of land. It is located within the existing Littlebrook Industrial Estate. The site was formerly an isolated patch of scrub vegetation.

This project was commissioned in December 2017. Upgrades to this site were not carried out. All equipment was instead reassigned to an expansion of the Glassenbury project to take advantage of improved economics there.

This represents a better return opportunity for the Fund than the original upgrade to Littlebrook. This project will remain at its initial site specifications and will target additional FFR services due to the shorter run time of the batteries.

EDF is the Asset Optimisation partner for this site.

Lockleaze

The Lockleaze project is a 15MW import and export battery-only project located in the Lockleaze area of Bristol beside a railway line and a substantial Western Power Distribution (WPD) substation, on approximately 0.5 acres of land leased from WPD.

Previously, the site area was used as a storage compound by the electricity distribution network operator.

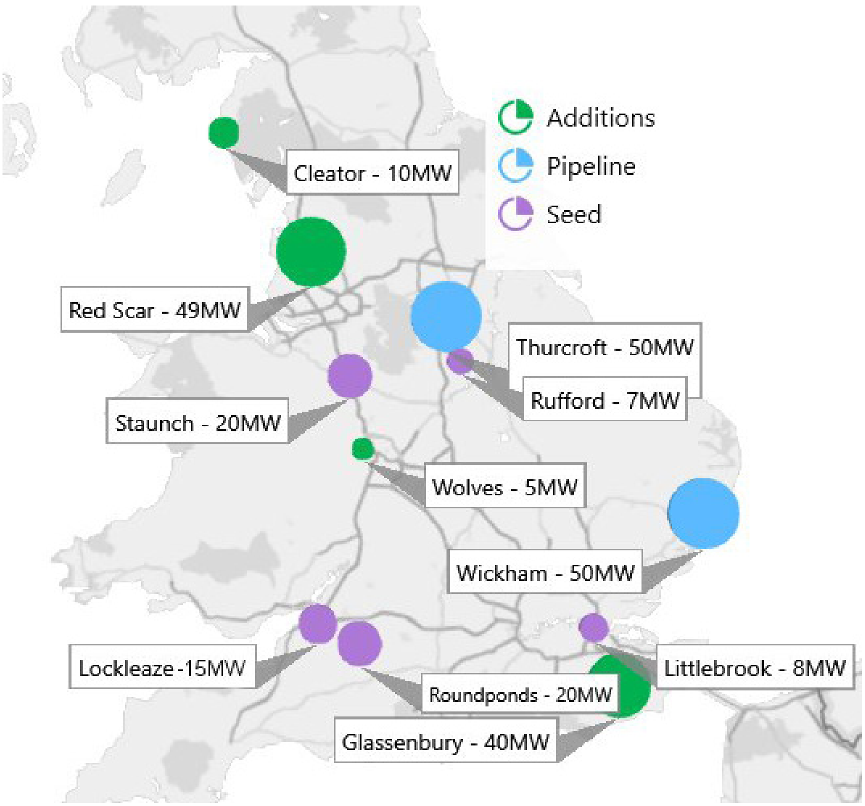
The Lockleaze project was commissioned in July 2017.

The site battery capacity has been increased from 11.4 MWh to 22.1 MWh during Q4 2019 and has since re-started commercial operations.

The site's Asset Optimisation is currently carried out by KiWi Power.

Rufford

The Rufford project is a 7MW import and export battery and reciprocating generator project located on land previously used for coal stocking within the former Rufford Colliery in Nottinghamshire.



The former colliery site is currently undergoing remediation. The project sits adjacent to an existing electrical substation and is positioned within its own secure compound built on approximately 0.5 acres of land. The nearest residential premises are approximately 1.3 kilometres south of the site.

The Rufford project was commissioned in July 2017.

The battery capacity has been increased significantly during upgrade work in Q4 2019 taking battery size from 3.25MWh to 9.5MWh better equipping the site for adoption of the Asset Optimisation business model described in the Prospectus. As a result of this, the generators are no longer expected to be used for the vast majority of the time but are necessary to meet the requirements of the site's CM contract and will therefore remain installed.

EDF Energy is the Asset Optimisation partner for this project.

Roundponds

The Roundponds Project, which is situated in Melksham, Wiltshire, has an asymmetric grid-connection capacity of 20MW export, 10MW import.

The site is made up of batteries and generators although commercially only the batteries are used today.

The project is on a c.0.5 acre site located by farm buildings at Roundponds Farm, which is off the Bath Road, 1.3 kilometres north west of Melksham. The site borders open countryside on its far side and is approximately 150 metres from the nearest residential building.

The project was commissioned and started commercial operations in April 2018.

This project has had a significant battery capacity increase during Q4 2019 taking the battery size from 12.7MWh to 27.8MWh while there are also 10MW of generators on site. This has prepared the site for adoption of the Asset Optimisation business model described in the Prospectus, which involves trading electricity.

The business model of this project is being enhanced through the offer of an improved import grid connection of 16MW making it a more symmetrical project and is anticipated in Q3 2020. The engines remain in place to meet the requirements of one of the two 10MW CM contracts belonging to this project which stipulates generators as the relevant technology.

Habitat Energy is the Asset Optimisation partner for this project.

Wolverhampton

Wolverhampton was the first project acquired following the Fund's IPO. The project has a symmetrical 5MW grid connection and 7.7MWh of battery capacity. It was acquired by the Fund in August 2019. The site is situated in an urban environment c.1 kilometre from the centre of Wolverhampton. The site is surrounded by a mix of major roads, commercial, industrial activity, and to the north west, several residential dwellings.

The Wolverhampton project was commissioned in April 2019.

Habitat Energy is the Asset Optimisation partner for this project.

Glassenbury

Glassenbury is a symmetrical 40MW battery-only project (with a 50MW grid connection, i.e. 10MW is currently unutilised) and was acquired by the Fund along with Cleator in December 2019.The Glassenbury site is in a greenfield location near Cranbrook in Kent. This project benefits from a long-term EFR contract running until January 2022 at an enhanced rate compared to standard month ahead frequency response contracts. Glassenbury and Cleator combined represent a quarter of the National Grid's EFR capacity. EFR and FFR, which is more common, are similar services provided to the National Grid.

This project was constructed by NEC Energy Solutions and commissioned in September 2017.

This project is expected to undergo an initial upgrade to take advantage of an excess of 10MW of grid connection capacity using battery capacity initially designated for the Littlebrook project.

In 2022, the project may be further upgraded for the adoption of the Asset Optimisation business model, which includes the trading of electricity.

As this site is in EFR 24/7, the site does not require an Asset Optimisation partner.

Cleator

Cleator is a symmetrical 10MW battery-only project acquired by the Fund in December 2019. The site is situated in a greenfield location along the river Ehen near to Cleator Moor in Cumbria. This project also benefits from a long-term EFR contract running until January 2022.

This project was constructed by NEC Energy Solutions and commissioned in October 2017. This project is also expected to undergo a battery capacity increase prior to the EFR contract terminating in readiness for Asset Optimisation.

As this site is in EFR 24/7, the site does not require an Asset Optimisation partner.

Red Scar

Red Scar is a symmetric 49MW project with a 73MWh battery and is the largest capacity project in the portfolio to date.

The project is located near Preston on an area of waste land located to the south of the Red Scar Industrial Estate which accommodates a variety of industrial and commercial enterprises. The wider site was formerly a large manufacturing facility and included an on-site own power station (now demolished).

The Red Scar project was constructed by Metka-EGN Limited and was commissioned in December 2019.

Habitat Energy is the Asset Optimisation partner for this project.

Environmental, Social and Governance

Gresham House Energy Storage Fund's projects fundamentally enable a cost-effective energy transition. This energy transition is both a social and environmental good, while it being achieved cost-effectively is a powerful socio-economic one.

To date, the UK electricity system has been world-leading in terms of the reduction of CO2 emissions it has achieved. However, intermittent generation cannot continue to grow without a counter balancing stabilising influence, or the transition will become increasingly challenging and costly; the risk of costly curtailment or outages when renewables cannot provide will be significant.

Already an estimated 6% of all wind generation is curtailed. This is due to generation being in excess of demand. Energy storage can make a material impact to reducing this curtailment if present at the right scale. At the present time there is insufficient energy storage capacity to deal with this. Therefore there is growth in demand for grid level battery storage. This removes a loss of available renewable power, removes a cost of both curtailment (generators have to be paid to get off the system and thus for not generating) and the dialling up of alternative generation. Today, Combined Cycle Gas Turbines (CCGTs) need to be used as the balancing force most of the time. A greater share of this balancing undertaken by battery storage is more cost effective and with a lower level of emissions if the stored power is generated from renewable sources.

It is also worth noting the positive influence of the energy transition in terms of energy security.

By decarbonising electricity and electrifying "everything", the UK also reduces its dependence on imported fuel supplies.

In figures, this means that from both an environmental and people perspective our ESS projects have a positive impact for the following reasons:

- Supporting infrastructure that enables further investment into renewable generation that took carbon dioxide emissions from power generation from 242.2MtCO2e in 1990 to 106.0MtCO2e in 2017 and 98.3MtCO2e in 2018 (source BEIS)
- However, there is still a significant challenge reducing emissions by over 90% to meet the goal of 10g CO2/KWh by 2050 set by the Committee on Climate Change[5]
- Increasing the security of energy supply where currently 36%[6] of the UK's energy needs are imported in the form of oil and natural gas for the most part
- Future job creation - we estimate c.30GW of ESS capacity will be required, equivalent to c.1000 projects in the next decade[7]

Supply chain
Our project components are sourced from top-tier suppliers, such as LG Chem and Samsung SDI, both global leaders in lithium-ion battery manufacturing. These are highly reputable businesses each of which has their own publicly available ESG reports which the Investment Manager has reviewed.

We are conscious of the fact that lithium, nickel and cobalt are all mined and have varying reputations in terms of the labour sourced and other issues. We intend to put increasing scrutiny on the manufacturers to provide increasing transparency, particularly as the use of these materials is likely to grow significantly due to continuing demand for batteries over the coming years.

Disposal of batteries
It cannot be avoided that ESS projects still require substantial materials in their construction.

To share the benefits first, a battery project can import and export power many thousands of times over many years before seeing a meaningful reduction in performance. If this is renewable power, then there is no meaningful incremental mineral extraction every time this charging and discharging occurs.

5. Source BEIS
6. Source House of Commons Library, 19 October 2018
7. Source Gresham House Research

By comparison, fossil-fuel powered generation plants only gets to use the fuel that has been extracted, processed and transported once.

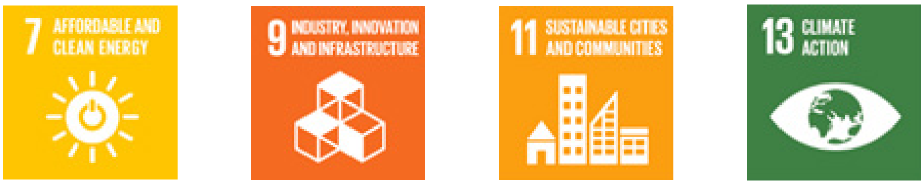
At their end of life, battery disposal is an obligation of the EPC contractor who imports a battery or the original manufacturer. Over time, it is expected that recycling technologies will be developed to ensure environmentally sustainable disposal and reuse of these raw materials.

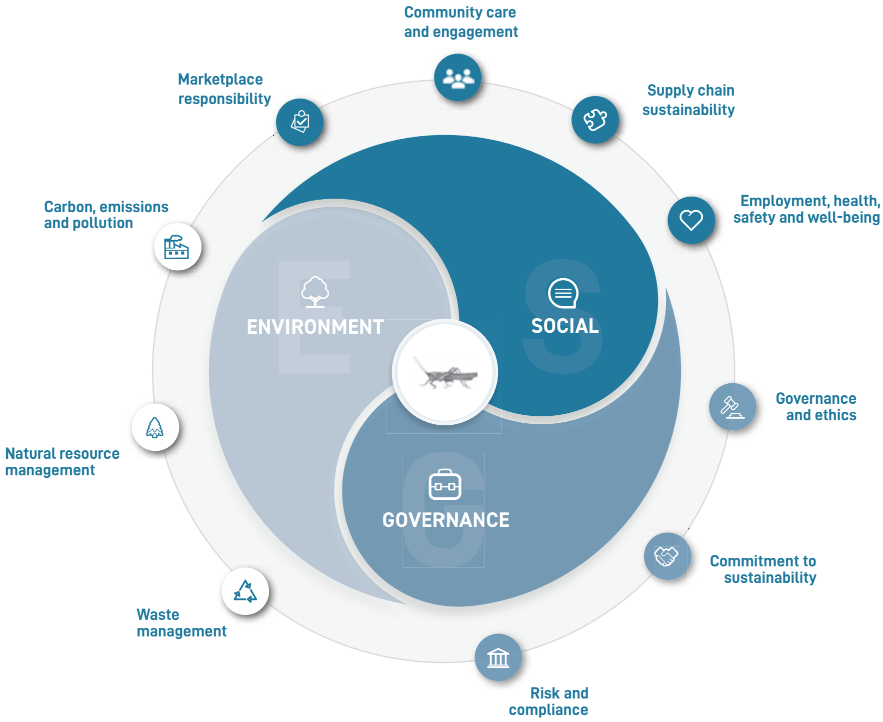
Environmental standards at sites
All projects are developed with environmental standards in mind. Historically some projects have included elements of diesel and natural gas generation capacity but with an expectation that they would be used very rarely. This remains the case. Many of the legacy diesel installations have now been decommissioned – and are now only planned to be used in "force majeure" situations only. Gas generation may be used more frequently.

All new projects are being built with only battery capacity. This is now possible as the cost of batteries has fallen.

All our sites comply with all standards set either by the local councils or by DEFRA.

Gresham House supports the UN's Sustainable Development Goals and we believe our New Energy strategy contributes to the following four goals:





Strategic Report

The Directors present their Strategic Report for the period ended 31 December 2019. Details of the Directors who held office during the period and as at the date of this report are given on page 36 of the Annual Report and Accounts. 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 shareholders 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 future outlook

A detailed discussion of individual asset performance and a review of the business in the period together with future outlook are covered in the Investment Manager's Report on pages 15-24 of the Annual Report and Accounts.

The Directors and Investment Manager have developed several tools to review ongoing performance. These include an ongoing dashboard detailing the performance of each investment in relation to the individual income streams expected of each investment and performance against costs. As the Company deploys capital raised, the Directors have a focus on the underlying investment model for each new investment to ensure it meets the Investment Objectives of the Company.

The Directors are of the view the investment strategy, (incorporating both additional acquisitions and the upgrade programme for the Seed Assets) has performed well, especially considering that two acquisitions were announced following the year end. The Company has a strong portfolio of potential investments which are well positioned to take advantage of a growing opportunity.

The fund raises undertaken have been successful and, whilst all capital is not yet deployed, there is a strong pipeline and clear path to being fully deployed in the near future. A revaluation increase at the period end shows the additional value obtained from this strategy: driven by reducing discount rates and underlying earnings retained within the investments. The bedding down of operational upgrades and trading platforms will be key tasks for the Investment Manager in 2020.

Key performance indicators

The Board believes that the key performance indicators detailed on page 11 of the Annual Report and Accounts which include profit, dividend, project capacities and battery sizes, will provide shareholders with sufficient information to assess how effectively the Company is meeting its investment objectives. The Board monitors these key metrics on an ongoing basis.

The Company has generated £7.7 million of profit in the period, including interest receivable from subsidiaries.

The total dividends paid were £7.3 million (including the dividend paid on 20 March 2020). The Board keeps a close focus on profit and dividend cover to ensure underlying profits from the Company's investments are available to cover dividends. As capital raised is fully deployed and underlying assets upgraded the Board will ensure this is monitored closely. Earnings per share were 6.62 pence in the period ended 31 December 2019.

The capacity of the grid connection (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 and unconstrainted by grid constraints. The Investment Manager has ensured grid capacities (both import and export) are continually optimised and symmetrical wherever possible. Finally, as the Company has undertaken several fund raisings following IPO. The Board monitors the project pipeline to ensure quality projects are available to meet investor demand to ensure funds raised are deployed in a reasonable timeframe.

Financial risk management

The Board believes that the main financial risks of the Company relate to the requirement to ensure the capital commitments of the Company are commensurate with the capital available and the ability of the underlying investments to generate income to the Company to ensure the targeted dividend payments can be paid to investors. The Board constantly monitors these financial risks.

At the present time, neither the Company nor its underlying investments are subject to leverage. The Company has the ability to assume up to 50% of gearing and may do this in future ensuring any covenants or associated financial instruments are appropriate for the risk profile of the Company.

Investment objective

The Company seeks to provide investors with an attractive and sustainable dividend over the long term by investing in a diversified portfolio of utility scale operational energy storage systems, which utilise batteries and may also utilise generators, located in Great Britain. In addition, the Company seeks to provide investors with the prospect of capital growth through the re-investment of net cash generated in excess of the Target Dividend in accordance with the Company's investment policy and the requirements of the Investment Trust Regulations.

Investment policy

The Company invests in a diversified portfolio of utility scale energy storage systems (ESS Projects), which utilise batteries and may also utilise generators. The ESS Projects comprising the portfolio are located in diverse locations across Great Britain. Individual projects are held within special purpose vehicles into which the Company invests through equity and/or debt instruments. The Company will typically seek legal and operational control through direct or indirect stakes of up to 100% in such ESS Project Companies.

Asset type and diversification

The Company invests primarily in ESS Projects using lithium-ion battery technology as this technology is considered by the Company to offer the best risk/return profile. The Company also invests in ESS Projects which use gas generators on projects which have a "net export" connection. The Company invests with a view to holding assets until the end of their useful life. ESS Projects will be selected with a view to achieving appropriate diversification in respect of the portfolio.

First, diversification is sought by geographical location of the ESS Projects in which the Company invests across Great Britain.

Second, from the end of the Initial Investment Period, when 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, now the Initial Investment Period has expired, target a diversified exposure with the aim of holding interests in not less than five separate projects at any one time.

Third, the Company achieves diversification by securing multiple and varied revenue sources throughout the portfolio by investing in ESS investments which benefit from a number of different income streams with different contract lengths and return profiles through individual ESS investments, as well as by enabling the ESS investments to take advantage of a number of different revenue sources.

The main revenue sources are:

- Firm Frequency Response - the Company's ESS investments which generate FFR revenues from FFR contracts through which the ESS investment company and/or its subsidiaries will provide, on a firm basis, dynamic or non-dynamic response services to changes in frequency, to help balance the grid and avoid power outages (FFR)
- Asset Optimisation – the Company invests in ESS investments that generate revenues from importing and exporting or generating and exporting (in the case of ESS investments including generators), power in the wholesale market and the National Grid administered Balancing Mechanism (BM)
- TRIADS and other National Grid related income - the Company's ESS investments that generate revenues from the three half-hour periods of highest system demand on the Great Britain electricity transmission system between November and February each year, separated by at least ten clear days (TRIADs) and other National Grid related income including Generator Distribution Use of System (GDUoS), through which benefits are paid by DNOs to suppliers, which are passed through to electricity generators in their power purchase agreements and the National Grid's Balancing Use of System (BSUoS), which recovers costs through charges levied on electricity generators and suppliers. In addition, the balancing system produces small half-hourly residual cash flows that are generally negative (a disbenefit to distributed generators) but can be positive (a benefit) and are allocated to suppliers in the same way as BSUoS charges
- Capacity Market – the Company invests in ESS investments that generate revenues through access to the benefit of contracts, or through entering into new contracts, to provide back-up capacity power to the Electricity Market Reform delivery body via one year and 15 year CM contracts

ESS investments diversify their revenue sources further by collaborating with renewable generators or large users of power in close proximity to an ESS Project, or providing availability-based services to restore electric power stations or part of electric grids to operation.

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

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

The Company has invested in accordance with this strategy: the investments made, both in the period ended 31 December 2019 and after the period end, are geographically spread in the GB. In addition, no single investment exceeds 20% of Gross Asset Value. The sources of income are becoming more diversified: it is anticipated that two-thirds of income will be from merchant activities in 2020. In relation to acquisitions, the Company has also acquired existing operational assets, outside the development pipeline, to further diversify its source of investments.

Other investment restrictions

The Company will generally invest in ESS investments where construction is substantially completed and at such a point that the ESS investment is capable of commercial operations.

As a minimum, all ESS investments have in place a completed lease on satisfactory terms in relation to the land where that ESS investment is situated, an executed grid connection agreement and a certificate confirming completion of commissioning tests (G59 Certificate).

The Company also provides loan finance to ESS investments prior to acquisition so that the ESS investments can acquire equipment prior to construction, provided that no more than 15% 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 investments.

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 ESS Projects through equity issued by the relevant Developer, provided that investment in Developers (calculated at the time of investment) shall be capped at £1 million 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 EU
- Any UK "government and public securities" as defined for the purposes of the FCA Rules

Derivatives and leverage

Derivatives may be used for currency, interest rate and power price hedging purposes as set out below and for efficient portfolio management. However, the Directors do not anticipate that extensive use of derivatives will be necessary. At the date of this Annual Report, whilst the Company has the power to do so, the Company has not incurred any borrowings or indebtedness or other leverage and has not granted any mortgages, charges or security interests over or in relation to any of its assets. Further consideration of financial risk management including market risk, liquidity risks are included in Note 20.

Efficient portfolio management

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

Greenhouse gas emissions

The Company itself does not emit Greenhouse gases. However the underlying SPVs operate electricity generation capacity which emitted 3175 tonnes of CO2 in the period ended 31 December 2019. The emissions were generated to the requirements to balance the electricity when battery capacity was either unavailable or exhausted.

Principal and emerging risks and uncertainties

The Board operates a regular risk review process to identify both current and emerging risks and operates a Risk Register as a "live document" to ensure Board discussions are focused on key areas of risk and appropriate mitigations. The Investment Manager reports progress on mitigations and new risks regularly at Board meetings. In addition, the Board have undertaken a workshop to highlight key risks and undertake "deep dives" into areas of concern.

The following emerging risks, principal risks and uncertainties to the Company have been identified.

The Company has developed a leading position in an exciting sector: the electricity grid in the UK is in a process of transition from centralised generation based on large fossil fuel plants to a distributed system based on intermittent low carbon sources of electricity. This has created challenges to many areas of the electricity system in the UK. The Company is in an excellent position to create commercial solutions to these challenges.

The key risks to the Company are both the ability of the assets within the underlying investments to provide cash flow to the Company in order for the Company to pay a dividend to shareholders and the valuation of these investments. In consequence, the risks to the Company flow from the underlying investments.

The key risks in these SPVs can be summarised in several main areas: emerging business model, regulation, technical performance, environmental social governance (ESG), corporate governance and related parties (including performance of the Investment Manager).

Emerging business model

The Company's investment model is reliant on the underlying performance of the SPVs within which the Company invests. If the performance of these SPVs does not meet expectations then the investment income from the SPVs will be insufficient for the Company to meet its dividend targets and adversely affect the valuation of the Company's investments.

These SPVs, in turn, have developed business models which rely on several sources of income: National Grid based Firm Frequency Response, CM payments, TRIAD income and merchant trading income or "Asset Optimisation" outside of the relationship with the National Grid.

The National Grid income streams have been important to sponsor initial investments in energy storage and enable short term cash flow and these income streams have contributed a large portion of the income to the underlying operating assets invested in by the Company in the period ended 31 December 2019. However, the future business model for the Company's investments will seek less reliance on these income streams in future as Firm Frequency Response contracts expire and are replaced with other income streams. The Company's investments will therefore become more reliant on Asset Optimisation over time and the Investment Manager will ensure the underlying asset portfolio is fully enabled to ensure remote access and import and export of electricity to support trading activity within the SPVs.

As this Annual Report illustrates, the trading activity within the SPVs is not reliant on absolute power prices but is based on volatility within the power market. This creates arbitrage opportunity within which trading opportunities emerge and can be rapidly exploited. In consequence, the investment returns received by the Company do not rely on high wholesale power prices.

As the business models within the SPVs evolve, it is important that the asset portfolio is configured to enable successful trading/Asset Optimisation which would mean the targeted level of trading profits are captured and cash flows are available to the Company to cover the level of dividends targeted to shareholders. This risk is in relation to configuration of the asset portfolio (i.e. it is set up correctly) and not whether or not the asset portfolio performs to expected technical standards, this technical performance risk is dealt with later.

The Investment Manager has undertaken and will undertake many activities to mitigate the asset configuration risk both over the period and in the future. These include:

→ Further investment in the Seed Assets to ensure grid connection capacity and battery capacity have been expanded in both absolute levels and import/import symmetry where possible to maximise opportunities. This has included replacement of diesel generation sets with further expansion of battery capacity and gas turbines

→ Improvement of control systems and despatch technologies to "iron-out" and test before full scale Asset Optimisation is launched

→ Testing of relationships with Asset Optimisation partners and models to ensure Asset Optimisation is successful, the Company has begun Asset Optimisation and expects 2020 to be a year when this model is fully proven

→ Therefore, it is important that the Company and the Investment Manager look through the investment company structure to ensure the underlying operating assets are able to generate income to meet the Investment Objectives of the Company

The aim of the Company is to be the leader in this field. As the business continues to develop other entrants will seek to participate and the Company will continually seek to optimise the business model of its investments to gain competitive advantage.

Regulation
As in any emerging market, regulation can often take time to catch up. However, there are already extensive rules and regulations in the energy storage market. These mostly include existing regulations in the electricity, planning and construction sectors including rules and/or laws relating to the Health & Safety Executive, the Environmental Agency laws, Construction, Design and Management Regulations (CDM), the National Planning Framework, the National Grid Market Framework, and Ofgem's areas of oversight (including the conduct of market operators and government subsidy & incentive mechanisms such as the ROO-FIT and CfD regimes). Whilst not a risk to the Company as it lies within the operational SPVs, the Company works to ensure its investments comply with these. For example:

- The Company has a pipeline of investments with relevant planning and environmental permissions in place. Due to the location of the underlying assets, generally within existing infrastructure "brownfield" locations, planning permissions are not seen as a problem for future development. However, site specific issues can always arise. It should be noted that the Company does not take planning risk on investments, it invests in SPVs with permissions in place. The changing of regulation may impact on the development pipeline of investments available to the Company

- Environmental standards may be established during the planning phase and may include for example, emissions from backup generation capacity and noise from the cooling systems. As with planning permission the Company does not invest in SPVs which have environmental risk as these standards are set before assets are acquired by the Company. However, tightening standards may impact on the development pipeline of investments available to the Company

The National Grid frameworks and incentives, along with Ofgem's policy aims, may change over time which may impact either positively or negatively on the prospects of the underlying investments owned by the Company and the prospects of the Company itself. The Company, and its partners keep a close eye on developments and will participate in industry events, consultations and discussions to ensure the shaping of frameworks and incentives are appropriate.

Technical performance
The Company's assets are treated as investments. The valuation of these are established using assumptions which rely on the assets performing technically to the standards expected of the Asset Optimisation business model into which these assets are deployed (i.e. when import/export is required do they then perform in the manner expected).

Whilst this business is developing and evolving over time from a National Grid contractual basis over time to an Asset Optimisation model what is required of the underlying assets is the same, availability and reliability of import and export of electricity, in conjunction with reliable control systems, are a crucial underlying requirement of these assets. The Company ensures the technical performance risks of the SPV within which it invests are constantly under scrutiny:

- The provision of batteries and other critical assets are sourced from "top tier" suppliers with accompanying warranty and performance guarantees

- Robust commissioning and acceptance testing are undertaken to ensure assets perform to these standards

- Regular monitoring of performance indicators (i.e. battery health, cycle reporting and degradation) is undertaken to ensure the assets are available to operate when required

- By the use of skilled and trusted partners to both operate and construct the assets

The Investment Manager and the Company also assess the level of asset utilisation within the SPVs and the impact of this on manufacturer warranties to ensure a balance of income from "sweating" the assets on the one hand, and on the other, the cost of associated asset depletion from high levels of activity is considered in short and long-term plans.

Environmental Social Governance
The Company seeks to ensure that the activities of the SPVs asset portfolio into which it invests are beneficial to society as a whole.

Whilst not an immediate risk for the Company itself as these matters are mainly evolving, the Company will continue to review the issues of supply chain governance and recycling of battery materials and other components are considered and built into the risk management programme of the Company as a whole.

Corporate Governance and Related Parties
As the asset portfolio and associated trading model develops, the Company is reliant on certain key partners to deliver progress in relation to both investment in new SPVs and assets and the successful operation of existing SPV owned assets. These key partners include key individuals within Gresham House and outside partners including Noriker Power Limited. The Company has ensured alignment of goals between the Company and these partners. These alignment measures include:

- Certain individuals in Gresham House are large shareholders in the Company and thus have a direct stake in ensuring successful rollout of the business plan

- Noriker Power Limited is a large shareholder in the Company and therefore has a direct incentive in the same manner

- Gresham House plc owns 30% of Noriker Power Limited and has a Director on the Board of Noriker Power Limited

- The Company will be taking a stake in Noriker Power Limited to further align incentives and strengthen long term relationships

In relation to Corporate Governance, the Directors consider the performance of the Investment Manager and the Administrator at regular intervals.

This includes overall performance and continual improvement of internal controls and processes as the Company grows. The Investment Manager has implemented both the ISO 9001 standard in the period and implemented new workflow management tools to continually improve performance.

Other risks

In addition to the above themes, there are a number of other risks which are important for the Company to manage at an acceptable level within its SPV investments. These include:

- Counterparty risk: as the SPV income streams move away from the National Grid to trading platforms it is important that strong creditworthy partners, including trading counterparties, are in place to ensure any credit risk is managed and financial loss is not incurred by the Company
- Technology risk: the asset portfolio within the SPVs is based on the latest technology available. There is a risk that new technologies develop which are either cheaper than the SPV asset portfolio or have another technological advantage. The Company and the Investment Manager continue to monitor technologies to ensure latest developments are built into the strategy of the Company and its investments
- The exit of the UK from the European Union is not considered to be a key risk for the Company as the assets are located in GB under existing UK based electricity system codes. It may be that these change over time as the UK diverges from EU standards. There is no clear view on what such changes may be or whether this would impact the SPVs, the Company or its prospects
- Neither the Company nor the underlying assets within SPVs are currently exposed to the risk of borrowing or leverage.

  The intention is to capture value from such arrangements. The Company will ensure that any arrangements are managed appropriately i.e. no more than 50% of Net Asset Value at the time of borrowing and appropriate hedging takes place based on the structure of borrowings
- The Company has advanced interest bearing loans to non-subsidiaries. These are secured against the assets purchased with these loans. The Company continues to monitor these investments. The intention remains that these subsidiaries are acquired by the Company. Indeed, post period end two of the three non-subsidiaries were acquired by the Company reducing the loan balance to £1.8 million

A fuller list of risks was included in the IPO Prospectus and this is not intended to be repeated here.

The Coronavirus Pandemic (COVID-19)

Finally, as mentioned in the Chair's Report the Company continues to monitor closely the emerging COVID-19 pandemic. The main risks the Company perceive relate to operations within the investment SPVs but could affect the ability of the Company to deliver income and capital returns to shareholders. These risks include:

- Inability to operate existing assets. The SPVs operate with supply chain partners with strong business continuity arrangements and the assets are operated by remote monitoring and despatching. There is a residual risk that suitable specialist personnel are unable to attend site when required to ensure these assets are operating to their full potential. The operational arrangements of the supply chain partners are being carefully monitored in this regard
- Inability to construct or commission pipeline assets within SPVs. 100MW of pipeline assets are in the advanced stages of construction and commissioning.

  The key equipment to deliver these projects are secure, however there is a risk that global travel restrictions means that final commissioning of these projects is delayed or that the local supply chain experience constraints. The assets being constructed are crucial to the electricity system in the GB and it is expected that suitable arrangements can be made to overcome any such issues should they arise
- Dysfunctional markets affecting trading operations within SPVs. The Investment Manager notes that the energy markets into which the assets operate are operating as expected. The Investment Manager and the trading partners will continually monitor these markets to ensure the assets are trading as expected

In addition, the Company manages risk exposure via the review of a comprehensive risk register. This is an iterative process and drives the focus of discussions with the Investment Manager.

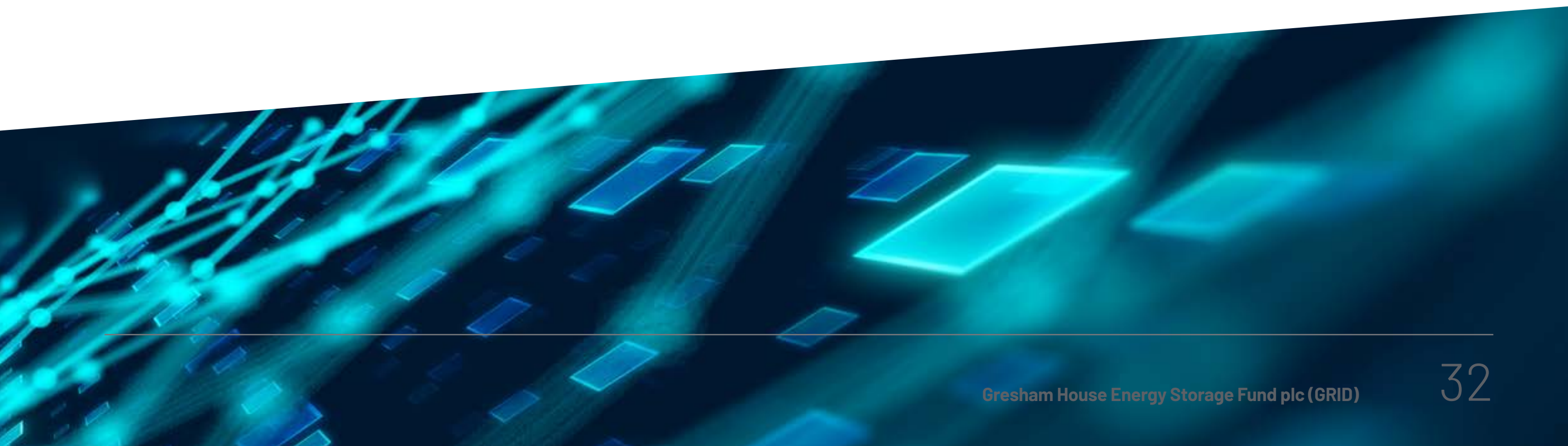
Going concern

The Board has considered going concern in the Directors' Report on page 39.

Viability statement

The Board is responsible for financial reporting and controls, including the approval of the Annual Report and Accounts, the dividend policy, any significant changes in accounting policies or practices, and treasury policies including the use of derivative financial instruments. The Board of the Company is also required to assess the long-term prospects of the Company according to the Association of Investment Companies (AIC) Code.

The Board has assessed the prospects of the Company over a three year period. The Board considers a three year timeframe to be reasonable on the basis that the Company is in the initial stage of acquiring assets. The key risks facing the Company including, but not limited to, the risks mentioned on pages 30-32 have been individually assessed by the Board.



The likelihood and impact of each risk on the Company prior to and after specific risk mitigation controls have taken place have been evaluated.

After assessing these risks, and reviewing the Company's liquidity position, together with forecasts of the Company's future performance under various scenarios, the Board has a reasonable expectation that the Company is well positioned to continue to operate and meet its liabilities over the short term and the three year outlook period. While the Board has no reason to believe that the Company will not be viable over the specified outlook period, they are aware that it is difficult to foresee the viability of any business over a longer period given the inherent uncertainty involved.

It is important to note that the risks associated with investments within the infrastructure sector could result in a material adverse effect on the Company's performance and value of Ordinary Shares. When required, experts will be employed to gather information, including tax advisers, legal advisers, and environmental advisers.

Directors' section 172 statement

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006. This new reporting requirement is made in accordance with the new corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018, which apply to company reporting on financial years starting on or after 1 January 2019.

The matters set out in section 172(1)(a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole, and in doing so have regard (amongst other matters) to:

a) the likely consequences of any decision in the long-term
b) the interests of the Company's employees
c) the need to foster the Company's business relationships with suppliers, customers and others
d) the impact of the Company's operations on the community and the environment
e) the desirability of the Company maintaining a reputation for high standards of business conduct
f) the need to act fairly between members of the Company

In the Strategic Report section of this Annual Report, the Company has set out the short to long-term strategic priorities and described the plans to support their achievement.

We have split our analysis into two distinct sections. The first to address Stakeholder engagement, which provides information on stakeholders, issues and methods of engagement, disclosed by stakeholder group. The second section addresses principal decisions made by the Board and focuses on how the regard for stakeholders influences decision-making.

Section 1. Stakeholder mapping and engagement activities within the reporting period

The Company continuously interacts with a variety of stakeholders important to its success. The Company strives to strike the right balance between engagement and communication. Furthermore, the Company works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information.

The Company has identified the following key stakeholders:

- The Company's Investors
- The Company's Investment Manager
- The Communities in which the Company's assets are located
- The Company's business partners and key service providers
- Investment trading partners

Engagement with shareholders

Who they are

The Company would require further funding to continue the requirements of the investment strategy and obtain the additional pipeline investments. As such, existing and prospective equity investors are 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 the Company engaged with the equity investors

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

- Interim and initial accounts
- 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
- One-to-one meetings with the Investment Manager
- Regular news and quarterly NAV updates

What came out of the engagement
Through these engagement activities, the Company has been able to ensure its investment pipeline and fund raising programme have been aligned and funds have been available to secure the current asset portfolio. The Company will continue to engage with shareholders in future as further expansion becomes necessary.

Engagement with the Investment Manager
Who they are
The Investment Manager 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 expectations.

Why is it important to engage with the Investment Manager
Constructive engagement with the Investment Manager 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 the Company engages with the Investment Manager
The Company, supported by its Management Engagement Committee, 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, trading partner performance in the SPVs and the Company's strategy are aligned with achieving long-term shareholder value. This open dialogue takes the form of ad hoc board meetings 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 as 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 Environmental Social Governance Strategy of the Investment Manager.

Engagement with Communities
The Company remains committed to proactively engaging with the Communities within which the Company operates. The Investment Manager is part of the Gresham House plc group and is focused on a sustainability agenda. For example, the Investment Manager planted 4.1 million trees in 2019 and its forestry portfolio absorbed 1.5 million tonnes of CO_2 in the year (with 34 million tonnes of CO_2 absorbed in the forestry portfolio in total). In addition, the Investment Manager operates 195MW of wind farms and solar parks: these generated enough electricity to power 111,000 homes and save nearly 0.2 million tonnes of CO_2 per annum.

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 the Company engages 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.

What came out of the engagement
The Company has ensured that the interests of key service providers are aligned with the Company. This includes approval for a 5% acquisition of a stake in Noriker Power Limited and long-term pipeline opportunities for future pipeline assets.

Key strategic decisions
The Company is in a growth phase in the period ended 31 December 2019. This has focused on deployment of funds raised and the development of one of the market leading energy storage pipelines. Key strategic decisions included:

- Investment in future asset pipeline (including in the investments acquired after the period end)
- Upgrade of Seed Assets from FFR based assets to ensure they are ready for Asset Optimisation
- Fund raising decisions to align the investment programme with available funds
- Payment and level of dividends to meet expectations

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. As noted above, shareholder discussions were held to ensure clear communication was made in relation to progress and market interest for expansion of the Company. Finally, the Company worked with the Investment Manager to ensure the dividend expectations in the IPO documentation were deliverable.

This Strategic Report is approved on behalf of the Board by

John Leggate CBE, FREng
Chair
Date: 24 April 2020

Board and Investment Team

Investment Team

Ben Guest
Managing Director,
New Energy

Ben has over 20 years of investment experience, Ben's expertise spans the investment spectrum, across infrastructure, public equities and venture capital.

Ben is responsible for the origination and execution of investment opportunities at Gresham House, alongside ongoing portfolio management.

Ben currently serves as a Director of over 40 companies and until recently was the Non-Executive Chairman of Oxis Energy, a UK-advanced battery power company.

Bozkurt Aydinoglu
Investment Director,
New Energy

Bozkurt dedicated the early part of his career to funding and advising companies in the telecommunications and technology industries, whilst in roles at Nomura, Salomon Brothers, Bowman Capital and Deloitte & Touche.

In 2002, Bozkurt co-founded and built New Energy Finance (NEF), which became the leading provider of data, research and analysis to investors in the global cleantech industry. NEF was acquired by Bloomberg in December 2009.

Gareth Owen
Investment Director,
New Energy

Gareth was a Partner at Hazel Capital (now Gresham House New Energy) has over 18 years experience executing structured transactions across a variety of sectors.

Before Hazel Capital, Gareth worked at Barclays Natural Resource Investments, a captive private equity fund investing in the natural resource and renewable energy sectors.

Prior to this, Gareth worked in the Structured Capital Markets divisions of Barclays Capital and Deutsche Bank, handling the acquisition and disposal of various asset-based companies.

Rupert Robinson
Managing Director,
Gresham House Asset Management Limited

Rupert is the Managing Director of Gresham House Asset Management Limited and has 30 years experience in asset management and wealth management, focused on product innovation, investment management, business development, banking and wealth structuring.

Rupert was previously CEO and CIO of Schroders (UK) Private Bank and head of private clients at Rothschild Asset Management Limited.

The Company has a Board of four Independent Non-Executive Directors. The Company has no Chief Executive.

The Board has 25% female representation. The Board has also adopted a formal diversity policy and considers diversity on the Company's Board as an important supplement to the Boards 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 has been in situ for approximately 16 months and considers succession planning for existing Directors to be premature at this stage.

However, the Board is aware of the tenure limits prescribed by the AIC Code and, supported by its Remuneration and Nomination Committee, the Board annually assesses the need for long-term succession planning to support the Company's growth.

The Directors will all stand for re-election at the Annual General Meeting of the Company.

Board

John Leggate, CBE FREng
Chair and Independent Non-Executive Director

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 to an international strategic advisory consultancy specialising in the energy sector.

John was appointed to the Board on 24 August 2018.

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

Catherine Pitt
Independent Non-Executive Director

Cathy is a legal adviser who has specialised in the investment company sector for over 20 years. Cathy is currently a partner at CMS, a top ten global law firm. Prior to joining CMS, Cathy worked in the Asset Management Practice of another top ten global law firm for almost 20 years, for eight of which she was a partner. Cathy's work has encompassed investment fund structuring and fund raisings for domestic and international investment funds. Since September 2018, Cathy has been a member of the Law Society Company Law Committee. She also sits on the Regulatory and Governance Committees of Listed Private Capital (LPeC), the industry association for listed private capital funds. Cathy was appointed to the Board on 1 March 2019.

Significant interests:
Cathy is a former Partner at CMS Cameron McKenna Nabarro Olswang LLP.

David Stevenson
Independent Non-Executive Director

David is a financial journalist and commentator for a number of leading publications including The Financial Times (the Adventurous Investor), Money Week and the Investors Chronicle. 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.
David was appointed to the Board on 24 August 2018.

Significant interests:
David is a Director of Aurora Investment Trust plc; 321 Publishing and TV Limited; Altfi Limited; Altfi Data Limited; Bramshaw Holdings Limited; ETF Stream Limited; Planet Sports Rights Limited; Rocket Media LP; SQN Secured Income Fund plc; Stockmarkets Digest Limited; and Windhorse Aerospace Limited.

Duncan Neale
Audit Committee Chair and Independent Non-Executive Director

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 and a Director of DJN Consultancy Limited.

Directors' Report

John Leggate, CBE FREng
Non-Executive Chair

The Directors present the first Annual Report and Financial Statements of the Company for the period ended 31 December 2019.

The Directors during the period, including their appointment dates, are set out in the Board of Directors summary on page 36.

The Corporate Governance Report on pages 43-48 forms part of this report.

Company performance

The Directors have reviewed the performance of the Company throughout the period. Company performance is included in the Strategic Report and the Investment Manager's Report.

Financial risk management

The Board believes that the main financial risks of the Company relate to the requirement to ensure the capital commitments of the Company are commensurate with the capital available and the ability of the underlying investments to generate income to the Company to ensure the targeted dividend payments can be paid to shareholders. The Board constantly monitors these financial risks.

At the present time, neither the Company nor its underlying investments are subject to leverage. The Company has the ability to assume up to 50% of gearing and may do this in future ensuring any covenants or associated financial instruments are appropriate for the risk profile of the Company.

Share capital

At the period end, the Company had in issue 204,270,650 Ordinary Shares. There are no other share classes in issue.

All shares have voting rights; each Ordinary Share has one vote.

During the period the Company made the following allotments for cash of Ordinary Shares to new and existing shareholders:

All Ordinary Shares are entitled to receive dividends and interim dividends have been paid by the Company as shown in the table at the bottom of the page. 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 Annual General Meeting (AGM).

Announcement date	Date terms of the issue were fixed	Number of shares allotted	Issue price (pence)	Market price of Ordinary Shares on date the terms were fixed	Consideration received
17/10/2018	17/10/2018	100,000,000	100	N/A	100,000,000
26/04/2019	25/04/2019	49,228,000	101 (ex-dividend)	105 (103.6 ex-dividend)	49,720,280
11/07/2019	10/07/2019	14,610,000	105	109.5	15,340,500
03/10/2019	02/10/2019	40,432,650	103	105	41,645,630
					206,706,410

Period in relation to which dividend was paid	Announcement date	Ex-dividend date	Payment date	Amount per Ordinary Share	Total amount
Inception to 31 March 2019	26 April 2019	16 May 2019	7 June 2019	1.4 pence	£1,400,000
1 April to 30 June 2019	28 August 2019	5 September 2019	20 September 2019	1.1 pence	£1,802,218
1 July to 30 September 2019	26 November 2019	5 December 2019	20 December 2019	1.0 pence	£2,042,707
1 October to 31 December 2019	17 February 2020	27 February 2020	20 March 2020	1.0 pence	£2,042,707

Note that dividends are not recognised in the Financial Statements of the Company until paid, and therefore the dividend in respect of the final period, from 1 October to 31 December 2019 is not recognised in the period to 31 December 2019.

The Company is authorised to make market purchases of up to 14,999,999 Ordinary Shares, being 14.99% of the aggregate number of issued Shares immediately following the IPO. The authority remains in place until the first AGM, at which it is expected that a renewed authority will be sought.

The results of the Company are disclosed in the Investment Manager's Report on pages 15-24 of this Annual Report. The Earnings per share are shown on page 53 of this Annual Report.

Substantial interests

As at 31 December 2019, and the date of this report, the Company had been notified the following beneficial interests exceeding 3% of the issued share capital, being 234,270,650 Ordinary Shares. (See table above).

Shareholder	Number of Ordinary Shares as at 31 Dec 2019	Percentage of Issued Share Capital as at 31 Dec 2019	Number of Ordinary Shares as at date of this report	Percentage of Issued Share Capital as at date of this report
Gresham House plc	26,546,778	13.00%	28,658,297	12.23%
Sarasin & Partners LLP	N/A*	N/A*	23,427,065	10.00%
CCLA Investment Management Limited	22,429,297	10.98%	22,429,297	9.75%
Benjamin Guest	13,453,685	6.59%	13,453,685	5.74%
Schroders plc	N/A*	N/A*	12,382,250	5.29%
Close Asset Management Limited	N/A*	N/A*	10,755,932	4.59%
Newton Investment Management Limited	8,660,668	4.24%	8,660,668	3.70%

*No disclosure in terms of DTR5 was received before 31 December 2019.

** The numbers shown here represent the latest notification received from the relevant shareholder on or before 31 December 2019 or 31 March 2020. Actual shareholdings at those dates may have differed.

Annual General Meeting

The Company's first Annual General Meeting is anticipated to be held by the end of June 2020. The Notice of the Annual General Meeting and Form of Proxy will be circulated to all shareholders in advance of this meeting. The Board is working with all its advisers to ensure that this meeting can be held safely in light of the COVID-19 outbreak.

Auditor

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

Investment Manager

During the period, the Board's Management Engagement Committee reviewed the performance of the Investment Manager. In particular, the Committee considered the Investment Manager's resourcing, policies and procedures, financial modelling and management of the Company's assets. During the period, the Investment Manager has developed its human resources and its internal policies and procedures to meet the Company's demands. The Company's assets have been developed, upgraded and optimised to improve future performance and the Investment Manager has enhanced its financial modelling and reporting resource to the Board to allow the Company to make decisions.

The Board recognises that the Investment Manager has the required industry leading expertise to manage the Company's investments in a rapidly changing energy landscape. For these reasons, the Directors are of the opinion that the continuing appointment of the Investment Manager, on the terms agreed, is in the interests of its shareholders as a whole.

Directors' responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial period. Under that law the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the European Union. 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 of 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 the applicable IFRSs as adopted by the European Union, 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

→ Prepare a Directors' Report, a Strategic Report and Directors' 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, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' statement pursuant to the Disclosure and Transparency Rules
Each of the Directors, whose names and functions are listed on page 36, confirms that, to the best of each person's knowledge:

- The Financial Statements, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the 2019 Statement of Recommended Practice, 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company
- That this Annual Report, comprising the Chair's Statement, Investment Manager's Report, Strategic Report, and Directors Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces

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

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

Corporate Governance
The Company's Corporate Governance statement and compliance with, and departures from the 2019 AIC Code of Corporate Governance which has been endorsed by the Financial Reporting Council (www.frc.org.uk) is shown on page 47-48. While this code was only applicable for financial years starting on 1 January 2019, the Company considered it appropriate to adopt this code early.

Going concern
The Directors have considered the impact which the current economic downturn, triggered by COVID-19, could have on the ability of the Company to continue as a going concern. A key risk facing the Company is that investments may not be able to make distributions or pay interest if they are not able to continue to operate the assets or dysfunctional markets affect trading operations. The Company and the Investment Manager have so far been able to ensure the operational integrity of the projects is maintained particularly in terms of Operations & Maintenance and in terms of all planned commercial activities, including Asset Optimisation and in their view, power generation will remain essential to the UK's infrastructure.

As at 31 March 2020 the Company has cash and cash equivalents of £58.6 million. Even if in a worst case scenario the Company would not receive any further income from its investments for the next 12 months from signing this Annual Report and taking into account all committed payments for running the Company and completing on the acquisition of Thurcroft and Wickham, the Company would have sufficient cash reserves to continue as a going concern.

As such, the Directors have adopted the going concern basis in preparing the Annual Report and Financial Statements.

Greenhouse gas emissions
The Company itself is not an emitter of Greenhouse Gas. However, the underlying assets within the Company invests import and export electricity which are sourced from either the grid or from gas or diesel generators at each site. The Company estimates that total CO_2 emissions in the period were 3175 tonnes from the net export of electricity.

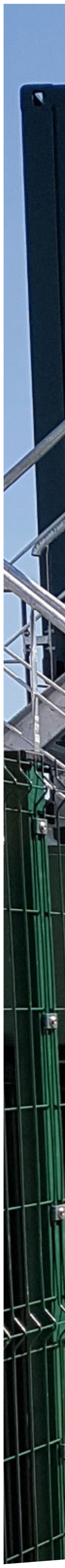
Future developments
Future developments in the Company are detailed in the Chair's Statement, page 13 and the Investment Manager's Report, page 21.

Post Balance Sheet events
Post Balance Sheets are disclosed in Note 27 of the Accounts on page 76.

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
Date: 24 April 2020




DANGER OF DEATH
HIGH VOLTAGE

Directors' Remuneration Report

The Board presents the Directors' Remuneration Report for the period to 31 December 2019 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 pages 49-52.

John Leggate CBE, FREng
Non-Executive Chair,
Gresham House Energy Storage
Fund plc Board

The annual remuneration statement
The Company's policy on Directors' remuneration is to seek to remunerate Board members at a level appropriate for the time commitment required and degree of responsibility involved and to ensure that such remuneration is in line with general market rates. Non-Executive Directors (NEDs) will not be entitled to any performance related pay or incentive. The full Remuneration Policy can be found on page 41 of this Report. This Policy will be put to the shareholders at the forthcoming AGM.

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

(i)The aggregate fees will not exceed £500,000 per annum

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

The payment of additional remuneration, for work outside the scope of their ordinary duties, was paid to David Stevenson and Duncan Neale during the period. This payment was made in recognition of the significant additional work demanded of the Board leading up to the Company's successful IPO. The payment of such fees is expected to be a rare occurrence and will be clearly disclosed in the Directors' Remuneration Report accompanied by an explanation of the work undertaken.

The Company did not engage a remuneration consultant during the period.

Remuneration policy
The Company's policy is that the remuneration of NEDs 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.

This policy has been effective from the date of admission to trading and is subject to a shareholder binding vote at the 2020 AGM and thereafter at least every three years.

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.

The annual remuneration report
The Board as a whole fulfils the function of the Remuneration Committee and considers any change in the Directors' remuneration policy. It is not considered necessary to have a separate Committee given the size of the Board and that all Directors would be expected to serve on this Committee. However, the Board will review the need for a separate Remuneration Committee during the forthcoming year.

Directors' remuneration and interests (audited)
Directors' remuneration (excluding National Insurance Contributions) for the Company and dividend received for the period under review can be found in the table on page 42.

*John Leggate was appointed as a Director on incorporation date (24 August 2018) and became Chair on the same date.
**Duncan Neale and David Stevenson were appointed as Directors on incorporation date.
***Catherine Pitt was appointed as a Director on 1 March 2019.
****In view of the significant additional work involved in the IPO, the Board agreed to pay an additional fee of £5,000 each to Duncan Neale and David Stevenson.

Prior to Catherine Pitt's appointment, the Board as a whole discussed the appropriate fee level and agreed that £40,000 would be appropriate.

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. These agreements are terminable on three months' notice by either side.

The Directors of the Company had the following beneficial interests in the issued Ordinary Shares as at 31 December 2019 and at the date of this report:

Directors	As at the date of this report 24 April 2020	As at 31 Dec 2019
John Leggate	18,875	5,000
Duncan Neale	9,625	5,000
David Stevenson	9,854	9,854
Catherine Pitt	5,000	5,000

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

2020 remuneration
The remuneration levels for the forthcoming year for the Directors of Gresham House Energy Storage Fund plc are expected to be at the current annual fee level.The Board will review Directors' remuneration at least annually to ensure that these are 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 AGM and shareholders will have the opportunity to express their views and raise any queries in respect of the Remuneration Policy at this meeting.

In accordance with the Companies Act 2006, the Company is required to obtain shareholder approval of its remuneration at the forthcoming AGM and at least every three years thereafter.

	Current annual fee £	Fees for period from 24/08/18 to 31/12/19 £	Dividends paid between 24/08/18 to 31/12/19 £	Dividends paid between 01/01/2020 to 31/03/20 £
John Leggate*	65,000	86,667	350	189
Duncan Neale**	45,000	65,000****	175	96
David Stevenson**	40,000	58,333****	224	99
Catherine Pitt***	40,000	26,667	175	50
Total	**190,000**	**236,667**	**924**	**434**

External advisers
The Board has not received any external advice with respect to Remuneration and has not appointed an external remuneration adviser.

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.

Relative importance of spend on pay
As the Company has no employees, the table below comprise the total remuneration costs and benefits paid by the Company during the period. The enable shareholders to assess the relative importance of spend on pay, this has been shown in the table below compared with the Company's dividend distributions and share buy backs. As the Company has no employees, no consideration is required to be given to employment conditions elsewhere in settling Director's pay.

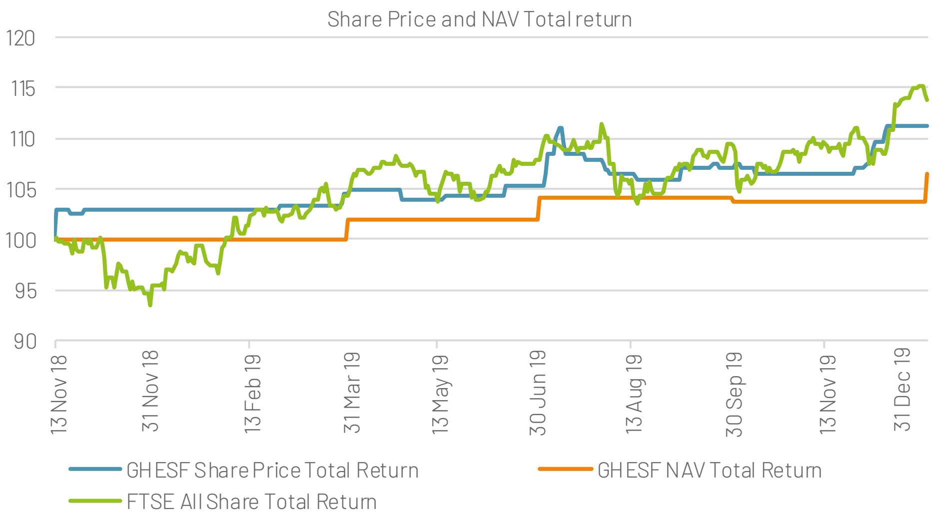
	Payments made during the period from 24/8/18 to 31/12/19
Directors' total remuneration	236,667
Dividends paid	5,244,925
Buy back of Ordinary Shares	-

Performance graph
The graph below represents the Company's performance during the period since the Company's Ordinary Shares were first listed on the London Stock Exchange on 13 November 2018 and shows Ordinary Share price total return and Net Asset Value total return performance on a dividends 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.

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

John Leggate CBE, FREng
Chair
Date: 24 April 2020



Corporate Governance Report

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

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

The Company has complied with the Principles and Provisions of the AIC Code save for the following:

- The Company has not appointed a Senior Independent Director
- The Company does not have a separate Remuneration or Nomination Committee

The Board has determined that it is not necessary to have a separate Remuneration Committee and Nomination Committee due to the size of the Board. The Board will review this requirement in the forthcoming year to determine if separate committees are appropriate and will assist the Board with efficiently dealing with the responsibilities typically expected of these committees. The Board retains the functions of setting remuneration policy and board composition, succession and evaluation.

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

The Company has not appointed a Senior Independent Director as the Board considered this to be unnecessary as the function of a Senior Independent Director is performed by all of the Directors in their support for the Chair and their availability to engage with shareholders on key issues. The Board will review this requirement during the 2020 period.

While the Company's financial period commenced prior to the application date of the 2019 AIC Code, applicable to financial years starting on or after 1 January 2019, the Board considered it appropriate to adopt this code early as this was the code in place for the majority of the Company's financial period.

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 ESS 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 Net Asset Value total return. Further discussion of the Company's strategy has been set out within the Strategic Report on pages 27-34.

The Board seeks to establish a culture of openness and engagement.

The Board has met regularly with the Investment Manager throughout the period in an effort to sustain continuous dialogue on key issues. The Board considers this culture aligned with the strategic purpose of the Company through its growth phase.

Following IPO, the Board's supported the Investment Manager with the deployment of the funds raised into ESS investments in line with the expectations set out in the Company's prospectus. The Board has spent the period building a platform to support the sustainable growth and long-term success of the Company.

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

The Board continuously 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.

Composition, succession and evaluation

Composition

The Company has a Board comprising four 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, as set out in the Board of Directors summary on page 36 have been reviewed and no conflicts of interest with the interests of the Company have been identified. The Board does not consider these interests 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 of the Chair) are shown on page 36.

The Board was selected through the professional network of the Investment Manager in order to achieve an appropriate combination of skills, experience and knowledge. No external search consultants were engaged or paid fees for the recruitment of the Company's first Board.

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

Board evaluation

During the period the Board reflected on its performance and its effectiveness and the Board and its committees and concluded that the Directors have worked well together, and the Committees were effective in the performance of their duties. The Company's policy is to have an externally facilitated Board evaluation at least every three years.

A key challenge identified by the Board during the period was the establishing of key operating processes for open and constructive engagement between the Investment Manager and the Board, including improving ongoing information flow to the Board.

Re-election and succession

John Leggate, David Stevenson and Duncan Neale were appointed to the Board on 24 August 2018. Catherine Pitt was appointed to the Board on 1 March 2019. In accordance with the AIC Code, all Directors are required to retire at the forthcoming AGM, and being eligible, offer themselves for re-election.

While the Board has only been in place for a short time, the Board will continue to monitor the Company's need for appropriate and orderly succession.

Division of responsibilities

Matters reserved to the Board

Full Board meetings take place quarterly and the Board meets or communicates more regularly to address specific issues. The Board has a formal schedule of matters specifically reserved for its decision which includes, but is not limited to: considering 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 also 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 full information on the Company's assets and liabilities and other relevant information requested by the Chair, in advance of each Board meeting.

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

Board Committees

The Board has two committees; the Audit Committee and the Management Engagement Committee. During the period under review, all the Directors of the Company were Non-Executive Independent Directors and served on both committees.

Board and Committee meetings

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

	Quartely Board meetings	Audit Committee	MEC
	(4 held)	(3 held)	(1 held)
John Leggate	4	3	1
Duncan Neale	4	3	1
David Stevenson	4	3	1
Catherine Pitt	4	3	1

During the period the Board held 23 ad hoc Board meetings outside of the regular quarterly Board meetings. These Board meetings were mainly to discuss the progress of investments proposed by the Company and completion of such investments and further fund raising completed by the Company during the period. 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 regular 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
  - Monthly trading data and investment performance
  - Analysis of the Company's financial model, including and updates to key assumptions
  - Risk management and risk mitigation
  - 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

The Board has been focused on developing ongoing and positive communication with the Investment Manager and regular meetings are one way the Board seeks to encourage open and constructive engagement on key issues.

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

The Board reviews potential conflicts of interest at every Board meeting and no significant conflicts of interest have been identified.

Audit, risks and internal control

Audit Committee

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.

The Audit Committee usually meets at least twice a year and operates within clearly defined terms of reference. The Committee met three times during the period.

Principal responsibilities

The principal responsibilities which the Board has delegated to the Audit Committee are:

(i) To monitor the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance

(ii) To review the Company's internal financial controls and the internal control and risk management systems of the Company and its third-party service providers

(iii) To make recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditors

(iv) To approve the remuneration and the terms of engagement of the external auditors

(v) To ensure that the audit services contract is put out to tenure such that the Company complies with the permissible period of tenure and the selection procedure set out in section 489A of the Companies Act 2006

(vi) To review and monitor the Auditors' independence and objectivity and the effectiveness of the audit process

(vii) To develop and implement policy on the engagement of the Auditors to supply non-audit services and taking into account relevant guidance regarding the provision of non-audit services by the Auditors

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

Financial reporting

The Audit Committee is also responsible for reviewing the financial reporting and in providing advice to the Board on whether the Annual Report and Accounts, 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, Auditor and the Audit Committee, which are intended to ensure consistency and overall balance.

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

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 2019, 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.

The Audit 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. In the period ended 31 December 2019 the key issues considered were the accounting and valuation of investments and any impact of the COVID-19 pandemic. There were no issues found in the period ended 31 December 2019.

Key accounting judgements and estimates

The key accounting judgement reviewed by the Audit Committee is the high level of judgement involved in determining the unquoted investment valuations. The Investment Manager's fee is based on the value of the net assets of the Company. 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 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 risks to be appropriate given the strategic objectives of the Company and the commercial risks associated with the Company's investment activities.

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 and ongoing 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.

The Audit and Risk 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:

(i) Review the reports on the internal controls of the Company's service providers which identify the risk managements systems in place for assessing, managing and monitoring risks applicable to such service providers

(ii) Establish a process for identifying, assessing, managing and monitoring the risks which may have a financial impact on the Company

(iii) Review reports on the conclusions of any testing carried out by the Auditors

(iv) Carry out at least annually a robust assessment of the emerging and principal risks facing the Company

(v) Review and approve the statements included in the Annual Report in relation to internal control and the management of risk

The Directors confirm that they have completed an assessment of the Company's emerging and principle risks and the details of this assessment are set out in emerging risks, principal risks and uncertainties assessment on page 30.

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 arrangements by which staff of the Investment Manager and Administrator and other service providers as the Audit Committee sees fit and 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.

The process is to allow concerns to be raised with the Audit Committee Chair on a confidential basis. The Audit Committee Chair is then empowered to conduct an independent investigation, with the support of appropriate service providers, including the Company's Auditor. The Audit Committee Chair, on conclusion of the investigation, will then report back to the Company's Audit Committee, and external authorities or regulators, if required, and the Audit Committee will then make a recommendation, including proposed remedial action and agreed timetable, to the Board.

Any action taken by the Board or the Audit Committee in this regard, will be reported to the Company's shareholders in the Annual Report.

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

The Audit Committee has reviewed the engagement of the external auditor on the supply of non-audit services in order to that the independence of the External Auditor is maintained, taking into account the relevant regulations and ethical guidance in this regard.

The Company's Auditor provided non-audit services during the period. These related to audit work on the initial accounts which were assurance related services and on this basis the Audit Committee is satisfied that the External Auditors independence has been maintained throughout the period.

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

Management Engagement Committee

The Management Engagement Committee is chaired by John Leggate and its responsibilities are to:

(i) Monitor and evaluate the Investment Manager's performance (and, if necessary, provide appropriate guidance) including compliance by the Investment Manager with the terms of the Delegated Investment Manager Agreement entered into between the Company and the Investment Manager

(ii) Ensure disclosure in the Annual Report of the Investment Manager's overall performance

(iii) Consider the merit of obtaining, on a regular basis, an independent appraisal of the Investment Manager

(iv) Require the Investment Manager to provide attribution and volatility analyses and consider whether it should be published at least annually

(v) Review at least annually the continued retention of the Investment Manager's services

(vi) Review the level and method of remuneration and the notice period. Due weight should be given to the competitive position of the Company against its peer group

(vii) Consider whether the annual fee should be based on gross assets, net assets or market capitalisation

(viii) Ensure that the Investment Manager has an appropriate risk management and internal control system designed to safeguard the shareholders' investment and the Company's assets

(ix) Produce a disclosure statement to be included in the Company's Annual Report about its activities (including an overview of the review of the effectiveness of the Investment Manager's risk management and internal control systems designed to safeguard the shareholders' investment and the Company's assets)

The Committee also reviews the performance of other service providers to the Company and makes recommendation to the Board, including:

(i) Reviewing and considering the appointment and remuneration of service providers to the Company

(ii) Considering any points of conflict which may arise between the providers of services to the Company

Statement on Investment Manager's risk management and internal controls

During the period the Board has reviewed and has received appropriate evidence of the Investment Manager's risk management and internal control systems and the Board is satisfied that this framework is fit for purpose and appropriately designed to safeguard the shareholder's investment and the Company's assets.

The Board and the Audit Committee will continue to review the Investment Manger's risk management and internal control systems regularly and at least annually.

Financial reporting

The Directors' responsibilities statement for preparing the accounts is set out in the Directors' Report on pages 37-40 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's report on pages 49-52.

Relations with shareholders

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by shareholders during the course of the period, or to meet with major shareholders if so requested.

During the period the Company's shareholders were focused on the Company's ability to deploy the funds raised at IPO and at subsequent fund raisings. 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 that are available on the Gresham House's website. There were no specific actions arising from the Company's interactions with shareholders in the period.

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

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 on in the Remuneration Report on pages 41-42.

Compliance with the 2019 AIC Code

Board leadership and company purpose

Principle A – A successful company is led by an effective Board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

Strategic Report, pages 27-34

Board Leadership and company purpose, page 43

Principle B – The Board should establish the Company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.

Strategic Report, pages 27-34

Board Leadership and company purpose, page 43

Principle C – The Board should ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Principal Risk and Uncertainties, page 30

Stakeholder Engagement and Statement Under Section 172, page 33

Audit, Risk and Internal Controls, page 46

Audit Committee report, pages 45-46

Principle D – In order for the Company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.

Stakeholder Engagement and Statement Under Section 172, page 33

Board Leadership and company purpose, page 43

Division of responsibilities
Principle F – The Chair leads the Board and is responsible for its overall effectiveness in directing the Company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive Board relations and the effective contribution of all Non-Executive Directors, and ensures that Directors receive accurate, timely and clear information.
Chair's Statement, pages 11-14
Board leadership and company purpose, page 43
Division of responsibilities, page 44

Principle G – The Board should consist of an appropriate combination of Directors (and, in particular, independent Non-Executive Directors) such that no one individual or small group of individuals dominates the Board's decision making.
Division of responsibilities, page 44
Biographies, page 36

Principle H – Non-Executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third party service providers to account.
Board leadership and company purpose, page 43
Division of responsibilities, page 44
Audit Committee report, pages 45-46
Management Engagement Committee report, pages 46-47

Principle I – The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.
Division of responsibilities, page 44

Composition, succession and evaluation
Principle J – Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
Directors' Report, pages 37-40

Principle K – The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.
Directors' Biographies, page 36

Principle L – Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively.
Directors' Report, pages 37-40

Audit, risk and internal control
Principle M – The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.
Audit, risk and internal control, page 46
Audit Committee Report, pages 45-46
Notes 2 and 3 to the Financial Statements, pages 57-58

Principle N – The Board should present a fair, balanced and understandable assessment of the Company's position and prospects.
Strategic report, pages 27-34
Audit, risk and internal control, page 46
Audit Committee report, pages 45-46
Independent auditor's report, pages 49-52
Financial Statements, pages 53-56

Principle O – The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.
Principal risks and uncertainties, page 30
Viability statement, pages 32-33
Audit, risk and internal control, page 46
Audit Committee report, pages 45-46
Directors' Report, pages 37-40
Notes to the Financial Statements pages 57-76

Remuneration
Principle P – Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.
Strategic report, pages 27-34
Board leadership and company purpose, page 43
Remuneration Committee report, pages 41-42

Principle Q – A formal and transparent procedure for developing policy on remuneration should be established. No Director should be involved in deciding their own remuneration outcome.
Director's Remuneration Report, pages 41-42

Principle R – Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.
Director's Remuneration Report, pages 41-42

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

John Leggate CBE, FREng
Chair
Date: 24 April 2020

Report of the Independent Auditor to the Directors of Gresham House Energy Storage Fund plc

Opinion

We have audited the Financial Statements of Gresham House Energy Storage Fund plc (the Company) for the period ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the Financial Statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the Company's profit for the period then ended
- The Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

(i) the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or

(ii) the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Key audit matters

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

Valuation of unquoted investments

As detailed in Note 12 the Company owns an investment portfolio of unquoted equity and loan investments, which as described in the accounting policy in Note 5 are held at fair value in the Company Financial Statements.

The valuation of investments is a subjective accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager, who is remunerated based on the Net Asset Value (NAV) of the Company.

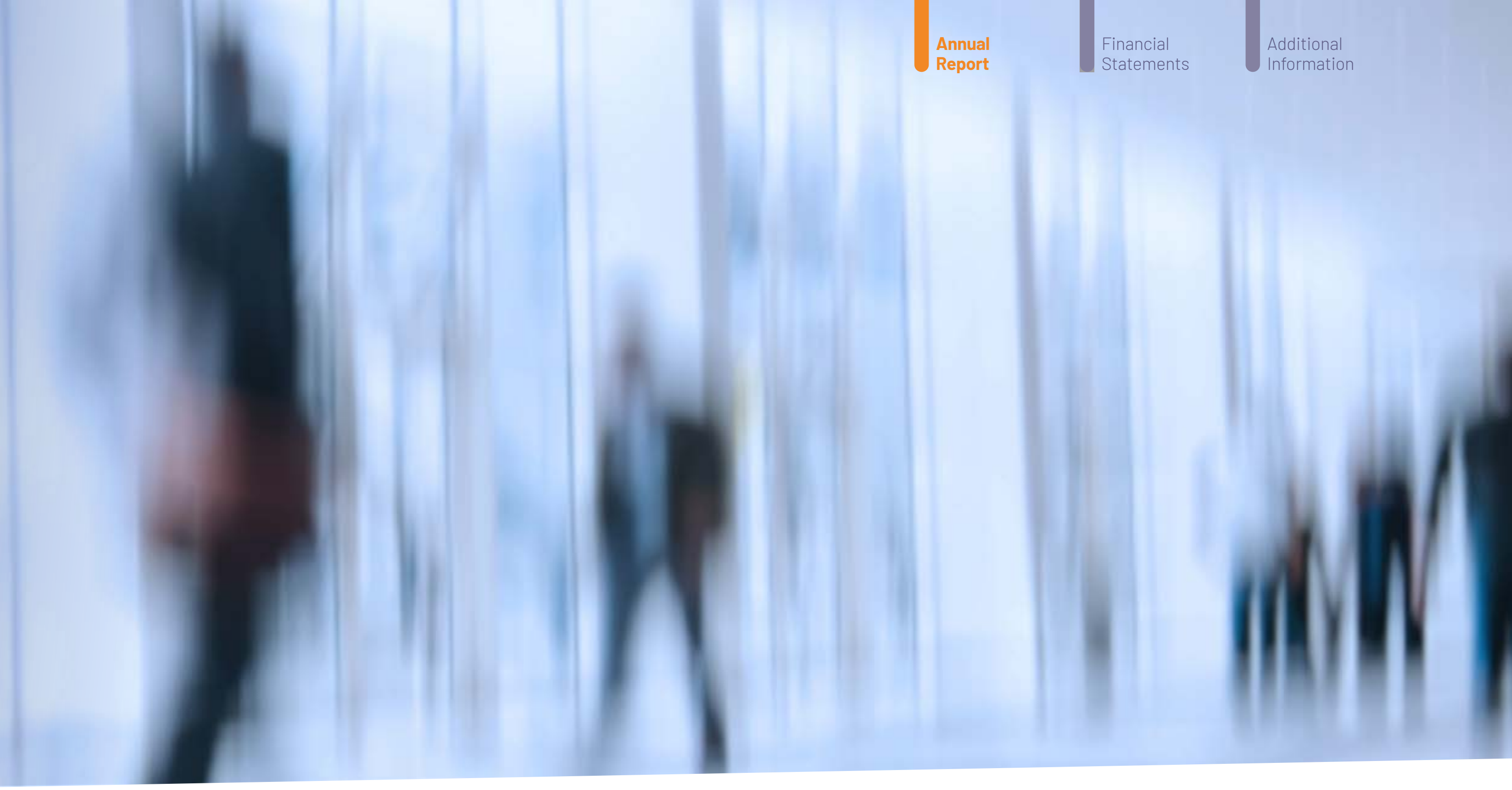
The Company has engaged an independent expert valuer to help mitigate that risk.

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 power prices, changes in energy production and changes in the economic, legal and taxation or regulatory environment. 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.

Our response

Our procedures in relation to management's valuation of the Investment include:

- 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 in their scope

- Challenged the appropriateness of the selection and application of key assumptions in the discounted cash flow model including discount rate, energy yield, power price, inflation rate and asset life by benchmarking to available industry data and consulting with our internal valuation specialists
- Agreed energy yield, power price, inflation rate and asset life used in the model to independent reports
- For new investments we obtained and reviewed all key agreements and contracts and considered if they were accurately reflected in the valuation model
- Agreed period end working capital adjustments to cash and other net assets to bank statements and investee company management accounts
- We critically evaluated and challenged management's assessment as to the recoverability of the loan investments, through review of the underlying operations
- We vouched to loan agreements and verified the terms of the loan

Key observation
Based on the audit procedures performed, we found the assumptions made by management in relation to the valuation were supported by available evidence.

Adequate consideration of COVID-19 on going concern and as a subsequent event
The uncertainty surrounding the impact of COVID-19 and the global economic outlook requires that the Directors give due consideration to how these recent events may impact the Company's ability to continue as a going concern and that the respective disclosure in the Financial Statements are adequate.

The Directors have prepared a 12 month cash flow forecast and have assessed the Company's viability for a period of three years. The forecasts support the going concern and longer-term viability assessment made, and that there is no issue.

The Company also needs to consider if these recent events should be reflected in the valuation of the Company's assets and liabilities. The Directors have concluded that these conditions did not exist at the balance sheet date and should be treated as a non-adjusting post balance sheet event.

How we addressed the key audit matter

- We obtained management's forecasts and viability assessment and assessed the reasonableness of management's forecasts and the appropriateness of the inputs
- We agreed the cash balances at 31 December 2019 and 31 March 2020 to bank statements
- We challenged the assumption on operating costs, in particular transaction costs included in the model, by comparing these to current period actual costs and contractual arrangements
- We challenged the assumptions regarding inflows from the underlying investment in the form of interest and agreed them to underlying contractual arrangements
- We challenged the assumptions around additional investments and confirmed commitments to contractual arrangements
- We requested that management apply a stress test considering plausible downside scenarios due to COVID-19 and considered the appropriateness through our knowledge of the client and industry of the assumptions made
- We requested that management include additional disclosure in relation to going concern and the viability statement in the Annual Report and we reviewed these disclosures
- In respect of the classification as a non adjusting event we considered the requirements of IAS 10 events after the reporting period

Key observation
The disclosures regarding going concern in the Chair's statement, strategic report and Director's report and notes to the Financial Statements reflect the key judgement that the Directors and Management have made in their going concern assessment.

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.

The materiality for the Financial Statements as a whole was set at £2,100,000. Our basis for the determination of materiality was the investment value; this is considered to be the benchmark of the Company's financial performance, due to it being an investment entity. The benchmark percentage for calculating materiality has been set up at 1.5%.

This materiality level was used to determine the financial statement areas that are included within the scope of our audit work and the extent of sample sizes during the audit.

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

Performance materiality was set at 65% of the above materiality level.

ISAs (UK) also allow the auditor to set a lower materiality for particular classes of transactions. Balances or disclosures for which misstatements of lesser amounts than materiality for the Financial Statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements. In this context we set a lower level of materiality of £0.3 million for the purpose of testing transactions and balances which impact on the Company's realised return. This lower level of materiality represents approximately 10% of the profit for the period.
We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of £30,000. We also agreed to report differences below these thresholds that, in our view warranted reporting on qualitative grounds.

No revisions were made to materiality levels during the course of the audit.

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Company and its environment and assessing the risks of material misstatement in the Financial Statements at the Company level.

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

As part of the audit gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Company level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations where non-compliance might have a material effect on the Financial Statements, including, but not limited to, the Companies Act 2006, and tax legislation. We also considered the risks of non-compliance with laws and regulations related to environmental and social matters.

Our audit approach included;

- Agreeing the Financial Statement disclosures to underlying supporting documentation to assess compliance with relevant laws and regulations
- Enquiring with management, the Board and the Audit Committee concerning actual and potential legal claims
- Addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

There are inherent limitations in the audit procedures described above 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 would become aware of it.

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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the Directors'

Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- The information given in the Strategic Report and the Directors' Report for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- Adequate accounting records have not been kept by the Company
- 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
- The part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the AIC Code specified for our review
- Certain disclosures of Directors' remuneration specified by law are not made
- 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 set out on page 38, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors in December 2019 to audit the Financial Statements for the period ending 31 December 2019. The period of total uninterrupted engagement is 1 year, covering the period ending 2019.

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

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

Use of our report

This report is made solely to the Company's shareholders, 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 shareholders 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's shareholders 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
55 Baker Street, London, United Kingdom

24 April 2020

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

Statement of Comprehensive Income

For the period from 24 August 2018 (incorporation date) to 31 December 2019

Company number 11535957

	Notes	Revenue (£)	Capital (£)	Total (£)
Net gain on investments at fair value through the profit and loss	7	5,306,389	6,226,732	11,533,121
Interest on loans to related parties	8	203,364	-	203,364
Bank interest		284,452		284,452
Other income		52,836	-	52,836
Total income		5,846,589	6,226,732	12,073,321
Administrative and other expenses				
Transaction fees		-	(1,266,301)	(1,266,301)
Legal and professional fees		-	(836,000)	(836,000)
Other administrative expenses	9	(2,279,026)	-	(2,279,026)
Total administrative and other expenses		(2,279,026)	(2,102,301)	(4,381,327)
Profit before tax		**3,567,563**	**4,124,431**	**7,691,994**
Taxation	10	-	-	-
Profit and total comprehensive income for the period		**3,567,563**	**4,124,431**	**7,691,994**
Earnings per Ordinary Share (basic and diluted) - pence per Ordinary Share	11	3.07	3.55	6.62

The total column of this statement is the Statement of Comprehensive Income of the Company prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The supplementary revenue return and capital columns have been prepared in accordance with the Association of Investment Companies Statement of Recommended Practice (AIC SORP).

The Notes on pages 57 to 76 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 December 2019

Company number 11535957

	Notes	31 December 2019 (£)
Non-current assets		
Investments in subsidiaries at fair value through profit or loss	12	138,203,407
		138,203,407
Current assets		
Cash and cash equivalents	14	52,905,852
Restricted cash	15	10,843,595
Trade and other receivables	16	267,001
Loans receivable	13	6,109,952
		70,126,400
Total assets		208,329,807
Current liabilities		
Trade and other payables	17	(2,450,447)
		(2,450,447)
Total net assets		205,879,360
Shareholders' equity		
Share capital	22	2,042,707
Share premium	22	104,380,109
Capital reduction reserve	22	91,764,550
Capital reserves	24	4,124,431
Revenue reserves	24	3,567,563
		205,879,360
Total shareholders equity		205,879,360
Net Asset Value per Ordinary Share (pence)	21	100.79

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

Chair
Date: 24 April 2020

The Notes on pages 57 to 76 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the period from 24 August 2018 (incorporation date) to 31 December 2019

	Note	Share capital (£)	Share premium reserve (£)	Capital reduction reserve (£)	Capital reserves (£)	Revenue reserves (£)	Total shareholders equity (£)
As at 24 August 2018		–	–	–	–	–	–
Comprehensive income for the period		–	–	–	–	–	–
Profit for the period		–	–	–	4,124,431	3,567,563	7,691,994
Total comprehensive income for the period		–	–	–	4,124,431	3,567,563	7,691,994
Transactions with owners							
Ordinary Shares issued at a premium during the period	22	2,042,707	204,663,703	–	–	–	206,706,410
Share issue costs	22	–	(3,274,119)	–	–	–	(3,274,119)
Issue of redeemable preference shares	22	12,500	–	–	–	–	12,500
Redemption of redeemable preference shares	22	(12,500)	–	–	–	–	(12,500)
Transfer to capital reduction reserve	22	–	(97,009,475)	97,009,475	–	–	–
Dividends paid	22	–	–	(5,244,925)	–	–	(5,244,925)
As at 31 December 2019	22	**2,042,707**	**104,380,109**	**91,764,550**	**4,124,431**	**3,567,563**	**205,879,360**

The total distributable reserves available at 31 December 2019 are £99,456,544.

The Notes on pages 57 to 76 form an integral part of these Financial Statements.

Statement of Cash Flow

For the period from 24 August 2018 (incorporation date) to 31 December 2019

	Note	24 August 2018 to 31 December 2019 (£)
Cash flows used in operating activities		
Profit for the period		7,691,994
Net gain on investments at fair value through the profit and loss	12	(11,533,121)
Interest income		(487,814)
Transaction fees and legal costs on acquisitions		2,102,301
Increase in trade and other receivables		(267,001)
Increase in trade and other payables		679,390
Net cash used in operating activities		**(1,814,251)**
Cash flows used in investing activities		
Acquisition of equity in subsidiaries	23	(12,575,280)
Loans made to subsidiaries	23	(74,162,215)
Transaction fees and legal costs on acquisitions		(2,102,301)
Loans receivable	13	(5,906,588)
Outflow to restricted cash	15	(10,843,595)
Bank interest received		284,452
Net cash used in investing activities		**(105,305,527)**
Cash flows used in financing activities		
Proceeds from issue of Ordinary Share at a premium	23	168,544,674
Share issue costs		(3,274,119)
Issue of redeemable preference shares		12,500
Redemption of redeemable preference shares		(12,500)
Dividends paid		(5,244,925)
Net cash inflow from financing activities		**160,025,630**
Net increase in cash and cash equivalents for the period		**52,905,852**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		**52,905,852**

The Notes on pages 57 to 76 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the period from 24 August 2018 (incorporation date) to 31 December 2019

1. General information

Gresham House Energy Storage Fund plc (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. The Company's principal activity is to invest in a diversified portfolio of operating utility-scale Energy Storage Systems (ESS), which utilise batteries and may also utilise generators. The ESS projects comprising the portfolio are located in diverse locations across Great Britain. These Annual Financial Statements cover the period from incorporation to the 31 December 2019, as such there are no comparatives.

2. Basis of preparation

Statement of compliance

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the European Union, and in accordance with the Companies Act 2006 as applicable to companies using IFRSs. The Financial Statements have been prepared on a historical cost basis except for financial assets at fair value through the profit or loss.

Where presentational guidance set out in the Statement of Recommended Practice (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 IFRSs, the Directors have prepared the Annual Financial Statements on a basis compliant with the recommendations of 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

The Directors have considered the impact which the current economic downturn, triggered by COVID-19, could have on the ability of the Company to continue as a going concern. A key risk facing the Company is that investments may not be able to make distributions or pay interest if they are not able to continue to operate the assets or dysfunctional markets affect trading operations.

The Company and the Investment Manager have so far been able to ensure the operational integrity of the projects is maintained particularly in terms of Operations & Maintenance and in terms of all planned commercial activities, including Asset Optimisation and in their view, power generation will remain essential to the UK's infrastructure.

As at 31 March 2020 the Company has cash and cash equivalents of £58.6 million. Even if in a worst case scenario the Company would not receive any further income from its investments for the next 12 months from signing this Annual Report and taking into account all committed payments for running the Company and completing on the acquisition of Thurcroft and Wickham, the Company would have sufficient cash reserves to continue as a going concern.

As such, the Directors have adopted the going concern basis in preparing the Annual Report and Financial Statements.

3. Signicant 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 period the Directors considered the following significant judgements and assumptions:

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 them unless they provided investment related services to the Company and 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
c) The Company measures and evaluates the performance of substantially all 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 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

→ 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

→ A key indicator of whether a Company is an investment entity is the existence of a formal exit strategy. Although there is currently no documented exit strategy, The loans and equity are held on the basis that they will be repaid, and value will be transferred in the form of equity. The assets have a limited life and are not expected to be held indefinitely and the investments including the equity is held at fair value. The Directors consider that there is a clear exit strategy from these investments.

The Directors believe the Company meets the business purpose criteria to invest for capital appreciation and/or income generation, and note that the Company is not required to hold its investments indefinitely.

The Directors are of the opinion that the Company has all the typical characteristics of an investment entity and continues to meet the definition in the standard. This conclusion will be reassessed on an annual basis.

During the period 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 instruments. 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 19 for further details.

4. New and revised standards and interpretations

New and revised standards in issue but not yet effective
The following standard and interpretation have been issued but are not yet effective.

IFRS 16 Leases - specifies how an IFRSs reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This standard is effective for annual periods beginning on or after 1 January 2019 and is endorsed by the European Union.

IFRIC 23 Uncertainty over Income Tax Treatments – provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

The Directors considered the above and are of the opinion that the above standards are not expected to have a material impact on the Company's Financial Statements as the Company does not hold any leases (they are held in the underlying projects).

There are no further standards and interpretations in issue at the reporting date which have been issued but are not yet effective and that are deemed to be material to the Company.

5. Summary of signifiant 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 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. Directly attributable acquisition costs of assets are capitalised on purchase of assets. Costs directly relating to the issue of Ordinary Shares are charged to share premium.

Notes to the Financial Statements

For the period from 24 August 2018 (incorporation date) to 31 December 2019

5. Summary of signifiant accounting policies (continued)

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.

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 is a single corporation tax rate of 19%. Tax is recognised in the profit and loss except to the extent that it relates to the items recognised as direct movements in equity, in which case it is similarly recognised as a direct movement in equity. 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 Company to relieve taxable profits in the Company.

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.

The Company does not have any subsidiaries that provide investment management services and are not themselves investment entities. As a result, the Company does not consolidate any of its subsidiaries.

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
- 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 loans receivable and short term non-financing receivables which include cash and trade and other receivables.

Loans receivable to related parties

Loans receivable are recognised initially at fair value and subsequently stated at amortised cost less impairment. These are held at amortised cost due to the short term nature of the loans, these loans are to project companies owned by Gresham House plc which are included in the exclusivity portfolio. Once these are acquired these will be held at fair value.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, 12 month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and Treasury fixed 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 which is calculated using the provision matrix of the expected credit loss model.

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

Deferred consideration
Deferred consideration relates to consideration payable in terms of the purchase price stated in the Sale and Purchase Agreement (SPA) and 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) 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.

The Company includes in this category equity instruments including investments in subsidiaries (which comprises both debt and equity). There are no consolidated subsidiaries.

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.

Recognition and derecognition
Financial assets are derecognised on the date on which the Company commits to purchase or 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 a financial liability when the obligation under the liability is discharged, cancelled or expired.

Impairment of other financial assets
While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there has been no impairment loss identified. Investments held at fair value through profit or loss are not subject to IFRS 9 impairment requirements.

Dividends
Dividends are recognised when they become legally payable, as a reduction in equity in the Financial Statements. Interim equity dividends are recognised when 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. The Company's capital is represented by the Ordinary Shares, Share Premium (until cancellation), Retained Earnings and Capital Reduction Reserve.

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. The share premium was cancelled during the period and transferred to the capital reduction reserve.

Revenue Reserves
The revenue net profit arising in the Statement of Comprehensive Income is added to or deducted from this reserve which is a distributable reserve.

Notes to the Financial Statements

For the period from 24 August 2018 (incorporation date) to 31 December 2019

5. Summary of signifiant accounting policies (continued)

Capital Reserves

The capital reserve comprises of increases and decreases in the fair value of investments held at the period end, gains and losses on the disposal of investments, transaction and legal fees.

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, 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 (refer to Note 22). The capital reduction reserve is classed as a distributable reserve and dividends to be paid by the Company may be offset against this reserve.

Deferred consideration

Deferred consideration is initially recognised as at fair value and subsequently stated at amortised cost with changes during the period recognised 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 takes into account 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.

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 £200 million. An ad valorem fee based on total assets of the Company which exceed £200 million will be applied as follows:

→ 0.04% on the Net Asset Value of the Company in excess of £200 million

During the period, expenses incurred with JTC (UK) Limited for administrative and secretarial services amounted to £153,925 with £28,750 being outstanding and payable at the period 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 £250 million of the Net Asset Value of the Company

→ 0.9% on the Net Asset Value of the Company in excess of £250 million and up to and including £500 million

→ 0.8% on the Net Asset Value of the Company in excess of £500 million

During the period, Investment Manager fees amounted to £1,571,270 with no outstanding payable amount at the period end.

7. Net gain on investments at fair value through the profit and loss	**24 August 2018 to 31 December 2019 (£)**
Unrealised gain on investments at fair value through the profit and loss (Note 12)	6,226,732
Interest on loans to subsidiaries (Note 12)	5,306,389
	11,533,121

8. Interest on loans to related parties	**24 August 2018 to 31 December 2019 (£)**
Interest on loans to related party (Note 13)	203,364
	203,364

9. Administrative and other expenses	**24 August 2018 to 31 December 2019 (£)**
Administration fees	153,925
Audit fees	62,000
Non audit fees	48,000
Depositary fees	36,443
Directors remuneration	265,442
Investment Manager fees	1,571,270
Sundry expenses	141,946
	2,279,026

10. Taxation

The Company is recognised as an Investment Trust Company (ITC) for the accounting period and is taxed at the main rate of 19%. To ensure the most efficient tax structure for the Company, the Company may deem dividends paid in respect of the period to 31 December 2019 to have been, in whole or in part, interest distribution. This will reduce taxable profits to nil due to the taxable profits for the period to 31 December 2019 being eliminated by the interest distribution. If the Company makes such an election, the recipients of relevant dividends will be notified by the Registrar.

		24 August 2018 to 31 December 2019 (£)
(a) Tax charge in profit or loss		
UK corporation tax		-
(b) Reconciliation of the tax charge for the period		
Profit before tax		7,691,994
Tax at UK main rate of 19%	19.00%	1,461,479
Tax effect of:		
Unrealised gain on investments at fair value through the profit and loss	(15.38)	(1,183,079)
Non-deductible expenses	5.19	399,437
Subject to group relief/designated as interest distributions	(8.81)	(677,837)
Tax charge for the period	-%	-

Notes to the Financial Statements

For the period from 24 August 2018 (incorporation date) to 31 December 2019

11. 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 Earnings per Ordinary Share are identical.

	Revenue (£)	Capital (£)	24 August 2018 to 31 December 2019 (£)
Net profit attributable to ordinary shareholders	3,567,563	4,124,431	7,691,994
Weighted average number of Ordinary Shares for the period	116,184,609	116,184,609	116,184,609
Profit per Ordinary Share (basic and diluted) – pence per Ordinary Share	3.07	3.55	6.62

Excluding the period prior to the initial public offering on 13 November 2018, the EPS for the period would be 5.54 pence (based on 138,916,380 weighted average Ordinary Shares).

12. Investment in subsidiaries

	Place of business	Percentage ownership	Equity (£)	Loans: principal advanced (£)	Equity and loans (£)	Net fair value movement (£)	Closing balance: equity and loans (£)
Noriker Staunch Ltd (NSL)	England & Wales	100%	7,150,538	15,895,774	23,046,312	3,957,040	**27,003,352**
HC ESS2 Holdco Limited (HCESS2)	England & Wales	100%	4,634,116	25,025,110	29,659,226	(2,042,637)**	**27,616,588**
HC ESS3 Limited (HCESS3)	England & Wales	100%	1,648,697	15,539,520	17,188,217	2,709,942	**19,898,159**
West Midlands Grid Storage Two Limited (WMGS)	England & Wales	100%	37,701	4,052,749	4,090,450	(19,861)	**4,070,589**
Cleator Battery Storage Limited (Cleator)	England & Wales	100%	1,954,436	4,596,159	6,550,595	141,394**	**6,691,989**
Glassenbury Battery Storage Limited (Glassenbury)	England & Wales	100%	7,817,744	16,729,612	24,547,356	6,095,156**	**30,642,513**
HC ESS4 Limited (HCESS4)*	England & Wales	100%	3,800,399	17,787,731	21,588,130	692,087	**22,280,217**
			27,043,631	99,626,655	126,670,286	11,533,121	**138,203,407**

The net fair value movement comprises the following:

	(£)
Interest accrued on loans (Note 7)	5,306,389
Unrealised gain on investments (Note 7)	6,226,732
	11,533,121

In accordance with the amended and restated Sale and Purchase Agreement (SPA) dated 5 November 2018, the Company advanced funds to NSL, HCESS2, and HCESS3 in order for the subsidiaries to repay their outstanding debts. The Company also advanced funds to WMGS, Cleator, Glassenbury and HCESS4 in accordance with the respective SPAs for each of the investments. The transaction costs associated with these investments are disclosed in the Statement of Comprehensive Income.

The total principal amounts of the loans advanced on 13 November 2018, 24 June 2019, 26 June 2019, 1 July 2019, 20 August 2019, 13 December 2019 and 31 December 2019 are detailed in the on page 63. Further amounts may be advanced from time to time at the discretion of the Company and on the same terms set out in this agreement.

*The loans were advanced to HCESS4 on 24 June 2019, 26 June 2019 and 1 July 2019, however the project was completed and handed over on 31 December 2019 whereby the Company acquired the investment as per the SPA.

**An amount of £6.7 million has been transferred from HCESS2 to Glassenbury as a result of the Littlebrook upgrade plans being cancelled and has been moved instead to the spare space at Glassenbury (referred to as Glassenbury B) where the equipment purchased will be put to work. The Glassenbury B value had subsequently decreased with a corresponding increase in HCESS2 by £1.13 million which reflects a loan amount that Glassenbury B owes Littlebrook for batteries held on the subsidiaries balance sheet. The purchases for both Glassenbury and Cleator took place close to the period end therefore held at cost plus the remaining uplifts in value which relates to working capital improvements since the acquisition of these assets.

The loans attract an interest rate of 8% per annum from the date of advance. Interest compounds on 31 December of each period and the loans are unsecured, with the borrowers not able to create any form of security interest over any of its assets without prior written consent of the Company.

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.

There are no committed uncalled loan amounts or other commitments made to these entities except for contingent consideration payable as provided in these accounts. The repayment of the loans (including the annual compound interest which will be rolled up into the loans) will be made based on operational cash flow requirements of these entities. There is no intention for the Company to recall the loans within the next year.

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 and there are no restrictions in place in passing monies up the structure.

	Immediate parent	Projects	Place of business	Percentage ownership	Ownership
Noriker Staunch Ltd (NSL)	The Company	Staunch	England & Wales	100%	Wholly owned
HCESS2*	HCESS2 Holdco		England & Wales	100%	Wholly owned
South West Grid Storage One Limited*	HCESS2	Littlebrook, Lockleaze, Rufford	England & Wales	100%	Wholly owned
Roundponds Energy Limited	HCESS3	Roundponds	England & Wales	100%	Wholly owned
WMGS	The Company	Wolverhampton	England & Wales	100%	Wholly owned
Glassenbury	The Company	Glassenbury	England & Wales	100%	Wholly owned
Cleator	The Company	Cleator	England & Wales	100%	Wholly owned
HCESS4	The Company	Red Scar	England & Wales	100%	Wholly owned

* HCESS2 Holdco controls HCESS2 which in turn hold an interest in project companies under South West Grid Storage One Limited as disclosed in the table above. This includes the Littlebrook, Lockleaze and Rufford projects.

The registered office address for all projects is Gresham House Asset Management Limited, 5 New Street Square, London, England, EC4A 3TW.

Refer to Note 19 for valuation disclosures relating to the investments in subsidiaries.

Notes to the Financial Statements

For the period from 24 August 2018 (incorporation date) to 31 December 2019

13. Loans receivable

	Loans: principal advanced (£)	Loans: interest accrued (£)	31 December 2019 Closing balance: loans (£)
HC ESS 6 Limited (HCESS6)	3,606,018	150,169	**3,756,187**
Biggerbrook Limited (Biggerbrook)	1,762,070	44,225	**1,806,295**
HC ESS 7 Limited (HCESS7)	538,500	8,970	**547,470**
	5,906,588	203,364	**6,109,952**

The above loans relate to funds provided by the Company to finance ESS Projects prior to acquisition thereof, so that these Projects can acquire equipment prior to construction. These assets are therefore still under development at the period end. The loans are expected to be converted into shareholder loans during the course of 2020 (HCESS6 and HCESS7 targeted by end of Q2 and Biggerbrook targeted in Q3). These loans have been classified as current assets on the Statement of Financial Position at the period end.

The loans attract an interest rate of 8% per annum from the date of advance, which is 25 June 2019 for HCESS6; 2 September 2019 and 17 October 2019 for Biggerbrook; and 17 October 2019 for HCESS7. 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. Interest compounds on 31 December of each period and the loans are secured over the various assets in these companies. HCESS6 Limited and HCESS7 Limited are ultimately owned by Gresham House plc and Noriker Power Limited. Biggerbrook Limited is owned by Corylus Capital LLP.

14. Cash an cash equivalents

	31 December 2019 (£)
Cash at bank	13,705,852
Treasury fixed term deposits held at Barclays Bank plc	39,200,000
	52,905,852

15. Restricted cash

	31 December 2019 (£)
Restricted cash	10,843,595
	10,843,595

A deposit is held in an escrow account that requires two signatures to access it, one of which is from a third party. This restriction is so severe that the deposit is unlikely to meet the definition of cash and cash equivalents. It is excluded from cash and cash equivalents in the balance sheet, and it is not shown as cash and cash equivalents within the cash flow statement.

16. Trade and other receivables

	31 December 2019 (£)
Management fees	52,386
VAT receivable	214,615
	267,001

17. Trade and other payables

	31 December 2019 (£)
Administration fees	28,750
Advisor and broker fees	30,246
Audit fees	58,000
Depositary fees	3,000
Accrued IPO costs	14,000
Professional fees	274,918
Other accruals	270,476
Other creditor: Corylus (Note 23)	79,158
Other creditor: Gresham House plc (Note 23)	656,899
Deferred consideration for HCESS4 (Red Scar)* (Note 23)	1,035,000
	2,450,447

*This relates to the outstanding portion payable for acquisition of the subsidiary at period end if certain performance targets are met. These performance targets are not disclosed as they are commercially sensitive.

18. Categories of financial instruments

	31 December 2019 (£)
Financial assets	
Financial assets at amortised cost:	
Cash and cash equivalents	52,905,852
Restricted cash	10,843,595
Trade and other receivables	52,386
Loans receivable	
Fair value through profit or loss:	6,109,952
Investment in subsidiaries	138,203,407
Total financial assets	**208,115,192**
Financial liabilities	
Financial liabilities at amortised cost	
Trade and other payables	(2,450,447)
Net financial assets	**205,664,745**

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.

Notes to the Financial Statements

For the period from 24 August 2018 (incorporation date) to 31 December 2019

19. Fair value measurement

Valuation approach and methodology

The Company used the income approach to value its 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 (WACC).

Valuation process

The Company held a portfolio of energy storage investments with a capacity of 174MW operational (the Investments). The Investments comprise nine projects held in six special project vehicles: the Staunch Project, the Littlebrook Project, the Lockleaze Project, the Rufford Project, Roundponds Project, the Wolverhampton Project, the Glassenbury, the Cleator Project and the Red Scar Project.

All of these investments are based in GB. 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. For period end and interim report and Condensed Financial Statements the Company engages external, independent and qualified valuers to determine the fair value of the Company's investments or are produced by the office of the Investment Manager. The Company engages external, independent and qualified valuers to determine the fair value of the Company's investments or are produced by the office of the Investment Advisor. As at 31 December 2019, the fair value of the portfolio of investments has been determined (presented by the Investment Advisor and reviewed by Grant Thornton UK LLP). All other investments are valued by the Investment Advisor.

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 2019, 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.

As at the period end, the Company uses a blended discount rate of around 11.2% in respect of the expected future cashflows of the investment projects. The determination of the discount rate applicable to the portfolio takes into account 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 operate.

It is intended that this blended discount rate will also be applied in respect of the expected future cash flows of projects acquired by the Company in the future. The Investment Manager exercises its judgement in assessing the expected future cash flows from each investment. The Investment Manager produces, for each underlying project, detailed financial models and the Investment Manager takes into account, amongst other things, in its review of such models, and make 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
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
i) changes to revenue, cost or other key assumptions (may include an assessment of future cost trends, as appropriate)

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.

The Company used the income approach to value its 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 (WACC).

Key valuation input	Range	Weighted average
WACC	8.4 - 11.6%	11.2%

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, either 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 maintain total revenue targets.

Sensitivity Analysis
The below table reflects the range of sensitivities in respect of the fair value movements of the Company's investments.

Due to the revenue optimisation strategy sensitivity on power and price is not meaningful given the mix of revenue streams available to maintain value, 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 Dec 2019 (£)
NSL	Staunch	DCF	Discount rate	+1% -1%	(1,869,947) 2,156,727
			Revenue	+10% -10%	1,797,638 (1,819,608)
HC ESS2	Rufford, Lockleaze, Littlebrook**	DCF	Discount rate	+1% -1%	(1,889,713) 2,184,581
			Revenue	+10% -10%	1,073,073 (1,636,324)
HC ESS3	Roundponds	DCF	Discount rate	+1% -1%	(1,482,850) 1,742,053
			Revenue	+10% -10%	1,411,084 (1,406,708)
WMGS	Wolverhampton	DCF	Discount rate	+1% -1%	(280,675) 322,860
			Revenue	+10% -10%	356,813 (361,689)
Cleator	Cleator	FV*	N/A	N/A	N/A
Glassenbury	Glassenbury	FV*	N/A	N/A	N/A
	Glassenbury B**	DCF	Discount rate	+1% -1%	(930,937) 1,079,622
			Revenue	+10% -10%	835,207 (836,017)
HC ESS4	Red Scar	FV*	N/A	N/A	N/A

* Investment was acquired during December 2019 therefore held at cost at the period end.
** Littlebrook upgrade plans has been cancelled and moved instead to the spare space at Glassenbury (referred to as Glassenbury B). Refer to Note 12. Due to cancelling the upgrade plans the approach to Littlebrook has changed from targeting trading revenues from the start of the 2020 year onwards to simply running for FFR only which attracts lower revenues.

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.

Notes to the Financial Statements

For the period from 24 August 2018 (incorporation date) to 31 December 2019

19. Fair value measurement (continued)
The fair value hierarchy of financial instruments measured at fair value is provided below.

31 December 2019	Level 1 (£)	Level 2 (£)	Level 3 (£)
Investment in subsidiaries	-	-	138,203,407
	-	-	**138,203,407**

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 below. No transfers between levels took place during the period.

Reconciliation	31 December 2019 (£)
Opening balance	-
Add: purchases during the period (Note 12)	27,043,631
Add: loans advanced (Note 12)	99,626,655
Add: accrued interest on loans (Note 12)	5,306,389
Total fair value movement through the profit or loss (Note 12)	6,226,732
Closing balance	138,203,407

20. 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 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, or 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 (i.e. warranty claims) or require the Company to seek alternative counterparties, this may materially adversely impact the investment returns. 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 in energy storage infrastructure, which will principally operate in GB. This means that the Company has a significant concentration risk relating to the UK 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 and consequently the Net Asset Value and may materially and adversely affect the performance of the Company and returns to shareholders.

The Fund's ESS projects generate revenues primarily from FFR, Asset Optimisation (Trading), Capacity Market (CM) and other grid connection-related charges, including TRIADS. Revenues from the portfolio's seed ESS projects are currently 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 2020, operations are expected to be 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. As a result, generation from wind is having a growing impact on the grid, generating a volatile supply of energy which underpins the opportunity for ESS.

→ 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 A1.

Investments held at fair value through profit or loss are not subject to IFRS 9 impairment requirements. The loans with subsidiaries approximate fair value.

Loans receivable fall within the scope of IFRS 9. Based on the analysis the expected credit loss on trade and other receivables and loans 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 may include debt funding.

ESS 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 ESS Project.

The Company does intend to assess its ability to raise debt and is expected to introduce leverage (at the Company level and/or the ESS Project Company level) once sufficient assets have been acquired and 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 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 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 Projects.

The Company's only financial liabilities are trade and other payables. The Company has sufficient cash reserves to cover these in the short-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.

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For the period from 24 August 2018 (incorporation date) to 31 December 2019

20. Financial risk management (continued)
The following table reflects the maturity analysis of financial assets and liabilities.

As at 31 December 2019	<1 year (£)	1 to 2 years (£)	2 to 5 years (£)	>5 years (£)	Total (£)
Financial assets					
Cash and cash equivalents (Note 14)	52,905,852	-	-	-	52,905,852
Restricted cash (see Note 15)	10,843,595	-	-	-	10,843,595
Trade and other receivables (Note 16)	52,386**	-	-	-	52,386
Loans receivable	6,304,087***	-	-	-	6,304,087
Fair value through profit or loss:					
Investment in subsidiaries	-	-	-	104,933,044*	104,933,044
Total financial assets	**70,105,920**	-	-	**104,933,044**	**175,038,964**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables (Note 17)	2,450,447	-	-	-	2,450,447
Total financial liabilities	**2,450,447**	-	-	-	**2,450,447**

*excludes the equity portion of the investment in subsidiaries
**excludes VAT
***calculated maturity amount

→ 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 2019, the valuation basis of the Company's investments was valued at market value. This investment is driven by market factors. Refer to the Investment Manager's Report for assessing the impact of market risk on the valuation of the investments. The Company relies on market knowledge of the Investment Manager, the valuation expertise of the third party valuer Grant Thornton 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 19 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. Bank deposits and Treasury fixed term deposits carry a fixed rate of interest for a definite period and 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 as this could impact the discount rate and therefore the valuation of the projects as well as the fair value of the loan receivables.

→ Currency risk

All transactions and investments during the current period were denominated in Pounds Sterling, thus no foreign exchange differences arose. The Company does not hold any financial instruments at period 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 period 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.

→ Other risks

The Company is exposed to other risks as set out in the Prospectus dated 17 October 2018. Principal and emerging risks and uncertainties are disclosed in the Strategic Report on pages 30-32.

21. Net Asset Value 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 2019
Net assets per Statement of Financial Position	205,879,360
Ordinary Shares in issue as at 31 December 2019	204,270,650
NAV per Ordinary Share – Basic and diluted (pence)	100.79

22. Share capital

	Ordinary Shares number	**Share capital (£)**	**Share premium reserve (£)**	**Capital reduction reserve (£)**	**Total shareholders equity (£)**
Allotted and issued share capital					
Issue of 50,000 redeemable preference shares – one quarter paid up	-	12,500	-	-	12,500
Redemption and cancellation of 50,000 redeemable preference shares	-	(12,500)	-	-	(12,500)
Issue of Ordinary Shares of £0.01 and fully paid at £1 – 13 November 2018	100,000,000	1,000,000	99,000,000	-	100,000,000*
Issue of Ordinary Shares of £0.01 and fully paid at £1 – 31 May 2019	49,228,000	492,280	49,228,000	-	49,720,280
Issue of Ordinary Shares of £0.01 and fully paid at £1 – 17 July 2019	14,610,000	146,100	15,194,400	-	15,340,500
Issue of Ordinary Shares of £0.01 and fully paid at £1 – 17 October 2019	40,432,650	404,327	41,241,303	-	41,645,630
	204,270,650	2,042,707	204,663,703	-	206,706,410
Share issue costs	-	-	(3,274,119)	-	(3,274,119)
Transfer to capital reduction reserve	-	-	(97,009,475)	97,009,475	-
Dividends paid	-	-	-	(5,244,925)	(5,244,925)
As at 31 December 2019	**204,270,650**	**2,042,707**	**104,380,109**	**91,764,550**	**198,187,366**

*Please refer to Note 23 for the non-cash flow portion of the share issue.

Share capital and share premium account and capital reduction reserve

On incorporation the Company issued one Ordinary Share of 1 pence which was fully paid up and 50,000 redeemable preference shares of 100 pence each which were paid up to one quarter of their nominal value. These 50,000 redeemable preference shares were subsequently redeemed.

On 6 October 2018, the Company published a prospectus for its initial public offering and the acquisition of the Seed Assets, and a supplementary prospectus was published on 6 November 2018. The prospectus provided for the issue of Ordinary Shares of 1 pence each in the capital of the Company at a price of 100 pence per Ordinary Share. On 13 November 2018, 100,000,000 Ordinary Shares were admitted, raising gross proceeds of £100 million pursuant. On 17 November 2018, the Company's Ordinary Shares were admitted to the Specialist Fund Segment and commenced dealings on the Main Market of the London Stock Exchange.

Notes to the Financial Statements

For the period from 24 August 2018 (incorporation date) to 31 December 2019

22. Share capital (continued)
The consideration received in excess of the par value of the Ordinary Shares issued totalling £99,000,000 was credited to the share premium account.

Following a successful application to the High Court and lodgement of the Company's statement of capital with the Registrar of Companies, the Company was permitted to cancel its share premium account. 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 are to be offset against this reserve.

The Board of Directors announced on 26 April 2019, a proposed non pre-emptive placing of new Ordinary Shares of 1 pence each at an issue price of 101.0 pence per Placing Share to be used for further pipeline acquisitions. The Placing Shares did not rank for the dividend of 1.4 pence per Ordinary Share declared by the Company on 26 April 2019 but will otherwise rank pari passu with the Company's existing Ordinary Shares in issue.

Pursuant to the above placing and on 31 May 2019, the Company issued 49,228,000 Ordinary Shares, raising gross proceeds of £49.72 million.

On 11 July 2019, the Company announced a non-pre-emptive placing of new Ordinary Shares. The Shares were offered at an issue price of 105 pence per Placing Share to provide gross proceeds of £15.34 million.

Pursuant to the above placing on 17 July 2019, the Company issued 14,610,000 Ordinary Shares.

On 3 October 2019, the Company announced a non-pre-emptive placing of new Ordinary Shares at a price of 103 pence per Placing Share.

Pursuant to the above placing, the Company issued 40,432,650 Ordinary Shares on 17 October 2019, raising gross proceeds of £41.6 million.

Dividends
An interim dividend of 1.4 pence per Ordinary Share for the period from inception to 31 March 2019 was announced on 26 April 2019. The dividend of £1,400,000 was paid on 7 June 2019 to shareholders on the register as at the close of business on 17 May 2019. The ex-dividend date was 16 May 2019.

A second dividend of 1.1 pence per Ordinary Share for the period from 1 April 2019 to 30 June 2019 was announced on 8 August 2019. The dividend of £1,802,218 was paid on 20 September 2019 to shareholders on the register as at the close of business on 6 September 2019. The ex-dividend date was 5 September 2019.

On 26 November 2019, a dividend of 1 .0 pence per Ordinary Share for the period from 1 July 2019 to 30 September 2019 was announced. The dividend of £2,042,707 was paid on 20 December 2019 to shareholders on the register as at the close of business on 6 December 2019. The ex-dividend date was 5 December 2019.

On 17 February 2020, a dividend of 1.0 pence per Ordinary Share for the period from 1 October 2019 to 31 December 2019 was announced. The dividend of £2,042,707 was paid on 20 March 2020 to shareholders on the register as at the close of business on 28 February 2020. The ex-dividend date was 27 February 2020.

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.

23. Cash and non-cash flow items

The following table discloses non-cash flow items which is excluded from the statement of cash flows and cash flow items relating to investing and financing activities:

	24 August 2018 to 31 December 2019 (£)
Cash and non-cash flows used in investing activities	
Equity in subsidiaries	
Total equity in subsidiaries (Note 12)	27,043,631
Purchase of investments in equity (Non-cash flow*)	(13,433,351)
Deferred consideration (Note 17)	(1,035,000)
Cash flows used in acquisition of equity in subsidiaries	12,575,280
Loans to subsidiaries	
Total loans made to subsidiaries (Note 12)	99,626,655
Loans made to subsidiaries (Non-cash flow*)	(24,728,383)
Other creditors (Note 17)	(736,057)
Cash flows used in loans made to subsidiaries	74,162,215
Cash and non-cash flows used in financing activities	
Total Ordinary Shares issued (Note 22)	206,706,410
Proceeds from issue of Ordinary Shares at a premium (Non-cash flow*)	(38,161,736)
Cash flow proceeds from issue of Ordinary Shares	168,544,674

*These non-cash flow transactions were in respect of the shares issued at IPO in order to acquire the Seed Assets.

24. Reserves

The nature and purpose of each of the reserves included within equity at 31 December 2019 are as follows:

- Capital reduction reserve: represents a distributable reserve created following a Court approved reduction in capital
- Revenue reserves represent cumulative revenue net profits recognised in the Statement of Comprehensive Income
- Capital reserves represent cumulative net gains and losses on investments recognised in the Statement of Comprehensive Income

The only movements in these reserves during the period are disclosed in the Statement of Changes in Equity.

25. Transactions with related parties

Following admission of the Ordinary Shares (refer to Note 22), 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

John Leggate, Chair of the Board of Directors of the Company, is paid Directors' remuneration of £65,000 per annum, Duncan Neale is paid Directors' remuneration of £45,000 per annum, with the remaining Directors being paid directors' remuneration of £40,000 per annum. During the period, Duncan Neale and David Stevenson were paid an additional £5,000 for additional services provided in relation to the IPO of the Company.

Key management personnel include the Directors. Total Directors' remuneration of £265,442 (including National Insurance Contributions). There was no Directors' remuneration outstanding at the period end.

Dividends paid by the Company to the Directors are disclosed in the Director's Remuneration Report on page 42. No dividend amounts were payable as at 31 December 2019.

Notes to the Financial Statements

For the period from 24 August 2018 (incorporation date) to 31 December 2019

25. Transactions with related parties (continued)

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.

AIFM

The AIFM, Gresham House Asset Management Limited (the AIFM), 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 £250 million of the Net Asset Value of the Company
- 0.9% on the Net Asset Value of the Company in excess of £250 million and up to and including £500 million
- 0.8% on the Net Asset Value of the Company in excess of £500 million

During the period, AIFM fees amounted to £1,571,270 with no outstanding amount at the period end.

The Investment Manager is a wholly owned subsidiary of Gresham House plc, a significant shareholder in the Company (12.23% of total issued Ordinary Shares). Ben Guest (a Director of the Investment Manager), Bozkurt Aydinoglu (0.57% of total issued Ordinary Shares) and Gareth Owen (0.49% of total issued Ordinary Shares) are also significant shareholders in the Company. These parties have entered into a Lock-up and Orderly Market Deed dated 16 October 2018 that regulates their ability to deal in the Company's Ordinary Shares. Ben Guest also holds, via a wholly owned vehicle Lux Energy Limited, a significant financial interest in the Company (Ben's total holdings are 5.74% of total issued Ordinary Shares, including direct and indirect holdings). The AIFM is considered to be a related party due to its significant involvement in the valuation process for the investments.

Loans to related parties

Loans to subsidiaries represent amounts due to the Company from its direct subsidiary undertakings, NSL, HCESS3, HCESS4, WMGS, Glassenbury and Cleator as well its indirect subsidiary, HCESS2, as follows:

- £16,973,082 due from NSL at the period end, being an outstanding loan amount of £15,895,774 as well as accrued interest receivable of £1,077,308
- £16,830,164 due from HCESS3 at the period end, being an outstanding loan amount of £15,539,520 as well as accrued interest receivable of £1,290,644
- £27,066,649 due from HCESS2 at the period end, being an outstanding loan amount of £25,025,110 as well as accrued interest receivable of £2,041,539
- £18,479,818 due from HCESS4 at the period end, being an outstanding loan amount of £17,787,732 as well as accrued interest receivable of £692,086
- £4,168,752 due from WMGS at the period end, being an outstanding loan amount of £4,052,749 as well as accrued interest receivable of £116,003
- £16,799,280 due from Glassenbury at the period end, being an outstanding loan amount of £16,729,612 as well as accrued interest receivable of £69,668
- £4,615,299 due from Cleator at the period end, being an outstanding loan amount of £4,596,159 as well as accrued interest receivable of £19,140

Loans receivable

Gresham House plc is an investor in the Company and also the ultimate parent entity of HCESS6, HCESS7 and Biggerbrook.

Loans receivable represent amounts due to the Company from HCESS6, HCESS7 and Biggerbrook, as follows:

- £3,756,187 due from HCESS6 at the period end, being an outstanding loan amount of £3,606,018 as well as accrued interest receivable of £150,169
- £547,470 due from HCESS7 at the period end, being an outstanding loan amount of £538,500 as well as accrued interest receivable of £8,970
- £1,806,295 due from Biggerbrook at the period end, being an outstanding loan amount of £1,762,070 as well as accrued interest receivable of £44,225

26. Capital commitments

As at 31 December 2019 the Company has no significant binding or conditional future capital commitments.

27. Post balance sheet events

The Board of Directors announced the following on 17 February 2020:

- A dividend of 1.0 pence per Ordinary Share for the period from 1 October 2019 to 31 December 2019. The dividend was paid on 20 March 2020 to shareholders on the register as at the close of business on 28 February 2020. The ex-dividend date was 27 February 2020
- A non pre-emptive placing of new Ordinary Shares at an issue price of 101.0 pence per Placing Share are used for further pipeline acquisitions and provide increased general working capital. The Placing Shares will not rank for the dividend of 1.0 pence per Ordinary Share declared by the Company but will otherwise rank pari passu with the Company's existing Ordinary Shares in issue. Further to the placing announcement of 17 February 2020, the Company issued 30,000,000 Ordinary Shares as announced on 3 March 2020, raising gross proceeds of £31.2 million
- The Company has conditionally agreed to acquire a 50MW battery project located near Thurcroft, to the east of Rotherham (Thurcroft) (the Project) at an estimated enterprise value of £33,250,000. Thurcroft is a battery-only site with a 50MW export/import capacity and commissioning is expected in Q2 2020
- The Board of Directors announced on 14 April 2020 that the Company has conditionally agreed to acquire a 50MW battery project (Wickham) (the Project) at an estimated enterprise value of £33,500,000. Wickham is a battery-only site with a 50MW export/import capacity and commissioning is expected in Q2 2020.

In addition, the impact of COVID-19 is regarded as a non-adjusting event under IAS 10 and it does not have any impact on the valuation of the Company's assets and liabilities at the period end and we do not expect any significant changes to the valuation of the Company's assets and liabilities after the year end.

There were no further events after reporting date which require disclosure.

Company Information

Directors
Appointed: 24 August 2018
John Leggate - Chair
Duncan Neale - Non-Executive
David Stevenson - Non-Executive

Appointed: 1 March 2019
Catherine Pitt - Non-Executive

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The Scalpel
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Investment Manager and AIFM
Gresham House Asset Management Limited
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Corporate Broker Financial Adviser
Cantor Fitzgerald Europe
5 Churchill Place
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BDO LLP
55 Baker Street
London
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Administrator and Secretary
JTC (UK) Limited
The Scalpel
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Registrar and Receiving Agent
Computershare Investor Services plc
The Pavilions
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Legal Adviser
Eversheds LLP
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Depositary
INDOS Financial Limited
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EC3M 3JY

Investment Valuer
Grant Thornton LLP
30 Finsbury Square
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EC2A 1AG

Ticker: GRID

Glossary

Asset Optimisation
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 the 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 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
- Enhanced frequency response (EFR)
- Firm frequency response (FFR)
- Short term operating reserve (STOR)

https://www.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, the 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.

https://www.nationalgrideso.com/balancing-services/system-security-services/black-start/

Capacity Market (CM)
The income received by generators to ensure generation capacity is available to need shortfalls.

Curtailment
Large wind farms are connected to the UK's high-voltage network and the National Grid balances electricity supply and demand.

As demand rises and falls during the day, electricity supply mirrors these peaks and troughs.

The 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).

https://www.nationalgrideso.com/news/grounds-constraint

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.

NAV
Net Asset Value being the total Net Assets in the Company divided by the total number of Ordinary Shares in issue as at 31 December 2019.

Ongoing Charges Figure
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.

Ordinary Share
Share in the Company with a nominal value of 1 pence.

Seed Assets
The assets acquired for £70 million at IPO known as Staunch, Littlebrook, Lockleaze, Rufford and Roundponds.

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.

https://www.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 GB 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.

https://www.nationalgrideso.com/news/triads-why-three-magic-number

VLC
VLC Energy: the seller of the Glassenbury and Cleator projects to the Company as announced in the RNS dated 16 December 2019.

VRLA
Valve-Regulated Lead-Acid

Since 1857

Gresham House

Specialist asset management