31 December

2020

Energy storage systems specialists

Gresham House Energy Storage Fund plc (GRID)
Accounts as at 31 December 2020

Since 1857
Gresham House
Specialist asset management

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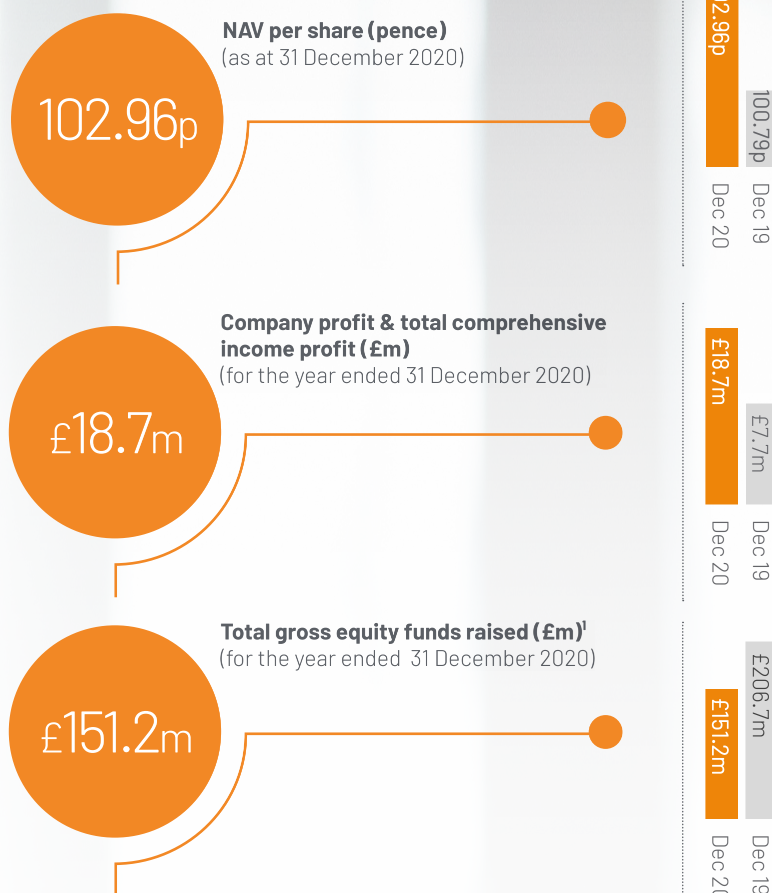
Real time energy storage to address supply-demand imbalances on the National Grid.

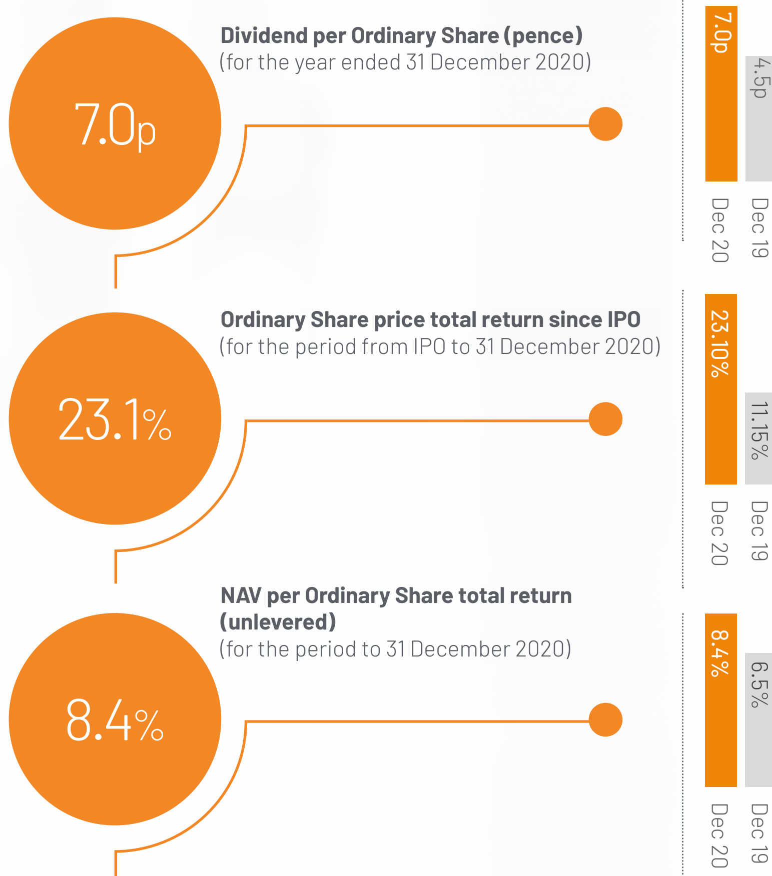
Gresham House Energy Storage Fund plc (GRID, the Fund or Company) invests in a portfolio of utility-scale operational Battery Energy Storage Systems (BESS) in Great Britain.

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

Company Financial Highlights



Alternative Performance Measures[3]



Performance Highlights

- Net assets at 31 December 2020 were £358.9 million.
- Total dividend of 7.0p for the year, as targeted. This equates to a 6.2% dividend yield based on the closing price on 31 December 2020.
- Ordinary Shares have consistently traded on the London Stock Exchange at a premium to the reported NAV per Ordinary Share during 2020 except for between 16 March 2020 and 04 May 2020 during the market turbulence following the announcement of the first COVID-19 related lockdown in the UK[2].
- £151.2 million of gross funds raised during the year in the form of:
  - £31.2 million share issuance in March 2020
  - £120 million share issuance in November 2020 following the publication of a new prospectus
- In addition, Gresham House Energy Storage Holdings plc, a wholly owned intermediate holding company, raised £14.9 million through a Bond issuance in October 2020 which was used for deployment into new projects in the year.

Operational Highlights

- Underlying portfolio revenues have grown by 90% from £10.0 million in 2019 to £19.0 million in 2020. 315MW of operational capacity as of 31 December 2020, the UK's largest battery energy storage portfolio. Added 141MW of connection capacity to the portfolio through the acquisition of three battery energy storage projects.
  - 41MW Bloxwich project in July 2020
  - 50MW Thurcroft project in October 2020
  - 50MW Wickham project in November 2020
- New Pipeline of 485MW announced on publication of new prospectus in November 2020 of which 45MW was acquired in January 2021. A further 362MW of pipeline has been established since the publication of the prospectus in the form of Coupar Angus (35MW), Arbroath (40MW) and a further 287MW of exclusive pipeline split across three new sites as shown in the Investment Manager's report. The current total pipeline stands at 802MW, of which 275MW was funded, as of 31 December 2020.

1. Including £100 million at IPO - Unaudited

2. Source: London Stock Exchange

3. Alternative performance measures are defined and calculated in the Glossary

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

Overview
On behalf of the Board, I am delighted to present the audited Report and Accounts of the Gresham House Energy Storage Fund plc (the "Company") for the financial period ending 31 December 2020.

We have passed the second anniversary of our IPO and we are pleased with the progress that we are making at a project and Company level. We are excited about the prospects for the sector given the scale of deployment of renewables in the UK, and of offshore wind in particular.

The Company's UK market share remains at an estimated 30% with the Company having demonstrated its leadership in the market once again during 2020, almost doubling operational capacity to 315MW during the 12-month period, from 174MW at the end of 2019. In the first four months of 2021 we have completed on a further 110MW, taking total operational capacity to 425MW as of the date of this report.

The growth of the portfolio in the financial period came through the acquisition of three projects as detailed in the Investment Manager's Report.

I am pleased to see the increasing size of projects as the Company grows, which in turn creates efficiencies of scale, whilst additional projects facilitate the requirement for ongoing asset diversification to reduce asset specific risk. The obvious efficiencies around costs are welcome, so too is the enhanced productivity of the Investment Management team and the recognition and materiality of the offering to National Grid. The Investment Management team has also grown in bench strength, significantly broadening and deepening its expertise across the areas of operations, asset management, finance and transaction capability, as well as ESG expertise.

The drop in share price during the first lockdown in March 2020 was disconcerting but stayed in line with the general market reaction. The Investment Manager, with the Board's full support, worked hard to take advantage of opportunities that arose in this environment and the deals executed, large pipeline assembled, and subsequent fundraising is a testament to the determination of the team to maintain momentum, even under such challenging circumstances.

KPIs

- → 2020 Dividend per share: 7.0p
- → Profit: £18.7 million
- → Number of projects: 12
- → Connection capacity: 315MW
- → Connection capacity (incl. pipeline): 1,227MW
- → Curent MWh battery size: 380MWh

Read more about the highlights of the Fund
See page 02

We are delighted to have been able to publish a new Prospectus in November and issue 114.3 million new Ordinary shares raising £120 million. The fundraising in November is expected to unlock the commissioning of 275MW, expected to begin construction by the developers at the start of Q2 2021, and any further fundraising will increase the construction pipeline further. The fundraising has also increased the Company's size which should make it attractive to a wider investor universe and further reduce ongoing charges. As shown in the Investment Manager's Report, the new pipeline of 485MW, published in last November's prospectus has grown to 802MW net of projects coming out of the pipeline. 45MW of the previous new pipeline has now been acquired post year end. We thank new and existing investors for the support they have shown.

In addition to equity funding, the Company restructured its operational assets under a new holding company, Gresham House Energy Storage Holdings plc, and this new holding company issued £14.9 million of bonds to fund the acquisition of operational assets.

The pace of developments in the marketplace has been notable. We saw significant levels of power generation curtailment in Q2 and Q3 2020 when demand was low during the first lockdown, and the extensive use of gas-fired generation by National Grid to provide flexibility. This led to an Ofgem investigation into National Grid's actions, only to conclude that this was National Grid's only realistic option as National Grid currently has neither access to enough batteries nor information about their real-time state of charge in order to make the most effective use of the batteries. The realisation that gas-fired generation is getting a head start on batteries, and the environmental and financial consequences caused by this was the catalyst for a trial by National Grid of batteries' potential versus gas-fired generation on three occasions in 2020. The results were finally published in February 2021 showing that if batteries had been utilised, end-consumers billings could have been reduced by over £100 million.

Perhaps more interesting is that National Grid now need to act on this information. Inaction would lead to a far worse situation, with increasing balancing costs being passed on to end consumers.

Research by the Investment Manager shows that the potential for renewables to oversupply will increase about ten times in the next 24 months, leading to potentially ten times the curtailment and associated impact on end consumers compared with 2019 levels. This is a very real problem, not only regarding costs to consumers, but also regarding the significant negative impact on the UK's strategic intent to achieve net-zero carbon emissions by 2050. Fortunately, National Grid seems committed to fixing this problem. As a leading player in the battery storage market, we are well positioned to be at the forefront of any new developments.

We also saw the launch by National Grid of Dynamic Containment (DC), which is a new frequency response service freshly designed to take advantage of the capabilities of batteries rather than using the parameters used in FFR, which reflected the capabilities of the legacy coal-fired power plants. The huge increase in renewable energy generation as a percentage of demand, has displaced large turbines with intrinsic rotating inertia which previously provided stability in the system. This loss of available inertia, combined with the potential operational uncertainties of interconnectors and other large blocks of power generation, will lead to a significant demand for this DC service. The procurement of large volumes of DC by National Grid at launch (500MW) in Q4 2020 and 800MW or more in 2021 reflects the growing need for a service that is at the heart of our operational expertise.

Net asset value and results

During the period, the NAV per Ordinary Share has risen from 100.79p on 31 December 2019 to 102.96p on 31 December 2020. This improvement has been driven by cash generated in the portfolio being above prior expectations, an adjustment in weighted average discount rate from 11.2% to 10.8% and value created from acquiring new projects at lower prices. These positives were partly offset by more conservative assumptions by the independent providers of revenue forecasts, especially in Q2 2020 when collapsing gas prices set expectations for both power prices and volatility at a lower level.

Dividends

The Company has committed to paying 7.0p per share in dividends relating to 2020 and is maintaining its dividend policy with 7.0p per share targeted again in 2021.

The Investment Manager forecasts full coverage of the dividend in 2021 based on the number of shares currently in issue.

Outlook

The Board and the Investment Manager's view is that 2021 will bring a number of positives. Firstly, we expect to benefit from lower acquisition costs due to a lower cost of construction (following shareholder approval in November for an amendment to the Investment Policy permitting the Company to invest in projects which are under construction). Secondly, the increasing portfolio scale should also drive further operational efficiencies. Thirdly, we expect to benefit from a lower cost of capital should a process currently underway lead to a successful debt fundraising. A debt raise would also assist with more efficient capital deployment, allowing new assets to be funded in advance of equity fund raising, thus avoiding cash drag. This combination of drivers should enhance shareholder value in 2021 and beyond as we seek to reduce the revenues per MW at which we can cover our target 7.0p dividend per share. Finally, the current relative strength in UK Sterling versus the US Dollar may allow the Company to benefit from a reduction in the price on acquisitions as projects go into construction procuring US Dollar-priced batteries and systems.

We look forward to our continued strong and leading participation in this sector. Today, there is still only c.1GW of operational battery systems in the UK, while there are c.50GW of available renewable generation. The increasing scale of intermittent oversupply and supply disruptions caused by renewables as their share of generation rises, justifies a projected 10x growth of battery systems by 2025, in our view. Beyond, there is clearly a significant further need for investment in battery energy storage as the renewables market continues to commission at least 2GW a year into the foreseeable future. Battery systems at scale comprise a strategic cornerstone of the transition to a zero-carbon world and it is encouraging to observe increasing support from the Regulator (OFGEM) and National Grid.

John Leggate CBE, FREng
Chair
Date: 27 April 2020

Investment Manager's Report

Ben Guest
Managing Director,
New Energy

Gresham House Asset Management Limited (GHAM) is wholly owned by Gresham House plc (GH), an AIM-quoted specialist alternative asset manager with a market capitalisation of £265 million as at 12 April 2021. GH provides 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, housing, new energy and infrastructure.

Headline information

Portfolio

As at 31 December 2020, the Company owned 315MW of operational battery storage assets, which represents the UK's largest battery energy storage portfolio.

During the financial period the Company added 141MW of operational battery energy storage project capacity through the acquisition of three battery energy storage projects:

- 41MW Bloxwich project acquired on 3 July 2020
- 50MW Thurcroft project acquired on 2 November 2020
- 50MW Wickham project acquired on 30 November 2020

Financial results

Total income in the Company was £23.4 million for the financial period. Total income is made up of £13.1 million (56% of the total) of income received from operational projects and loans to parties affiliated to the Investment Manager and £10.1 million (43% of the total) of capital income relating to the revaluation of the portfolio during the period and £0.2 million (1%) from cash deposits.

Total Company costs for the financial period to 31 December 2020 were £4.6 million (2019: £4.4 million). The largest cost in the period was the Investment Management fee of £2.4 million (2019: £1.57 million) whilst legal and advisory fees relating to acquisitions and fundraisings amounted to £1.7 million. In addition to this, Director fees (including National Insurance contributions) for the period were £216,073 (2019: £265,000).

The Ongoing Charges Figure (OCF)[1] for the Company for the period to 31 December 2020 was 1.26% based on the weighted average NAV for 2020 (2019: 1.43%). The OCF has fallen year on year as a result of the increasing size of the Company. Any further share issuance would result in a further reduction of this figure.

The resulting profit and total other comprehensive income for the Company for the year to 31 December 2020 was up 143% to £18.7 million, compared with £7.7 million for the period ending 31 December 2019.

For the performance of the underlying portfolio and a description of underlying market conditions, please refer to the Underlying Portfolio Performance sections of this report from page 10.

Dividends

The Company met its 2020 dividend target of 7.0p per Ordinary Share with a final dividend of 1.75p for Q4 2020 paid on 26 March 2021. The Company continues to target a dividend policy totalling 7.0p per Ordinary Share in the 2021 calendar year.

For the full year to 31 December 2020 the Company and its investments generated cash flow from operating activities (including compensation paid to the projects due to construction delays and lost revenues) after Company costs which resulted in a 0.78x dividend cover[1] of the 7.0p per Ordinary Share dividend.

In the final quarter of 2020 the Company achieved dividend cover of 1.11x as income from frequency response services improved sharply (see: Underlying Portfolio Operations and Performance Summary for details).

Continued strong market conditions in 2021 are expected to enable the Company to deliver full dividend cover while funds from the recent equity raise are deployed through 2021. The Investment Manager therefore currently expects the dividend to be covered in 2021 subject to any further fundraising.

1 Alternative performance measures are defined and calculated in the Glossary

Fundraising
The Company continued to raise funds during the year with £151.2 million of gross funds raised as follows:

- £31.2 million share issuance in March 2020; and
- £120 million share issuance in November 2020 following the publication of a new prospectus.

In addition, Gresham House Energy Storage Holdings plc, a wholly owned, intermediate holding company raised £14.9 million through a Bond issuance in October 2020 which was used for deployment into new projects in the year.

Financial Outlook
Cash flows from investments are expected to grow in 2021 as a result of:

- Full year effect of owning recent project acquisitions for a full 12 months;
- Continued deployment of capital into new projects (see below);
- An improving revenue outlook from trading and frequency response service;
- A full year of 60MW of Capacity Market contracts which came into force in October 2020; and
- An additional 45MW of Capacity Market contracts taking effect from October 2021. Note: the 80MW of projects announced in January 2021 also have Capacity Market contracts for 77MW of capacity, taking total active Capacity Market contracts to 202MW by the end of 2021.

Net Asset Value (NAV)
The Net Asset Value per Ordinary Share as of 31 December 2020 was 102.96p. The acquisition of Wickham, in November, is currently valued at cost due to the acquisition taking place close to the year end.

Acquisitions during 2020
Note: further details on acquisitions are contained in Note 12 on page 84 of this report. The Company made its first acquisition of the year on 3 July 2020 with the purchase of the Bloxwich project from Arenko Group for an investment value of £20.1 million.

In November, the Company acquired the Thurcroft and Wickham projects from the exclusivity pipeline from Gresham House Devco Limited and Noriker Power Limited for a total investment value of £30.1 million and £37.8 million respectively. These projects were commissioned later than originally planned, largely due to COVID-19 related delays. However, the sale and purchase agreements were structured such that the SPVs were compensated for delays in cash flow generation from 1 April 2020.

The total investment value of the acquisitions made in the period was in excess of £85 million.

Map Ref.	Existing assets	Location	Capacity (MW)	Battery size (MWh)	Site type	Commissioning status
1	Staunch	Staffordshire	20	2.9	Battery and generators, 0.5MW import	Operational
2	Rufford	Nottinghamshire	7	9.5	Battery and generators, symmetrical	Operational
3	Lockleaze	Bristol	15	22.1	Battery, symmetrical	Operational
4	Littlebrook	Kent	8	6.3	Battery, symmetrical	Operational
5	Roundponds	Wiltshire	20	25.8	Battery and generators, 16MW import	Operational
6	Wolverhampton	West Midlands	5	7.8	Battery, symmetrical	Operational
7	Glassenbury	Kent	40	28.2	Battery, symmetrical	Operational
8	Cleator	Cumbria	10	7.1	Battery, symmetrical	Operational
9	Red Scar	Lancashire	49	74.3	Battery, symmetrical	Operational
10	Bloxwich	West Midlands	41	46.6	Battery, symmetrical	Operational
11	Thurcroft	South Yorkshire	50	75.0	Battery, symmetrical	Operational
12	Wickham	Suffolk	50	74.0	Battery, 40MW import	Operational
	Total		315	379.6		

During the period, the Company extended secured loans to the project companies which own Thurcroft and Wickham to support equipment funding, as permitted under the Investment Policy, earning an 8% rate of interest. Thurcroft and Wickham were purchased by the Company (via its holding company) in the year and these loans converted to unsecured loans. Loans to such pipeline companies are shown as "Other Investments" in the AUM Composition chart.

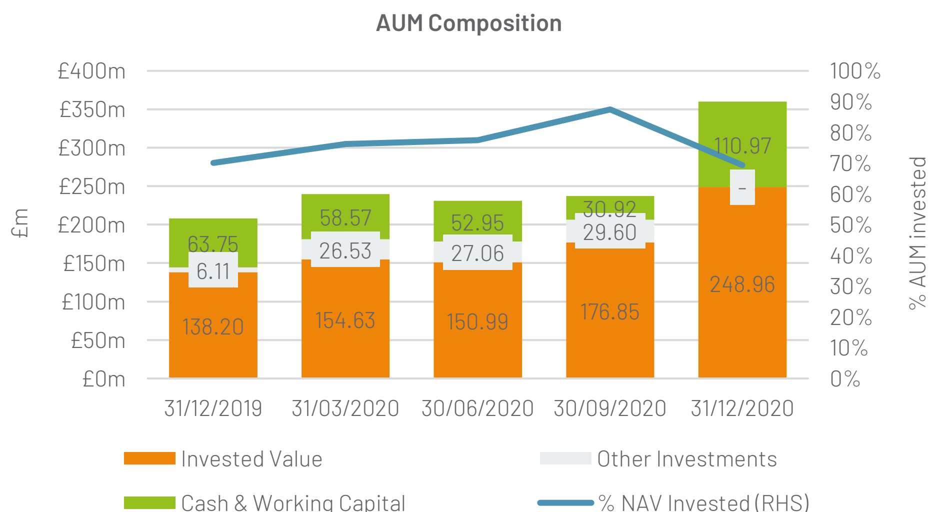
The Company has recently completed and announced the acquisition of a further 110MW across five projects as follows:

- Tynemouth (25MW) acquired on 11 January 2021
- Port of Tyne (35MW) and Nevendon (10MW) both acquired on 29 January 2021
- Expansion of the Glassenbury site (10MW) on 11 January 2021
- Byers Brae project (30MW) from the exclusivity pipeline on 21 April 2021

Full commissioning of the Glassenbury B extension is anticipated in Q2 2021. All other acquisitions were fully operational ahead of the transactions completing.

New Pipeline

The Company announced an exclusive pipeline (the New Pipeline) of 485MW on publication of its latest prospectus on 10 November 2020.



Acquisitions since 1 January 2021

Of this, 45MW has been acquired since financial year end in the form of the operational projects Port of Tyne and Nevendon.

The Company has since secured a further 362MW of additional, exclusive pipeline:

- 75MW of additional pipeline projects in the form of Coupar Angus (35MW) and Arbroath (40MW), which we expect to commence construction in Q2 2021
- 287MW additional pipeline in the form of Projects E2, B and Y

The Company also expects construction to begin on Projects M, E and D from the new pipeline in Q2 2021.

The significantly larger new pipeline of 802MW is shown on the next page alongside the recently acquired assets and previous pipeline. Delivery of this pipeline would result in a portfolio of over 1.2GW of capacity.

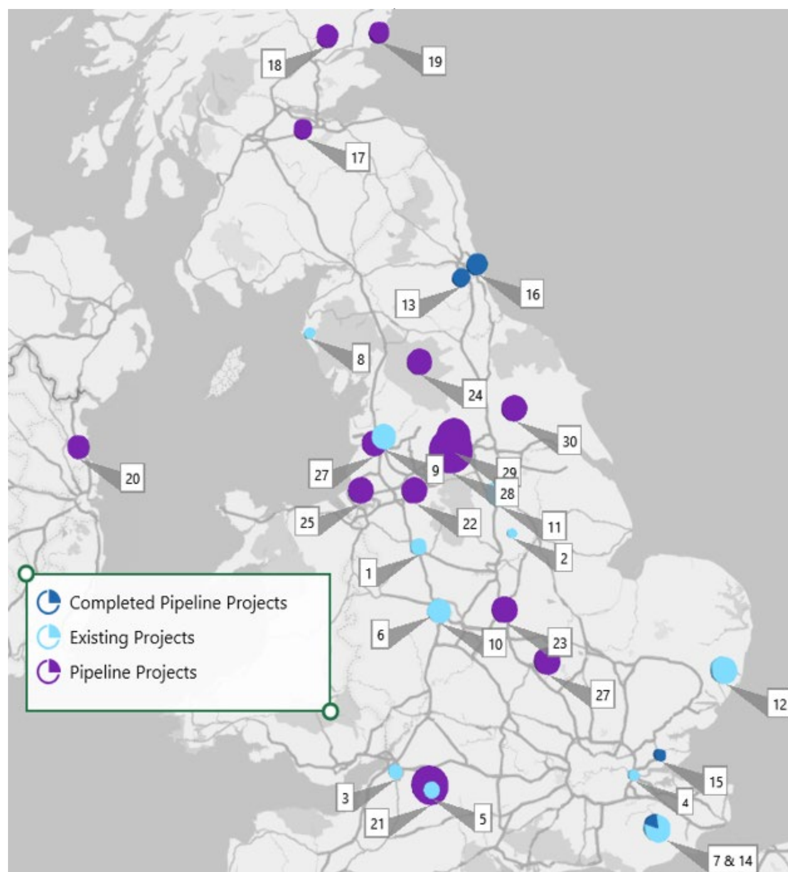
Portfolio and pipeline summary

Map ref.	Pipeline projects	Location	Capacity (MW)	Battery size (MWh)	Site type	Commissioning status
13	Tynemouth	Tyne and Wear	25	12.5	Battery, symmetrical	Acquired: 11 January 2021
14	Glassenbury Extension	Kent	10	10.1	Battery, symmetrical	Completed: 11 January 2021
15	Nevendon	Basildon	10	5.7	Battery, symmetrical	Acquired: 29 January 2021
16	Port of Tyne	Tyne and Wear	35	22.6	Battery, symmetrical	Acquired: 29 January 2021
17	Byers Brae	West Lothian	30	30	Battery, symmetrical	Acquired: 21 April 2021
18	Couper Angus	Scotland	c.35	c.35	Battery, symmetrical	Q1 2021*
19	Arbroath	Scotland	c.40	c.40	Battery, symmetrical	Q1 2021*
20	Project Emerald	Republic of Ireland	c.40	c.40	Battery, symmetrical	Operational, Q1 2021
21	Project M	Swindon	c.100	c.100	Battery, symmetrical	Q1 2022*
22	Project D	Manchester	c.50	c.50	Battery, symmetrical	Q1 2022*
23	Project E	Leicester	c.50	c.50	Battery, symmetrical	Q1 2022*
24	Monet's Garden	North Yorkshire	c.50	c.50	Battery, symmetrical	Q2 2022*
25	Lister Drive	Merseyside	c.50	c.50	Battery, symmetrical	Q2 2022*
26	Project G	Northampton	c.50	c.50	Battery, symmetrical	Q2 2022*
27	Project P	Preston	c.50	c.50	Battery, symmetrical	Q2 2022*
28	Project E2	West Yorkshire	c.150	c.150	Battery, symmetrical	2022*
29	Project B	West Yorkshire	c.87	c.87	Battery, symmetrical	2022*
30	Project Y	York	c.50	c.50	Battery, symmetrical	2022*
	Total (including Portfolio)		1,227 (c.)	1,263 (c.)		
	***Note: Provisional completion dates. The Company will acquire the projects at the start of construction**					

During 2020, shareholders approved an amendment to the Company's Investment Policy to allow it to take construction risk. As the Company was already permitted to make loans to projects for the purpose of making equipment purchases, the effect of the new amendment was to allow the Company to make investments into projects in construction equivalent to 25% of Gross Asset Value. This creates the opportunity for the Company to grow more cost-effectively by removing the cost of financing through construction and increasing competition among contractors, as, previously, contractors that did not offer construction finance were not able to bid for contracts. Further, the Company can now also earn income through the construction phase as it makes interest-bearing loans to the project companies going through construction.

The map to the right shows the current projects in the portfolio and pipeline projects. Further descriptions of each operational project in the portfolio can be found at the end of this report.

Following the recently announced acquisitions the Company owns 425MW in operational projects. All projects are wholly owned.



At the present time, it is expected that the Company will have c.700MW in operational projects once the near-term pipeline projects have been commissioned. Any further fundraising would allow the Company to make investments into additional projects.

Debt funding

The Investment Manager has recently begun a process to evaluate a possible debt fundraising by the Company. A successful debt raise would be expected to significantly reduce the Company's cost of capital. The Company has a 50% upper limit on borrowing, as a percentage of Gross Asset Value (GAV) and would seek a level of debt materially below this cap. The catalyst for this exercise is favourable market conditions and lenders' deeper understanding of the need for battery storage and increased confidence in the sustainability of their business models. This has translated into a potential willingness to offer terms that are sufficiently attractive for the Company to consider.

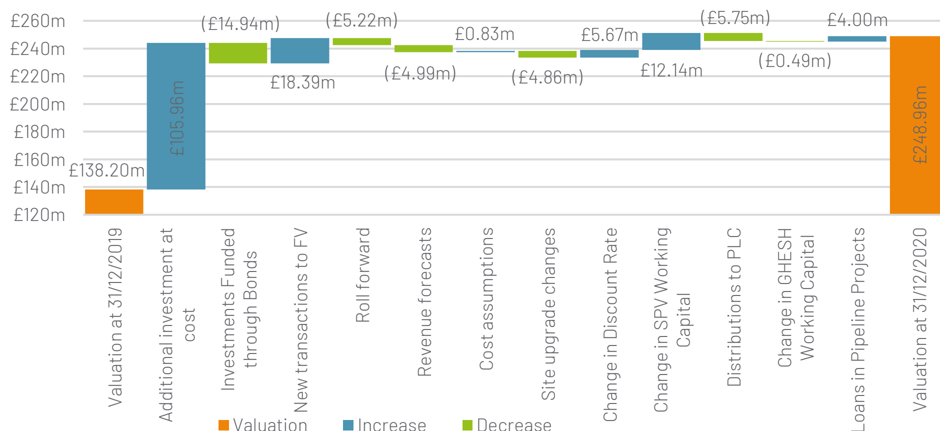
Another positive of this process, in addition to a lower cost of capital, would be the ability for the Manager to significantly reduce 'drag' from uninvested cash on the balance sheet. A key focus for the Investment Manager is to progressively reduce the revenue per MW required by the Company to achieve the Company target of 7p dividend per Ordinary share. This improvement will be driven by a combination of lower operating costs, a lower cost of capital and a significantly lower total acquisition cost per MW over time.

Valuation

The Company has continued to see the cost per Megawatt (MW) for the construction of new projects fall since the Seed Assets were 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 per MW for new acquisitions and this trend is expected to continue for additional pipeline projects, particularly given the Company is now able to take some construction risk within its investments. This provides the potential for a valuation uplift for recent and future acquisitions, which also demonstrates a further benefit of scaling up the MW capacity of the portfolio.

The weighted average discount rate on projects has fallen over the financial period from 11.2% as of 31 December 2019 to 10.8% as of 31 December 2020.

Change in Valuations from December 2019 to December 2020



Capacity Market contract related cash flows are valued using a 5% discount rate reflecting their long term contracted nature while trading and frequency response are classed as Merchant and are valued using an 11.1% discount rate. Valuations are reviewed by Grant Thornton who provide a Fairness Opinion twice a year.

The increase in valuation in the year has been largely driven by the additional investments made at cost followed by an uplift from their acquisition cost to fair valuation. £14.94 million of the investments were funded through Bonds issued by Gresham House Energy Storage Holdings plc.

Changes in the present value of future cash flows through modelling assumption changes (including revenue forecasts from third parties) reduced valuations by a total of £8.56 million. The working capital of SPVs increased by £12.14 million as a net result of earnings and capital expenditure in the underlying SPVs, £5.75 million of which was distributed up to the Company through repayment of loans and interest and hence growing the cash balance of the Company.

£0.49 million of working capital changes at Gresham House Energy Storage Holdings plc includes some legal and transactions costs along with interest accrued on the bonds raised in the year.

The £4.0 million of loans reflect the balance of equipment loans extended to the Byers Brae and Biggerbrook (the extension to Littlebrook) projects. For more information on underlying portfolio valuations please refer to Note 12 to the Financial Statements.

NAV per Ordinary Share bridge – 31 December 2019 to 31 December 2020

The NAV per Ordinary Share has risen from 100.79p on 31 December 2019 to 102.96p on 31 December 2020. The bridge between the two valuations is broken down in the chart below. The largest contributions to growth have been the revaluation of new projects acquired and cash performance in the underlying portfolio. Further information on the valuation process and sensitivities can be found in Note 19 on page 88.

Outperformance of the Company's underlying investments versus modelled earnings have benefited the NAV.

NAV/Share Bridge 31 December 2019 to 31 December 2020

The performance of the underlying investments is important not only for the continued growth in NAV of the Company but also for generating cash for paying dividends to shareholders. The underlying portfolio performance and market conditions impacting the portfolio are considered in subsequent sections below.

Forecasts

While the Investment Manager develops its own views on the market, revenue forecasts for the Company's projects are provided by an independent consultant. The revenue forecasts are driven from the independent consultant's view on the future volatility in the market and are not directly correlated with power prices. These revenue forecasts can have a meaningful impact on the valuations of the Company's investments and therefore the NAV. More conservative assumptions have the impact of reducing the overall valuation of investments due to reducing future cash generation expectations of the investments. The forecasts used as at 31 December 2020 are more conservative than the forecasts used at 31 December 2019 which has resulted in a reduction in valuations over the year as shown in the bridge chart.

COVID-19: The Manager's response

The Investment Manager responded quickly to the lockdown restrictions enforced in the UK since March 2020 as a result of the COVID-19 pandemic and all employees were able to continue to work remotely from their homes in a largely uninterrupted manner. The Manager continues to support staff working remotely and would like to thank all staff for their efforts during the pandemic.

The Investment Manager has experienced very few operational disruptions since restrictions were put in place and is pleased with the professional response shown by both O&M contractors on the ground and by the Company's chosen trading partners. The commissioning of Thurcroft and Wickham were both delayed during the year. However, the Company's investments were able to recoup lost revenues as a result of the delays through the use of compensation payments known as liquidated damages.

COVID-19: Market response

After the first lockdown was announced on 23 March 2020 National Grid faced unprecedented changes in demand levels. During the summer months National Grid had to manage significantly lower demand whilst also having greater generation from renewables versus prior years.

Their response was to launch Optional Downward Flexibility Management (ODFM) to incentivise renewable and battery energy storage plants connected to local (distribution) networks to offer themselves to be curtailed or to import power, respectively. This is because National Grid previously could not operate these plants directly due to their connection into distribution (i.e. local) networks.

In the event, the Company's projects were able to enter and participate competitively in ODFM. Our projects were also able to support National Grid by offering frequency response services.

The Investment Manager, directly and indirectly through its trading partners, has also been liaising with National Grid to facilitate further solutions for balancing the system in future. The successful trialling of batteries in the BM Reserve service is a particular highlight. This offered batteries an opportunity to compete head-to-head with gas-fired generation, which are currently favoured by National Grid due to the historical design of the BM Reserve service, which never envisaged batteries being available. The trials ran in May, July, and September. Bloxwich, Lockleaze, Roundponds and Thurcroft entered the trial while there were no competing projects involved. The initial findings from the trial shows that at least £100 million can be saved by end-consumers through this service and we are hopeful this should lead to changes in the utilisation of batteries in the Balancing Mechanism in future. A report regarding this trial was released by National Grid on 10 February 2021 and is expected to translate into an enduring solution at some stage in 2022, following a restructuring of all Reserve services procured by National Grid. The Company's projects generated c.£15/MWh during the trials.

Underlying portfolio operations and performance summary

This and subsequent sections of the report pertain to the performance and activities of the underlying investments and the market environments in which they operate. The figures given in these sections are therefore not reflected in the financial statements of the Company, except through the impact they have on valuations as noted in the Valuations and NAV sections above. Further descriptions of market terms and relevant measures are provided in the Glossary. The underlying performance of the investments is routinely monitored to ensure they are meeting the optimisation strategic framework and maximising EBITDA and supporting the fair values recognised.

After challenging market conditions in the spring and summer related to the COVID-19 pandemic, the underlying performance of the Company's investments recovered and performed above expectations in Q4 2020, largely due to attractive revenues earned by the majority of the portfolio following the launch of National Grid's Dynamic Containment service on 2 October 2020.

Unprecedented low demand through the spring and summer months of 2020 was caused by a significant change in the patterns of power consumption across the UK as restrictions were put in place from March to combat the COVID-19 global pandemic. Coupled with extremely low natural gas prices (a fall also triggered by the pandemic), the significant use of gas plant by National Grid to provide flexibility to the system, and high renewable generation resulted in consistently low prices and low volatility. This led to limited trading opportunities during 2020 and led the Investment Manager to focus on providing frequency response services to National Grid during this period.

However, electricity demand, gas prices and volatility all recovered strongly in Q4 2020, and particularly in December. This presented exciting trading opportunities towards the end of the year, with peak prices reaching levels rarely seen in the history of the electricity market in Great Britain. Please refer to the Outlook section of this report for more information on the encouraging market trends we are observing. The launch of Dynamic Containment (a new frequency response service) in October also saw much higher prices achievable from frequency response and therefore the portfolio has remained focused on maximising revenues through Dynamic Containment and FFR services, while it has also taken advantage of trading opportunities as they have arisen, allowing it to capture additional value above the levels available from trading or Dynamic Containment alone.

The ability to consistently capitalise on the highest value markets is testament to the quality of our assets and control systems, the work performed by our team and effectiveness of our trading partners.

Underlying portfolio revenue and cost mix
Total revenues for the underlying portfolio investments were £19.0 million including Liquidated Damages (LD) paid as compensation (directly to the SPV's) for lost revenues due to delays on completion of Wickham and Thurcroft in the period to 31 December 2020. This represents an overall increase of 89% versus 2019 (£10.08 million). These are monitored as they are a key underlying performance measure of asset performance and the ability of the Company to realise fair value increases.

Total EBITDA for the underlying portfolio investments was £15.8 million for the full year to 31 December 2020, an increase of 135% versus £6.7 million of EBITDA in 2019. The growing EBITDA is evidence of the underlying profitability of the Company's investments and the benefits of scale in the portfolio when it comes to cost efficiencies.

Operating revenues in the investment portfolio of £16.1 million in the period came mostly from frequency response via mainly EFR, FFR and Dynamic Containment (together 76% of the total) with trading and TRIAD income at 19% and Capacity Market revenues at 5%. Full details on each revenue stream are presented later in this report. Underlying operating revenue per MW was over £75k/MW for the year which is above the hurdle for covering dividends on a fully deployed basis. For Q4 2020 operating revenue per MW was over £100k/MW on an annualised basis, as a result of improved revenues from Dynamic Containment.

In fact, Dynamic Containment, despite only starting in October, was the largest individual contributor to revenues making up 33% of the total. This reflects the very high prices achieved in Dynamic Containment compared with other revenues which also launched just before the commissioning of Thurcroft and Wickham and which both immediately joined this service.

TRIAD income, covering Winter 2019/20, represented 9% of revenues compared with 24% for the period to 31 December 2019 was in line with the Investment Manager's expectations as TRIAD prices stepped down for a third and final time this winter as part of the restructuring of the Transmission Network Use of Systems (TNUoS) residual payment by Ofgem three years ago. From Winter 2020/21, we expect TRIAD income to represent an even smaller percentage of revenues.

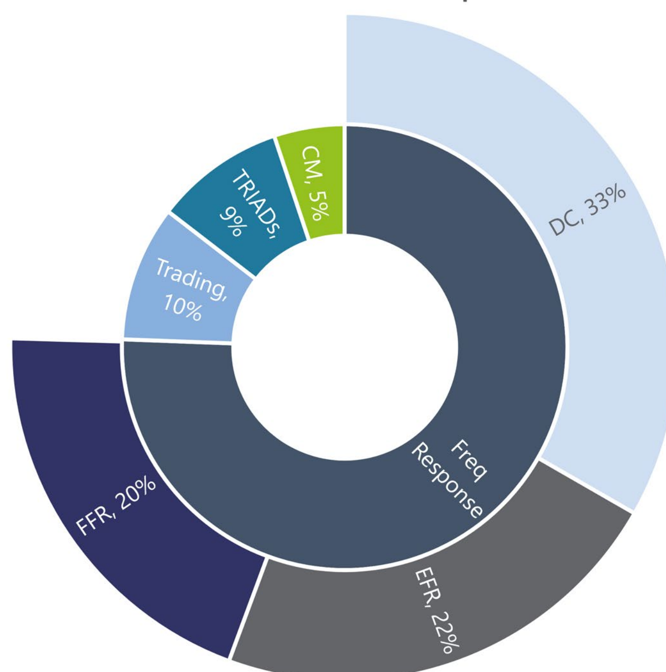
The revenue generating ability of the portfolio over the last two years can be seen in the chart on page 12 which plots revenues per operational MW over time.

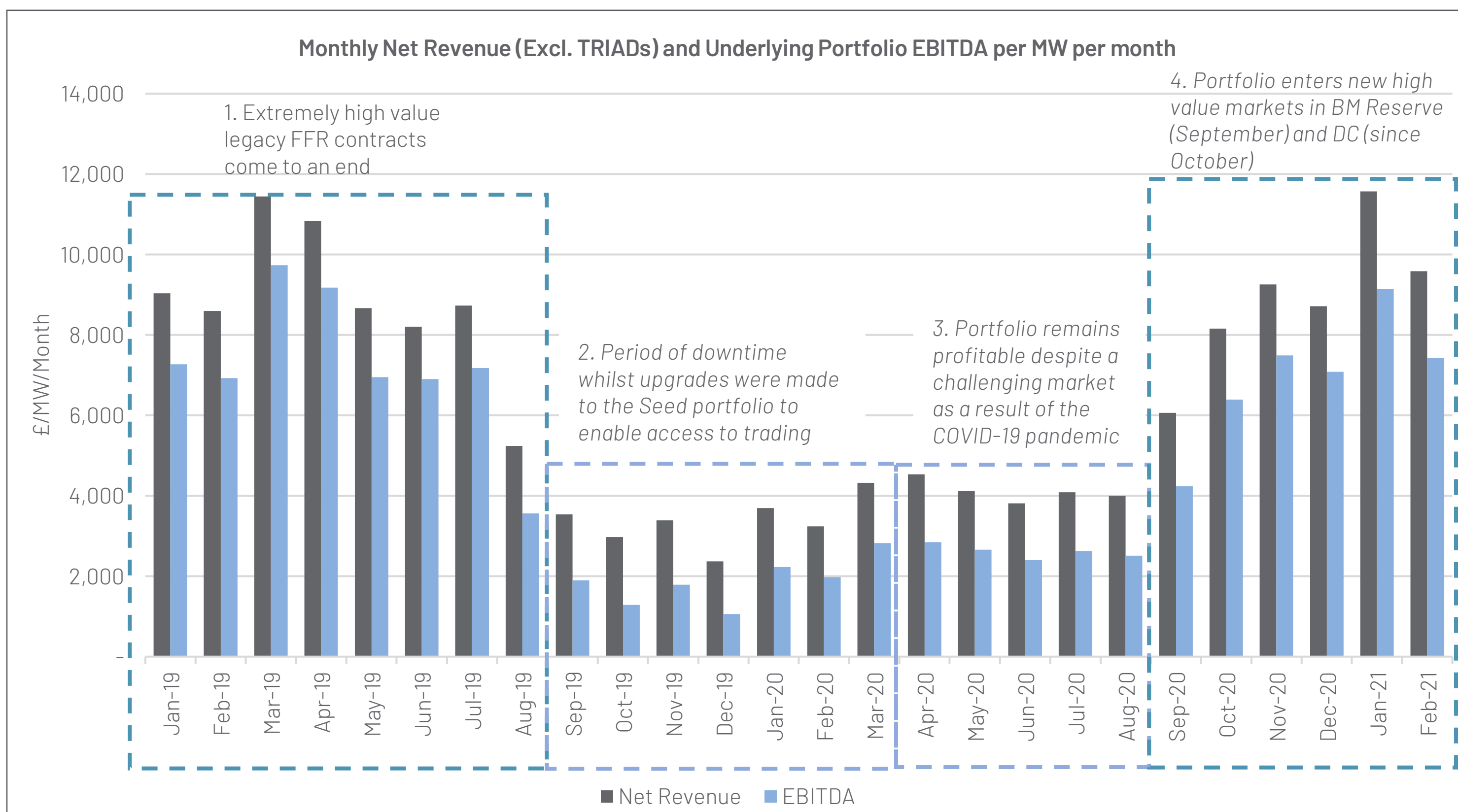
2020 portfolio assets revenue	Revenue (£m)	% of total operating revenue
Firm Frequency Response FFR	3.18	20%
Enhanced Frequency Response EFR	3.59	22%
Dynamic Containment DC	5.35	33%
Optional Downward Flexibility Management ODFM	0.02	<1%
Frequency Response total	**12.14**	**76%**
Trading	1.59	10%
TRIADs	1.52	9%
Capacity Market	0.82	5%
Operating revenues from assets owned	**16.07**	
Liquidated Damages compensating for lost revenues on delayed project completions	2.97	
Total revenues from the portfolio for the year	**19.04**	

There have been two low periods to date since IPO, the first being self-imposed to carry out upgrades on the Seed Portfolio with sites ramping back up in Q1 2020, followed by a second low period as the effects of the 2020 lockdown impacted trading opportunities in the market. Nevertheless, the portfolio has remained profitable throughout.

Then, from September 2020, revenues started to benefit from pricing levels last seen in 2019 first in the BM reserve three week trial, then, in October, from Dynamic Containment into which the Company's assets were the first entrants. Revenues have remained high since then and have continued to grow as more of the portfolio enters the service.

2020 Portfolio Revenue Split





Due to the exceptional revenues being earned in Dynamic Containment during Q4 2020 the portfolio has spent most of the time contracted in frequency response rather than trading. We do expect market volatility to continue increasing as the UK transitions towards more renewable energy generation. At the start of 2021 the portfolio has been able to capture some of the significant volatility in the market resulting in revenues above that of Dynamic Containment alone.

Frequency response (76% of FY2020 portfolio revenue)

The portfolio was predominantly focused on frequency services through the year. Until the launch of Dynamic Containment in October 2020 the portfolio typically targeted the monthly Firm Frequency Response (FFR) contracts contributing to 20% of underlying portfolio revenue for 2020.

Monthly FFR contract prices troughed in September 2020 but have recovered well since the launch of Dynamic Containment which saw a significant overall increase in demand for frequency response by National Grid.

33% of FY2020 portfolio revenues came from Dynamic Containment in 2020.

The service is currently in a 'soft launch' phase as the mechanics of the service are fine-tuned. In 2020 the service only required response to low frequency events (which require a battery to export power) but a high service is currently expected in Q4 2021.

Being in frequency response requires light use of the batteries which are therefore degrading very slowly.

Dynamic Containment has much stricter performance requirements than FFR. In particular, batteries have to respond within a narrower performance range during, ramp up and operation and performance needs to be measured and reported 20 times per second. These tougher requirements versus FFR have been a challenge for a lot of battery operators and as such this service commands a much higher fee than FFR and it is of higher value to National Grid.

The Investment Manager is pleased to confirm that the portfolio had the only assets able to perform the service at launch in October and has continued to be the market leader in the service with additional capacity added during Q4 2020. On 31 December 2020, the Company had 219MW contracted in the service representing 63% of the total MW procured.

The Dynamic Containment service represents the first of three anticipated frequency response services with the other two being Dynamic Modulation (DM) and Dynamic Regulation (DR). These additional services will emerge out of an internal process at National Grid named Response Reform. These additional services are likely to be introduced towards the end of H2 2021 or early 2022.

Glassenbury and Cleator continued to perform well under their EFR service in 2020. Both sites are contracted in EFR until January 2022. The 50MW contract that these two sites share represents a quarter of National Grid's EFR capacity. The Company acquired a further 70MW of EFR projects in the form of Tynemouth (25MW), Port of Tyne (35MW) and Nevendon (10MW) after the year end.

Trading (10% of FY2020 portfolio revenue)

Trading of the battery energy storage portfolio is intrinsically linked to power price volatility in the electricity market and the factors that affect it. Please refer to the market update for the changes in the market through 2020.

Revenues from trading had been expected to contribute more significantly in 2020 but that did not actually occur due to the pricing available in frequency response.

Similarly, while the Investment Manager expects to remain mainly contracted in frequency response services for much of 2021 as prices are expected to remain high, important changes in the Balancing Mechanism which will see National Grid utilise batteries more combined with higher anticipated power price volatility may result in more income from trading later in 2021. Trading remains the long term area of focus for the Company due to increased volatility caused by higher renewable electricity generation.

Despite the limited time spent trading during 2020, the Investment Manager is encouraged by the evidence to date in the portfolio's ability to capture value during system pricing events. On 4 March 2020 the system price spiked to £2,242/MWh, the highest price in 19 years, catalysed by a wind forecasting error. Each of our available sites was able to capture significant value from this event representing our best single day of trading performance to date. This event was then surpassed by a system price of £4,000/MWh on 8 January 2021.

The Company's trading partners are:

- EDF in respect of Littlebrook, Rufford and Wickham
- Flexitricity in respect of Staunch and Thurcroft
- Habitat Energy in respect of Roundponds, Wolverhampton, Lockleaze and Red Scar
- Arenko in respect of Bloxwich and Byers Brae

There is an ongoing effort from the Investment Manager to open new markets and improve uptake of batteries. The trial of reserve from battery energy storage in the BM in Q3 2020 for example was performed solely by assets now owned by the Company.

The Investment Manager continues to push for the improved uptake of batteries in the BM as a longer term source of trading opportunity, services such as the BM reserve trial offer value to National Grid, consumers, and battery owners as a more cost effective and environmental form of reserve than currently used.

TRIADs (9% of FY2020 portfolio revenues)

The period under review spans the entire 2019/20 TRIAD season and half of the 2020/21 TRIAD season. All Seed Assets and Glassenbury and Cleator sought to hit TRIADs in the 2019/20 season and were successful in hitting two of the three possible TRIADs in line with expectations. Unusually all three TRIADs occurred between November and December. All revenue associated with the 2019/20 season are reflected in 2020 revenue.

For the 2020/21 season, TRIAD prices have reduced with sites in the North of England unable to earn any TRIAD income. Further south, sites such as Staunch, Roundponds, Lockleaze and Glassenbury which still have TRIAD income potential have been run successfully and it is currently estimated that sites operated during all three possible TRIADs events.

A TRIAD is set when electricity flowing over the National Grid hits one of three peaks between November and February, inclusive, so long as the peaks are at least ten days apart.

The reducing benefit of TRIADs means this will become a lower proportion of revenues in future years and become a less important focus for the portfolio.

Capacity Market (5% of FY2020 portfolio revenues)

The Capacity Market contracts provide income to generators to ensure generation capacity is available to meet shortfalls in the system. They are awarded by the UK Government via an auction system run annually by National Grid. All multi-year contracts are index-linked to CPI.

During the period, Capacity Market revenues were earned by the Staunch, Glassenbury, Cleator and Roundponds (10MW out of 20MW) projects.

The Staunch contract is for 15 years, starting in October 2019. 15-year Capacity Market contracts for Glassenbury, Cleator and Roundponds (10MW) totalling 60MW also come into force in October 2020 resulting in a total of 80MW of high-value Capacity Market contracts for the portfolio as at the year end.

Frequency Response availability	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Staunch					
Littlebrook	100.0%	100.0%	100.0%	99.9%	99.4%
Lockleaze					100.0%
Rufford	100.0%	100.0%	100.0%	100.0%	100.0%
Roundponds			100.0%	99.8%	96.4%
Wolverhampton	100.0%	98.5%	97.7%	100.0%	100.0%
Cleator	100.0%	100.0%	100.0%	100.0%	100.0%
Glassenbury	100.0%	100.0%	100.0%	100.0%	100.0%
Red Scar		100.0%	100.0%	100.0%	100.0%
Bloxwich					
Thurcroft					
Wickham					
Total	**100.0%**	**100.0%**	**99.9%**	**100.0%**	**99.7%**

A short term Capacity Market arrangement has also been agreed in the secondary market with capacity linked to uncontracted capacity at Rufford, Littlebrook, Lockleaze, Wolverhampton and Red Scar to provide additional revenue of up to £0.2 million for nine months through to the end of September 2021.

An additional 45MW of Capacity Market contracts will commence in October 2021 at Littlebrook, Rufford, Lockleaze, Roundponds (the second 10MW) and Wolverhampton. Further Capacity Market contracts will commence in October 2023 (with no new contracts starting in 2022 at this time) for the majority of the rest of the current portfolio with additional contracts possible for future pipeline with later start years. Although Capacity Market contract values for batteries have tended to fall over successive auctions, the combination of all Capacity Market contracts provides long term visibility over a portion of the portfolio's revenues, sufficient to cover more than half of the operating expenses of the current portfolio.

It is noteworthy that, participation in the Capacity Market does not preclude other revenue activities.

Portfolio cost performance

The Investment Manager sees ongoing cost reduction potential as a result of scale in the portfolio. 2020 has seen a decrease in O&M costs (excluding EFR sites on longer term contracts) by over 30% versus 2019 rates on an average £/MW per annum basis.

The Investment Manager believes further reductions in O&M costs will be seen in future as the Company scales up.

In recent months we have seen insurance premia increasing across the portfolio. The market is still relatively new with few insurers providing cover. The Investment Manager is encouraged by the improving safety standards being adopted and is also pursuing further safety improvements and procedures across the portfolio wherever possible. We are therefore optimistic that cost reductions are possible through the increasing scale and maturing of both the market and the portfolio. We expect these benefits of scale to come through from 2022.

Grid connection related fixed charges were, as expected, a significant part of the operating cost base of the projects for the period at c.£1.4 million (43% of operating costs). This was consistent with 2019 levels on a cost per MW per annum basis. Encouragingly, recent changes in regulations, pursuant to the Target Charging Review (TCR) conducted by Ofgem have exempted battery projects from the "residual" element of these fixed charges. We expect to see a c.30% reduction in these charges split between a first step in April 2021 and a second in April 2022.

Rent on a £ per MW per annum basis has broadly remained consistent with 2019 and is expected to remain at current levels with each site holding long term leases.

The Investment Manager remains focused on maximising the use of each site over time by increasing grid connection capacity and/or battery duration where possible.

Site uptime

While performing under frequency response contracts, which require continuous performance, whether FFR or Dynamic Containment, uptime has averaged 98.8% as shown in the table below. Greyed out cells represent months where a site was not contracted to provide frequency response services. In more detail, specifically in September, Roundponds, Red Scar and Bloxwich were all involved in the BM reserve trial whilst the remainder of the portfolio was in FFR. In late October Staunch was removed from service to undergo safety improvements and to reorganise the site for more effective revenue optimisation. The site delivered some TRIAD runs during this time and returned to service in Q1 2021.

Dynamic Containment (DC) availability

Dynamic Containment has higher performance requirements than FFR and comes with more severe penalties which can extend beyond just the hours unavailable. Through to December 2020 the Company's investments were able to achieve 99.7% of achievable contract revenues in this service highlighting strong performance to date.

Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Year
			100.0%	74.7%			**87.7%**
99.9%	99.7%	100.0%	99.8%	98.5%	97.6%	99.5%	**99.5%**
100.0%	100.0%	100.0%	100.0%	87.8%	97.8%	99.7%	**98.7%**
100.0%	99.9%	100.0%	100.0%	98.4%	97.3%	99.5%	**99.5%**
93.4%	99.8%	97.2%		97.6%	99.7%	99.2%	**98.2%**
99.8%	96.7%	99.3%	97.1%	96.8%	99.6%	97.3%	**98.5%**
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	**100.0%**
100.0%	100.0%	63.5%	100.0%	100.0%	100.0%	91.0%	**96.1%**
100.0%	100.0%	100.0%		99.5%	100.0%	99.6%	**99.9%**
		100.0%		100.0%	100.0%	100.0%	**100.0%**
					99.9%	100.0%	**100.0%**
						99.2%	**99.2%**
99.3%	**99.9%**	**92.4%**	**99.9%**	**98.8%**	**99.7%**	**98.8%**	**98.8%**

Battery State of Health (SoH)

	Staunch	Littlebrook	Lockleaze	Rufford	Roundponds	Wolverhampton
SoH %	96.7%	96.1%	97.3%	97.6%	98.3%	99.5%

	Red Scar	Glassenbury	Cleator	Bloxwich	Thurcroft	Wickham
SoH %	96.7%	99.6%	97.0%	97.9%	97.6%	97.8%

The state of health of the battery systems at each project is shown in the table above. The relatively small drop in state of health reflects the generally benign usage profile of the portfolio's comparatively large batteries, associated with performing mostly frequency services so far. Dynamic Containment, in particular, has involved less than one cycle per day.

The Investment Manager has used relatively conservative degradation assumptions indicated in the warranty agreements in our forecasting; these assumptions may be revised as further information is gained from a longer usage period.

Review of the Electricity Market Backdrop for Battery Energy Storage

2020 has been an extraordinary period for electricity markets and may, in retrospect represent an inflection point for meaningful changes in favour of the battery energy storage sector. We have included this analysis to provide an overview of the current electricity market as the electricity markets and volatility in pricing is the key driver of the investment value. How this evolves over time will impact this value. During the year, the market was impacted by several key factors detailed below which demonstrate the future revenue opportunity from trading as well as the need for more batteries in the system:

i. Lower electricity demand from the initial lockdown followed by higher peak demand in the winter.

After a brief uptick in demand at the start of March as cold weather created stronger demand, at the start of lockdown demand collapsed by up to 20% year on year. The fall in demand through to May 2020 represented a multi-decade low in electricity demand.

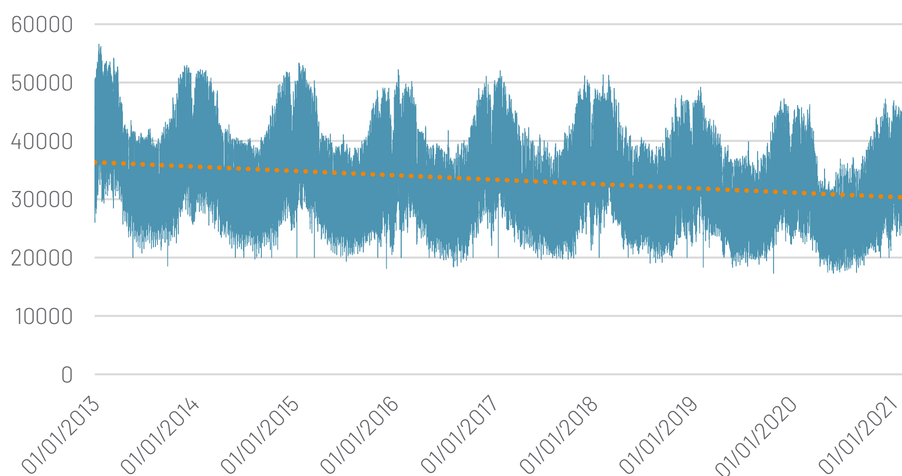
Average demand each month has remained lower year on year until January 2021; however, since November 2020 we have seen year over year growth in peak demand, breaking a decade-long downtrend.

ii. Increase in extreme pricing (high and low) and growing Balancing Services Use of System (BSUoS) costs.

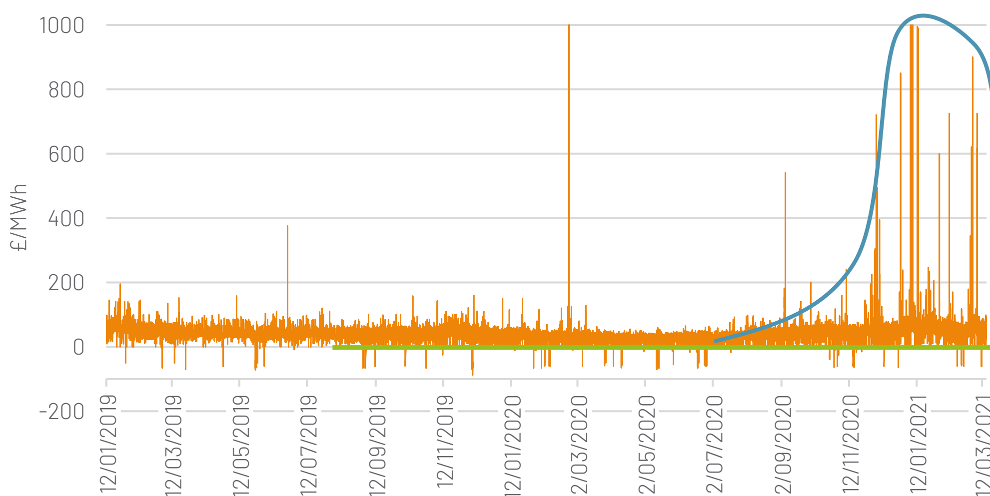
In terms of high prices, given TRIAD payments are predictably less valuable this winter due to regulatory changes implemented over the last three years, peaking generation has been less likely to run to meet peak demand.

Thus, any elevated demand combined with low renewable generation has led to an increase in occurrences of very high power prices, creating much anticipated 'upside' volatility (see chart below – note that prices above £1,000/MWh are truncated while actual prices reached up to £4,000/MWh this winter).

It has been integral to our thesis that as the gas fleet is gradually decommissioned (as it loses market share to renewables), it would not be able to step up to meet demand when renewables can't deliver enough power, resulting in more upside volatility as more expensive flexible generation is despatched to meet demand. This finally happened in the winter of 2020/21 and is expected to spread to other times of the year in due course.



Source: Elexon



Source: Elexon

To put recent events in context, there were very few instances of system prices moving above even £200/MWh in 2018 and 2019.

The increased reliance on renewables is also having a clear impact on intraday low prices, with zero or negative prices becoming very common since late 2019 and particularly during the lockdowns in 2020. The exceptionally low demand levels seen since March resulted in regular negative pricing, also shown in the chart on the previous page. This typically happens any time National Grid need to pay to curtail subsidised renewable generation.

During this extraordinary period of low demand, National Grid needed to curtail more renewable generation than ever before as shown in the chart across.

The national bill for balancing the system during the lockdown was c.£2 billion for 2020, up 34% on 2019, and shows up in electricity bills. The chart above shows the increasing cost of curtailment for wind but reflects the growing cost for curtailment of renewables more generally. As renewables' share of the generation mix grows, the amount of energy needing to be curtailed is growing, resulting in escalating costs. However, crucially, batteries offer a cost-effective balancing alternative to curtailment, validating the need for significant battery energy storage capacity on the grid. This increased demand should drive greater revenue opportunities for the portfolio and hence increase investment valuations and income from investments for the Company.

iii. Low gas prices in the summer, Combined Cycle Gas Turbine (CCGT) overcapacity and the impact on spreads.

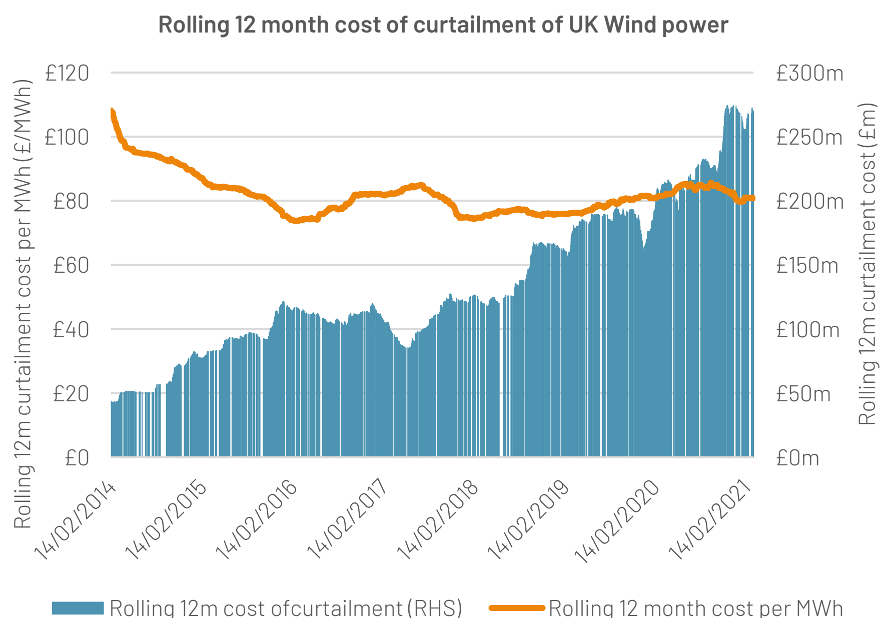
Gas prices fell sharply in the first half of 2020. Combined with lower demand during the lockdown it resulted in peak daily power prices falling below typical levels. Therefore, despite the lower intraday low power prices the net effect was lower intraday volatility reducing potential trading revenues in the short term.

We have since seen both higher demand and a return of gas prices to levels seen prior to 2020.

Outlook

Reinforcing our positive view on the prospects for the battery energy storage sector is National Grid's clear effort in three areas to greater and/or better use of batteries.

At the core of these efforts is the recognition that batteries emit no CO_2 at the point of use while also being a more cost-effective source of flexible generation than any other alternative.



Source: Renewable Energy Foundation – Balancing Mechanism Wind Farm Constraint Payments

Further information on ESG considerations is provided in the Sustainability Report.

First is National Grid's increasing demand for frequency response. In December 2020, they announced increased procurement of Dynamic Containment from January 2021, growing to up to 1.4GW by May 2021 versus 500MW in December 2020. Further, since 27 January 2021, assets have been permitted to trade in a limited way while delivering a Dynamic Containment service, thus allowing sites to earn additional income.

Second is the use of batteries for 'Reserve' services. There was a four-week trial in September 2020 involving Bloxwich, Red Scar, Roundponds and Thurcroft (prior to fully commissioning and acquisition by the Company) for varying lengths of time which followed two smaller trials earlier in the year. The trials used batteries for 'Reserve' in the same way that gas turbines are used to balance the market, for which they receive payments. Unlike gas turbines batteries do not need to be exporting power in order to provide flexibility as they can import, which therefore reduces curtailment of renewables. This trial showed batteries to be financially and environmentally attractive to National Grid. If this turns into a permanent service, it is likely to lead to a significant revenue opportunity for the portfolio.

The third initiative is to drive better use of batteries in the Balancing Mechanism.

A challenge for National Grid has been too few batteries meaning that, even using all batteries together, it has still required larger alternative sources, resulting in batteries being side-lined. Recognising this issue, National Grid have taken the decision to operate batteries even if they lead to over procurement in the Balancing Mechanism, taking the view that doing this will lead to a lower cost system over time, as batteries are fundamentally more competitive.

We are optimistic that, combined with the above, the increasing presence of renewable energy generation on the system will lead to significant and more frequent higher intraday power pricing, bringing with it improved trading revenue and profit potential leading to improved cash flows and an increase in the valuation of the Company's investments.

Portfolio project descriptions

Staunch

Staunch, 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 and 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.

Staunch, 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 (in place to meet Capacity Market contract requirements and TRIAD operations but are not used day-to-day) and a battery system which comprises 4MW (3MWh) of batteries.

Littlebrook

Littlebrook 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.

Lockleaze

Lockleaze 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. The site battery capacity was increased from 11.4MWh to 22.1MWh in 2019.

The Lockleaze project was commissioned in July 2017.

Rufford

Rufford 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 site battery capacity was increased from 3.25MWh to 9.5MWh in 2019. 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 Capacity Market contract and will therefore remain installed.

The Rufford project was commissioned in July 2017.

Roundponds

Roundponds, which is situated in Melksham, Wiltshire, has an asymmetric grid-connection capacity of 20MW export, 16MW import. The import grid connection was increased in Q1 2020 from 10MW to 16MW increasing revenue opportunities. The site is made up of batteries and generators although commercially only the batteries are used today.

The project is on approximately 0.5 acres of land 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. During the upgrade work in 2019 the battery size was increased from 12.7MWh to 25.8MWh. The 10MW of generators remain in place to meet the requirements of one of the two 10MW Capacity Market contracts belonging to this project.

Wolverhampton

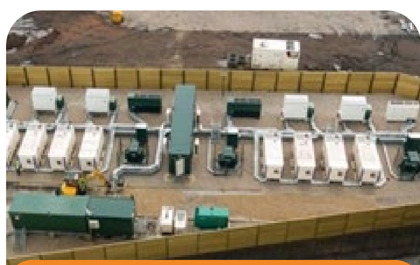
Wolverhampton was the first project acquired following the Company's IPO. The project has a symmetrical 5MW grid connection and 7.7MWh of battery capacity. It was acquired by the Company in August 2019. The site is situated in an urban environment c.1 kilometre from the centre of Wolverhampton.

The site is surrounded by a mix of major roads, commercial, industrial activity, and several residential dwellings to the north west. The project was commissioned in April 2019.

Staunch

Littlebrook

Lockleaze


Rufford

Roundponds

Wolverhampton

Glassenbury
Glassenbury is a symmetrical 40MW battery-only project, it has a 50MW grid connection, with the further 10MW connection to be used by the Glassenbury B extension completed in January 2021. This project was acquired by the Company 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 (Energy Frequency Response) contract running until January 2022 at an enhanced rate compared to standard month ahead frequency response contracts. EFR is a service under which storage assets are able to provide frequency response within one second. Glassenbury and Cleator combined represent a quarter of 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.

In 2022, the project may be further upgraded to maximise revenues, which includes electricity trading.

Cleator
Cleator is a symmetrical 10MW battery-only project acquired by the Company 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 to maximise revenues thereafter.

Red Scar
Red Scar is a symmetrical 49MW project with a 73MWh battery. 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 its own on-site power station, now demolished.

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

Bloxwich
Bloxwich is a symmetrical 41MW project with a 41MWh battery constructed indoors.

The project is near Walsall in the West Midlands in one of a row of large warehouses.

Bloxwich was constructed by GE and was commissioned in February 2019. It was acquired by the Company in July 2020.

Thurcroft
Thurcroft is a symmetrical 50MW project with a 75MWh battery and is the Company's largest project to date. The project is located near Thurcroft, to the east of Rotherham, on an area of grazing land adjacent to a trading estate. Thurcroft was constructed by Metka-EGN Limited and was commissioned in October 2020.

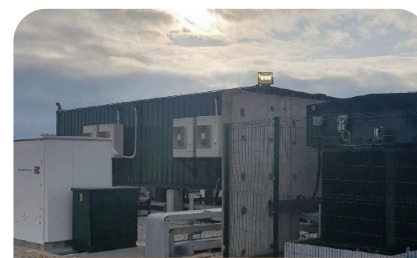
Wickham
Wickham is a battery project with an asymmetric grid-connection capacity of 50MW/40MW export/import and a 74MWh battery.

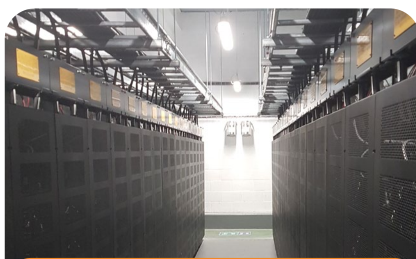
The project is situated in a rural location approximately 500 metres north west of the village of Hacheston. The nearest town is Wickham Market in Suffolk. The site is adjacent to an existing 132kV substation owned and operated by UK Power Networks.

Wickham was constructed by Metka-EGN Limited and was commissioned in November 2020.

Glassenbury

Cleator


Red Scar


Bloxwich

Thurcroft

Wickham

Sustainability Report

Environmental, Social and Governance

The Investment Manager's Sustainable Investment Approach

Sustainable investment framework and ESG Decision Tool

The Investment Manager's Sustainable Investment Framework (SIF) consists of ten core themes and is used to structure analysis, monitor and report on a broad range of ESG risks which may materially impact proposed transactions, as well as directing focus towards more sustainable outcomes.

The Investment Manager has developed an ESG Decision Tool (the Tool) to support the identification of potential, material ESG risks that need to be managed and mitigated and which helps shape the due diligence process prior to investment into a new battery site. The Tool aims to provide a rational and replicable assessment of key ESG risks which should be considered prior to an investment decision being made.

The Tool is based on the ten themes in the SIF and several sub-factors are considered under each broader theme. It is split across the various stages of the investment and management process: pre-acquisition, pre-construction, construction and operation.

The Framework and Tool have been developed as a result of the significant investment the Investment Manager made in this area through the recruitment of key staff.

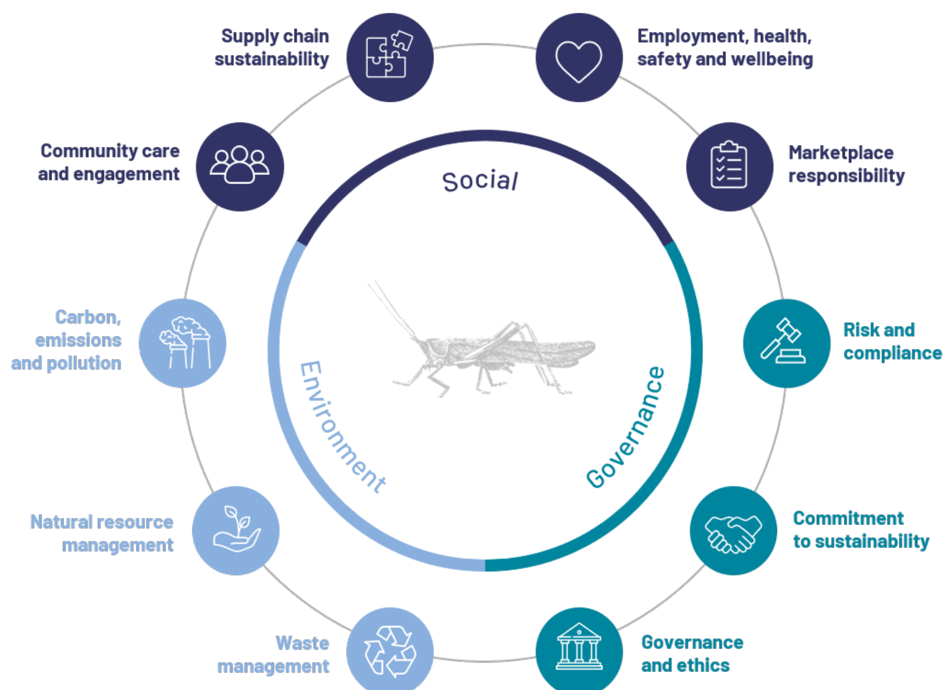
Rebecca Craddock-Taylor, an ESG and Sustainable Investment specialist, joined the Investment Manager as Director, Sustainable Investment in July 2020.

At the same time the Investment Manager was awarded top ratings of A+ by the PRI (Principles for Responsible Investment) and was awarded the Green Economy Mark.

The Investment Manager has identified five ESG factors across the SIF that are most material to the Company's operations and investments.

These are Carbon emissions and pollution, Natural resource management, Waste management, Employment, health, safety and well-being, and Governance and ethics. These areas are covered in more detail on page 24.

Sustainable Investment Framework and ESG Decision Tool



Overview of ESG integration into the investment process
The Investment Manager's investment process incorporates both the SIF and the Tool as follows:

1. Preliminary due diligence
Using the Sustainable Investment Framework, the Investment Manager will identify material ESG matters requiring further investigation during the Due Diligence stage. If certain risks are unlikely to be manageable or mitigated, then we may choose not to proceed at this stage.

2. Due diligence
Our internally developed ESG Decision Tool is used to uncover material ESG risks that need to be mitigated and monitored and to identify ESG opportunities that have the potential to drive value, now or in the future. Where necessary, specialist consultants are engaged to support the diligence process. A summary of the ESG analysis is discussed with the Board when the Board's final approval for a transaction is sought.

3. Investment Appraisal and acquisition
A summary of the ESG analysis and sustainability assessments is included in Board submissions. Appropriate risk mitigation approaches are referenced, and action plans are in place to either mitigate or capitalise on these ESG factors.

4. Asset Operation
We aim to construct and operate our projects with minimal disruption to local communities and the environment. Construction and operational contractors are subject to ongoing review. Compliance with planning conditions is stringently adhered to and monitored.

Achievements in 2020
Capacity
- Increased operational capacity by 151MW, to 315MW as at 31 December 2020

Process
- Integrated the SIF (see page 24) and the ESG Decision Tool into the opportunity screening and acquisition process
- Developed a supply chain policy for contractor and supplier relationships

Engagement
- Engaged with National Grid to establish Battery Energy Storage Systems (BESS) as a key contributor to the stability of GB's electricity system
- Increased levels of engagement with key battery suppliers in relation to their environmental and social practices and standards
- Initiated collaboration with other owners and developers of BESS to achieve a common, high standard for suppliers and contractors
- Initiated dialogue with key investors and brokers in this area to understand their sustainability requirements

Objectives for 2021
1. Strategic Contribution
a. Continue to increase capacity under management to increase GRID's contribution to the decarbonisation of the GB electricity system

2. Supply Chain
a. Complete a review of key contractors and suppliers to assess their ESG practices and alignment to their ESG policy commitments in order to identify gaps in application and highlight key risks

b. Carry out, where possible and appropriate, third-party, external assessments of our battery supply chain to identify material risks and mitigation actions that could be incorporated into our investment process

3. GHESF Asset Review
a. Assess current operating assets against our SIF and establish plans to rectify any material risks or create value for shareholders

b. Review the carbon footprint of current operations and set an action plan to reduce emissions

4. Engagement
a. Continue engagement with key counterparties such as National Grid, Ofgem, the Department for Business, Energy and Industrial Strategy and others, communicating how the deployment of BESS is needed to achieve decarbonisation goals

b. Increase active engagement with suppliers to positively influence sustainability practices and policies

c. Increase community engagement, where applicable, continuing to educate the public on the role of BESS in the UK's decarbonisation ambitions

d. Solicit, where practical, feedback from key stakeholders who are in a position to contribute

Positive outcomes of BESS and GRID
The Investment Manager has identified two material positive outcomes of GRID:

1. **BESS will play a key role in the pathway to net zero**

BESS will reduce carbon emissions from the UK's electricity grid by supporting the increasing production of renewable energy and reducing the need for carbon intensive energy generators, such as coal and gas.

2. **BESS helps stabilise the energy network that now relies more than ever on intermittent renewable power, making it more efficient and cheaper to run**

The imbalances in supply and demand of electricity are currently expensive for National Grid to manage. For example, they must pay the owners of wind and solar farms to stop generating. These additional costs are then passed on to consumers, increasing their energy bills, and in some cases contributing to the problem of fuel poverty, hence the use of BESS in the electricity grid may help reduce consumer energy costs.

BESS will play a key role in the pathway to net zero
The introduction of BESS into the UK's electricity grid is fundamental to the UK's ambition of achieving net zero carbon by 2050 and combating climate change.

Whilst the falling costs of renewable power generation have led to rapid deployment over the past few years, the chart below shows that we still rely heavily on carbon intensive energy generation from coal and gas.

To achieve the UK's net zero ambitions, renewables will need to become a much larger part of the UK energy mix and generation will need to increase to meet growing energy demands as more industries move towards electrification (e.g. transportation and heating).

Generating energy from solar and wind relies on the sun shining and the wind blowing. This means renewable energy generation is unpredictable and intermittent, varying from one day to the next. This is the opposite of what is required by National Grid, who need to carefully balance electricity supply and demand all the time, and in near real time, without exception.

Introducing BESS into the electricity grid can support the use of renewable energy generation and help balance the unpredictable and intermittent electricity supply from renewable sources. They can store energy at times of oversupply and release it back to the grid when there is increased demand, stabilising the network and enabling further renewable deployment.

The tables below summarise the actions that National Grid take to meet energy supply and demand with and without BESS.

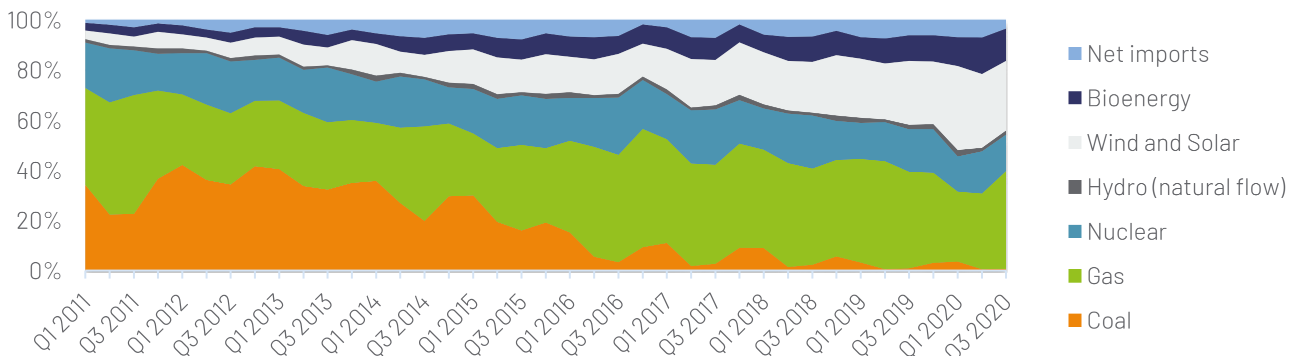
Without BESS

	Energy balance	National Grid action	Outcome
Renewables produce too much energy	Over supply	Pay renewable energy power plant owners to 'switch-off' generation (known as curtailment)	Renewable energy that could have replaced other carbon intensive energy sources is lost and additional costs passed to consumers
Renewables produce too little energy	Shortfall	'Switch-on' gas turbines to increase supply	Increased emissions as the electricity grid needs to use a carbon intensive energy source

With BESS

	Energy balance	National Grid action	Outcome
Renewables produce too much energy	Over supply	Request BESS providers store the excess energy available in the electricity grid for use at another time	Renewable energy producers do not need to 'switch off' their wind or solar farms and the renewable energy can then be used later, avoiding carbon intensive energy generation
Renewables produce too little energy	Shortfall	Call on BESS providers to discharge energy they have stored	No need to 'switch on' carbon intensive energy generation, therefore directly avoiding emissions

GB electricity generation by technology



Source: BEIS

Measuring the environmental benefits of including BESS in the electricity grid
BESS do not typically operate on a continuous basis or whenever the renewable resource is available and needs to be stored. Instead, they are available as a tool that can be called on by National Grid to deploy at short notice when needed to balance supply or demand (via the Balancing Mechanism), or to be deployed at the choice of the Investment Manager when the short term expected pattern of power prices and volatility generate profitable trading opportunities (via the Wholesale Market). It is possible that in a time period as short as a day, BESS may switch between these different modes of operation.

Measured on a short term basis, the amount of activity in terms of energy distributed by the batteries does not necessarily correlate completely with the contribution to the environment they are making.

Relatively short transfers of energy to and from batteries can have a bigger impact on grid stability than a large transfer of energy depending on the underlying reason the grid became temporarily unstable. Intensive trading of power, over multiple cycles throughout the day would distribute a lot of energy but may not have the same beneficial effect on the stability of the grid as a rapid, short burst of power delivered when the frequency of the grid exhibits a major variation to the normal level of 50Hz as a result of a heavy supply and demand imbalance, for example.

However, it is undeniable that without batteries, a stable grid could only be achieved through maintaining more fossil-fuel powered generation as baseload or peaking power and/or dramatically increasing the interconnector capacity between the UK and continental Europe.

Thus, BESS systems need to be considered as part of an entire electricity generation and balancing infrastructure, rather than on a standalone basis, for a meaningful assessment of their impact.

Quantifying the environmental contribution of BESS in a consistent manner is therefore not straightforward requiring assumptions to make one period of time comparable to another. One method is to focus on carbon emissions avoided by using the energy stored in BESS instead of turning on fossil fuel powered generators.

In order to calculate the CO_2 emissions avoided through the use of batteries, we have assumed that our batteries are being operated in a continuous trading mode throughout the year as the positive impact of grid stabilisation through frequency response services is not directly correlated to electrical energy moved by the batteries.

Assuming the charge and discharge cycles of the BESS owned by the Company is 2.3 times per day, which is the number the Investment Manager expects over the long term in its financial projections, it is estimated that the total energy discharged by the BESS owned by the Company in 2020 would have avoided over 60,000 tonnes of CO_2 by preventing gas-fired power from being turned on.

BESS capacity under management and emissions impact			
	2018	**2019**	**2020**
Cumulative capacity of BESS fleet (MW) - end of year	70	174	315
Cumulative capacity of BESS fleet (MW) - time weighted average	58	74	207
Cumulative capacity of BESS fleet (MWh) - end of year	35	179	380
Cumulative capacity of BESS fleet (MWh) - time weighted average	29	42	225
Estimate of long term number of charge and discharge cycles per day	2.3	2.3	2.3
Change in capacity per cycle	90%	90%	90%
Total energy discharged (MWh)	**21,832**	**31,767**	**170,000**
CO_2 emissions avoided (tonnes of CO_2) *Assuming gas-fired power emits 371 tonnes/GWh*	**8,100**	**11,785**	**63,000**
Number of homes that could be served with the energy discharged	*6,102*	*8,878*	*47,000*
Source: Gresham House plc data and research, and BEIS			

BESS helps stabilise the energy network that now relies more than ever on intermittent renewable power, making it more efficient and cheaper to run
BESS supports the production of renewable energy on a large scale by stabilising and balancing the electricity grid. The services provided by BESS systems include;

- Supporting National Grid's ability to balance the electricity grid and harmonize electricity supply and demand.
- Helping to regulate supply and demand through "Merchant" activities whereby power is drawn and stored when there is a surplus of it on the system with the purpose of discharging it into the electricity grid when there is a shortage.

UK wind energy generation was curtailed on 275 days in 2020, losing energy which could have powered over a million homes for a whole year[2]. The National Grid must pay renewable energy generators to 'switch-off' their generation. Without the increasing use of BESS, increasing deployment of wind power will likely result in a higher bill for curtailment.

ESG considerations of battery production
While BESS support the decarbonisation of the electricity grid, the Investment Manager recognises that their production, transportation, use, and end of life treatment have environmental and social implications.

The Investment Manager is aware of the need to carefully monitor suppliers of the Lithium-Ion batteries used in BESS against sustainable factors due to the long and complex supply chains and manufacturing processes. The supply chains for our batteries have a global footprint and include resources from parts of the world where there is a heightened risk of standards not being met or fully adhered to, particularly in relation to labour practices, environmental sustainability and corruption.

Therefore, one of the focus areas for the Investment Manager's sustainability work over the next few years is on Stakeholder and Supply Chain Engagement.

The Investment Manager is currently developing an appropriate supply chain policy for BESS to ensure it works with suppliers and contractors who aim to reduce the environmental and social impacts of their battery production processes and operations.

In addition, it is developing an engagement framework for the Investment Manager's interactions with suppliers and contractors, as well as agreeing reporting protocols so it can monitor appropriate metrics on a regular basis. The Investment Manager knows there is more to do and is committed to demonstrating best sustainability practice in the deployment and operation of BESS projects.

2 LCP, energy sector consultants

Key Features of the Supply Chain Policy

1. **Framework.** Ensuring that the policies and practices to address risks in this area are properly defined and up-to-date, and the right questions are asked.
2. **Screening.** Prior to contract agreement, suppliers of a component or service are carefully assessed against various sustainability factors using public sources, research reports, interviews with supplier staff and site visits, where possible.
3. **Risk sssessment.** Suppliers with a strong reputation and clean track record of compliance in all areas covered in the supply chain policy will be favoured in our purchasing decisions.
4. **Optimisation and market awareness.** Continuous learning is required to assess the latest technological developments and to source equipment that makes the most efficient use of materials, especially those such as Cobalt, the sourcing of which is challenging, and generally equipment that will need to be replaced as infrequently as possible. This will be analysed using financial models calculating the return profile of BESS projects and technical studies on the characteristics of the equipment focusing on trade-offs between different technical variables.
5. **Appraisal.** Potential suppliers are assessed against their compliance with various risk areas. The Investment Manager will interview key staff, visit sites where possible, research suppliers' record of compliance by speaking to other customers, and carefully scrutinising the documentation provided. Various tools that have been developed by external parties to monitor compliance of suppliers are currently being evaluated and will increasingly be used in the future.
6. **Communication.** Standards and requirements suppliers are expected to meet at the outset and on an ongoing basis, are set and clearly communicated and explained to the suppliers. Where possible, supply contracts are designed to disincentivise non-compliance with the requirements.
7. **Monitoring of compliance.** Compliance with the requirements is carried out on a regular basis through interviews, research and due diligence.
8. **Feedback.** Learnings from activities in the battery energy storage sector as well as across the Investment Manager's business is fed back into the process and changes are made where appropriate.
9. **Quality control.** Regular reviews of policies will be carried out, engaging external consultants where necessary for quality assessment.

Material ESG considerations for BESS projects
The Investment Manager has identified the material ESG factors associated with the manufacturing process, use and recycling of BESS. These factors can be categorised into five themes across the Investment Manager's Sustainable Investment Framework (see page 24).

E: Carbon emissions and pollution
Considerations

- Carbon emissions from end-to-end manufacturing, transport and installation process of BESS, with potentially long "breakeven" times
- Environmental pollution from end-to-end manufacturing, transport and installation process of BESS
- Environmental pollution from site operations (including those of counterparties)
- Environmental impact of recycling process

Investment Manager's mitigation strategy

- Implementing a supply chain policy that ensures we work with suppliers who aim to reduce the environmental impacts of their battery production processes
- Carefully designed BESS and business model to maximise life and yield of BESS reducing the environmental "cost" of each kilowatt hour of storage capacity
- New project acquisition checklist covering history of environmental pollution and susceptibility of the site in this regard
- Adherence to post construction requirements of planning process covering pollution of all forms
- Incorporating recycling obligations into supplier contracts and EPC contracts as much as possible.

E&S: Natural resource management and Supply chain sustainability
Considerations

- Inefficient use of resources, such as the metals and minerals used in BESS manufacturing
- Water and land use in mining and extraction processes

Investment Manager's mitigation strategy

- Considering design life as a key driver of resource efficiency, particularly when it comes to materials such as cobalt that have a strong environmental and social footprint. Focus on robust designs that can stand the increase the lifetime of a battery
- Incorporating recycling obligations into supplier contracts and EPC contracts as much as possible
- Implementing a supply chain policy that ensures we work with suppliers who aim to reduce the environmental impacts of their battery production processes

E: Waste management
Considerations

Mining and extraction of materials required can produce waste that could cause pollution to local areas, e.g. tailings

- Waste created by end-to-end manufacturing process of BESS, including components is harmful to the environment
- End of life treatment of batteries

Investment Manager's mitigation strategy

- Rigorous supply chain policy places obligations on suppliers and contractors to report breaches
- New project acquisition checklist incorporating waste management policies and compliance
- Incorporating recycling obligations into suppliers and EPC Contractors as much as possible

S: Employment, health, safety and well-being
Considerations

- Labour practices in some parts of the battery chain companies are not of the same standards expected in the UK
- Health and safety of the Investment Manager's and Contractors' staff must be regularly reviewed and monitored
- The COVID-19 pandemic that commenced in 2020 brought about additional requirements to ensure the safety of workers on BESS project construction sites
- Risks to the health and safety of residents and workers living and working near our BESS installations.

Investment Manager's mitigation strategy

- Supply chain policy that places strict obligations on suppliers to provide transparency on breaches of labour laws, anti-slavery measures and universal standards for labour welfare
- Engage with our suppliers to monitor risks across the supply chain and understand how they are working to reduce labour law breaches and encourage best practice
- Committed to coordinate action with other owners of BESS to set standards, monitoring and enforcement for all battery suppliers
- Externally audited, and continuously updated Health and Safety Policy
- Health and Safety monitoring extended to cover safety from COVID-19, and incorporated into regular assessment and reporting for BESS projects in construction
- Planning process for new BESS installations covers environmental and health and safety compliance

G: Governance and ethics
Considerations

- Certain parts of the battery supply chain are at greater risk of bribery, corruption and money-laundering
- Conflicts of interest, if not scrupulously managed, may lead to sub-optimal outcomes in relation to sustainability and price/quality for BESS projects

Investment Manager's mitigation strategy

- Supply Chain and Contracting policies include terms on bribery and money laundering
- Engage with our suppliers to monitor risks across the supply chain and understand how they are working to encourage best practice
- Anti-Money Laundering and Anti-Bribery policies are in place and staff must complete training on these topics
- Registering and managing conflicts of interest. Procedures have been put in place to ensure completed BESS projects that the Company sources from related parties, such as affiliates of the Investment Manager, are sourced in a fully transparent manner, and on an arms-length basis
- New project acquisition checklist to include Know-Your-Customer (KYC) verification and records of how decisions were made on sourcing

A discussion of climate change risks is included in principle risks and uncertainties in this report.

Strategic Report

The Directors present their Strategic Report for the period ended 31 December 2020. Details of the Directors who held office during the period and as at the date of this report are given on page 47 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 members of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

Business review and 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 5 to 18 of the Annual Report and Accounts.

The Directors are of the view the investment strategy, incorporating both additional acquisitions and the asset upgrade programme for the Seed Assets has performed well, especially considering the acquisitions during the year and after the Company's year-end. The Company has a strong portfolio of investments which are well positioned to take advantage of a growing opportunity. The equity fund raising at the end of 2020 demonstrates strong investor support for the Company's growth strategy and the resilience of the Company's income. One of the Board's key objectives for 2021 is to ensure an effective and efficient deployment of the capital raised at the end of 2020 into a portfolio of accretive assets that are in line with the Company's Investment Policy. In addition, the Company is undertaking a debt review process to further improve cost of capital and efficiency of capital deployment.

Key performance indicators

The Board believes that the key performance indicators detailed in the Highlights section on page 2 and the Investment Managers Report, which include profit, project revenues, dividend, NAV, total return, project capacities and battery sizes, provide shareholders with balanced information to assess how the Company is performing against its investment objectives. The Board monitors these key metrics on an ongoing basis and is pleased by performance in the year: the capacity of the batteries has increased in the year, the pipeline of new batteries is substantial and the revenue earning opportunities for these batteries are continually developing in line with our expectations, further discussion of the KPI's and results are included in the Chairman's Statement on page 3 and the Investment Manager Report.

The Company has generated £18,688,958 of profit in the year ended 31 December 2020, including interest receivable from subsidiaries. Total dividends which relate to 2020 were £18,398,944 (including the dividend paid on 26 March 2021). The Board keeps a close focus on operating profit and dividend cover to ensure underlying profits from the Company's investments are available to cover dividends.

As the capital raised is fully deployed and underlying assets upgraded the Board will ensure this is monitored closely.

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: 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 fundraisings 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.

Streamlined Energy and Carbon Reporting: Quantification and Reporting Methodology

We have followed the 2013 UK Government environmental reporting guidance: associated greenhouse gases have been calculated using the 2020 conversion factors published by the Department for Business, Energy & Industrial Strategy.

The reporting period is 1 January 2020 to 31 December 2020
Boundaries
We have used the equity share approach.

The Company itself is not an emitter of Greenhouse Gas. However, the underlying assets within the Company's portfolio companies import and export electricity which are sourced from either the grid or from gas or diesel generators at each site, these have been included in our emissions disclosures. The energy used and produced by the companies is fully metered and carefully monitored.

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

Energy used:	
	2020
Scope 1: Emissions in metric tonnes CO_2e	
Gas consumption	2,541
Diesel consumption	73
Total Scope 1	**2,614**
Scope 2: Emissions in metric tonnes CO_2e	
Consumption of electricity (1)	2,412
Total Scope 2	**2,412**
UK energy consumption used to calculate emissions (MWh) (1)	
Gas	13,821
Diesel	266
Electricity (1)	9,525
Total UK energy consumption	**23,612**
Intensity ratio CO_2 emissions per weighted average battery capacity (Tonnes per MW)	24.2
(1) The figures shown are the net import / (export) of electricity from the grid	

Scope 3 Emissions
We have identified the following are Scope 3 Emissions which have not been quantified:

- Carbon emissions from end-to-end manufacturing, transport and installation of BESS
- Investment Manager emissions (i.e. offices).

Intensity measurement
The chosen intensity measurement ratio is gross emissions in metric tonnes CO2e per weighted average MW capacity. This is considered a more appropriate ratio than MWh due to variability in operation of assets and difference service types.

Measures taken to improve energy efficiency
The usage of diesel generators within the operational portfolio has been significantly reduced. Sites which have diesel generators no longer use the generators day-to-day, but they are in place to meet Capacity Market contract requirements and TRIAD operations on three of the sites. The Company is not currently making new investments in projects which require diesel generators.

Amendments to Investment Policy
During the first half of 2020, the Manager reviewed investment opportunities in Ireland (both the Republic of Ireland and Northern Ireland). The Manager considered that, given the attractiveness of the risk and return profile of potential investment opportunities in Ireland, it would be beneficial for the Company to have the flexibility to invest a portion of its assets in projects located there. The Republic of Ireland and Northern Ireland have a similar regulatory framework and share a common high voltage transmission system. The Board proposed, and shareholders approved, at the Company's 2020 Annual General Meeting a resolution that the Company's investment policy be amended to enable the Company to invest up to 10% (calculated at the time of investment) of the value of the gross assets of the Company in utility scale battery energy storage systems in Ireland. Enabling the Company to invest in Ireland will increase the number of investment opportunities available to the Company, providing it with additional opportunities to add to its yield and NAV per Ordinary Share.

Further and since IPO, the Company's Investment Policy has prevented the Company from investing in BESS (Battery Energy Storage Systems) Projects where construction is not substantially complete or from lending funds to BESS Project Companies other than for purchases of equipment.

During the second half of 2020, the Manager advised the Board that in the Manager's view, it would be beneficial to the Company to amend its investment policy to allow the Company to acquire BESS Projects or rights to acquire BESS Projects which are ready to build that as a minimum have in place a completed lease, lease option or agreement for lease, on satisfactory terms in relation to the land where that BESS Project is situated, full planning permission enabling the construction of a suitable BESS Project on that land, a grid connection offer, and an agreed form EPC contract or EPC management contract suite ("Ready to Build Projects").

A resolution was therefore put to shareholders that the Company should be allowed to acquire such Ready to Build Projects for a nominal upfront consideration provided that (i) any remaining consideration is paid by the Company only where construction is substantially complete and where such BESS Projects are capable of commercial operations, and (ii) the Company has a put option to transfer back the Ready to Build Projects to the seller in certain circumstances. These amendments also allow the Company to provide loan finance to Ready to Build Projects for payments under the EPC contract or EPC management contract suite which cannot be classed as being for equipment, provided that no more than 10% of Gross Asset Value (calculated at the time that finance is provided based on the latest available valuations) may be exposed in aggregate to any such loans.

These amendments, which were approved by the Company's shareholders at the General Meeting in November 2020, allow the Company to benefit from a greater selection of projects and contractors, lower costs and less drag on income:

- Greater selection of projects – As the Company was unable to finance construction risk, it was required to work with EPC contracts that were prepared to provide construction finance. This substantially limited the number of EPC contractors that could be used by the Company prior to the amendment to the Investment Policy.
- Lower costs – Following the change in Investment Policy, the Company is able to contract directly with EPC contractors and avoid construction financing costs being incurred by the BESS Project Companies.
- Less drag on income - During construction, the Company can earn income through interest-bearing loans provided to Ready to Build Projects.

Although this new policy permits construction risk within the portfolio, the Company is still bound by the requirement to only accept projects at PAC. Therefore, there is an increasing role for Gresham House Devco Limited to warehouse and put capital at risk to bridge the gap between the development and construction phase of a project. Gresham House Devco Limited earns a premium on the acquisition price of assets for de-risking these projects on behalf of the Company.

The ability to make milestone payments during construction also leads to greater selection of project rights as some projects in the pipeline are offered for sale with pre-agreed construction contracts in place.

In order to mitigate the potential additional risks associated with the greater flexibility of the updated Investment Policy, The Board and the Manager have adopted enhanced due diligence and approval processes and requirements to manage and mitigate the incremental risks arising as a result of the change in the Investment Policy through the following:

- Detailed due diligence on the engineering contractor covering its track record in development, construction and operation of BESS Projects, with a focus on project management, health and safety, its staff and its financial strength.
- Reviewing the clauses EPC or EPCm contracts relating to the sharing of information and risk, including delays and safety, in the construction phase. Mechanisms bringing significant disincentives to delay and inadequate quality of design, construction, installation and commissioning will be implemented.
- Underlying contracts with individual suppliers and subcontractors to ensure that the quality of the equipment supplied, and the quality of the installation and commissioning process is high, and that payment terms align with the market and the progress of the work.
- Detailed due diligence on the project rights identifying risks to the construction phase such as limitations on road access, environmental requirements including noise and other pollution, and planning requirements and working practices designed to minimise or eliminate impact on local residents and businesses.

The Company's Investment Policy (as amended)
The Company invests in a diversified portfolio of utility scale battery energy storage systems, which utilise batteries and may also utilise generators.

The BESS Projects comprising the Portfolio will be located in diverse locations across Great Britain, the Republic of Ireland and Northern Ireland.

Individual projects will be held within special purpose vehicles into which the Company invests through equity and/or debt instruments. It is intended that each BESS Project Company will hold one BESS Project but an BESS Project Company may own more than one BESS Project. The Company will typically seek legal and operational control through direct or indirect stakes of up to 100% in such BESS Project Companies, but may participate in joint ventures or co-investments, including, without limitation with other investors or entities managed, operated or advised by the Gresham House Group, where this approach enables the Company to gain exposure to assets within the Company's Investment Policy, the like of which the Company would not otherwise be able to acquire on a wholly owned basis. In such circumstances the Company will seek to secure its shareholder rights through protective provisions in shareholders' agreements, co-investment agreements and other transactional documents.

Asset type and diversification

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

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

The Company intends that the BESS Projects in which it invests will primarily generate revenue from in front-of-meter services but may also provide behind-the-meter services.

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

First, diversification will be sought by geographical location of the BESS Projects in which the Company invests across Great Britain, the Republic of Ireland and Northern Ireland, provided that no more than 10% of Gross Asset Value (calculated at the time of investment) may be invested in the Republic of Ireland and Northern Ireland.

Second, it is the Company's intention that at the point at which any new investment is made, no single project (or interest in any project) will have an acquisition price (or, if an additional interest in an existing investment is being acquired, the combined value of the Company's existing investment and the additional interest acquired shall not be) greater than 20% of Gross Asset Value (calculated at the time of investment).

However, in order to retain flexibility, the Company will be permitted to invest in a single project (or interest in a project) that has an acquisition price of up to a maximum of 30% of Gross Asset Value (calculated at the time of acquisition). The Company targets a diversified exposure with the aim of holding interests in not less than five separate projects at any one time.

Third, the Company intends to achieve diversification by securing multiple and varied revenue sources throughout the Portfolio by investing in BESS Projects which benefit from a number of different income streams with different contract lengths and return profiles through individual BESS Projects, as well as by enabling the BESS Projects in which the Company invests to take advantage of a number of different revenue sources. It is intended that the main revenue sources will be:

In Great Britain:

- Firm Frequency Response – the Company invests in BESS Projects that generate firm frequency response revenues including from FFR contracts through which the 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. Noriker or third parties provide electricity trading services to project companies on a commercial basis for an arm's-length fee.
- Asset optimisation – the Company invests in BESS Projects that generate revenues from importing and exporting or generating and exporting in the case of BESS Projects including generators, power in the wholesale market and the National Grid-administered Balancing Mechanism.
- Capacity Market – the Company invests in BESS Projects that generate revenues by 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 1-year and 15-year Capacity Market contracts.
- TRIADS and other National Grid related income – the Company invests in BESS Projects that generate revenues from the three half-hour periods of highest system demand on Great Britain's electricity transmission system between November and February each year, separated by at least ten clear days and other National Grid related income including Generator Distribution Use of System, 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.

In the Republic of Ireland and Northern Ireland, the key source of revenue for storage is through DS3 System Services contracts - both volume uncapped, and volume capped. If successful in a procurement exercise for a volume uncapped contract, a service provider is paid a regulated tariff approved by the relevant regulatory authorities. Some fast-responding battery energy storage projects were awarded volume capped contracts (with a fixed term of six years) in the 2019 auction. Revenue may also be possible through the Capacity Payment Mechanism (which involves an auction for capacity revenues) or wholesale trading revenues.

ESS Projects in which the Company invests may diversify their revenue sources further by collaborating with renewable generators or large users of power in close proximity to an BESS Project or providing availability-based services to restore electric power stations or parts of electric grids to operation.

In such circumstances, the proportion of revenues coming from electricity sales may materially increase from that indicated above. BESS Projects in which the Company may invest in Great Britain may also be able to enter into FFR contracts with Distribution System Operators (DSO) and provide reactive power services to National Grid, the timing of which is according to the current evolving DSO model.

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

Finally, each BESS Project internally mitigates operational risk because each BESS Project will contain a battery system with a number of battery modules in each stack, each of which is independent and can be replaced separately, thereby reducing the impact on the project, as a whole, of the failure of one or more battery modules. This includes appropriate systems to suppress fire risk and other operational risks.

Other investment restrictions

The Company will generally acquire BESS Projects where within special purpose vehicles, construction is substantially complete and where BESS Projects are capable of commercial operations (Operational Projects). Operational Projects will need to have in place a completed lease on satisfactory terms in relation to the land where that BESS Project is situated, an executed grid connection agreement and completion of relevant commissioning tests (in Great Britain, a G99 Certificate confirming commissioning completion). Once an Operational Project is acquired, the Company may invest in upgrades by providing loan or equity financing to the special purpose vehicle.

The special purpose vehicle may enter into new lease arrangements to increase the size of the site, new planning permissions enabling construction of an increased capacity BESS Project on that land, a new and/or amended grid connection agreement which provides for increased capacity, and/or an EPC contract or EPCm contract suite to undertake construction of the relevant upgrades.

The Company may also acquire BESS Projects or rights to acquire BESS Projects which are ready to build that as a minimum have in place a completed lease, lease option, or agreement for lease, on satisfactory terms in relation to the land where that BESS Project is situated, full planning permission enabling the construction of a suitable BESS Project on that land, a grid connection offer, and an agreed form EPC contract or EPCm contract suite (Ready to Build Projects). The Company may acquire such Ready to Build Projects for a nominal upfront consideration provided that (i) any remaining consideration is paid by the Company only where construction is substantially complete and where such BESS Projects are capable of commercial operations and (ii) the Company has a put option to transfer back the Ready to Build Project to the seller in certain circumstances.

The Company may provide loan finance to BESS Project Companies so that the BESS Project Companies 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 loans. The Company may also provide loan finance to Ready to Build Projects for payments under the EPC contract or EPCm contract suite which cannot be classed as being for equipment, provided that no more than 10% of Gross Asset Value (calculated at the time that finance is provided based on the latest available valuations) may be exposed in aggregate to any such loans.

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

Investment in Developers

The Company may invest in one or more Developers of BESS Projects through equity issued by the relevant Developer, provided that investment in Developers (calculated at the time of investment) shall be capped at £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; and
- any UK "government and public securities" as defined for the purposes of the FCA Rules.

Leverage and derivatives

The Company is currently assessing its ability to raise debt and is expected to introduce leverage (at the Company level and/or the level of one or more of its subsidiaries, such leverage to be introduced directly or through one or more subsidiaries) 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 BESS Projects.

Derivatives may be used for currency, interest rate or 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.

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.

Dividend policy
The Board expects that dividends will constitute the principal element of the return to the holders of Ordinary Shares. On the basis of market conditions as at the date of this Registration Document the Company will target dividend payments of 7p per Ordinary Share in the financial year ending 31 December 2020 and in financial periods thereafter[3].

It is intended that dividends on the shares will be payable quarterly for the quarters ending in March, June, September and December, all in the form of interim dividends (the Company does not intend to pay any final dividends). The Board reserves the right to retain within a revenue reserve a proportion of the Company's net income in any financial year, such reserve then being available at the Board's absolute discretion for subsequent distribution to shareholders, subject to the requirements of the IT Regulations.

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

On 11 May 2020 the Board declared an interim dividend of 1.75p per Ordinary Share which was paid on 10 June 2020 to those shareholders on the register of members at close of business on 22 May 2020. On 1 September 2020 the Board declared an interim dividend of 1.75p per Ordinary Share which was paid on 25 September 2020 to those shareholders on the register of members at close of business on 11 September 2020.

On 27 October 2020 the Board declared an interim dividend of 1.75p per Ordinary Share which was paid on 11 December 2020 to those shareholders on the register of members at close of business on 6 November 2020.

On 19 February 2021, the Company announced its interim dividend for Q4 2020 of 1.75p per Ordinary Share successfully meeting its dividend target for the 2020 financial year of 7p per Ordinary Share (4.5p per Ordinary Share was paid in 2019). Further, the Board confirmed its commitment to targeting a 7p per Ordinary share dividend for 2021.

Discount management
Share buybacks
The Company may purchase Ordinary Shares in the market at prices which represent a discount to the prevailing NAV per Ordinary Share of that class so as to enhance the NAV per Ordinary Share for the remaining holders of Ordinary Shares of the same class. The Company is authorised to make market purchases of up to 35,117,170 Ordinary Shares. The Board intends to seek shareholder approval to renew its authority to make market purchases of its own issued Ordinary Shares once its existing authority has expired or at subsequent AGMs.

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

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

C Shares bought back by the Company will be cancelled.

At the date of this Annual Report, the Company does not hold any shares in treasury.

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

Going Concern Statement
The Directors confirm they have a reasonable expectation that the Company has adequate resources to continue its operations for at least 12 months from the date of signing these financial statements.

As at 31 December 2020, the Company had net current assets of £110 million and had cash balances of £111 million (excluding cash balances within investee companies), which are sufficient to meet current obligations and commitments as they fall due. The major cash outflows of the Company are the costs relating to the acquisition of new assets and payment of dividends, both of which are discretionary. All committed acquisitions at the end of the year and subsequent to year end are sufficiently covered through current cash reserves. The Company had no outstanding debt owing as at 31 December 2020. The Company has no financial guarantees to support the Bond held by the Midco.

3 This is a target only and is based on current market conditions as at the date of this Registration Document and is not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distributions at all. This target should not be taken as an indication of the Company's expected or actual current or future results. The Company's actual return will depend upon a number of factors, including but not limited to the amount raised pursuant to the Share Issuance Programme, the Company's net income and the Company's ongoing charges figure. Accordingly, investors should not place any reliance on these targets in deciding whether to invest in new shares or assume that the Company will make any distributions at all. Potential investors should decide for themselves whether or not the return is reasonable or achievable in deciding whether to invest in the Company. See further details under the section "Risk Factors".

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

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.

For the purposes of the Viability test the Board has assessed the prospects of the Company over a 3-year period to December 2023. The Board considers a 3-year timeframe to be reasonable on the basis that the Company is in the initial stage of acquiring assets and the focus is on increasing the size and scale of the portfolio.

The key risks facing the Company include, but are not limited to, the risks mentioned on pages 31 to 37 have been individually assessed by the Board. The Board note that it is difficult to foresee the viability of any business over the long term given the inherent uncertainty involved and that the risks associated with investments within the infrastructure sector could result in a material adverse effect on the Company's performance.

Financial models have been prepared for the period under review which take into account liquidity at the start of the period and key financial assumptions at the Company level as well as at the operational project level. These financial assumptions include expected cash generated and distributed by the portfolio companies available to be distributed to the Company, expected external debt and interest payments, availability of new external debt facilities, committed expenditure for investments and expected dividends as well as the ongoing administrative costs of the Company.

The Board have applied two scenarios to their viability assessment:

1. A base case assessment to consider the Company's ability to continue in operation under the current planned strategy to fund and acquire the currently committed Exclusivity Pipeline; and
2. A severe stress test scenario which assumes no cash is distributed by the portfolio: this scenario is a worst case and would assume there were significant changes at the SPV's levels either in terms of regulatory changes, changes to revenue optimisation strategies and a flattening of volatility of prices in the energy market in the medium term.

The Directors believe that the Company is well placed to manage its business risks successfully over both the short and medium term and accordingly, the Board has a reasonable expectation that the Company will be able to continue in operation and to meet its liabilities as they fall due for a period of at least three years.

Based on the assessment of the Company's financial position, after assessing the risks and significant assumptions together with the existing high level of cash held by the Company and the forecasts of the Company's future performance under the various scenarios, the Board has a reasonable expectation that the Company is well positioned to continue to operate and meet its liabilities as they fall due over the period to December 2023.

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 mitigation actions and new and emerging risks regularly at Board meetings.

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 non-dispatchable 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.

However, the process of transition and building a new business model creates risks for the Company via its investments in either operational SPVs or SPVs in construction. The key risks can be summarised in several main areas:

1. Emerging business model for the electricity sector;
2. Regulation and potential changes to National Grid procurement for services;
3. COVID-19 pandemic;
4. Environmental, social and governance (ES);
5. Operational, Technical and Commercial performance; and
6. Other risks, including borrowing, construction risk and new technologies.

Emerging Business Model for the electricity sector
The Company's investment model is reliant on the underlying performance of the project companies (SPVs) in 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 may adversely affect the valuation of the Company's investments. Therefore, it is important that the Company and Investment Manager look through the Investment Company share price to ensure the underlying assets generate income to meet the Investment Objectives of the Company.

These SPVs, rely on several sources of income: National Grid based Firm Frequency Response, CM payments and TRIAD income and Merchant trading income or "Asset Optimisation" outside of the relationship with National Grid.

The National Grid income streams have been important to support initial investments in battery energy storage and to 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 2020.

However, the future business model for the Company's investments may seek less reliance on these income streams in future as historic National Grid contract structures expire and are replaced with other non-contractual income streams. The Company's investments could therefore become more reliant on Asset Optimisation over time and the Investment Manager will seek to 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.

A Net Asset Optimisation within the SPVs is not reliant on absolute power prices but is based on volatility within the power market: this creates arbitrage opportunities within which trading opportunities emerge and can be rapidly exploited. In consequence, the investment returns received by the Company do not depend upon high wholesale power prices. In the later part of 2020 in particular, the SPVs saw very high volatility and peak power prices despite wholesale prices not being high.

The emerging market for the electricity sector will change the balance of contracted and non-contracted revenues at SPV level with a consequential change in risk to these SPVs.

As the SPVs' business models evolve, it is important that the asset portfolio is configured to enable successful trading / Asset Optimisation to capture trading profits 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 to exploit the income earning opportunity) 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 in 2020 and will continue to undertake many activities to mitigate the asset configuration risk both over the period and in the future.

These include:

- Further investment in the existing portfolio assets to ensure grid connection capacity and battery capacity are upgraded in both absolute levels and import/export symmetry where possible to maximise opportunities. This has largely been completed and has included replacement of diesel generation sets with further expansion of battery capacity and gas engines;
- Improvement of remote supervisory and control systems and despatch technologies to "iron-out" and test before full scale asset optimisation is launched; and
- Testing of relationships with several asset optimisation partners and models to enhance Asset Optimisation - the Company has tested these models in 2020 and believes the model is performing in line with expectations in difficult trading circumstances.

The aim of the Company is to lead 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.

Changes to Energy Market Codes and Regulations

The revenue generated by each of the Project Companies and its associated costs will be dependent on various energy market codes and regulations. The Gas and Electricity Markets Authority within the Office of Gas and Electricity Markets (Ofgem) regulates Great Britain's energy markets through licensing certain activities such as generation (with batteries being a proposed sub-set of generation), supply, and distribution/transmission network operation. A series of industry codes and agreements sit alongside these licences, which include more detailed rules and market processes.

These include the Connection and Use of System Code, the Balancing and Settlement Code, the Grid Code, the Distribution Use of System Agreement and the Distribution Code. Ofgem must consult with industry before implementing any changes to the codes; industry representatives are provided with an opportunity to help develop and propose changes to the codes, with Ofgem carrying the deciding vote on any changes.

A future change in UK Government or Ofgem's direction regarding the design of the energy market, network charges, access to networks or a change in industry consensus around detailed market rules could lead to unfavourable energy or grid policies which may negatively affect the future availability of attractive battery energy storage systems for the Company to invest in, as well as those BESS Projects already acquired by the Company under current electricity market/grid regulations. These may also result in changes to procurement from National Grid.

Changes in procurement of balancing services by National Grid

The procurement details and contract designs that National Grid uses for different balancing services currently vary. For example, FFR contracts are tendered monthly and alternate between procuring for the short term requirement (month ahead only) and for both the short and long term requirement (from month ahead to 30 months out), with a maximum contract award of 24 months. FFR contracts are settled on a pay-as-bid basis. These contracts were previously awarded for longer durations of up to 24 months before changes were implemented in 2018. National Grid are now running trials of weekly FFR auctions, as set out in more detail below. To the extent the Portfolio includes sites with enhanced frequency response contracts covering 4-year durations, the implication of this is that they are not expected to be replaced with similar long term contracts at expiry.

These sites would then tender for shorter duration contracts through the services offerings available at that time.

National Grid began a phase 2 trial of dynamic low high frequency and low frequency static services in October 2020 with contracts tendered weekly for individual four hour blocks each day. The weekly auction originally had a maximum tendered capacity of 20MW per unit and an overall cap of 100MW per service. However after releasing the Project Evaluation Report in September 2020, National Grid decided to remove the individual unit cap allowing larger units to enter. The weekly auctions are settled on a pay-as-clear basis whereby the largest accepted price is awarded to all successful tenders. In October 2020, National Grid launched a new service for a fast-acting post-fault service to contain frequency within a statutory range (49.5Hz - 50.5Hz) called Dynamic Containment. National Grid are continuing to work on the design of two further end-state products: Dynamic Moderation and Dynamic Regulation.

National Grid's work has an ongoing programme of change to its procurement approach, and the above are some select examples which are particularly relevant to battery storage projects. National Grid plan for the weekly and monthly tenders for frequency services to be taken over by the three dynamic end-state products in 2021 at which point all tenders are expected to move to a daily auction. Changes that shorten the standard duration of contracts could force the Project Companies to re-contract more frequently in the future, which may create higher administrative costs for the Project Companies and expose them to more frequent occurrences of failing to secure contracts immediately after expiry of a previous contract and increases in the variability of revenues. Changes in the specification of services (for example, response time or duration of delivery) may require the operating Projects Companies to incur additional investment and set-up costs which may adversely affect the Company's NAV and revenues and returns to shareholders. This leads to an increased emphasis on value derived from a competent and smart optimiser, who can manage the ongoing bidding/pricing, and weigh which short term revenue stream(s) to pursue at various times, rather than relying on BESS Projects having longer term contracted revenue upfront.

Embedded benefits – Transmission Network Use of System (TNUoS) charges and Distribution Use of System (DUoS) charges
An element of the revenue expected to be generated by the Portfolio will be dependent on the savings of TNUoS and DUoS charges that the Company's battery energy storage systems can offer to its industrial and commercial customers through the deployment of behind-the-meter batteries. Ofgem is currently implementing its reviews of network charging arrangements (each a Significant Code Review or SCR):

- a Targeted Charging Review; and
- a Reform of Electricity Network Access and Forward-Looking Charges.

The purpose of these work streams is to review how network costs, including TNUoS and DUoS charges, are levied directly or indirectly on electricity suppliers and (ultimately) on consumers. As one part of the Targeted Charging Review, Ofgem published in March 2020 a consent to withdraw CUSC Modification Proposal CMP332 "Transmission Demand Residual bandings and allocation (TCR)" and direction to raise a new modification proposal to enable new Transmission Demand Residual charges to be effective as of 1 April 2022. The code modification will be implemented in two stages, with some of the changes (notably the BSUoS embedded benefit removal) coming into effect from April 2021, and the remainder (notably changes to the TNUoS and DUoS demand residual charges) from April 2022.

The result of this review should be a reduction in residual charges incurred by battery sites, and reduced opportunity for embedded benefit revenue creation, although the quantum is still unclear.

Initial working papers were published in December 2019 for the Reform of Electricity Network Access and Forward-Looking Charges and information requested in July 2020. Ofgem plan to release a Minded-to-Decision and final impact assessment in 2021 with reforms planned to take effect from April 2023. It is not clear yet whether this review will result in significant changes, nor the timeline for implementation if so. The changes (if any) from this SCR primarily relate to how connection charges are calculated, both at the initial connection phase and during the life of the connection (e.g. through DUoS and TNUoS).

A further decline in the TNUoS tariff levels for standalone assets, or further change in charging mechanism, or an adoption of a similar approach to the above for behind-the-meter storage projects, potentially combined with further reductions and changes in the charging mechanism, could materially adversely affect the Company's revenues and financial condition. Similarly, a decline in DUoS tariff or charging mechanism (for instance, switching to fixed charges or gross demand charging) could materially adversely affect the Company's NAV and revenues and returns to shareholders. In addition, if new charges are introduced under which a battery energy storage system could increase the charges payable by the on-site customer, then this may create an exposure for the Company's investments.

On 2 October 2020, Ofgem published the outcomes of its June 2019 consultation into proposed changes to the electricity generation licence, to clarify the current regulatory framework for electricity storage and it confirms the view that electricity storage provides services equivalent to generation and therefore for licensing purposes, should be considered as such. In particular, the decision outlines two major changes which would be made to clarify the regulatory framework in relation to electricity storage. This would be done by adding two definitions into the electricity generation licence standard conditions: "Electricity Storage" and "Electricity Storage Facility" and by adding an additional licence condition (E1) which will be applicable to battery energy storage providers.

The new E1 condition will require energy generation licensees to provide information in relation to the electricity storage facilities they own to their relevant supplier. The main reason for the addition of this condition is to ensure suppliers' compliance for reporting purposes and facilitate the correct calculation of final consumption levies. Not all electricity storage providers will require a licence and the electricity generation licence exemptions will apply in the same way to storage as to traditional forms of generation. However, there may be some benefits to being licensed in order to be exempt from payment of final consumption levies when the electricity is imported and used only for storage.

Any changes could favourably but also adversely impact returns from Project Companies and therefore could have an adverse effect on the Company's NAV and revenues and returns to shareholders.

Risks of investing in BESS Projects with DS3 standard contracts in the ROI and Northern Ireland and risks of significant changes within procurement

An element of revenue for BESS Projects in the ROI and Northern Ireland is the volume uncapped under the DS3 standard contract. Under the volume uncapped procurement route, the Transmission System Operators (TSOs), EirGrid and SONI, contract for system services with eligible providers following conclusion of a procurement exercise, and these service providers are paid a regulated tariff approved by the regulatory authorities. The annual budget cap for DS3 spend is €235 million. Under the standard contract, the service providers have the flexibility to tailor the service specification to suit the asset's capability. Additionally, the standard contract is a five-year contract expiring in April 2023; and the TSOs retain a right to terminate the contract for convenience on 12 months' notice or extend it for up to 36 months. Estimated financial returns for BESS Projects targeting the DS3 standard contract procurement in the ROI and Northern Ireland are dependent on, among other factors, its commercial operation date (including grid connection date), the uncapped market tariffs and market conditions. Investment decisions in relation to opportunities in the ROI and Northern Ireland will be based on price forecast and market expectations for the uncapped market, but the Company cannot guarantee that the uncapped market conditions and price will remain at levels which will allow the Company to maintain projected revenue levels or rates of return on the battery energy storage systems within the Portfolio if the Company was to invest in BESS Projects in these territories.

Risks related to the volume capped outcome in the ROI and Northern Ireland

The Company intends to invest in BESS Projects in the ROI and Northern Ireland that have secured volume capped contracts. However, even if the Company invests in an BESS Project which has secured such a contract, it may not be able to secure attractive terms at the time of renewal of such contracts and consequently may not be able to use the battery energy storage systems at their maximum capacity and capabilities, including between contracts. BESS Projects in the ROI and Northern Ireland may also rely on revenues from the "Delivery Secure Sustainable Electricity System" programme as well as the Irish Capacity Remuneration Mechanism and wholesale revenues.

COVID-19 pandemic

The ongoing COVID-19 pandemic could still adversely impact the operations of Project Companies, and therefore could adversely affect the ability of the Company to deliver income and capital returns to shareholders in the following ways:

- The Project Companies operate with supply chain partners with strong business continuity arrangements and the BESS Projects are operated by remote monitoring and despatching. However, there is a residual risk that suitable specialist personnel are unable to attend sites when required to ensure the BESS Projects are operating to their full potential. The Manager carefully monitors the operational arrangements of the supply chain partners in order to minimise this risk of operational failure.
- The ability to construct or commission BESS Projects within the pipeline may be adversely impacted.
- Global and/or regional travel restrictions may delay the commissioning of BESS Projects and may constrain supply chains. However, as BESS Projects that are in the process of construction represent important infrastructure for the electricity system in the UK and the ROI, the Manager expects that suitable arrangements will be continuing to be put in place in order to overcome any such restrictions.
- The energy markets into which BESS Projects are operating saw some disruption due to the COVID-19 pandemic in the first half of 2020 although the situation normalised later in 2020.

  Dysfunctional markets could adversely impact the trading operations of the Project Companies and the returns to the Company. The Manager monitors these markets and trading performance to maximise overall performance. The BESS Projects are able to switch between revenue streams to maximise value when price volatility is reduced.
- Energy supply was a key industry during the pandemic and was able to continue to operate and required personnel were able to access the sites as required. The BESS Projects are remotely operated reducing the impact of travel restrictions.

Environmental, Social and Governance

The Company seeks to ensure that the activities of the Project Companies are beneficial to society and the planet as a whole. The Company will continue to review supply chain governance, focusing on the source materials such as cobalt and rare earth elements, as well as the recycling of battery materials and other components and will build these issues into the Company's risk management programme. A full review of ESG is covered in the Sustainability Report section of this report.

Environmental liabilities, particularly on "brownfield" sites

It is anticipated that a significant proportion of the battery energy storage systems to be acquired by the Company will be located on agricultural, commercial and industrial properties. Such sites can have a greater likelihood of Project Companies suffering environmental liability and/or requiring a higher degree of due diligence in the permitting steps.

To the extent that there are environmental liabilities arising in the future in relation to any sites owned or used by a Project Company including, but not limited to, clean-up and remediation obligations, such operating company may, subject to its contractual arrangements, be required to contribute financially towards any such liabilities, and the level of such contribution may not be restricted by the value of the sites or by the value of the total investment in the relevant battery energy storage system.

The battery suppliers or EPC contractors may offer the Project Companies end of life battery disposal options where the supplier or EPC contractor shall be responsible for the removal, collection, recycling and disposal service for batteries but it is not guaranteed that all the battery suppliers from whom the Project Companies purchase batteries or EPC contractors for the Project Companies will offer or be able to deliver such options and the Project Companies may incur battery disposal costs at the end of the battery life.

In addition, while the Company structures its investments to ensure statutory recycling obligations at law remain with its suppliers and/or EPC contractors, it remains a risk that the Company's investments could attract such liabilities.

In addition, there can be no guarantee that environmental costs and liabilities will not be incurred in the future. Environmental regulators may seek to impose injunctions or other sanctions that affect the Company's investments operations that may have a material adverse effect on the Company's results of operations, financial conditions or impose compliance costs such as data collection or reporting obligations.

Operational, Technical and Commercial Performance
The financial model for the Company and its investments will make assumptions about the future costs and increases or reductions over time. The Investment Manager seeks to ensure that these are sensible and appropriate but sudden changes in (say) insurance markets may have an impact on such costs.

Health and safety risks
The physical location, maintenance and operation of a battery energy storage asset may pose health and safety risks to site workers, other local buildings or nearby residents. The operation of a battery energy storage plant may result in bodily injury or industrial accidents (including fires). If an accident were to occur in relation to one or more of the Company's battery energy storage plants, the Company, Holdings and/or the relevant Project Company could be liable for damages or compensation to the extent such loss is not covered under existing insurance policies.

Liability for health and safety could have a material adverse effect on the NAV and revenues and returns to shareholders.

Balancing services contracts and pricing (including frequency response) and failure to secure new contracts on expiry and relationship with National Grid
The revenues generated will depend, in part, on the price each Project Company is able to obtain for providing various balancing services to National Grid (including, in particular, frequency response) in respect of the battery energy storage systems.

The current UK frequency response service is procured by National Grid via both monthly and weekly tender processes; however, this tender process is currently undergoing a significant transition, in particular with new services being procured such as Dynamic Containment since October 2020. The Company may acquire a BESS Project without a frequency response contract and/or it may have a short term frequency response contract where there is uncertainty over the value of any replacement frequency contracts.

The UK's frequency response market currently offers short term contracts of significantly shorter duration than the expected life of the BESS Projects that the Company holds or expects to acquire. When such contracts expire, the Project Companies may not be able to secure replacement contracts (or sufficiently attractive terms for replacement contracts) in the competitive allocation process, and consequently may not be able to use the battery energy storage systems at their maximum capacity and capabilities, including between contracts. The Manager mitigates this risk by assuming the asset optimiser will spend a greater time trading and in the Balancing Mechanism in the future and so assesses forecasted revenues based on alternate opportunities in respect of each of the sites.

The Manager makes investment decisions based on price forecasts and so a lower than expected market price of balancing services could materially adversely affect the Company's revenues and ability to meet targeted returns.

Furthermore, the Company cannot guarantee that market prices of balancing services will remain at levels which will allow the Company to maintain target dividend distributions or rates of return on the battery energy storage systems within the Portfolio. A significant drop in market prices for balancing services would have a material adverse effect on the Company's NAV and revenues and returns to shareholders. The Manager has assumed a low exposure to FFR contracts throughout 2020, limiting the impact to a loss of business in this area. The pricing assumptions set in the BESS Projects acquired have been reviewed by a third-party consultant and forecasts are below current pricing levels. Any information or event which justifies the forecasting of factoring lower prices than those currently assumed prior to the commissioning of any BESS Project would justify a lower purchase price being paid for such BESS Project by the Company.

NGET is a subsidiary of National Grid plc and is the owner and operator of the electricity transmission network in England and Wales, and the system operator (responsible for amongst other things balancing the system) for Great Britain is National Grid Electricity System Operator Limited ("National Grid ESO" or "NG ESO"). National Grid is one of the largest companies in the UK (it is capitalised at approximately £30 billion and in the top 20 UK listed companies). NGET has a Moody's credit rating of A3. The UK Government does not guarantee the solvency of NGET. If either of these companies were to collapse or if their financial strength were to materially deteriorate, their respective obligations as a counterparty in respect of each of the Project Companies may be seriously impacted or become worthless, which could materially affect the Company's NAV and revenues and returns to shareholders.

While BESS Projects may secure contracts with Distribution System Operators (DSOs) in relation to the DSOs own electricity distribution systems, and there is a nascent market developing for such services, there is no certainty that DSOs will continue to emerge as entities requiring frequency response services or other material services for BESS Projects and, if they are, it may not be at the levels projected.

Therefore, a loss of an FFR contract or breakdown in relations with National Grid would have material adverse impact on BESS Projects' ability to obtain frequency response revenues, either temporarily or permanently, which could have an adverse effect on the Company's NAV.

Volatility of electricity prices affecting asset optimisation opportunities
One of the other major sources of revenue for the Portfolio is from trading activity, also described as energy trading or price arbitrage (often a key part of asset optimisation). This is dependent on the spread of the price at which electricity can be imported (for charging) and exported (upon discharging). A lower than expected volatility in the market price of electricity, or a smaller spread between buy and sell prices, could adversely affect the Company's revenues and financial condition. The Company cannot guarantee that electricity market price volatility and/or a Project Company's ability to capture spreads will be at levels or frequency which will allow the Company to generate projected revenue levels or rates of return on the battery energy storage systems within its Portfolio. The Company's investments have contracted with third party service providers to undertake asset optimisation for the Project Companies, which include energy trading optimisation services.

There are no minimum revenue requirements or guarantees in the asset optimisation arrangements and the Company's protection against underperformance is limited primarily to exercising termination rights under the optimisation services contracts and then seeking a replacement asset optimiser. In line with current market standards, there can be evidential hurdles in proving such underperformance such as to trigger these break rights, which could lead to disputes unless underperformance is so serious and pronounced as to be beyond doubt.

In certain circumstances, the asset optimiser holds revenues in their accounts before passing them through to the Project Companies and in such cases the Project Companies are subject to the credit risk of the asset optimiser.

Batteries are subject to degradation and the risk of equipment failure
Battery systems degrade gradually with reduced capacity and cycle life due to chemical changes to the electrodes over their lifetime. The degradation effect can be separated into calendar loss and cycling loss. Calendar loss results from the passage of time and cycling loss is due to usage and depends on both the maximum state of charge and the depth of discharge. Although the battery manufacturers provide certain warranties on a battery degradation schedule based on certain operating conditions and the lifespan of the battery, the operation of the battery may fall outside of the warranty conditions due to unexpected events. Also, the Project Companies may continue to operate the battery beyond the period covered by the degradation warranty of the battery manufacturers, and these may result in unexpectedly lower performance of battery assets. The Company's investment will take into account the realistic degradation profile of the batteries and the need to augment capacity from time to time, based on the Company's assessment of the supplier's battery technology. However, this can be higher than the warranted degradation profile and the asset may not meet its expected performance at the time of acquisition or over its operational life, even if the use of the battery is within the warranted period and conditions.

As a result, and to the extent not covered by the warranties, any such excess battery degradation may necessitate greater than expected repair and maintenance expenses or the requirement for replacement of some or all of the battery modules or components earlier than anticipated.

There is also a risk of equipment failure due to wear and tear, design error or operational errors in connection with the battery energy storage system and this failure, among other things, could adversely affect the returns to the Company.

Balance-of-plant equipment is subject to degradation and the risk of equipment failure
Battery energy storage plants contain a multitude of technical, electrical, electronic, mounting structures and other components, commonly referred to as "balance-of-plant". Balance-of-plant components are subject to degradation, technical deterioration, possible theft of components and other loss of efficiency and effectiveness over a battery energy storage plant's lifespan. There is a risk of unexpected equipment failure or decline in performance over the life cycle of the plant which would adversely affect the plant's technical and financial performance.

Capacity Market contracts and pricing
Some revenues generated by the Portfolio will be dependent on the price the Project Companies are able to secure for providing capacity through Capacity Market auctions. The Company will generally seek to acquire Project Companies with long term Capacity Market contracts in place. If such contracts are not in place there will be uncertainty on the amount of revenue that will be generated under such Capacity Market contracts, which will be subject to change on an annual basis.

Other risks, including borrowing, construction risk and new technologies
Borrowing risk
The Company's wholly owned subsidiary, Gresham House Energy Storage Holdings plc (Holdings), has issued five-year fixed term secured bonds (the "GRID Power Bonds") to certain investors (the "Bond Offering") and a bond on similar terms with a maturity date of 30 November 2021 to BSIF Infrastructure (the "BSIF Bond") in an aggregate principal amount of £15 million. Under the terms of the Bond Offering, Holdings may raise up to £40 million in aggregate by issuances of bonds in series from time to time on or before 14 October 2021. Finance raised under the Bond Offering and by the BSIF Bond has been used for investment purposes and to refinance existing loans in the Company.

Under the terms of the Bond Offering and the BSIF Bond, the bank account of Holdings has been charged to BSIF Infrastructure and the shares of two BESS Project Companies have been pledged to BSIF Infrastructure and the Security Trustee, respectively. Should Holdings default on the terms of the Bond Offering or the BSIF Bond, security may be enforced over the bank accounts of Holdings or the shares of HC ESS4 Limited or HC ESS7 Limited respectively. Any enforcement of security is likely to have a material adverse effect on the Company's business, revenues and financial condition.

In addition to the Bond Offering and the BSIF Bond, the Company intends to assess its ability to raise debt and is expected to introduce leverage (at the Company level, Holdings level and/or the Project Company level) in the future to the extent funding is available on acceptable terms. In addition, it may, where the Board deems it appropriate, use short term leverage to acquire assets, which could be achieved through a loan facility or other types of collateralised borrowing instruments. Such leverage will not exceed 50% (at the time of borrowing) of Net Asset Value.

While the use of borrowings can enhance the total return on the shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is rising at a lower rate than the cost of borrowing or falling, further reducing the total return on the shares. As a result, the use of borrowings by the Company may increase the volatility of the NAV per share.

Any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its NAV (which is likely to adversely affect the price of shares). Any reduction in the number of shares in issue (for example, as a result of buy backs) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing. To the extent that a fall in the value of the Company's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy or borrowing limits, the Company may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments.

Construction risk
Following the changes to the Investment Policy approved at the November General Meeting, the Company may acquire Ready to Build Projects or the rights to acquire Ready to Build Projects and may provide loan finance to such Ready to Build Projects which cannot be classed as being for equipment. As a result, the Company may be exposed to certain risks associated with owning or funding a Ready to Build Project prior to commissioning, such as cost overruns, construction delay and construction defects which may be outside the Company's control and which could result in the anticipated returns of the Company from any loan finance provided to such BESS Project Companies being adversely affected or the Company being unable to recover some, or all, of the amounts lent. The Company is confident that the taking on of a small percentage of construction risk can be managed on a satisfactory basis using normal commercial contractual mechanisms. These will include liquidated damages and EPC contracts with high quality experienced counterparties.

New energy storage technologies
Although the BESS Projects in the Portfolio utilise, or will most likely utilise, lithium-ion batteries, the Company is generally adaptable about which technology it utilises in its battery energy storage systems. The Company does not presently see any energy storage technology which is a viable alternative to lithium-ion batteries for the target markets and activities for the BESS Projects, due to their widespread use in mobile phones, electric cars and other devices and consequent pricing, safety, performance track record and established infrastructure benefits. However, there are a number of technologies being researched which, if successfully commercialised, could eventually prove more favourable than lithium-ion. The Company will closely monitor such developing battery technologies (such as sodium and zinc derived technologies) and other forms of energy storage technology (such as flow batteries/machines and compressed air technologies) and will consider adopting such technologies for new BESS Projects where appropriate.

However, Project Companies that use existing lithium-ion batteries may, as a result, prove less economical and therefore earn lower returns in comparison or be outbid for competitively procured services (such as frequency response). This could have a material adverse impact on the financial performance of the Company.

Prices for battery systems may decline faster than expected
The prices paid for battery systems are a key component of the total cost of a battery energy storage system. It is expected that prices of such systems will decline due to the expected growth in the demand for the lithium-ion batteries; therefore, it will be the primary technology to be sought by the Company in selecting BESS Projects to invest in.

The Company has made certain assumptions in its financial modelling, based upon independent forecast data, relating to the declines in prices for battery systems for replacement of batteries over time. However, if prices fall more slowly than expected, the returns implied by Project Companies may be lower than expected.

Climate Change Risks
The Company remains committed to combatting climate change: the ethos of the battery energy storage systems is to facilitate further expansion of renewable generation onto the electricity grid. The overall impact of climate change is therefore not considered to be significant: the assets themselves are not susceptible to local risks of climate change such as flooding: these risks are mitigated as part of the planning process and as well as being well maintained in temperature controlled containers to avoid overheating.

A by-product of climate change could be a change to the continuing penetration of new renewable generation assets (i.e. different electricity generation technologies) which may alter the need to "balance" the grid by battery storage. If this penetration is slower than anticipated by industry forecasters and the pricing curves used by the Company to value its assets, then the underlying volatility of power pricing might be lower than expected and impact negatively on valuations.

Stakeholder Engagement and Statement under Section 172

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

The Company has identified the following key stakeholders:

- The Company's shareholders;
- The Company's Investment Manager;
- The communities in which the Company's assets are located;
- The Company's business partners and key service providers; and
- 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 vitally important stakeholders.

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

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

How the Company engaged with the equity investors

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

- Interim 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; and
- 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 fundraising 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.

Furthermore, the two changes to the Company's investment policy is an example of how the interests of shareholders were considered by the Board during the year. The Board recognised that by expanding the scope of the Company's investment policy to include the ability to make investments in the ROI and Northern Ireland and to take on Ready to Build Projects would allow the Company to pursue a greater selection of investment opportunities and to be more selective in the opportunities which it pursues. This additional flexibility should support the Company intention to invest into a diversified portfolio of utility scale battery energy storage systems that support the Company's dividend cover and portfolio growth ambitions.

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 adhoc 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.

Furthermore, the Company, supported by its Management Engagement Committee, conducts an annual review of the Investment Manager's performance and the terms of engagement of the Investment Manager. This review is focused on 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. 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 and the Company's strategy are aligned with achieving long term shareholder value.

The interests of Investment Manager and the impact of key decisions taken during the period are set out in the Chair's Statement and Investment Manager's Report.

The summary of the Board's review of the performance of the Investment Manager is set out in the Directors' Report, pages 43 to 45.

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 9 million trees in 2020 and its forestry portfolio absorbed 1.5 million tonnes of CO_2 in the year (with 35 million tonnes of CO_2 absorbed in the forestry portfolio in total). In addition, the Investment Manager operates 230MW of wind farms and solar parks: these generated enough electricity to power 136,000 homes and save 216,000 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. The intention of the Company is to maintain long term and high-quality business partnerships to ensure stability while the Company pursues its growth strategy.

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

Key strategic decisions during 2020
The Company continued its growth phase in the period ended 31 December 2020. This has focused on deployment of funds raised and the development of one of the market leading battery 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;
- Fundraising decisions, including the issue of the current Prospectus and bond funding in the holding company to align the investment programme with available funds;
- Upgrading the "bench strength" of the Investment Manager's team to match the increasing scale of the portfolio;
- Payment and level of dividends to meet expectations; and
- Assessment of Going Concern status.

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 Company's dividend target of 7.0p per Ordinary Share for 2020 was delivered.

This Strategic Report is approved on behalf of the Board by

John Leggate CBE, FREng
Chair
Date: 27 April 2020

Gresham House
Specialist asset management

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) and 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.

Stephen Beck
Finance Director, Real Assets

Stephen has 24 years of industry experience and is a law graduate and Barrister and was called to the Bar in 1996. He is also a Fellow of the Institute of Charted Accountants of England and Wales and qualified with Price-waterhouseCoopers.

He leads an inhouse finance team managing; New Energy, Renewables, Commercial Forestry and Housing sectors.

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

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 will conduct an externally facilitated effectiveness evaluation every three years, with its first such evaluation taking place during 2021.

The Board has been in situ since the Company's IPO in November 2018. While it is too early to be considering formal succession planning for existing Directors, the Board will focus on this matter further as part of its annual Board Evaluation process from 2021 onwards.

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 in the energy sector to a "blue chip" international consultant. 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
Chair of the Nominations Committee and 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 consultant partner at CMS, a top 10 global law firm. Cathy was appointed to the Board on 1 March 2019.

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

David Stevenson
Chair of the Remuneration Committee and Independent Non-Executive Director

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

Significant interests: David is a Director of 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; The 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 Annual Report and Financial Statements of the Company for the period ended 31 December 2020.

The Directors during the period, including their appointment dates, are set out on page 47.

The Corporate Governance Report on pages 51 forms part of this report.

Company performance
The Directors have reviewed the performance of the Company throughout the period. Details of the performance of each investment owned by the Company are included the Investment Manager's Report.

The Directors and Investment Manager have developed several tools to review ongoing performance. These include ongoing monthly and quarterly dashboards 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 satisfied that underlying performance is being developed in line with expectations: the rollout programme of new investments and upgrades and extensions of investments acquired at IPO is progressing well and has ensured an increasing level of operational performance throughout 2020, which is included within the Chair's Statement.

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, the Company and its underlying investments are subject only to the £14.9 million bonds as financial leverage. The Company has the ability to assume up to 50% of gearing and may increase gearing 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 348,556,364 Ordinary Shares. There are no other share classes in issue.

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

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

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 2020 is not recognised in the period to 31 December 2020.

The results of the Company are disclosed in the Investment Manager's Report on page 5 of this Annual Report.

Period in relation to which dividend was paid	Announcement date	Ex-dividend date	Payment date	Amount per Ordinary Share	Total amount
1 January to 31 March 2020	11 May 2020	21 May 2020	10 June 2020	1.75 pence	£4,099,736
1 April to 30 June 2020	1 September 2020	10 September 2020	25 September 2020	1.75 pence	£4,099,736
1 July to 30 September 2020	27 October 2020	5 November 2020	11 December 2020	1.75 pence	£4,099,736
1 October to 31 December 2020	19 February 2021	4 March 2021	26 March 2021	1.75 pence	£6,099,736

Shareholder	Number of Ordinary Shares as at 31 Dec 2020	Percentage of Issued Share Capital as at 31 Dec 2020	Number of Ordinary Shares as at 31 March 2020	Percentage of Issued Share Capital as at 31 March 2020
Gresham House plc	30,528,218	8.76%	27,164,976	7.79%
Sarasin & Partners LLP	23,427,065	6.72%	23,427,065	6.72%
CCLA Investment Management Limited	22,429,297	6.43%	22,429,297	6.43%
Benjamin Guest	14,383,826	4.13%	14,383,826	4.13%
Schroders plc	12,382,250	3.55%	12,382,250	3.55%
Close Asset Management Limited	10,755,932	3.09%	10,755,932	3.09%

Substantial interests
As at 31 December 2020, and the date of this report, the Company had been notified the following beneficial interests exceeding 3% of the issued share capital, being 348,556,364 Ordinary Shares.

Annual General Meeting
The Company's first Annual General Meeting (AGM) was held on 20 June 2020. All resolutions proposed to the Company's shareholders at this AGM were duly passed on a poll vote.

The Company's next AGM is expected to be held in June 2021. 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 COVID-19 safety requirements and anticipated social distancing measures that may be in place at the time.

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

Directors' responsibilities
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements and have elected to prepare the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

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

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

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

The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

Directors' responsibilities pursuant to DTR4
The Directors confirm to the best of their knowledge:

- The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- The annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

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

Corporate governance
The Company's Corporate Governance statement and compliance with, 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 51.

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

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

The Going Concern Statement is detailed on page 30 of this Annual Report.

Future Developments
Future developments in the Company are detailed in the Chair's Statement and the Investment Manager's Report.

Post Balance Sheet Events
Post Balance Sheets are disclosed in Note 27 of the Accounts on page 98.

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: 27 April 2020

DANGER OF DEATH
HIGH VOLTAGE

Directors' Remuneration Report

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

The Board presents the Directors' Remuneration Report for the period to 31 December 2020 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 65 to 70.

The Annual Remuneration Statement
The Chair of the Remuneration Committee has summarised the major decisions on Directors remuneration, including the discretion which has been exercised in the award of Directors' remuneration, the substantial changes relating to Directors' remuneration made during the year and the context in which those changes occurred and decisions have been taken in the report from the Remuneration Committee on page 59.

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 was approved at the Company's 2020 AGM and will be put to shareholders for approval at least every three years thereafter.

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 does not exceed £500,000 per annum or such higher figure as the Company, by ordinary resolution, determines.

A review by Trust Associates did not lead to a change in the policy being identified.
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. The fees payable to each Director is set out in the following tables.

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

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

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

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

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 are not entitled to any variable consideration or any other taxable benefits under these agreements.

The Annual Remuneration Report
The Remuneration Committee considers any change in the Directors' remuneration policy. The report from the Remuneration Committee is set out on page 59.

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

2020	Salary and fees for Period from 01/01/20 to 31/12/20 £	Percentage increase since 24 August 2018 on salary and fees	Short term variable pay Period from 01/01/20 to 31/12/20 £	Percentage increase since 24 August 2018 on short term variable pay	**Total fixed remuneration period from 01/01/20 to 31/12/20 £**	**Total variable remuneration Period from 01/01/20 to 31/12/20 £**	**Total fixed remuneration Period from 01/01/20 to 31/12/20 £**
Catherine Pitt	40,000	-	-	-	**40,000**	**-**	**40,000**
David Stevenson	40,000	-	-	(100%)	**40,000**	**-**	**40,000**
Duncan Neale*	45,000	-	7,000	40%	**45,000**	**7,000**	**45,000**
John Leggate	65,000	-	-		**65,000**	**-**	**65,000**
Total fixed remuneration	**190,000**	**-**	**7,000**	**(30%)**	**190,000**	**7,000**	**190,000**

2019	Fixed salary and fees for Period from 24/08/18 to 31/12/19 £	Short term variable pay Period from 24/08/18 to 31/12/19 £	**Total fixed remuneration Period from 24/01/18 to 31/12/19 £**	**Total variable remuneration Period from 24/08/18 to 31/12/19 £**	**Total remuneration Period from 24/08/18 to 31/12/19 £**
Catherine Pitt	26,667	-	**26,667**	**-**	**26,667**
David Stevenson**	53,333	5,000	**53,333**	**5,000**	**58,333**
Duncan Neale*	60,000	5,000	**60,000**	**5,000**	**65,000**
John Leggate	86,667	-	**86,667**	**-**	**86,667**
Total Fixed remuneration	**226,667**	**10,000**	**226,667**	**10,000**	**236,667**

*In view of the significant additional work undertaken, the Board agreed to pay an additional fee of £7,000 (2019 – £5,000) to Duncan Neale during 2020

** In view of the significant additional work involved delivering the Company's first annual report and financial statements, the Board agreed to pay an additional fee of £5,000

*** Movement based on annualised figures

The Directors of the Company had the following beneficial interests in the issued Ordinary Shares as at 31 December 2020 and at the date of this report:

Directors	As at the date of this report 27 April 2021	As at 31 Dec 2020
John Leggate	37,415	37,415
Duncan Neale	13,425	13,425
David Stevenson	13,464	13,464
Catherine Pitt	14,660	14,660

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

2020/21 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, as shown in the table above. The Board review's Directors' remuneration at least annually to ensure that it is in line with market rates.

Consideration of shareholders' views

An ordinary resolution to approve the Remuneration Report will be put to shareholders at the Company's 2021 AGM and shareholders will have the opportunity to express their views and raise any queries in respect of the remuneration policy at this meeting.

Statement of voting at the 2020 Annual General Meeting

The Company's remuneration policy was subject to a vote at the 2020 AGM. The voting outcome is shown in the table below:

Resolution to approve the Company's remuneration policy	Votes	Percentage
Votes for*	162,311,910	100.00%
Votes against	5,000	0.00%
Total votes validly cast	162,351,111	
Total votes cast as % of issued share capital		69.30%
Votes withheld**	0	

* Includes discretionary votes

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

Further, the Directors' remuneration report was subject to an advisory vote at the 2020 AGM. The voting outcome is shown in the table across.

External advisers
During the year, the Board received external advice with respect to remuneration and appointed Trust Associates to provide advice on remuneration. Details of this advice is set out in the Remuneration Committee Report on page 59.

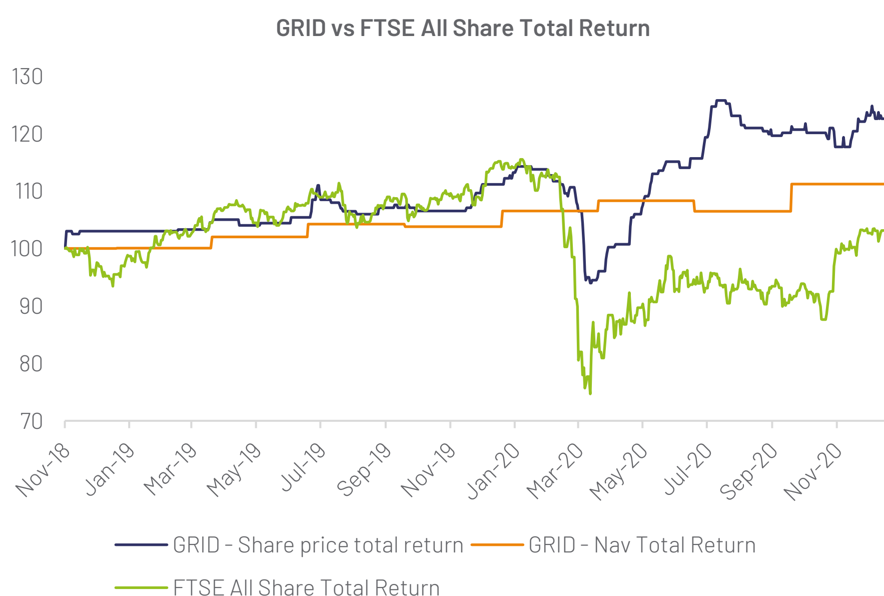
Payments to past Directors or for loss of office
There are no payments to disclose. Under the terms of the Directors' Remuneration Policy there would be no compensation for loss of office.

Performance graph
The graph 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.

Resolution to approve Directors' remuneration report	Votes	Percentage
Votes for*	162,316,392	100.00%
Votes against	5,000	0.00%
Total votes validly cast	162,321,392	
Total votes cast as % of issued share capital		69.29%
Votes withheld**	29,719	

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



	Payments made during the year ended 31 December 2020 £	Payments made during period 24 August 2018 to 31 December 2019 £
Remuneration to Directors	197,000	236,667
Dividends paid to shareholders	14,341,916	5,244,925
Buy-back of Ordinary Shares	-	-
Total	**14,538,916**	**5,458,592**

Finally, as noted above, the Directors have beneficial interests in the Ordinary Shares of the Company. Dividends paid in respect of these interests were as follows:

Directors Dividends	Total paid in 2021 to date of report £	Total paid during year ended 31 December 2020 £	Total paid during period ended 31 December 2019 £
John Leggate	655	1,694	175
Duncan Neale	235	602	175
David Stevenson	236	616	224
Cathy Pitt	257	820	175
Total	**1,382**	**3,371**	**749**

Relative importance of spend on pay
The difference in actual spend between 31 December 2020 and 31 December 2019 on Directors' remuneration in comparison to distributions (dividends and share buybacks) and other significant spending are set out in the table across.

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

David Stevenson
Chair of the Remuneration Committee
27 April 2021

Corporate Governance Report

The Board of Gresham House Energy Storage Fund plc (the "Company") 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 in respect of the appointment of a Senior Independent Director. 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 2021 board effectiveness assessment.

The AIC Code is available on the AIC website (https://www.theaic.co.uk/aic-code-of-corporate-governance). 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.

Board leadership and purpose

The Board views its purpose as supporting the Investment Manager, including providing constructive challenge, to achieve the Company's intended acquisition of a portfolio of BESS Projects to take advantage of the significant market opportunity for battery-based energy storage systems. The Board is also committed to delivering the Company's targeted dividends and Net Asset Value total return.

Further discussion of the Company's strategy has been set out within the Strategic Report on page 25.

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

During the year ended 31 December 2020, the Board supported the Investment Manager with further deployment of the available funds and in further fundraising by way or both debt and equity. The Board and the Investment Manager have also expanded the operational platform to support the sustainable growth and long terms success of the Company.

As set out in the section on Stakeholder Engagement and Statement under Section 172, pages 38 to 39, the Board seeks to understand the views of the Company's key stakeholders and to consider these views in board discussions and decision-making.
The Board assesses and monitors its own culture, including its policies, practices and behaviour to ensure it is aligned with the Company's purpose, values and strategy.
The Board remains committed to diversity and further detail on the Company's Diversity Policy and approach to diversity is set out in the Nomination Committee Report on pages 61 to 62.

Division of responsibilities

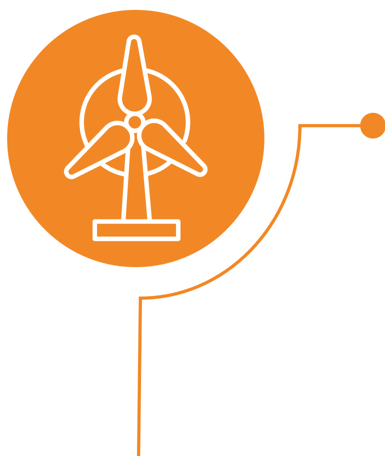
Matters reserved to the Board

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.

There is a clear division of responsibilities between the Board and the Investment Manager. Under the AIFM Agreement, the Investment Manager acts as discretionary investment manager and AIFM to the Company within the strategic guidelines set out in the Investment Policy and subject to the overall supervision of the Board.



	Quarterly Board meetings	Audit Committee	MEC	Nomination Committee*	Remuneration Committee*
	(4 held)	(6 held)	(1 held)	(1 held)	(1 held)
John Leggate	4	6	1	1	1
Duncan Neale	4	6	1	1	1
David Stevenson	4	6	1	1	1
Catherine Pitt	4	6	1	1	1

* The Nomination Committee and the Remuneration Committee where constituted by the Board 19 November 2020

The asset management role encompasses the oversight of all operational and financial management, the placing and managing of all operational contracts, management of all health and safety operational risks, advising the Board on the monthly and quarterly asset/portfolio performance, management of power price/market exposure, progress with the asset pipeline and reporting to the Board.

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

- Sources, due diligences and acquires pipeline on a speculative basis exclusively for the Company to ensure the Company's ability to grow in a burgeoning market with few operational projects;
- Manages these projects through construction (historically with Noriker Power Limited);
- Sells projects to the Company; and
- Takes development risk on behalf of the Company, where the Company's investment mandate prevents taking this risk.

The Management Engagement Committee, on an annual basis, reviews the Investment Managers performance during the year along with its adherence to the terms of the AIFM Agreement. Further details are contained in the Management Engagement Committee Report on pages 63 to 65.

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

Board Committees

The Board has four committees: the Audit Committee, Remuneration Committee, Nomination Committee and the Management Engagement Committee (MEC). During the period under review, all the Directors of the Company were non-executive Independent Directors and served on all committees.

Board and Committee meetings

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

During the period the Board held a number of additional ad hoc board meetings outside of the regular quarterly board meetings. These board meetings were mainly to discuss the progress of investments proposed by the Company and completion of such investments and further fundraising 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
  - → Trading data and investment performance, by month
  - → Analysis of the Company's financial model, including and updates to key assumptions
  - → Risk management and risk mitigation
  - → 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.

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. The Company's first AGM in 2020 was unable to be held with shareholders in attendance due to the restrictions imposed by the Company in response to COVID-19 and it is likely that some restrictions may be in place for the Company's AGM in 2021. The Company will, however, seek to secure appropriate shareholder engagement as part of its AGM in 2021.

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

In addition to the formal business of the AGM, representatives of the Investment Manager and the Board are available to answer any questions a shareholder may have.

If shareholders are not able to attend the AGM in person, shareholders will be given the opportunity to ask questions in advance of the AGM, with answers to any questions received published on the Company's website.

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 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 out in the Remuneration Report on pages 47 to 50.

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, page 25
Board Leadership and company purpose, page 41

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, page 25
Board Leadership and company purpose, page 41

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 31
Stakeholder Engagement and Statement Under Section 172, page 38
Audit, Risk and Internal Controls, page 57
Audit Committee Report, page 55

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 38
Board Leadership and company purpose, page 41

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, page 3
Board leadership and company purpose, page 41
Division of responsibilities, page 51

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 51
Biographies, page 41

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 41
Division of responsibilities, page 51
Audit Committee Report, page 55
Management Engagement Committee Report, page 63

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 51

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, page 43

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 41

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, page 43

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 57
Audit Committee Report, page 55
Notes 2 and 3 to the Financial Statements, pages 76 and 77.

Principle N – The Board should present a fair, balanced and understandable assessment of the Company's position and prospects.

Strategic Report, page 25
Audit, risk and internal control, page 57
Audit Committee Report, page 55
Independent auditor's Report, pages 65
Financial Statements, pages 71

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 31
Viability statement, page 31
Audit, risk and internal control, page 57
Audit Committee Report, page 55
Directors' Report, pages 43
Note 20 to the Financial Statements pages 91

Remuneration
Principle P – Remuneration policies and practices should be designed to support strategy and promote long term sustainable success.

Strategic Report, page 25
Board leadership and company purpose, page 41
Remuneration Committee Report, page 59

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 47

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, page 47

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

John Leggate CBE, FREng
Chair
Date: 27 April 2020

Audit Committee Report

Introduction
During the year and since, the Committee has played an integral role in reviewing and challenging the Company's financial modelling, financial reporting, key financial controls and other risk management topics. The Committee was faced with a number of key challenges, including assessing the financial impact of the Coronavirus pandemic and ensuring that the Company's annual report and financial statements for the year ended 31 December 2020 were delivered to a high standard under difficult circumstances.

Building on its work during 2019, the Committee continued to work with the Manager and key service providers to ensure that the Company can rely on robust internal financial controls and clear risk management procedures.

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

The Audit Committee meets at least twice a year and operates within clearly defined terms of reference. The Committee met six times during the period. These meetings were also attended by representatives of the Manager, the Company Secretary (JTC (UK) Limited) and the auditor (BDO LLP).

Given the size of the Board and the diverse range of experience and skills possessed by the Directors, the Board has considered it appropriate to have all Directors serve on this Committee. The Board has also considered it appropriate for the Chair of the Board to serve on the Committee due to the current size of the Board.

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

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. reviewing the Company's internal financial controls and internal control and risk management systems, unless expressly addressed by a separate board risk committee composed of independent Non-Executive Directors, or by the Board itself;

iii. conducting the tender process and making recommendations to the Board, about the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;

iv. reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;

v. To review and monitor the Auditors' independence and objectivity and the effectiveness of the audit process; and

vi. 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 and Auditor, which are intended to ensure consistency and overall balance. The 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 2020, 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 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.

Change of Power Curve Provider
The Manager undertook a benchmarking exercise in July 2020 as part of the June 2020 valuation process. The data set proposed was reliable in terms of its underlying assumptions and the outputs were less volatile than previously.

The Committee worked with the Manager to understand the implications of the change of the power curve provider. The Committee challenged the Manager on the change to ensure the integrity of the financial information being produced by the Company. Following its review, the Committee was satisfied that the change was appropriate in the circumstances.

Review of Weighted Average Cost of Capital
During 2020, the Manager proposed that the Capacity Market income stream was more appropriately discounted at a rate of around 6% rather than the previous 8%, as reported in the June 2020 NAV and Interim Results. The impact of the adjustment would see the overall WACC move to c.11.1%, which was within the bandwidth determined by Grant Thornton in their valuation opinion for the Interim Report and Financial Statements as at 30 June 2020 and as at 31 December 2020.

The Committee considered this recommendation and the implications on the Company's NAV. Further, the Committee reviewed the Manager's assessment of the Company's key peers and overall market conditions. Following an assessment of the risks associated with the Capacity Market income stream, the Committee was ultimately satisfied that a review of the discount rate to 6% was justified in the circumstances.

COVID-19
The Committee reviewed the impact of COVID-19 on the Company and worked with the Investment Manager in order to mitigate any potential impact of the pandemic on the Company's strategic objectives. The Committee received confirmation from the Investment Manager that appropriate planning had been implemented to mitigate any impacts of the pandemic on availability of key staff, supply chain and ongoing operations.

Going Concern and Viability
The Committee considered the analysis and stress testing conducted by the Investment Manager as part of the Company's fundraising activities during the period and as part of the Committee's review of the Going Concern Statement and Viability Statement on pages 30 and 31. The Committee was satisfied that the Company remained a going concern and was expected to remain well positioned to continue to operate and meet its liabilities over the short term and the 3-year outlook period.

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 Chair of the Audit Committee has worked closely with the Investment Manager to understand how the Company's investment valuations are calculated and this has been reported to the Board.

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

The 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 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 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 Committee concluded that it had no concerns with BDO's effectiveness.

Marc Reinecke has been BDO's lead audit partner for the Company since IPO in 2018. This is Mr Reinecke's second annual audit for the Company. In line with best practice, the Company would under normal circumstances seek a rotation of the lead audit partner every five years with an audit firm tender process every 10 years and a mandatory audit firm rotation after 20 years.

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 management 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; and

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

The Audit Committee review's the Company's Internal Controls on an annual basis with the last review being conducted in November 2020. The Audit Committee obtains evidence of the internal control frameworks of both the Administrator and Investment Manager to review. Further, the Company Secretary reports to the Board quarterly on any potential internal control failures.

The Audit Committee confirms that it has completed its assessment of the Company's emerging and principal risks and the details of this assessment are set out in emerging risks, principal risks and uncertainties assessment on pages, 32 to 37. The Audit Committee considers the Company's risk matrix on an annual basis with regular risk reporting being presented to the Board by the Investment Manager on an ongoing basis. The Audit Committee Chair has engaged with the Investment Manager during the year to improve the risk reporting to the Board on an ongoing basis and this improved reporting is expected to enhance the Board's oversight of principal risks. The Audit Committee was satisfied with the Investment Manager's overall assessment of principal risks.

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

Whistleblowing

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

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 ensure 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 did not provide any non-audit services during 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.

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

Financial reporting
The Directors' responsibilities statement for preparing the accounts is set out in the Report of the Directors on page 43 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 65.

Statement on Investment Manager's Risk Management and Internal Controls
During the period the Committee has reviewed and has received appropriate evidence of the Investment Manager's risk management and internal control systems and the Committee 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 this the Investment Manager's risk management and internal control systems regularly and at least annually.

Committee evaluation
An evaluation of the Committee was undertaken as part of the overall board evaluation. The Committee was found to be working well and the skills and experience of the members was found to be appropriate for their roles. The Committee will concentrate on development and training of committee members, as the regulatory focus on audit and audit committees increases. An external evaluation of the Committee will be undertaken during the course of 2021.

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

Duncan Neale
Chair of the Audit Committee
27 April 2021

Remuneration Committee Report

Introduction
During the period, the Board mindful of the requirements under the AIC Code and the Company's objective of maintaining high governance standards. constituted the Remuneration Committee during 2020.

Remuneration Committee Composition
The Remuneration Committee is chaired by David Stevenson. David is supported by the other three independent Non-Executive Directors on this committee.

The Remuneration Committee meets at least once a year and operates within clearly defined terms of reference. The Committee met once during the period. The Committee's meetings were also attended by representatives of the Company Secretary (JTC (UK) Limited) and the independent remuneration consultant, Trust Associates.

Given the size of the Board and the diverse range of experience and skills possessed by the Directors, the Board has considered it appropriate to have all Directors serve on this Committee. The Chair of the Board was independent on appointment to the Board and remains independent and is therefore eligible to serve on this Committee.

Terms of reference
The Committee reviewed its terms of reference to ensure that they were in alignment with the pro-forma terms of reference published by ICSA and the latest version of the AIC Code.

Principal Responsibilities
The main role and responsibilities of the remuneration committee include:

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

Independent Remuneration Review
During the year, the Committee engaged independent consulting firm Trust Associates to carry out a review of the remuneration to be paid to the Directors for the year commencing 1 January 2021.

The Directors' remuneration was set at launch at a level that was considered to be appropriate for a company of its size and nature at the time, and without knowledge of the level of commitment that would be involved. Over the past two years, that commitment has grown as the Company itself has grown.

In making their recommendations for the forthcoming year, Trust Associates aimed to strike a balance between the demands of being on the Board of the Company in terms of the time commitment, the responsibility and risk which Directors assume, and the sector environment and the fee levels of companies of a similar size and complexity.

Trust Associates acknowledged the Directors respect for the views of shareholders when considering fee increases and noted that their recommendations were as a result conservative and put the Directors at the low end of the daily rate range for the boards of other investment companies.

Following a review of the report provided by Trust Associates and taking into account the recommendations made by Trust Associates, the Committee resolved that fees for 2021 be set as follows:

- Non-Executive Director - £45,000 per annum;
- Additional Fee for the role of Chair of the Board - £30,000 per annum; and
- Additional Fee for the role of Chair of the Audit Committee - £17,500 per annum.

The Committee considers the increases in Directors' Fees to be in-line with the Company's Remuneration Policy approved by the Company's shareholders at the Company's 2020 AGM. The Committee has delegated authority to set the remuneration of the Non-Executive Directors, including the remuneration of the Chair of the Board, under its terms of reference.

Trust Associates also concluded that should a Senior Independent Director ("SID") be appointed, the Board may wish to make an incremental payment for that role in the amount of approximately £3,000 per annum as a guide. Should the Board decide that it is appropriate to appoint a SID in due course, the Committee will also provide a recommendation in relation to the appropriate remuneration for this role in line with the Company's remuneration policy.

Trust Associates also noted that it is common practice for Directors to be paid for significant amounts of work that are additional to the usual work of the Board.

The only payment of this nature made during the period was an additional one-off payment in the amount of £7,000 to Duncan Neale for the additional support and services that he provided to the Company in delivering the Company's first Annual Report and Financial Statements for the year ended 31 December 2020.

Committee evaluation

An external evaluation of the Committee will be undertaken during the course of 2021.

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

David Stevenson
Chair of the Remuneration Committee
27 April 2021

Nomination Committee Report

Introduction
During the period, the Board, mindful of the requirements of the AIC Code and the Company's objective of maintaining high governance standards, constituted the Nomination Committee during 2020.

Nomination Committee Composition
The Nomination Committee is chaired by Cathy Pitt. Cathy is supported by the other three independent Non-Executive Directors on this committee.

The Nomination Committee meets at least once a year and operates within clearly defined terms of reference. The Committee met once during the period. The Committee's meetings were also attended by representatives of the Company Secretary, (JTC (UK) Limited).

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

Terms of reference
The Committee reviewed its terms of reference to ensure that they were in alignment with the pro-forma terms of reference published by ICSA and the latest version of the AIC Code.

Principal Responsibilities
The Committee's principal responsibilities are:

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

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

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 42, 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) are shown on page 42.

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

The Committee reviewed the size and composition of the Board having regard to the skills of each Director and the commitment involved in service on the Board. The Board particularly considered whether the time was right to appoint a Senior Independent Director and/or a fifth director to the Board. The Committee agreed to defer a decision on these issues until after the externally facilitated Board evaluation to be conducted during 2021.

The Committee also considered the opportunity for scholarship initiatives and board apprenticeship programmes. The Committee considered that access to experience would be valuable for disadvantaged individuals and for the Committee to support the wider community. The Committee resolved to pursue initiatives to support scholarship initiatives and board apprenticeship programmes during 2021.

Board Evaluation
During the period, the Board, supported by the Company Secretary conducted an internal Board effectiveness evaluation. The evaluation involved the completion of board surveys prepared by the Company Secretary and completed by the Directors. The evaluation was a comprehensive internal review of the effectiveness of Board, the individual Directors, the Chair and each of the Board Committee's. The Board then met during the year to reflect on its performance and its effectiveness, including the effectiveness of the Board as a whole and its Committees. The Board 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.

The Company will undertake its first externally facilitated Board evaluation during 2021 by an appropriate independent external consultant.

Areas for ongoing development included the establishment of key operating processes for open and constructive engagement between the Investment Manager and the Board, including improving ongoing information flow to the Board and ascertaining the need for additional shareholder engagement with the Board (via the Chair).

Re-election and succession
John Leggate, David Stevenson and Duncan Neale were appointed to the Board on 24 August 2018 and re-elected by the shareholders at the 2020 AGM. Catherine Pitt was appointed to the Board on 1 March 2019 and duly elected by the shareholders at the 2020 AGM.

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

While the Board has only been place for a short time, the Board will continue to monitor the Company's need for appropriate and orderly succession. Further, in relation to the tenure of the Chair, the Board considers it appropriate to have no fixed term for the tenure of the Chair and deems this appropriate given the long term nature of the Company's investments. However, the Nomination Committee will review this policy on an annual basis.

Diversity
The Company recognises the benefits of having a diverse board and sees increasing diversity at board level as an essential element in maintaining an effective board. The Company has adopted a formal Diversity Policy, which sets out the Company's approach to and commitment to diversity.

The Company's policy is to ensure that there is broad experience and diversity on the Board. Diversity includes, and makes good use of, differences in knowledge and understanding of relevant diverse geographies, people and their backgrounds including race or ethnic origin, sexual orientation, sex, age, disability and religion. Appointments to the Board should be made on merit, in the context of complimenting and expanding the skills, knowledge and experience of the Board as a whole (and in accordance with the Equality Act 2010).

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

Committee evaluation
An external evaluation of the Committee will be undertaken during the course of 2021.

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

Cathy Pitt
Chair of the Nomination Committee
27 April 2021

Management Engagement Committee Report

Introduction
During the year, the Committee played an integral role in:

- reviewing the contractual relationship and performance of the Manager; and
- evaluating key service providers, including the company secretary, depositary, registrar and broker.

Building on its work during 2019, the Committee continued to work with the Manager and key service providers to ensure that the Company had a robust system of internal financial controls and a clear risk management procedure.

Management Engagement Committee Composition
The Management Engagement Committee is chaired by John Leggate. John is supported by the other three independent Non-Executive Directors on this committee.

The Management Engagement Committee meets at least once a year and operates within clearly defined terms of reference. The Committee met once during the period. These meetings were also attended by representatives of the Manager and the Company Secretary, (JTC (UK) Limited).

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

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

Principal Responsibilities
The Committee's principal responsibilities include:

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

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

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

Performance of the Manager
The Committee reviewed the performance of the Manager and the Committee was generally satisfied that the Manger had performed well during the period with the Company completing a number of acquisitions during the period, driving the performance of the operating assets, successfully deploying the capital raised during 2019 and conducting a further successful fundraising during 2020.

The Committee noted that information flow to the Board was the key area for continuous improvement during 2021 to match scaling up of the portfolio, with the Committee committing to continuing to collaborate with the Manager to improve reporting and information flow to the Board and its Committees.

The Committee reviewed the size of the Manager's workload, key-person policies and resources to handle the anticipated workload. The Committee also noted the additional resources added to the Manager's team, in particular the additional capacity to support the Company's financial modelling and strengthening the asset operational management team.

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

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

Performance of Key Service Providers
The Committee undertook at review of all key service providers to the Company and there were no issues to report.

The Committee specifically discussed the performance of JTC (UK) Limited both as Administrator and as Company Secretary and concluded that the performance as Administrator and Company Secretary remained satisfactory. JTC continue to work with the Manager and Board on a process of continuous improvement around financial information, internal controls and corporate governance.

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

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

John Leggate CBE, FREng.
Chair of the Management Engagement Committee
27 April 2021

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

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gresham House Energy Storage Plc (the 'Company') for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flow 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 accounting standards in conformity 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence
Following the recommendation of the audit committee, we were re-appointed by the members on 30 June 2020 to audit the financial statements for the year ending 31 December 2020. The period of total uninterrupted engagement including retenders and reappointments is two years, covering the years ending 31 December 2019 to 31 December 2020. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

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

- an assessment of the reasonableness of the Company's going concern assessment by comparing the expected cash outflows to the available cash reserves for a period of 12 months from the date of approval of the financial statements;
- an assessment of the appropriateness of the approach and model used by management; and
- an assessment of the stress test performed by management which assumed that there would be no cash inflows and all existing funding obligations towards the investments would be met over the next 12 months and this showed that the Company would have sufficient headroom.

	2020		2019	
Key audit matters	Valuation of unquoted investments	✓	Valuation of unquoted investments	✓
	Going Concern		Going Concern	✓
	Going Concern is no longer considered to be a key audit matter because the risk in relation to COVID-19 did not and continues not to have a significant impact on the Company's going concern.			
Materiality	*Financial statements as a whole* £5.3 million (2019: £2.1 million) based on 1.5% of net assets (2019: 1.5% of total investment).			

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

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

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements.

We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

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

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of unquoted investments

(refer to Note 3 and 5 on pages 77 and 79 and Note 12 on page 85 of the financial statements)</td><td>As detailed in Note 12, the Company owns an investment portfolio of unquoted equity and loan investments, which as described in the accounting policies in Note 5 are held at fair value in the Company Financial Statements.

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

The Company has engaged an independent expert valuer to help mitigate the 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, 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.</td><td>Our procedures in relation to management's valuation of unquoted investments 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 on the scope of their work.
With the use of our internal valuation experts, we challenged the appropriateness of the selection and application of key assumptions in the discounted cash flow model including discount rate, net energy yield, annual generation, inflation rate, underlying costs and asset life by benchmarking to available industry data and actual results in the year.
Agreed net energy yield and annual generation used in the discounted cash flow model to independent third party pricing curve reports.
For new investments, we obtained and reviewed the sale and purchase agreements and loan contracts and checked if they were accurately reflected in the valuation model.
For new investments we challenged the appropriateness of the valuations in particular the judgement if the acquisition price equals the fair value at acquisition date.
Agreed period end working capital adjustments in determining the fair value of the portfolio companies to the working capital recognised in the management accounts of the portfolio companies as well as bank statements, invoices and VAT returns.
Agreed the movements in loans provided to the portfolio companies including interest rates to underlying loan agreements, vouched cash movements to bank statements and re-performed the calculation of interest.
Key observation

Based on the audit procedures performed, we found the assumptions made by the management in relation to the valuation to be appropriate.</td></tr>
</table>

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.

	Company financial statements	
	2020 £m	2019 £m
Materiality	£5,300,000	£2,100,000
Basis for determining materiality	1.5 % Net assets	1.5% of Total investments
Rationale for the benchmark applied	We considered that net assets is the most relevant performance measure used by investors when assessing the Company The basis for materiality changed from total investments to net asset value in 2020 due to the Company having been established for a full year and the fact that the Company reports its NAV on a quarterly basis. Therefore, net assets is deemed to be the most appropriate benchmark in line with other listed renewable energy funds.	We considered that the total investments was the most appropriate benchmark for the Company's financial performance, due to it being an investment entity.
Performance materiality	£3,445,000	£1,365,000
Basis for determining performance materiality	65% of materiality	65% of materiality

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as shown in the table above.

Specific materiality

We also determined that for transactions and balances which impact on the Company's realised return, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items to be £0.5 million based on 3% of profit before tax. We further applied a performance materiality level of 65% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £25,000 (2019: £42,000). We also agreed to report differences below this threshold that, in our view warranted reporting on qualitative grounds.

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory framework that is applicable to the Company and determined that the relevant laws and regulations related to the elements of the Company Act 2006 and tax legislation, and the financial reporting framework.
- Our considerations of the other laws and regulations that may have a significant effect on the financial statements included the supervisory requirements of LSE Listing and Disclosure Rules, Financial Conduct Rule 'FCA' Listing rules, and the Association of Investment Companies 'AIC' SORP.
- We understood how the Company is complying with these laws and regulations by making enquiries of management and those responsible for legal and compliance matters. We reviewed correspondence between the Company and regulated bodies and reviewed minutes of meetings and gained an understanding of the Company's approach to governance.
- We assessed the susceptibility of the financial statement to material misstatement, including fraud and made enquiries of management and the board of directors of any known instances of fraud.
- Obtaining an understanding of management's internal controls that are relevant to the audit.
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to valuation of unquoted investments (see related key audit matters).
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management and journals posted and reviewed by the same individual.
- Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Use of our report

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

Marc Reinecke (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

27 April 2021

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

Statement of Comprehensive Income

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

Company number 11535957

For the year ended 31 December 2020	Notes	Revenue (£)	Capital (£)	Total (£)
Net gain/(loss) on investments at fair value through the profit and loss	7	12,346,913	10,055,692	22,402,605
Interest on loans to affiliated entities of the Investment Manager	8	761,169	-	761,169
Other income		188,236	-	188,236
Total income		13,296,318	10,055,692	23,352,010
Administrative and other expenses				
Transaction fees		-	(309,778)	(309,778)
Legal and professional fees		-	(1,002,983)	(1,002,983)
Other administrative expenses	9	(3,329,721)	-	(3,329,721)
Total administrative and other expenses		(3,329,721)	(1,312,761)	(4,642,482)
Profit before tax		**9,966,597**	**8,742,931**	**18,709,528**
Taxation	10	(20,570)	-	(20,570)
Profit and total other comprehensive income for the year		**9,946,027**	**8,742,931**	**18,688,958**
Earnings per Ordinary Share (basic and diluted) - pence per Ordinary Share	11	4.15	3.64	7.79

For the period from 24 August 2018 (incorporation date) to 31 December 2019	Notes	Revenue (£)	Capital (£)	Total (£)
Net gain/(loss) on investments at fair value through the profit and loss	7	5,306,389	6,226,732	11,533,121
Interest on loans to affiliated entities of the Investment Manager	8	203,364	-	203,364
Other income		336,836	-	336,836
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 other comprehensive income for the year		**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 (IFRS) as adopted. 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 76 to 98 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 December 2020

Company number 11535957

	Notes	31 December 2020 (£)	31 December 2019 (£)
Non-current assets			
Investments in subsidiaries at fair value through profit or loss	12	248,964,175	138,203,407
		248,964,175	138,203,407
Current assets			
Cash and cash equivalents	14	110,967,025	52,905,852
Restricted cash	15	-	10,843,595
Trade and other receivables	16	274,427	267,001
Loans receivable	13	-	6,109,952
		111,241,452	70,126,400
Total assets		360,205,627	208,329,807
Current liabilities			
Trade and other payables	17	(1,315,217)	(2,450,447)
		(1,315,217)	(2,450,447)
Total net assets		358,890,410	205,879,360
Shareholders' equity			
Share capital	22	3,485,564	2,042,707
Share premium	22	251,601,260	104,380,109
Merger relief reserve	22	13,299,017	13,299,017
Capital reduction reserve	22	64,123,617	78,465,533
Capital reserves	24	12,867,362	4,124,431
Revenue reserves	24	13,513,590	3,567,563
		358,890,410	205,879,360
Total shareholders' equity		358,890,410	205,879,360
Net Asset Value per Ordinary Share (pence)	21	102.96	100.79

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

John Leggate CBE, FREng

Chair
Date: 27 April 2021

The Notes on pages 76 to 98 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

	Note	Share capital (£)	Share premium reserve (£)	Merger Relief Reserve (£)	Capital reduction reserve (£)	Capital reserves (£)	Revenue reserves (£)	Total shareholders equity (£)
As at 1 January 2020 (restated)*		2,042,707	104,380,109	13,299,017	78,465,533	4,124,431	3,567,563	205,879,360
Comprehensive income for the year		-	-	-	-	-	-	-
Profit for the period		-	-	-	-	8,742,931	9,946,027	18,688,958
Total comprehensive income for the period		-	-	-	-	8,742,931	9,946,027	18,688,958
Transactions with owners								
Ordinary Shares issued at a premium during the year	22	1,442,857	149,757,143	-	-	-	-	151,200,000
Share issue costs	22	-	(2,535,992)	-	-	-	-	(2,535,992)
Dividends paid	22	-	-	-	(14,341,916)	-	-	(14,341,916)
As at 31 December 2020	22	**3,485,564**	**251,601,260**	**13,299,017**	**64,123,617**	**12,867,362**	**13,513,590**	**358,890,410**

The total distributable reserves available at 31 December 2020 are £90,504,569 (2019: £86,157,527)

*Further information on this restatement is included in Note 22.

The Notes on pages 76 to 98 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

	Note	Share capital (£)	Share premium reserve (£)	Merger Relief Reserve (£)	Capital reduction reserve (£)	Capital reserves (£)	Revenue reserves (£)	Total shareholders equity (£)
As at 24 August 2018		-	-	-	-	-	-	-
Comprehensive income for the year		-	-	-	-	-	-	-
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 (restated)	22	2,042,707	191,364,686	13,299,017	-	-	-	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	-	(83,710,458)	-	83,710,458	-	-	-
Dividends paid	22	-	-	-	(5,244,925)	-	-	(5,244,925)
As at 31 December 2019	22	**2,042,707**	**104,380,109**	**13,299,017**	**78,465,533**	**4,124,431**	**3,567,563**	**205,879,360**

The Notes on pages 76 to 98 form an integral part of these Financial Statements.

Statement of Cash Flow

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

	Note	31 December 2020 (£)	24 August 2018 to 31 December 2019 (£)
Cash flows used in operating activities			
Profit for the year/period		18,688,958	7,691,994
Net gain on investments at fair value through the profit and loss	12	(22,402,605)	(11,533,121)
Interest income		(784,206)	(487,814)
Transaction fees and legal costs on acquisitions*		-	2,102,301
Taxation		20,570	-
Increase in trade and other receivables		(7,425)	(267,001)
(Decrease)/increase in trade and other payables (excluding tax)		(1,155,801)	679,390
Net cash used in operating activities		**(5,640,509)**	**(1,814,251)**
Cash flows used in investing activities			
Acquisition of equity in subsidiaries	23	(238,095)	(12,575,280)
Loans made to subsidiaries	23	(76,155,352)	(74,162,215)
Transaction fees and legal costs on acquisitions*		-	(2,102,301)
Loans repaid by investments		5,750,000	-
Loans to the affiliated entities of the investment manager		-	(5,906,588)
Outflow to restricted cash	15	-	(10,843,595)
Bank interest received		23,037	284,452
Net cash used in investing activities		**(70,620,410)**	**(105,305,527)**
Cash flows used in financing activities			
Proceeds from issue of Ordinary Shares at a premium	23	151,200,000	168,544,674
Share issue costs		(2,535,992)	(3,274,119)
Issue of redeemable preference shares		-	12,500
Redemption of redeemable preference shares		-	(12,500)
Dividends paid		(14,341,916)	(5,244,925)
Net cash inflow from financing activities		**134,322,092**	**160,025,630**
Net increase in cash and cash equivalents for the year/period		**58,061,173**	**52,905,852**
Cash and cash equivalents at the beginning of the year/period		52,905,852	-
Cash and cash equivalents at the end of the year/period		**110,967,025**	**52,905,852**

* In the prior year, transaction fees and legal costs on acquisitions were included in investing activities, this has been included in operating activities in 2020. This was not considered material to adjust retrospectively.

The Notes on pages 76 to 98 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 December 2020 (with comparatives 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 Battery Energy Storage Systems (BESS), which utilise batteries and may also utilise generators. The BESS projects comprising the portfolio are located in diverse locations across Great Britain. These Annual Financial Statements cover the year ended 31 December 2020, with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019.

Re-organisation

The Company is able to raise debt finance at either the Company or Special Purpose Vehicle ("SPV") level. In order to facilitate this, Gresham House Energy Storage Holdings plc (the "Midco") was incorporated on 25 June 2020, with the Company being the sole shareholder.

Prior to the issue of debt by the Midco, it was necessary to carry out a re-organisation of the Company. On 1 October 2020, the Directors of the Company resolved to approve:

a) the proposed disposal by the Company of the entire issued share capital of all of its subsidiaries to the Midco;
b) the proposed novation of the Company's obligations under all loan agreements with its subsidiaries to the Midco and the entering into of a new loan agreement with the Midco (with effect from 30 June 2020);
c) the proposed novation of the Company's obligations under certain share purchase agreements to the Midco (together the "Re-Organisation"); and
d) a loan agreement to be entered into between (1) the Company and (2) the Midco.

In addition, on 9 October 2020 the Board of Directors of the Midco approved the Re-Organisation, adopted the Company's Investment Policy and the protocol for acquisitions from affiliates of the Investment Manager as set out in the AIFM Agreement, and agreed to seek the approval of the Company as the Midco's sole shareholder in order to undertake any acquisitions.

On 14 October 2020 the Midco issued (5%) fixed rate secured bonds of £7,935,000 ("Power Bonds").

The investor profile for these bonds was to be the same as per the Prospectus, with the purpose stated as all activities defined by the Company's 'investment policy', as amended from time-to-time. In particular:

- to fund the acquisition of battery energy storage projects;
- to refinance existing loans advanced by the Company; and
- to finance loans advanced by Company.

The Investment Manager made a recommendation to the Board of Directors of the Midco to authorise the close of the Power Bond offering (Initial Series), with subscriptions totalling £7,935,000. There is no financial support guarantees from the Company.

In addition, another fund managed by the Investment Manager, the Gresham House BSI Infrastructure LP Fund ("BSIF"), negotiated a bespoke opportunity to co-invest £7.0 million in the Midco via a separate loan note with a 5% coupon for 12 months.

Note 12 includes an overview of the balances within the Midco and what would be included in the accounts of the Company if the Company was required to consolidate the entity.

2. Basis of preparation

Statement of compliance

The Annual Financial Statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 International Financial Reporting Standards ("IFRS"), the Directors have prepared the Annual Financial Statements on a basis compliant with the recommendations of SORP.

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

2. Basis of preparation (continued)

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 December 2020, the Company had net current assets of £110 million and had cash balances of £111 million (excluding cash balances within investee companies), which are sufficient to meet current obligations as they fall due. The major cash outflows of the Company are the costs relating to the acquisition of new assets and payment of dividends, both of which are discretionary. All committed acquisitions at the end of the year and subsequent to year end are sufficiently covered through current cash reserves. The Company had no outstanding debt owing as at 31 December 2020. The Company has no financial guarantees to support the Bond held by the Midco.

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 year 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; and

c) the Company measures and evaluates the performance of its investments on a fair value basis.

The Company meets the criteria as follows:

- the stated strategy of the Company is to deliver stable returns to shareholders through a mix of battery energy storage investments;
- the Company provides investment management services and has several investors who pool their funds to gain access to infrastructure related investment opportunities that they might not have had access to individually; and
- the Company has elected to measure and evaluate the performance of all of its investments on a fair value basis. The fair value method is used to represent the Company's performance in its communication to the market, including investor presentations. In addition, the Company reports fair value information internally to Directors, who use fair value as the primary measurement attribute to evaluate performance.
- 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 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.
- A further indicator of whether a Company is an investment entity is the expectation they hold more than one asset. Due to the re-organisation in the year the Company holds one investment directly but several indirectly, as there is a portfolio of assets within the one asset the Directors consider the Company continues to be an investment entity.

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

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.

Assessment of the Midco as an investment entity
The Midco is not consolidated as the Midco is considered to be an investment entity. The Board of the Midco have considered the requirements of IFRS 10 as per above and confirm the Midco meets this criterion. If the Midco was not considered to meet the definition of an investment entity, then the Company would require to consolidate the entity. Within Note 12 the net assets of the Midco have been set out. The impact of consolidating the Midco would be to increase the investment value to £264,393,793 and recognise the Bond loan of £15,088,825 and additional net working capital of (£340,794).

Investment Manager not a related party
The AIFM is not disclosed as key management personal in the financial statements. To meet the key management personal definition the AIFM would need to have authority and responsibility for planning, directing and controlling the activities of the entity.

The Directors are of the opinion that the AIFM does not meet these criteria as the Board has to approve key decisions.

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 investments. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the Company's Financial Statements of changes in estimates in future periods could be significant. See Note 19 for further details.

4. New and revised standards and interpretations
The following new standards, which could impact the financial statements of the Company were effective for periods beginning on or after 1 January 2020.

- Amendments to IAS 1 and IAS 8: Definition of Material. In October 2018, the International Accounting Standards Board ("Board") issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

There are three new aspects of the proposed new definition that should be noted:

- the proposed definition now makes reference to 'obscuring' information that may influence the decisions of primary users of general purpose financial statements;
- the existing definition made reference to 'could influence' whereas the proposed definition makes reference to 'could reasonably be expected to influence'; and
- the existing definition referred to 'users' of the financial statements whereas the proposed definition refers to 'primary users' of the financial statements.
- Amendments to References to the Conceptual Framework in IFRS Standards. The International Accounting Standards Board ("IASB") has issued a revised Conceptual Framework for Financial Reporting ("Conceptual Framework"). The revised version introduces a number of new aspects compared to the previous version issued in 2010, specifically including:
  - concepts on measurement, including factors to be considered when selecting a measurement basis
  - concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income
  - guidance on when assets and liabilities are removed from financial statements

It also updates:

- the definitions of asset and liability; and
- the criteria for recognising assets and liabilities in financial statements.

Finally, it has clarified the guidance on prudence, stewardship, measurement uncertainty, and substance over form.

Neither of the standards had a material impact on the financial statements.

New and revised standards in issue but not yet effective
There are no standards, amendments or interpretations in issue at the reporting date which have been issued but are not yet effective and are deemed to be material to the Company.

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

5. Summary of significant accounting policies

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

Segmental information

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

Income and expenses (excluding investments)

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

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 tax group 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; and
- the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortised cost

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

Loans receivable to affiliated entities of the investment manager

Loans receivable to affiliated entities of the investment manager 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 affiliated entities of the investment manager 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, twelve 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.

Investment in subsidiaries

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 exception 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.

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.

Financial liabilities measured at amortised cost

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

Trade and other payables

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

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.

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.

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

5. Summary of significant accounting policies (continued)

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 prior period and transferred to the capital reduction reserve (see below).

Merger Reserve

The merger reserve relates to shares issued for shares to acquire investments. This reserve is not distributable

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.

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. The capital reserves are not distributable.

Following a successful application to the High Court and lodgement of the Company's statement of capital with the Registrar of Companies, in the prior period, the Company was permitted to cancel its share premium account.

This was completed on 13 February 2019 by a transfer of the balance of £97,009,475 from the share premium account to the capital reduction reserve (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.

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 considers the best and highest value use for that asset.

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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 year/period, expenses incurred with JTC (UK) Limited for administrative and secretarial services amounted to £126,356 (2019: £153,925) with £57,500 (2019: £28,750) being outstanding and payable at the year/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 year/period, Investment Manager fees amounted to £2,400,485 (2019: £1,571,270) with no outstanding payable amount at the year/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. 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).

7. Net gain on investments at fair value through the profit and loss	31 December 2020 (£)	24 August 2018 to 31 December 2019 (£)
Unrealised gain on investments at fair value through the profit and loss (Note 12)	10,055,692	6,226,732
Interest on loans to subsidiaries (Note 12)	12,346,913	5,306,389
	22,402,605	11,533,121

8. Interest on loans to affiliated entities of the Investment Manager	31 December 2020 (£)	24 August 2018 to 31 December 2019 (£)
Interest on loans to affiliated entity of the investment manager	761,169	203,364
	761,169	203,364

9. Administrative and other expenses	31 December 2020 (£)	24 August 2018 to 31 December 2019 (£)
Administration and secretarial fees	126,356	153,925
Audit fees	121,000	62,000
Non audit fees	18,911	48,000
Depositary fees	36,081	36,443
Directors' remuneration	216,073	265,442
Investment Manager fees	2,400,486	1,571,270
Sundry expenses	410,815	141,946
	3,329,722	2,279,026

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

10. Taxation

The Company is recognised as an Investment Trust Company ("ITC") for the accounting year/period and is taxed at the main rate of 19%.

The Company may utilise group relief or make interest distributions to reduce taxable profits to nil for the year ended 31 December 2020. A corporation tax charge of £20,570 has been recognised for the Company for the year ended 31 December 2020 (period ended 31 December 2019: none).

The 2020 charge relates to the period ended 31 December 2019 as a small amount of group relief was unavailable to be utilised to reduce taxable profit to nil.

		31 December 2020 (£)	24 August 2018 to 31 December 2019 (£)
(a) Tax charge in profit or loss			
Current tax on profits for the year/period		-	-
Adjustments for current tax of prior periods		20,570	-
		20,570	-
(b) Reconciliation of the tax charge for the period			
Profit before tax		18,709,528	7,691,994
Tax at UK main rate of 19%	19.00%	3,554,810	1,461,479
Tax effect of:			
Non-taxable income	(10.22)	(1,914,490)	(1,183,079)
Non-deductible expenses	1.33	249,425	399,437
Subject to group relief/designated as interest distributions	(10.11)	(1,889,745)	(677,837)
Adjustments for current tax of prior periods	0.11%	20,570	-
Tax charge for the year/period	0.11%	20,570	-

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 (£)	31 December 2020 Total (£)
Net profit/(loss) attributable to ordinary shareholders	9,946,027	8,742,931	18,688,958
Weighted average number of Ordinary Shares for the period	239,953,710	239,953,710	239,953,710
Profit per Ordinary Share (basic and diluted) - pence per Ordinary Share	4.15	3.64	7.79

	Revenue (£)	Capital (£)	24 August 2018 to 31 December 2019 Total (£)
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 ended 31 December 2019 would have been 5.54p (based on 138,916,380 weighted average Ordinary Shares).

12. Investment in subsidiaries

As at 31 December 2020	Place of business	Percentage ownership	Equity (£)	Loans (£)	Closing balance: equity and loans (£)
Gresham House Energy Storage Holdings plc	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	100%	6,285,848	242,678,327	**248,964,175**
			6,285,848	242,678,327	**248,964,175**

Further analysis

The Company owns 100% of the ordinary shares in Gresham House Energy Storage Holdings plc ("GHESH"). There are a number of indirectly held subsidiaries held by GHESH, this is the net asset position of the underlying net assets of the Midco. The investment totalling £248,964,175 in GHESH comprises underlying investments in the following companies:

Investment	Place of Business	Percentage ownership	Ownership
Noriker Staunch Limited	Railway House, Bruton Way, Gloucester, England, GL1 1DG	100%	15,758,538
ESS2	5 New Street Square, London, England, EC4A 3TW	100%	24,156,127
ESS3	5 New Street Square, London, England, EC4A 3TW	100%	19,262,407
WMGS	Octagon Point, 5 Cheapside, EC2C 6AA	100%	3,746,322
Cleator	5 New Street Square, London, England, EC4A 3TW	100%	7,448,425
Glassenbury	5 New Street Square, London, England, EC4A 3TW	100%	36,471,706
ESS4	Octagon Point, 5 Cheapside, London, EC2V 6AA	100%	45,615,597
Bloxwich	Suite 1.14 First Floor, 33 Foley Street, Fitzrovia, London, W1W 7TL	100%	22,397,138
Noriker Power	Railway House, Bruton Way, Gloucester, England GL1 1DG	4%	238,095
ESS6	Octagon Point, 5 Cheapside, EC2C 6AA	100%	38,238,323
ESS7	Octagon Point, 5 Cheapside, EC2C 6AA	100%	47,058,902
Investments to SPV's- subtotal			**260,391,580**
Biggerbrook	Octagon Point, 5 Cheapside, EC2C 6AA	100%	1,951,194
Byers Brae	5 New Street Square, London, England, EC4A 3TW	100%	2,051,020
Bonds issued by Midco			(15,088,825)
Working capital in Midco			(340,794)
Total investment in Midco			**248,964,175**

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

The net fair value movement comprises the following:

	(£)
Interest accrued on loans	12,346,913
Unrealised gain on investments (Note 7)	10,055,692
	22,402,605

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

12. Investment in subsidiaries (continued)

As at 31 December 2019	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)	Railway House, Bruton Way, Gloucester, England, GL1 1DG	100%	7,150,538	15,895,774	23,046,312	3,957,040	**27,003,352**
HC ESS2 Holdco Limited (HCESS2)	5 New Street Square, London, England, EC4A 3TW	100%	4,634,116	25,025,110	29,659,226	(2,042,637)	**27,616,588**
HC ESS3 Limited (HCESS3)	5 New Street Square, London, England, EC4A 3TW	100%	1,648,697	15,539,520	17,188,217	2,709,942	**19,898,159**
West Midlands Grid Storage Two Limited (WMGS)	Octagon Point, 5 Cheapside, EC2C 6AA	100%	37,701	4,052,749	4,090,450	(19,861)	**4,070,589**
Cleator Battery Storage Limited (Cleator)	5 New Street Square, London, England, EC4A 3TW	100%	1,954,436	4,596,159	6,550,595	141,394	**6,691,989**
Glassenbury Battery Storage Limited (Glassenbury)	5 New Street Square, London, England, EC4A 3TW	100%	7,817,744	16,729,612	24,547,356	6,095,156	**30,642,513**
HC ESS4 Limited (HCESS4)	Octagon Point, 5 Cheapside,London EC2V 6AA	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

Prior to restructure (see Note 1):
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 deferred 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.

On 9 October 2020, the Company entered into a loan agreement with the Midco with effect from 30 June 2020. The principal amount of the loan advanced to the investments on 1 July 2020 was GBP 148,940,048 and were transferred to the Midco at the fair value. The loan attracts an interest rate of 8% per annum from the date of advance.

The Midco then acquired the equity investments of the SPVs previously held by the Company. The investments had a fair value of £37 million at the date of novation to the Midco, the equity instruments were transferred with a loan receivable from the Midco being recognised. The restructure did not give raise to any gains or losses to be recognised in profit or loss.

The novation of the equity instruments to the Midco represents a noncash transaction.

Interest compounds on 31 December of each year and the loans are unsecured (although a security trustee does have security over the bank account in the Midco). The borrowers are not able to create any form of security interest over any of its assets without prior written consent of the Lender.

Post restructure (see Note 1):
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.

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	Registered Office	Percentage ownership	Ownership
Gresham House Energy Storage Holdings plc	The Company	"Midco"	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	Gresham House Asset Management Limited, 5 New Street Square, London, England, EC4A 3TW	100%	Wholly owned

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

The Manager of both the Company and the Midco evaluates the performance of the portfolio of battery energy storage investments through its subsidiary companies on a fair value basis. Both Companies utilises the income approach to value its investments, as it indicates value based on the sum of the economic income that a project, or group of projects, is anticipated to earn in the future. Where projects are acquired within the quarter to the valuation date, the cost approach is used to determine the fair value.

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

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

Reconciliation	31 December 2020 (£)	31 December 2019 (£)
Opening balance	138,203,407	-
Add: purchases during the period	238,095	27,043,631
Add: loans advanced	76,155,352	99,626,655
Less: Loan repayments	(5,750,000)	-
Add: Loans to affiliated entities of the investment manager converted to investment	6,871,121	-
Add: Escrow release to investment (non-cash)	10,843,595	-
Add: accrued interest on loans	12,346,913	5,306,389
Total fair value movement through the profit or loss	10,055,692	6,226,732
Closing balance	248,964,175	138,203,407

The escrow was released directly to the underlying SPV.

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

13. Loans receivable

As at 31 December 2019:	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) (being the extension of Littlebrook)	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**

Prior to restructure (see Note 1):
The above loans related to funds provided by the Company to finance BESS Projects prior to acquisition thereof, so that these Projects can acquire equipment prior to construction.

The loans attracted an interest rate of 8% per annum from the date of advance. 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 now owned by Midco. Biggerbrook Limited is owned by Corylus Capital LLP.

Post restructure (see Note 1):
All loans were transferred to Midco by the Company in connection with the restructure (see Note 1).

14. Cash an cash equivalents

	31 December 2020 (£)	31 December 2019 (£)
Cash at bank	110,967,025	13,705,852
Treasury fixed term deposits held at Barclays Bank plc	-	39,200,000
	110,967,025	52,905,852

15. Restricted cash

	31 December 2020 (£)	31 December 2019 (£)
Restricted cash	-	10,843,595
	-	10,843,595

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

16. Trade and other receivables

	31 December 2020 (£)	31 December 2019 (£)
Legal & professional fees	13,995	-
Accrued income	89,902	52,386
VAT receivable	170,530	214,615
	274,427	267,001

17. Trade and other payables

	31 December 2020 (£)	31 December 2019 (£)
Administration and secretarial fees	57,500	28,750
Advisor and broker fees	-	30,246
Audit fee accrual	121,000	58,000
Depositary fees	-	3,000
Accrued IPO costs	-	14,000
Professional fees	-	274,918
Other accruals	85,617	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)	1,030,530	1,035,000
Taxation payable	20,570	-
	1,315,217	2,450,447

* This relates to the outstanding portion payable for acquisition of the subsidiary at year end if certain performance targets are met. These performance targets are not disclosed as they are commercially sensitive. These performance targets here substantially met and the amount in creditors as in the amount expected to be paid.

18. Categories of financial instruments

	31 December 2020 (£)	31 December 2019 (£)
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	110,967,025	52,905,852
Restricted cash	-	10,843,595
Trade and other receivables (excluding VAT)	103,897	52,386
Loans receivable	-	6,109,952
Fair value through profit or loss:		
Investment in subsidiaries	248,964,175	138,203,407
Total financial assets	**360,035,097**	**208,115,192**
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	(1,315,217)	(2,450,447)
Net financial assets	**358,719,880**	**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.

19. Fair value measurement

Valuation approach and methodology

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

Valuation process

The Company, via the Midco, held a portfolio of battery energy storage investments with a capacity of 315 Megawatt ("MW") operational (the Investments). The Investments comprise 12 projects held in 10 special project vehicles: the Staunch Project, the Littlebrook Project, the Lockleaze Project, the Rufford Project, the Roundponds Project, the Wolverhampton Project, the Glassenbury Project, the Cleator Project and the Red Scar Project.

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

19. Fair value measurement (continued)

All of these investments are based in the UK. The Directors review and approve the valuations of these assets following appropriate challenge and examination. The current portfolio consists of non-market traded investments, and valuations are analysed using forecasted cash flows of the assets and use the discounted cash flow approach for valuation purposes. 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 valuations are produced by the Investment Advisor. As at 31 December 2020, the fair value of the portfolio of investments has been determined by the Investment Advisor and reviewed by Grant Thornton UK LLP.

The valuations have been determined using discounted cash flow methodology, whereby the estimated future cash flows relating to the Company's equity investment in each project have been discounted to 31 December 2020, 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 year end, the Company uses discount rates to value the expected future cash flows of each investment project. From these discount rates a blended discount rate of 10.8% is calculated. The determination of the discount rate applicable to each individual investment project 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 operates. 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 battery 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; and
i) changes to revenue, cost or other key assumptions (may include an assessment of future cost trends, as appropriate).

In arriving at the valuation assumptions this includes consideration of climate related matters such as expected levels of renewable energy entering the grid system, demand patterns and current regulatory policy these are factored into the pricing assumptions which are prepared by an independent consultancy.

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, via the Midco, 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).

	31 December 2020		**31 December 2019**	
Key valuation input	**Range**	**Weighted average**	**Range**	**Weighted average**
WACC	10.3 - 11.1%	10.8%	8.4 - 11.6%	11.2%
RPI	3%	3%	3%	3%

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 seek 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, via the Midco.

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. The sensitivity analysis does not include an assessment of the fall in the power price as underlying power curves are provided on a net revenue (export electricity revenue less import electricity cost) basis, therefore adjusting revenue as a total is more relevant a measure.

Investment	Project	Valuation technique	Significant inputs description	Sensitivity	Estimated effect on Fair Value 31 Dec 2020 (£)	Estimated effect on Fair Value 31 Dec 2019 (£)
NSL	Staunch	DCF	Discount rate	+1% -1%	(1,224,113) 1,401,859	(1,869,947) 2,156,727
			Revenue	+10% -10%	1,157,930 (1,176,750)	1,797,638 (1,819,608)
HC ESS2	Rufford, Lockleaze, Littlebrook	DCF	Discount rate	+1% -1%	(1,666,859) 1,906,534	(1,889,713) 2,184,581
			Revenue	+10% -10%	1,233,342 (1,455,996)	1,073,073 (1,636,324)
HC ESS3	Roundponds	DCF	Discount rate	+1% -1%	(1,494,752) 1,751,979	(1,482,850) 1,742,053
			Revenue	+10% -10%	1,163,309 (1,125,303)	1,411,084 (1,406,708)
WMGS	Wolverhampton	DCF	Discount rate	+1% -1%	(263,187) 300,777	(280,675) 322,860
			Revenue	+10% -10%	361,590 (340,677)	356,813 (361,689)
Cleator	Cleator	DCF	Discount rate	+1% -1%	(648,290) 750,802	N/A
			Revenue	+10% -10%	524,510 (529,040)	
Glassenbury	Glassenbury	DCF	N/A	N/A	N/A	N/A
	Glassenbury B	DCF	Discount rate	+1% -1%	(3,302,809) 3,819,262	(930,937) 1,079,622
			Revenue	+10% -10%	2,608,817 (2,606,621)	835,207 (836,017)
HC ESS4	Red Scar	DCF	Discount rate	+1% -1%	(3,840,242) 4,546,579	- -
			Revenue	+10% -10%	3,019,526 (3,819,002)	- -
Bloxwich	Bloxwich	DCF	Discount rate	+1% -1%	(1,629,444) 1,861,700	- -
			Revenue	+10% -10%	2,138,010 (2,017,161)	- -
HC ESS7	Thurcroft	DCF	Discount rate	+1% -1%	(3,530,887) 4,123,953	- -
			Revenue	+10% -10%	2,945,498 (3,666,454)	- -
HC ESS6	Wickham	DCF	Discount rate	N/A N/A	N/A N/A	- -
			Revenue	N/A N/A	N/A N/A	- -

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

19. Fair value measurement (continued)

Portfolio Sensitivity of RPI	Sensitivity	Estimated effect on Fair Value 31 December 2020 (£)
Inflation	+0.25% -0.25%	4,828,487 (4,661,569)

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, significance of the inputs is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a Level 3 measurement.

The fair value hierarchy of financial instruments measured at fair value is provided below.

31 December 2020	Level 1 (£)	Level 2 (£)	Level 3 (£)
Investment in subsidiaries	-	-	248,964,175
	-	-	**248,964,175**

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 in Note 12. No transfers between levels took place during the period.

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 by failing to pay for services received from the Company or its subsidiaries or fail to perform their obligations in the manner anticipated by the Group. Such counterparties may include (but are not limited to) manufacturers who have provided warranties in relation to the supply of any equipment or plant, EPC contractors who have constructed the Company's plants, who may then be engaged to operate assets held by the Company, property owners or tenants who are leasing ground space and/or grid connection to the Company for the locating of the assets, contractual counterparties who acquire services from the Company underpinning revenue generated by each project or the energy suppliers, 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 (e.g. 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 (via its subsidiary) in battery energy storage infrastructure, which will principally operate in the UK. This means that the Company has a significant concentration risk relating to the UK battery energy storage infrastructure sector. Significant concentration of investments in any one sector may result in greater volatility in the value of the Company's investments via its subsidiary, and consequently the Net Asset Value and may materially and adversely affect the performance of the Company and returns to shareholders.

The Company's BESS projects generate revenues primarily from Firm Frequency Response (FFR), Asset Optimisation (Trading), CM and other grid connection-related charges, including TRIADs and Dynamics Containment. Revenues from the portfolio's seed BESS 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 2021, 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 BESS.

- 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 Baa2.

Investments held at fair value through profit or loss are not subject to IFRS 9 impairment requirements.

For interest receivables on cash balances and loans receivable, the Company uses a 12-month expected loss allowance.

The Company has completed some high-level analysis and forward looking qualitative and quantitative information, to determine if the interest and receivables are low credit risk. Based on this analysis the expected credit loss on interest and receivables are not material and therefore no impairment adjustments were accounted for.

- Liquidity risk

The objective of liquidity management is to ensure that all commitments made by the Company which are required to be funded can be met out of readily available and secure sources of funding. As noted below, this may include debt funding.

BESS Projects have limited liquidity and may not be readily realisable or may only be realisable at a value less than their book value. There may be additional restrictions on divestment in the terms and conditions of any sale agreement in relation to a particular BESS Project.

The Company has assessed its ability to raise debt after sufficient assets were acquired and to the extent funding was available on acceptable terms. Accordingly, it has introduced leverage into its subsidiary (the Midco) as explained in Note 1.

In addition, the Company 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 to medium term. The Company's cash flow forecasts are monitored regularly to ensure the Company is able to meet its obligations when they fall due.

For the year ended 31 December 2020 (with comparatives 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 2020	<1 year (£)	1 to 2 years (£)	2 to 5 years (£)	>5 years (£)	Total (£)
Financial assets					
Cash and cash equivalents (Note 14)	110,967,025	-	-	-	110,967,025
Trade and other receivables (Note 16)	103,897**	-	-	-	103,897
Investment	6,285,848***	-	-	-	6,285,848
Fair value through profit or loss:					
Investment in subsidiaries	-	-	-	242,678,327 *	242,678,327
Total financial assets	**117,567,770**	-	-	**242,678,327**	**360,035,097**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables (Note 17)	1,315,217	-	-	-	1,315,217
Total financial liabilities	**1,315,217**	-	-	-	**1,315,217**

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 (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 2020, the valuation basis of the Company's investments was valued at market value. This investment is driven by market factors and is therefore sensitive to movements in the market. 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 year 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 year end consists of equity attributable to equity holders of the Company, comprising issued capital and reserves. The Board continues to monitor the balance of the overall capital structure so as to maintain investor and market confidence. The Company is not subject to any external capital requirements.

- Other risks

The Company is exposed to other risks as set out in the Prospectus dated 10 November 2020.

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 2020	31 December 2019
Net assets per statement of financial position	358,890,410	205,879,360
Ordinary Shares in issue	348,556,364	204,270,650
NAV per Ordinary Share - Basic and diluted (pence)	102.96	100.79

22. Share capital

	Ordinary Shares number	Share capital (£)	Share premium reserve (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Total shareholders' equity (£)
Allotted and issued share capital						
As at 31 December 2019 (restated)	204,270,650	2,042,707	104,380,109	13,299,017	78,465,533	198,187,366
Issue of Ordinary Shares of £0.01 and fully paid at £1.04 – 5 March 2020	30,000,000	300,000	30,900,000	-	-	31,200,000
Issue of Ordinary Shares of £0.01 and fully paid at £1.05 - 27 November 2020	114,285,714	1,142,857	118,857,143	-	-	120,000,000
	348,556,364	3,485,564	254,137,252	13,299,017	78,465,533	349,387,366
Share issue costs	-	-	(2,535,992)	-	-	(2,535,992)
Dividends paid	-	-	-	-	(14,341,916)	(14,341,916)
As at 31 December 2020	**348,556,364**	**3,485,564**	**251,601,260**	**13,299,017**	**64,123,617**	**332,509,458**

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

22. Share capital (continued)

	Ordinary Shares number	Share capital (£)	Share premium reserve (£)	Merger relief 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 (restated)	100,000,000	1,000,000	85,700,983	13,299,017	-	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	191,364,686	13,299,017	-	206,706,410
Share issue costs	-	-	(3,274,119)	-	-	(3,274,119)
Transfer to capital reduction reserve	-	-	(83,710,458)	-	83,710,458	-
Dividends paid	-	-	-	-	(5,244,925)	(5,244,925)
As at 31 December 2019	**204,270,650**	**2,042,707**	**104,380,109**	**13,299,017**	**78,465,533**	**198,187,366**

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

A prior year restatement has been made to recognise a merger relief reserve of £13.3 million in 2019 which had previously been incorrectly included as part of share premium prior to being transferred to the capital reduction reserve at year end. The merger relief reserve relates to the premium on shares which were issued in exchange for shares as part of the IPO.

Share capital and share premium account and capital reduction reserve

On incorporation the Company issued 1 Ordinary Share of £0.01 which was fully paid up and 50,000 redeemable preference shares of £1 each which were paid up to one quarter of their nominal value. These 50,000 redeemable preference shares were subsequently redeemed.

On 17 February 2020, the Board announced a non-pre-emptive placing of new Ordinary Shares at an issue price of 104.0p per Placing Share to fund further pipeline acquisitions and provide increased general working capital. Further to that announcement, the Company on 3 March 2020, the issue of 30,000,000 Ordinary Shares raising gross proceeds of £31.2 million.

On 10 November 2020, the Company announced and published a prospectus in respect of, a share issuance programme for up to 250 million new Ordinary Shares and on 25 November 2020 announced the successful raise of gross proceeds of £120 million through the issue of an initial tranche of 114,285,714 new Ordinary Shares at an issue price of 105p per share.

Dividends

On 17 February 2020, a dividend of 1.0p 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.

An interim dividend of 1.75p per Ordinary Share for the period from inception to 31 March 2020 was announced on 11 May 2020. The dividend of £4,099,736 was paid on 10 June 2020 to shareholders on the register as at the close of business on 22 May 2020. The ex-dividend date was 21 May 2020.

On 1 September 2020, a dividend of 1.75p per Ordinary Share for the period from 1 April to 30 June 2020 was announced. The dividend of £4,099,736 was paid on 25 September 2020 to shareholders on the register as at the close of business on 11 September 2020. The ex-dividend date is 10 September 2020.

On 27 October 2020, a dividend of 1.75p per Ordinary Share for the period from 1 July 2020 to 30 September 2020 was announced. The dividend of £4,099,736 was paid on 11 December 2020 to shareholders on the register as at the close of business on 6 November 2020. The ex-dividend date is 5 November 2020.

On 19 February 2020, the Board declared a dividend of 1.75p per Ordinary Share for the period 1 October 2020 to 31 December 2020. This was paid on 26 March 2021.

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
Transferred out/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**
The non-cash movement in 2019 related to shares which were issued for shares in subsidiaries	
Loans to subsidiaries	
Total movement in loans made to subsidiaries (Note 12)	99,626,655
Loans made to subsidiaries (Non-cash flow*)	(24,728,383)
Escrow released to subsidiaries	
Other creditors (Note 17)	(736,057)
Cash flows used in loans made to subsidiaries	**74,162,215**
The Non-cash movement in 2019 relates to loans which were purchased for shares	
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**

*In the prior period the non-cash flow transactions were in respect of the shares issued at IPO in order to acquire the Seed Assets. In the current year the non-cash transactions relate to the Group restructuring where loans were transferred from the Company to the Midco.

The non-cash movements for 2020 relate to movement in the investments, these non-cash movements are reconciled and discussed in Note 12.

For the year ended 31 December 2020 (with comparatives for the period from 24 August 2018 (incorporation date) to 31 December 2019)

24. Reserves

The nature and purpose of each of the reserves included within equity at 31 December 2020 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 and other significant contracts

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

	2020	2019
Directors' remuneration	197,000	236,667
Employers NI	19,073	28,859
Total key management personnel	216,073	265,526

All directors' remuneration is short term salary.

The remuneration arrangements of Directors is disclosed in the Director's Remuneration Report on page 47.

Dividends paid by the Company to the Directors are disclosed in the Director's Remuneration Report on page 47. No dividend amounts were payable as at 31 December 2020 (2019: none).

The aggregate fees of the Directors will not exceed £500,000 per annum. There are no performance conditions attaching to the remuneration of the Directors as the Board does not believe that this is appropriate for Non-Executive Directors. The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.

Loans to related parties

Loans receivable represent amounts due to the Company from its subsidiary.

	Loans: principal advanced (£)	Loans: interest accrued (£)	31 December 2020 Closing balance: loans (£)
Gresham House Energy Storage Holdings plc	230,033,724	12,644,603	242,678,327
	230,033,724	**12,644,603**	**242,678,327**

At 31 December 2019 and prior to the restructure (see Note 1), loans receivable 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:

Subsidiary	Outstanding loan (£)	Interest receivable (£)	Total (£)
Noriker Staunch Ltd	15,895,774	1,077,308	16,973,082
HC ESS2 Limited	25,025,110	2,041,539	27,066,649
HC ESS3 Limited	15,539,520	1,290,644	16,830,164
HC ESS4 Limited	17,787,732	692,086	18,479,818
WMGS	4,052,749	116,003	4,168,752
Cleator	4,596,159	19,140	4,615,299
Glassenbury	16,729,612	69,668	16,799,280
	99,626,656	**5,306,388**	**104,933,044**

26. Capital commitments

As at 31 December 2020 (2019: none) the Company has no significant binding or conditional future capital commitments.

27. Post balance sheet events

The Board of Directors announced the following:

- On 11 January 2021, the Company (via MidCo) completed the acquisition of a 25MW battery project located in North Shields, Tyne and Wear ("Tynemouth").
- On 29 January 2021, the Company (via MidCo) completed the acquisitions of a 35MW battery project located in North Shields, Tyne and Wear ("Port of Tyne") and a 10MW battery project located in Essex ("Nevendon").
- On 21 April 2021, the Company (via MidCo) completed the acquisitions of Byers Brae a 30MW battery project located in West Lothian.

The Investment Manager is currently investigating the impact of the changes announced by the Chancellor of Exchequer in the Budget on 3 March 2021, in particular the change to the main rate of corporation tax from 19% to 25% from April 2023 on the valuation of the portfolio. There are sufficient capital allowances already available within the current portfolio to ensure no underlying corporation tax is expected to be payable for many years and the gearing level can be optimised to mitigate an impact of the rate change, but further analysis will be required to assess this more fully over time.

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

Company Information

Non-Executive Directors
John Leggate - Chair
Catherine Pitt
David Stevenson
Duncan Neale

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Investment Manager and AIFM
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Corporate Broker and Financial Advisor (to 2 June 2020)
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Corporate Broker and Financial Advisor (appointed 3 June 2020)
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Tax Advisor (appointed 17 July 2020)
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Depositary
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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 Mechanism (BM)
A tool used by the ESO to balance the electricity supply and demand close to real time. The BM is used to balance supply and demand in each half hour trading period of every day. Where the ESO predicts that there will be a discrepancy between the amount of electricity produced and the level of demand during a certain period, they may accept a 'bid' or 'offer' to either increase or decrease generation (or even increase consumption in the case of storage assets). Sites must be registered in the BM to receive such actions but once registered they are able to set their own prices for being used.

Balancing services
National Grid procure services to balance demand and supply and to ensure the security and quality of electricity supply across Britain's transmission system. These include:

- Black Start
- Demand side response
- Dynamic Containment (DC)
- Enhanced frequency response (EFR)
- Firm frequency response (FFR)
- Optional Downward Flexibility Management (ODFM)
- Short term operating reserve (STOR)

https://www.nationalgrideso.com/balancing-services

BESS
Battery Energy Storage Project which uses batteries as the means to import/export electricity and has no diesel, gas, or other generation source on site (except for Black Start purposes). The Company's investments are primarily wholly BESS projects although some older projects retain some small generation capacity.

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 meet shortfalls.

Combined Cycle Gas Turbine (CCGT)
Energy generation technology that combines a gas-fired turbine with a steam turbine. The design uses a gas turbine to create electricity and then captures the resulting waste heat to create steam, which in turn drives a steam turbine.

Curtailment
Large wind farms are connected to the UK's high-voltage network and National Grid balances electricity supply and demand. As demand rises and falls during the day, electricity supply mirrors these peaks and troughs.

National Grid accepts bids and offers from electricity generators to increase or decrease electricity generation as and when required. As such it may mean that there are times when generators are paid to curtail their output (constraint payments).

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

Dividend Cover
Dividend Cover for the purpose of this report refers to a calculation for the ratio between net earnings of the investment portfolio in the review period and dividends paid in respect of the same review period.

For full year 2020 dividend cover, dividends paid in respect of the year include the Q4 dividend paid in March 2021, the total dividends in respect to 2020 are £18.399 million.

Net earnings of the investment portfolio are calculated as the total EBITDA from underlying projects which includes liquidated damages earnt by SPVs (typically on delays in construction to compensate for lost revenues) less Company and holding company costs (excluding capital related costs but including interest expense).

Earnings are calculated on an accruals basis and therefore only SPVS which were acquired in the accounting period have their earnings included here. Transactions completing after the period, but which had locked box income related to the current period will have this recognised once the transaction is completed. For the transactions completed in January 2021 such income will therefore be recognised in the 2021 dividend cover calculation.

This measure aims to add clarity on the Company's ability to pay dividends from the earnings and cash generation of its underlying investments after deducting costs in the Company.

Dividend Yield
The annual dividends expressed as a percentage of the current share price. Dividends for the year of 7.0p per Ordinary Share relate to dividends declared in relation to the 12 months to 31 December 2020 including 1.75p paid on 26 March 2021 in relation to Q4 2020. The share price used for Dividend yield as at the year-end was the closing share price on 31 December 2020 of 112.5p per Ordinary Share. Dividend yield at the end of the year was therefore 7.0p/112.5p = 6.2%. For the period ended 31 December 2019 the dividend yield was 4.5p/107.5p = 4.2%.

Electricity System Operator (ESO)
Refers to National Grid ESO. The ESO is responsible for ensuring Great Britain has the essential energy it needs so that supply meets demand on the electricity system every second of every day.

https://www.nationalgrideso.com/

Frequency Response services
A subset of Balancing Services which relate to services performed by batteries to manage the frequency on the electricity system. This includes the following services:

- Dynamic Containment (DC)
- Enhanced frequency response (EFR)
- Firm frequency response (FFR)
- Optional Downward Flexibility Management (ODFM)

https://www.nationalgrideso.com/balancing-services

Gross Asset Value (GAV)
Gross Asset Value is the total value of the investments under the management of the Company.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB) and have been applied by the Company in the preparation of the financial statements.

Liquidated Damages (LD)
Liquidated damages are presented in certain legal contracts as an estimate of losses to one of the parties. It is a provision that allows for the payment of a specified sum should one of the parties be in breach of contract. Liquidated damages are meant as a fair representation of losses in situations where actual damages are difficult to ascertain.

Liquidated damages are often included in specific contract clauses to cover circumstances where a party faces a loss from an asset. The Company typically uses these in EPC arrangements to protect earnings from an asset in the result of delays to construction but are also common in other contracts such as for O&M arrangements.

Load factors
The load factor is usually expressed as the percentage of the actual output of a generator compared to its theoretical maximum output in a year.

Locked box income
On some acquisitions the Company agrees a date at which the benefit of any subsequent earnings then flow to the acquirer. This date agreed is referred to as the Locked box date. Earnings flowing to the acquirer are referred to as the Locked box income.

This mechanism is often used by the Company and aims to prevent the Company losing out on value as a result of delays to transactions completing. The period to which Locked Box income is earnt varies between transactions. Each of the new acquisitions in January 2021 had a locked box date in 2020 meaning the Company achieved benefits of earnings related to 2020 (through higher working capital in the SPVs) once the acquisitions completed in 2021.

MidCo
Gresham House Energy Storage Holdings Plc: a UK company incorporated on 25 June 2021 wholly owned by the Company. MidCo owns all the underlying SPVs and operating assets and was the issuer of bonds in 2021.

Net Asset Value (NAV)
Net asset value being the total net assets of the Company divided by the total number of Ordinary Shares in issue as at 31 December 2020.

NAV total return
A measure showing how the net asset value (NAV) per share has performed over a period of time, taking into account both capital returns and dividends paid to shareholders.

NAV total return is shown as a percentage change from the start of the period. It assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend.

NAV total return shows performance which is not affected by movements in discounts and premiums (share prices). It also takes into account the fact that different investment companies pay out different levels of dividends.

The NAV total return for the period uses the opening NAV per Ordinary share of 100.79p on 31 December 2019 and the quarterly announced NAV per share through to 102.96p on 31 December 2020.

Ongoing Charges Figure
The Ongoing Charges Figure is seen as a useful indicator of the overall cost burden for funds and similar investment vehicles. This 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 or making acquisitions.

The Ongoing Charges are then divided by the weighted average NAV for the year or period over which it relates.

Further detail can be found here: https://www.theaic.co.uk/sites/default/files/documents/AICOngoingChargescalculationOct20.pdf

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

Ordinary Share price total return
A measure showing how the share price has performed over a period of time, taking into account both capital returns and dividends paid to shareholders.

Share price total return is shown as a percentage change from the start of the period. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend.

Share price total return shows performance which is affected by movements in discounts and premiums.

It also takes into account the fact that different investment companies pay out different levels of dividends.

The share price total return for the period uses the opening share price at close on 31 December 2019 of 107.5p and the daily closing share price through to 112.5p on 31 December 2020.

Further detail can be found here: https://www.theaic.co.uk/glossary/share-price-total-return-performance

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

Site uptime
Calculation for the average level of availability in the portfolio or for an asset in Frequency Response Services. This is calculated by taking the average MWs available in each period as a percentage of total capacity contracted.

Symmetrical
A symmetrical grid connection is where the import and export capacities are the same.

System inertia
Inertia works to keep the electricity system running at the right frequency by using the kinetic energy in spinning parts in power plant generator turbines. When needed, the spinning parts in generator turbines can rotate slightly faster or slower to help balance out supply and demand. The more turbines you have, the more energy there is in the system and the greater the system inertia, which helps to stabilise the frequency.

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 10 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

Underlying Portfolio EBITDA
The earnings before interest, tax, depreciation and amortisation earned by the operational SPVs ultimately earned by the Company from commercial operations from all sources. If liquidated damages are payable to this SPV then these are included.

Underlying Project Revenues
The revenue earned by the operational SPVs ultimately earned by the Company from commercial operations from all sources. If liquidated damages are payable to this SPV then these are included.

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Specialist asset management