31 December
2021

Powering the renewable energy transition

Gresham House Energy Storage Fund plc (GRID)
Accounts as at 31 December 2021

Since 1857
Gresham House
Specialist asset management

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.

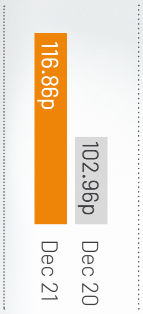
For more information visit
www.greshamhouse.com/gresham-house-energy-storage-fund-plc

GREEN ECONOMY
LONDON STOCK EXCHANGE

Company Financial Highlights

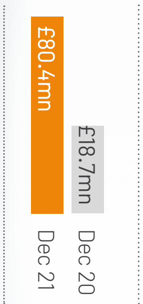
116.86p

NAV per share (pence)
(as at 31 December 2021)



£80.4mn

Company profit & total comprehensive income profit (£mn)
(for the year ended 31 December 2021)



£100.0mn

Total gross equity funds raised (£mn)
(for the year ended 31 December 2021)

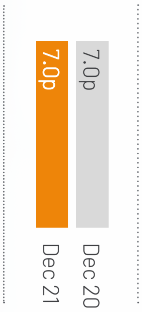
Performance Highlights

- Net Asset Value (NAV) as at 31 December 2021 rose to £511.7mn or 116.86p per share (HY 2021: 109.89p / FY 2020: 102.96p).
- Fully Operationally Covered[1] Dividend of 7.0p for the year, equivalent to a 5.4% dividend yield based on the closing share price of 130.5p on 31 December 2021.
- The Board reaffirms a target dividend of 7.0p for 2022 and expects full Operational Dividend Cover from underlying earnings in the portfolio again in 2022. The Company will balance future targeted dividends with increases in Operational Dividend Cover.
- £100mn equity raised in July 2021 taking total share issuance under the Prospectus published in November 2020 to £220mn gross proceeds. Deployment of the equity is progressing well with 415MW of Battery Energy Storage Systems (BESS) under construction as at 31 December 2021[2].
- Debt process successfully completed in September 2021 unlocking a £180mn total debt facility[3] made up of £150mn capex facility and an additional £30mn working capital facility significantly improving the Company's future cost of capital when drawn down.

Alternative Performance Measures[4]

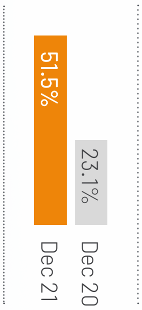
7.0p

Dividend per Ordinary Share (pence)
(for the year ended 31 December 2021)



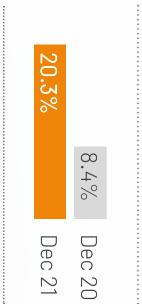
51.5%

Ordinary Share price total return since IPO
(for the period from IPO to 31 December 2021)



20.3%

NAV per Ordinary Share total return (unlevered)
(total return for the year to 31 December 2021)



Operational Highlights

- The underlying investment portfolio generated revenues[4] of £51.4mn (2020: £16.1mn) and EBITDA of £42.5mn, an increase of 172% over 2020 (2020: £15.6mn).
- With 425MW of operational capacity and a market share of 30% as of 31 December 2021, GRID remains the UK's largest operational battery energy storage portfolio. Share Purchase Agreements (SPAs) relating to a further 425MW were signed during the year, of which 375MW were under construction as at 31 December 2021. The total in construction is 415MW. This includes the Stairfoot project which is not yet subject to a signed SPA. Total operational portfolio, assets in construction and future pipeline together currently stand at 1,557MW.

1. Alternative Performance Measures are defined and calculated on pages 89 to 91 of the Annual Report
2. 415MW in construction includes Stairfoot (40MW). This site is under construction by Gresham House DevCo Limited but the Share Purchase Agreement with the Company / MidCo has not yet been signed
3. Debt facility raised through the Company's wholly owned subsidiary Gresham House Energy Storage Holdings plc (MidCo)
4. Financial performance of the underlying investment portfolio contributes to the valuation of investments through growth in working capital balances. Earnings greater than forecasted in prior valuations will increase valuations and hence NAV

Chair's Statement

On behalf of the Board, I am delighted to present the audited Report and Accounts of the Gresham House Energy Storage Fund plc (GRID, the Fund or the Company) for the year ended 31 December 2021.

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

Invasion of Ukraine
Firstly, the Board and the Investment Manager are closely following the global response to Russia's invasion of Ukraine and considering the potential impact on energy markets and the Company's business. For the moment, the indications are pointing to an increased penetration of renewable energy globally with an associated growing demand for energy storage projects.

The Board and Investment Manager are closely following the global response to Russia's military intervention in Ukraine, and the ensuing humanitarian crisis, as well as considering the potential impact on financial markets, energy security considerations, power price volatility and the Company's business model. In terms of impact on the Company's longer-term outlook, for the moment, the indications are pointing towards a much faster rollout of renewable energy globally with an associated increasing demand for energy storage projects.

Performance update
2021, our third full calendar year since IPO in November 2018, has seen GRID delivering key milestones and gain significant momentum. Financially, the Investment Portfolio has performed well, with Operational Dividend Cover[5] improving to 1.32x (2020: 0.77x) as EBITDA from the underlying investment portfolio reached £42.5mn on revenues of £51.4mn, driving an EBITDA margin of 83%.

Throughout 2021, the NAV rose steadily (an increase of 13.5% for the accounting period), driven mostly by gains from the revaluation of projects as they become part of the operational fleet of investments, reflecting the attractive cost of the projects the Manager has sourced compared with the weighted average discount rate.

Investor demand has rewarded the Company's achievements with a further gain in the Share Price Total Return since IPO which has reached 51.5% through to 31 December 2021, which in turn equates to an annual compound return of 14.2%. The Company's share price continues to trade at a premium to NAV and still demonstrates good value, particularly given the growth in value anticipated through 2023, from the increase in operational MWs and the benefit expected from additional Capacity Market contracts awarded in February. These were announced on 28 February 2022 and are therefore not included in the NAV as at 31 December 2021.

KPIs

→ 2021 Dividend per share: 7.0p

→ Profit: £80.4 million

→ Number of projects: 24

→ Connection capacity: 425MW

→ Connection capacity (incl. pipeline): 1,557MW

Read more about the highlights of the Fund
See page 02

Complementing this revenue growth, the Investment Portfolio maintained strong growth momentum, with operational capacity[6] of the portfolio rising by 110MW to 425MW during 2021 and signing SPAs relating to a further 425MW, of which 375MW[7] were under construction by the end of the year.

The total UK BESS market has grown to c.1.4GW and is expected to grow substantially in the next three to five years.

5 *"Operational Dividend Cover" is one of the Alternative Performance Measures, which are defined and calculated on pages 89 to 91 of the Annual Report*

6 *The Company considers the operational performance and future opportunities of the underlying investment portfolio to be of importance to understanding the performance of the Company in the year, as underlying performance supports the flow of cash earnings to pay dividends to investors and provides evidence of the investment portfolio business model and valuation of the Company's investments*

7 *Total in construction is 415MW including Stairfoot (which is not yet subject to an SPA)*

It is the Board's ambition to maintain a leadership role in the sector. While deployment of the existing pipeline is key to delivering the Company's ambitions over the next 18 months, the Board expects to utilise the debt capital secured in 2021 as well as the potential further accordion facility during 2022, in order to acquire the additional pipeline necessary to establish a further significant growth path in 2023 and beyond.

Securing debt of £180mn[8], attractively priced at 300bps over SONIA, with an uncommitted accordion finance facility of up to £200mn in September was a significant milestone, demonstrating how the industry has matured since IPO. It reinforces GRID's place as a leader in this market, being the first battery energy storage fund to unlock a significant term-debt facility. These funds are allowing the Company to bring down its cost of capital as they are drawn down.

The Irish and other international markets are also burgeoning and another first for the Company has been to secure a 180MW pipeline in the Republic of Ireland, which is expected to commission in 2024.

Portfolio, transactions, and pipeline
As reported in the 2021 Interim Results, the Company added 110MW of operational capacity to its investment portfolio in the first half of 2021, concluding transactions initiated in 2020.

Throughout the year, the Investment Manager has also focused on completing due diligence on projects in its exclusive pipeline, signing SPAs on 425MW in order to launch its next phase of growth. Of these 425MW, 375MW[9] were already under construction at the end of 2021. Additional projects will be put into construction during 2022.

As indicated in the Company's Trading Update released on 6 January 2022, the Company intends to invest in portfolio projects with at least a 2-hour battery life. In recent weeks, the Board has agreed to upgrade all existing EFR projects (which see their contracts expire in HY1 2022 and currently have sub-1-hour duration systems) to 2 hours as well as building much of the pipeline out to 2 hours. The transition to 2 hours reflects that the investment portfolio 's revenue mix is shifting to trading (as opposed to Frequency Response), justifying projects with longer durations in general.

More specifically, increased EBITDA from 2-hour projects should result in an improved return on capital employed. Given the substantial slate of investment projects in construction as well as additional pipeline, the Investment Manager's focus during 2022 is on deployment and pipeline execution. This is particularly important as supply chain challenges reported across the economy are impacting the Company in various ways. All challenges so far have proved surmountable and within budget, but occasionally causing an incremental delay. Most of these delays were reflected in the updated pipeline table in the January 2022 trading statement; however, the Company has encountered further potential delays on a subset of projects. The updated commissioning timetables are reflected in the portfolio and pipeline summary tables in the Investment Manager's report on page 9.

In addition, to continue to drive growth, the Investment Manager will press on with its pipeline for deployment in 2023 and beyond.

Fundraising and investment pipeline
During the period, the Company raised £100mn equity from share issuance under the Prospectus published in November 2020. The equity issue was significantly oversubscribed. However, the Company stuck to its £100mn target to ensure the Company maintains capital discipline and minimises cash drag: put simply, it raises the amount needed when it is needed.

In the second half of 2021, the Company's wholly owned intermediate holding company, Gresham House Energy Storage Holdings plc, agreed a five-year debt facility for £180mn with a syndicate of banks including Commonwealth Bank of Australia, Lloyds Bank, NatWest, and Santander. By obtaining this facility for the Group, the Company is taking a measured approach to leverage and optimising the future capital structure on attractive terms.

The debt facility secures finance for the pipeline investments currently under construction and for a portion of the future investment pipeline. The Company also has an uncommitted accordion facility for up to £200mn which will be explored in order to execute on the full pipeline tabled in the Investment Manager's Report and any additional pipeline secured.

Investment performance
The Company performed strongly during the year. The investment portfolio generated EBITDA from the underlying assets of £42.5mn, from net operating revenues of £51.4mn, both ahead of the valuation model assumptions, supporting the payment of dividends by the Company and valuation of investments.
In the period, the investment portfolio underlying revenues were generated mostly from Frequency Response (FR) contracts (82.2%), while the remainder came from trading (11.5%), Capacity Market (CM) contracts (5.8%) and a small contribution from TRIAD income (0.5%).

It is worth highlighting how the investment portfolio revenue mix in the investment portfolio changed in Q4 2021, when FR represented 71.7%, trading 22.1% and CM 6.2%. This change was anticipated in the Company's interim report, as the Investment Manager had expected, for some time, that the FR market would become saturated.

As the market shifted, the Investment Manager was able to combine trading and FR services to earn higher returns than from either alone. It is pleasing to see the Company being a first mover once again, adapting and transitioning to new opportunities as they appear (as was also shown when Dynamic Containment was first launched back in October 2020).

The commoditisation of the FR market has revealed the underlying attractiveness of trading, where the revenue potential, as expected, is not significantly lower than what has been achievable from FR (and DC in particular). Nonetheless, revenues from trading are expected to be lower than DC in 2022. As such, the Company's financial forecasting has embedded a like for like decline in forecasted revenues per MW in 2022, as it transitions to a trading-centric business model.

Offsetting this potential for lower revenues per MW, is the commissioning of investment projects under construction, which have been developed for a lower cost per MW than the pre-existing portfolio. Combined with the lower cost of capital supporting the future pipeline, due to a significant proportion of lower-cost debt in the future capital mix, this is reducing the revenue hurdle per MW which the Company needs to generate to cover the 7.0p annual targeted dividend. The Investment Manager expects that this will be reflected in improvements in Operational Dividend Cover over the medium term. The Company will balance future targeted dividends with increases in Operational Dividend Cover.

8 Debt facility raised through the Company's wholly owned subsidiary Gresham House Energy Storage Holdings plc (MidCo)
9 Total in construction is 415MW including Stairfoot (which is not yet subject to an SPA)

Net Asset Value and results

During the period, the NAV per Ordinary Share[10] rose from 102.96p on 31 December 2020 to 116.86p on 31 December 2021. This increase was primarily driven by cash generation in excess of dividends, upward revaluation of projects (acquired and owned for at least 60 days) and by projects acquired pre-construction and expected to commission within nine months (see further explanation below). Improving trading forecasts and a reduction in the discount rate for merchant income from 11.1% to 10.85% also contributed to the increase.

These upward drivers more than offset a negative impact of c.1.5p from changes to the corporation tax regime (whereby taxes on UK companies will increase from 19% to 25% from FY 2023) prior to modelling of additional tax efficiencies, which was reported in the Company's Interim results in 2020.

The Board, in conjunction with the Company's appointed independent valuer, Grant Thornton, reviewed the discount rates used to calculate the weighted average discount rate ahead of the Q3 NAV announcement in October. While the 5% discount rate remains unchanged for CM revenues, the Board determined that the discount rate for all other revenue streams could be reduced from 11.1% to 10.85%. A further change was also agreed: to revalue acquired assets under construction sooner, provided they are within nine months of commissioning. To reflect the increased risk profile, a higher discount rate, of 5.5% and 11.35% respectively, is used to calculate the NPV of these projects.

The Board and Investment Manager are comfortable that the discount rates used are both conservative and appropriate for the risk profile of BESS and will continue to monitor performance against forecasts before making any further changes to discount rates.

These changes have reduced the weighted average discount rate on operational sites to 10.57% at the end of 2021 (2020: 10.80%) and on in-construction assets to 11.35% (2020: n/a). The weighted average discount rate for the overall investment portfolio for the year ended 31 December 2021 was 10.77% (2020: 10.80%).

Dividends

Operational Dividend Cover[10] in 2021 was 1.32x. It is gratifying that the existing operational portfolio achieved Operational Dividend Cover despite uninvested cash on the balance sheet. Thus, we expect the commissioning of additional projects to see Operational Dividend Cover, on the current shares outstanding, to improve further in the medium term. The Board intends that full Operational Dividend Cover is maintained across any calendar year, with sufficient operating cash reserves set aside in the event of excess Operational Dividend Cover.

As noted above, the deployment of the equity capital raised in 2021 and the secured debt facility, will take place during 2022. This is expected to lower the revenue per MW from the underlying investment portfolio which is required for the Company to meet its target dividend of 7.0p per share.

Accordingly, the Board remains confident that the current level of dividend is well supported and will continue to monitor dividend commitments in line with commissioning of projects and resulting growth of earnings from the Company's underlying investments.

Climate change

The Company has considered climate change risks and our response. These are outlined on page 26. The Company is in an excellent position to underpin the transition to Net Zero.

Investment policy and growth ambitions

A supportive UK market backdrop and continued deployment of capital into a large and attractively-priced pipeline using a lower cost of capital bodes well for improving Operational Dividend Cover and NAV growth.

After a hiatus of sorts in 2020, when installations of renewables rose by c.900MW in 2020, 2021 was expected to add at least 1.5GW and further strong growth is expected as offshore wind projects from 2017 and 2019 contract for difference (CfD) auction rounds are commissioned. The potential easing of planning restrictions for renewables projects in response to reducing reliance on Russian gas would further drive the rollout of renewables. Beyond these business-as-usual elements, there are two sources of value that the Company would like to pursue which would require amendments to the Company's Investment Policy, for which shareholder approval will be sought.

10 *Alternative Performance Measures are defined and calculated on pages 89 to 91 of the Annual Report*

These amendments are laid out below and will be communicated formally, including details of other, less material, proposed changes, via a circular which is to be published shortly.

The first of these proposals is that the Company be authorised to take development risk (i.e. acquire investments in the pre-construction stage) up to 10% of GAV[11]. This proposal would extend only to ready-to-build projects and not to riskier, greenfield project development. To date, project rights have been acquired on behalf of the Company by Gresham House DevCo Limited (Gresham House DevCo), an affiliate of the Investment Manager, with the developed project being subsequently acquired by the Company. The Board believes that moving past this arrangement would offer the Company some key benefits, including an approximately 5-7% lower total cost of acquisition going forward and the potential to generate stronger growth.

The second of the proposals relates to international expansion. The Board intends to propose an amendment to the Company's investment policy to extend the current permission to make investments in Ireland to enable the Company to invest internationally in similar markets up to an exposure of 30% of GAV. As part of this amendment, certain attractive international investment opportunities may be designed to include some solar generation equipment, either to make them possible, or to optimise the design.

It may therefore be proposed that up to 20% of the international investment allocation (i.e. 6% of total GAV) could be allocated to solar photovoltaic (PV) equipment. There is no intention to invest in what could be thought of as solar projects with collocated batteries; solar PV equipment would always be the minority element.

The Board and Investment Manager are acutely aware of how quickly renewable energy penetration is increasing abroad as countries all over the world aim for Net Zero. This naturally unlocks a need for BESS expansion in those markets and represents a significant opportunity for the Company to leverage its demonstrated capabilities. While the UK remains a market with plenty of opportunity, the Board believes that geographic diversity is also a potential benefit for shareholders. Since GRID's IPO, the Investment Manager has demonstrated both its expertise in managing and commercialisation of BESS and the opportunity for further growth in this area, and both the Board and Investment Manager believe that now is the time to build on this early success and to enter new geographic markets, which are most attractive in the early stages. The intention is to pursue a disciplined focus, limiting the range of new markets to those with comparable market dynamics in the United States, Canada, the European Union, and Australia.

The scale of the opportunity in these markets is large. While the UK only currently represents about 1% of global electricity consumption; by comparison, the United States and European Union markets are among the world's largest electricity markets, each being at least ten times the size of the UK electricity market.

Finally, on a more administrative note, the current split of equipment and construction loans into separate limits within the Investment Policy is to be combined into a single limit to ensure alignment with the pipeline.

Over the last three years, the Company has developed a positive track record and has established its credentials, therefore the Board now supports these proposed strategic changes, appreciating the advantage of being able to invest in project rights directly and international expansion reflects a unique opportunity for the Company to leverage its know-how to compete effectively in specific overseas markets. These changes will drive significant scale, diversify risks, and propel the growth momentum of the Company over the years to come.

John Leggate CBE, FREng
Chair
Date: 5 April 2022

11 *GAV is defined in Alternative Performance Measures: it includes debt within MidCo as well as Gross Assets in the Company*

Investment Manager's Report

Ben Guest
Managing Director,
New Energy

Gresham House Asset Management Limited (GHAM) is wholly owned by Gresham House plc (Gresham House), an AIM-quoted specialist alternative asset manager with a market capitalisation of c.£340mn as at 31 December 2021. Gresham House 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 & infrastructure.

Portfolio and pipeline overview

The Company grew its operational investment portfolio significantly in 2021, ending the year with 17 operational projects totalling 425MW.

During the year, the Company acquired five operational projects adding 110MW to the portfolio. These projects are items 13 to 17 in Table 1 on page 9. Of these, 70MW (Tynemouth, Nevendon and Port of Tyne) were acquired with Enhanced Frequency Response (EFR) contracts, adding to the Glassenbury and Cleator EFR projects (together 50MW) acquired in 2019. The remaining additions were a 10MW extension to the Glassenbury project and the 30MW Byers Brae project near Livingston in Scotland.

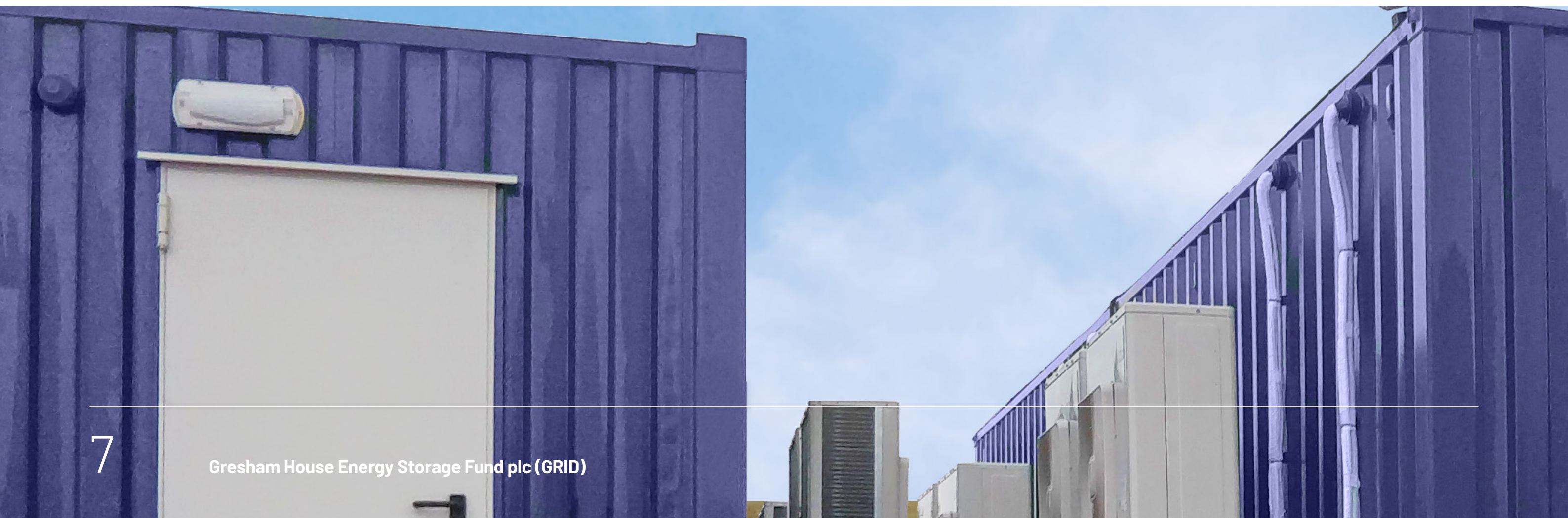
The Company also signed SPAs representing a further 425MW across seven ready to build projects, of which 375MW were under construction by the end of 2021. In addition, Stairfoot (40MW), for which an SPA has not been signed, but is exclusive to the Company, is under construction, taking the total figure for MW under construction to 415MW as at 31 December 2021.

As at 31 December 2021, the valuation of the portfolio was £389mn (FY 2020: £249mn) representing a 56% increase. The valuation primarily reflects the 425MW in operational projects (FY 2020: 315MW), 150MW of the 375MW of in construction projects (which are revalued as they were expected to commission within nine months of the year end) and cash in hand.

The total portfolio size is set to increase to 850MW once projects subject to signed SPAs have been commissioned.

The pipeline consists of a further 707MW across eight projects which would take total portfolio capacity to 1,557MW once acquired and commissioned.

The Company has significantly increased the average size of projects over the last 12 months, with the average pipeline project currently at 88MW. Acquisition of larger projects is more cost effective and an efficient way to drive scale. This also typically reduces costs once projects are operational.



The portfolio is also increasing its average duration, with pipeline projects of an average target duration of over 1.6 hours.

As shown in the chart to the right, the Company owns the largest BESS portfolio in the UK with a c.30% market share.

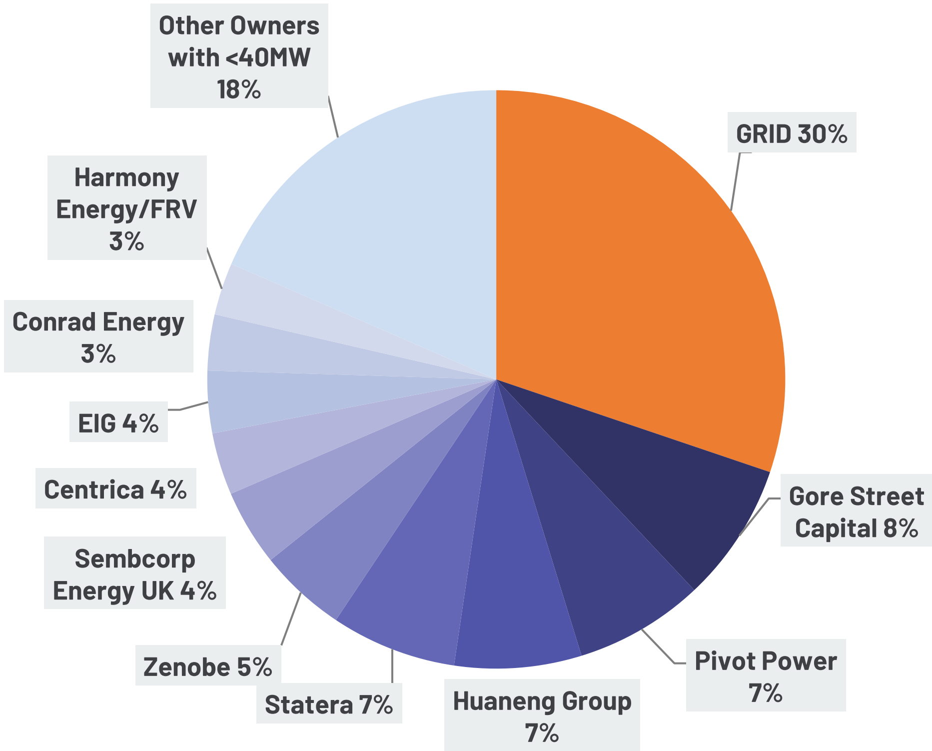
We aim to have all acquired projects and Stairfoot connected and generating income in 2022, with pipeline projects expected to be connected during 2023 and 2024.

The £220mn in equity raised since November 2020, alongside the £180mn debt facility secured in September 2021, will provide the capital for the acquired pipeline and some of the additional pipeline. Additional debt or equity fund raising will be sought as appropriate.

It is expected that the acquisition cost per MW/MWh of projects under construction and of the pipeline (on a like for like duration basis) will be materially lower on average than for projects acquired and built prior to the granting of the change in Investment Policy in November 2020, which granted the Company permission to take construction risk with capital equivalent to 10% of the Company's Gross Asset Value (GAV)[12]. We are pleased to see this policy change has delivered value for shareholders as anticipated.

As reflected in the Chair's Statement above, we are also confident of adding value if the Investment Policy were to be amended, with shareholder approval, to allow the direct acquisition of 'shovel-ready' projects up to 10% of GAV. In terms of pipeline for later in 2023 and beyond, we remain confident of our ability to add pipeline to underpin the continued growth of the Company, such that it maintains its market share in the UK and Ireland. We are also confident of our ability to execute successfully in international markets, should shareholder approval be granted to target carefully chosen international markets.

GB Rated Operational Capacity



12 GAV is defined in Alternative Performance Measures: it includes debt within MidCo as well as Gross Assets in the Company

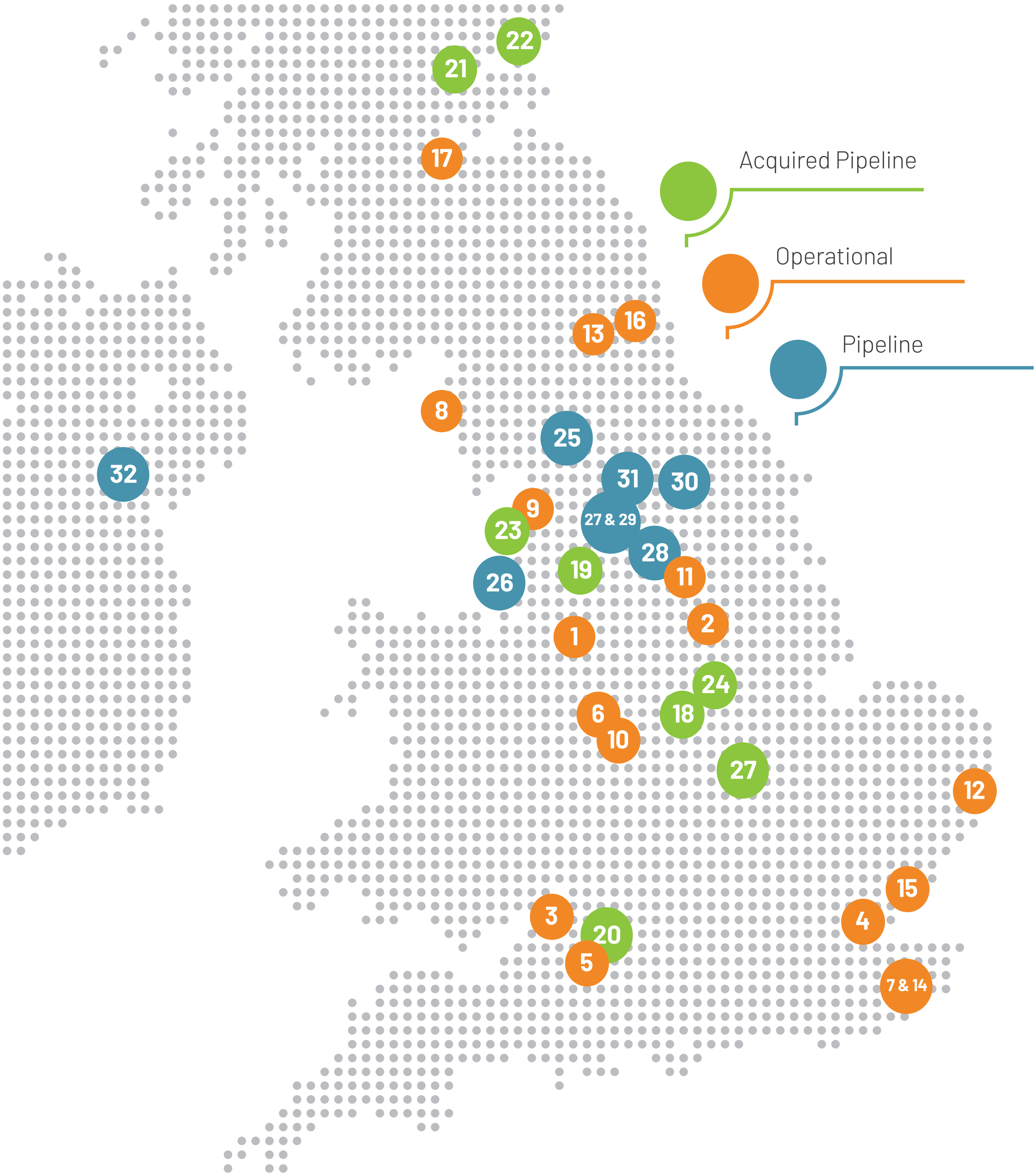
Table 1: Company portfolio

Map ref.	Existing assets	Location	Capacity (MW)	Battery size (MWh)	Battery duration (hours)	Site type	Operational status
1	Staunch	Staffordshire	20	2.9	0.20	Battery and generators, 0.5MW import	Operational
2	Rufford	Nottinghamshire	7	9.5	1.35	Battery and generators, symmetrical	Operational
3	Lockleaze	Bristol	15	22.1	1.45	Battery, symmetrical	Operational
4	Littlebrook	Kent	8	6.3	0.80	Battery, symmetrical	Operational
5	Roundponds	Wiltshire	20	25.8	1.30	Battery and generators, 16MW import	Operational
6	Wolves	West Midlands	5	7.8	1.55	Battery, symmetrical	Operational
7	Glassenbury	Kent	40	28.2	0.70	Battery, symmetrical	Operational
8	Cleator	Cumbria	10	7.1	0.70	Battery, symmetrical	Operational
9	Red Scar	Lancashire	49	74.3	1.50	Battery, symmetrical	Operational
10	Bloxwich	West Midlands	41	46.6	1.15	Battery, symmetrical	Operational
11	Thurcroft	South Yorkshire	50	75.0	1.50	Battery, symmetrical	Operational
12	Wickham	Suffolk	50	74.0	1.50	Battery, 40MW import	Operational
13	Tynemouth	Tyne and Wear	25	17.4	0.70	Battery, symmetrical	Operational
14	Glassenbury Extension	Kent	10	10.1	1.00	Battery, symmetrical	Operational
15	Nevendon	Basildon	10	7.1	0.70	Battery, symmetrical	Operational
16	Port of Tyne	Tyne and Wear	35	28.0	0.80	Battery, symmetrical	Operational
17	Byers Brae	West Lothian	30	30.5	1.00	Battery, symmetrical	Operational
18	Enderby	Leicester	50	50.0	1.00	Battery, symmetrical	Target COD: Q2 2022
19	West Didsbury	Manchester	50	50.0	1.00	Battery, symmetrical	Target COD: Q3 2022
20	Melksham	Wiltshire	100	100.0	1.00	Battery, symmetrical	Target COD: Q4 2022
21	Couper Angus	Scotland	40	40.0	1.00	Battery, symmetrical	Target COD: Q2 2022
22	Arbroath	Scotland	35	35.0	1.00	Battery, symmetrical	Target COD: Q2 2022
23	Penwortham	Preston	50	50.0	1.00	Battery, symmetrical	Target COD: Q3 2022
24	Grendon	Northampton	100	200.0	2.00	Battery, symmetrical	Target COD: Q1 2023
	Total acquired portfolio		850	997.7	1.17		

Table 2: Pipeline summary

Map ref.	Asset name	Location	Capacity (MW)	Battery size (MWh)	Duration (hours)	Site type	Commissioning/ Completion status
25	Stairfoot	North Yorkshire	40	40.0	1.00	Battery, symmetrical	Target COD: Q2 2022
26	Project York	York	50	50.0	1.00	Battery, symmetrical	Target COD: Q4 2022
27	Project Bradford West	West Yorkshire	87	174.0	2.00	Battery, symmetrical	Target COD: Q1 2023
28	Project Elland	West Yorkshire	150	300.0	2.00	Battery, symmetrical	Target COD: Q1 2023
29	Monet's Garden	North Yorkshire	50	100	2.00	Battery, symmetrical	Target COD: Q2 2023
30	Lister Drive	Merseyside	50	100	2.00	Battery, symmetrical	Target COD: Q2 2023
31	Project Bradford West 2	West Yorkshire	100	200	2.00	Battery, symmetrical	Target COD: H2 2023
32	Project Monvalet	Rep. of Ireland	180	180	1.00	Battery, symmetrical	Target COD: 2024
	Total Pipeline:		707	1,144	1.62		
	Total Portfolio:		1,557	2,142	1.38		

Portfolio


Acquired Pipeline
Operational
Pipeline
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Fund and portfolio performance
2021 was an exceptional year for the Company's investments as projects benefited from a prolonged period (starting in October 2020) of high pricing of Frequency Response services due to the undersupply of MW capacity available to deliver Dynamic Containment (DC) and Firm Frequency Response (FFR) services at the level required by National Grid for most of the year. In addition, rule changes which allowed the Company's portfolio to trade while running batteries in DC meant the portfolio could both demonstrate its trading capabilities and confirm that revenues from trading were also at very attractive levels.

As such, the Company's underlying investment portfolio generated EBITDA of £42.5mn for the period, resulting in net earnings for Operational Dividend Cover[13] of £36.3mn and Operational Dividend Cover of 1.32x for the 7.0p dividend paid in relation to the period. Operational Dividend Cover at this level was achieved in spite of a large amount of uninvested cash being held for investment into pre-operational projects laid out in Tables 1 and 2 on page 9.

The Ongoing Charges Figure (OCF)[13] for the Fund for the period to 31 December 2021 was 1.23% based on the weighted average Net Asset Value (NAV) for 2021 (2020: 1.26%), which, we believe, is among the lowest of the comparable listed funds in the market. The OCF is expected to decline marginally over time, mainly driven by a rising NAV which then drives a drop in incremental management fees. As the NAV has now reached over £500mn, any incremental growth in the NAV will attract fees at the reduced rate of 0.8%, down from 0.9% above £250mn and 1% for the first £250mn.
As a result of NAV growth and a consistent dividend policy in the year, the Company extended its track record of strong NAV Total Return[13] performance achieving an NAV Total Return of 20.3% in 2021 and takes the annualised NAV Total Return since IPO to 11.0%, demonstrating consistent returns in excess of the target of 8.0% set at IPO.

As noted above, the Company's underlying assets generated EBITDA of £42.5mn, an increase of more than 172% from £15.6mn in 2020. This growth is underpinned by a 220% increase in revenues in the period from £16.1mn in 2020 to £51.4mn in 2021.

This was driven by like for like growth as well as acquisitions, with average revenue per weighted average MW increasing by 64% to £126.7k per MW.

FR was again the largest revenue source making up 82.2% of the revenue generated by the underlying investment portfolio for the whole of 2021. This has been largely dominated by DC, a service launched in October 2020, in which the Company's underlying assets were the only participants in at launch. Through to October 2021 DC prices were buoyed by the undersupply referred to above which allowed for the pricing to be consistently set at National Grid's price cap of £17 per MWh.

During this period, the investment portfolio maintained a strong market position, holding on average 37% of the contracted capacity in the service, whilst also enhancing returns through trading. From 1 November 2021, National Grid updated its DC volume requirements, with volume no longer procured on a daily basis but in four-hourly blocks, allowing for lower demand and therefore prices in certain blocks and in general, sharply decreasing average daily requirements.

This has also led to the already limited FR market becoming saturated towards the end of the year. We, alongside our asset optimisers, were ready for these changes having predicted this development since our IPO in November 2018 and had been prepared to stack trading with any FR service to maintain optimal performance of the portfolio.

Since these changes, we have seen an increasingly volatile DC price which has on occasion presented opportunities for the portfolio. Despite a brief increase in FFR prices over the winter for those asset owners alive to the changes in DC, with the overall battery capacity in Great Britain growing significantly, it is clear that FR pricing (across all FFR, DC etc) is likely to now reset permanently at a lower level, which increases our focus on trading performance and effective stacking of other services.

With a greater focus on trading in Q4, this area accounted for 11.5% of underlying investment portfolio revenue in 2021, up from 9.9% in 2020 helped by an increase in Q4 when trading represented 22.1%. In full, the fourth quarter saw revenues from FR at 71.7%, Trading at 22.1% and CM at 6.2%.

The trading opportunity was not just limited to the final quarter of the year. Since the start of the year assets have been able to use Day Ahead prices to inform decisions between Trading and DC ahead of submitting volume into DC. This led to a number of days in January 2021 when projects stepped out of DC to trade for high Day Ahead and imbalance prices and deliver higher returns than possible from FR. Since the change in the DC procurement rules in September to 4-hour blocks (previously the service was for 24-hour blocks), the opportunity

13 *Alternative Performance Measures are defined and calculated on pages 89 to 91 of the Annual Report.*

to step out of DC to trade has increased significantly with evening peaks presenting several opportunities to earn more than the DC price cap of £17 per MWh.

We are pleased with the pace at which our Operations Team is adapting to changing market conditions and that the Company's assets are consistently the first movers in markets and optimisation innovators when it comes to stacking of revenue streams. We are confident that this track record bodes well for ongoing returns from the portfolio as the market begins transitioning to a more trading focused revenue make up.

As shown in Table 3, CM revenues also grew in 2021, with the portfolio earning 262% more CM revenue in 2021 (£2.97mn) than in 2020 (£0.82mn) as 60MW of T-4 contracts came into force in October 2020, 35MW of T-4 contracts from acquired assets enjoyed a full year in 2021 and 52MW of T-4 contracts came into force in October 2021 supporting the final quarter contribution. Due to the exceptional revenues earned through other sources in 2021, CM revenues represented only 5.8% of underlying investment portfolio revenues for the year, a modest uplift from 5.1% in 2020. We expect the CM share of revenues to continue increasing over time as additional contracts, beginning in October each year, come into force and as revenues on a per MW basis begin to fall from the record levels seen from DC in 2021.

As at 31 December 2021, the Portfolio had 166MW of active T-4 CM contracts and this is set to increase to 207MW in October 2022. In addition, as announced on 28 February 2022, 325MW of T-1 CM contracts and 463MW of T-4 CM contracts have been awarded for the portfolio in the 2022 auctions in February 2022 and are expected to deliver over £108mn of additional revenue over the life of the contracts. Both auctions cleared at record prices of £75,000 per MW for T-1 and £30,590 per MW for the T-4 auction.

As such, the portfolio is expected to enjoy an additional £8.4mn in revenues in the year from October 2021 on the T-1 contracts and over £100mn in the 15 years from October 2025, assuming CPI at 2%, on the T-4 contracts. As the auctions were not formally completed at the year end, this is not factored into valuations as at 31 December 2021.

TRIADs are no longer a significant part of the revenue mix for the portfolio assets (0.5% for 2021) and we expect this to remain low. Most TRIAD income now is earned as an additional benefit on top of trading peak demand periods as opposed to TRIAD specific export runs as done just a couple of years ago.

2021 Portfolio revenue split

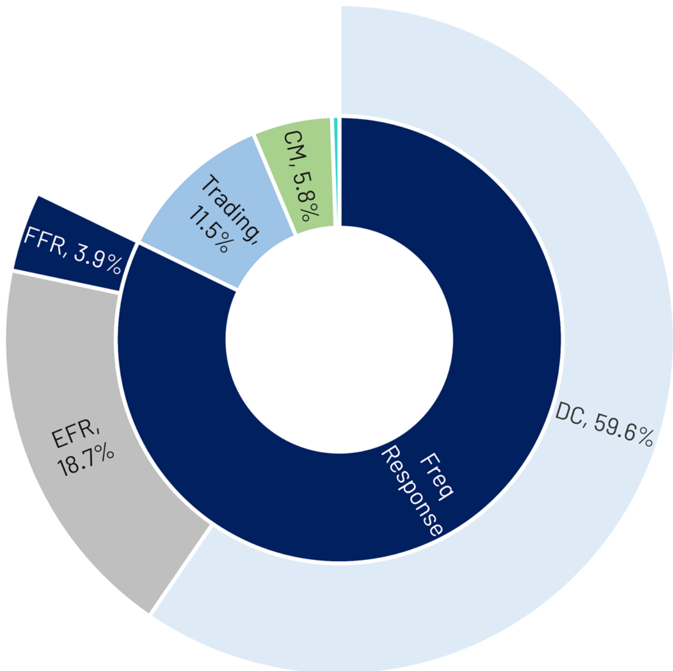


Table 3: Underlying investment portfolio revenue breakdown for 2021 and 2020

Investment portfolio revenue	2021 revenue (£mn)	Share of 2021 revenue	2020 revenue (£mn)	Share of 2020 revenue
Firm Frequency Response FFR	2.00	3.9%	3.20	19.9%
Enhanced Frequency Response EFR	9.63	18.7%	3.59	22.3%
Dynamic Containment DC	30.64	59.6%	5.35	33.3%
Frequency Response Total	**42.27**	**82.2%**	**12.14**	**75.5%**
Trading	5.91	11.5%	1.59	9.9%
Capacity Market CM	2.97	5.8%	0.82	5.1%
TRIADs	0.28	0.5%	1.52	9.5%
Operating revenues from assets owned	**51.43**	**100.0%**	**16.07***	**100.0%**

** 2020 revenue also included £2.97mn of liquidated damages: these have been excluded in the table above*

Investment portfolio operational performance
Average availability of assets in contracted services was 99.2% for the year (2020: 98.8%), demonstrating ongoing strong delivery from the Company's portfolio.

During the year, all assets except EFR contracted assets were offering DC for a large percentage of time. This involves significantly lower cycling of batteries (approximately 0.3 cycles per day for a 1-hour battery) versus our base case for valuation modelling (of over two cycles per day). As a consequence, the degradation of batteries in the portfolio has been very light with average State of Health (SOH) falling to only 97.5% (2020: 97.7%). The move to longer duration assets, on average, should also result in less degradation.

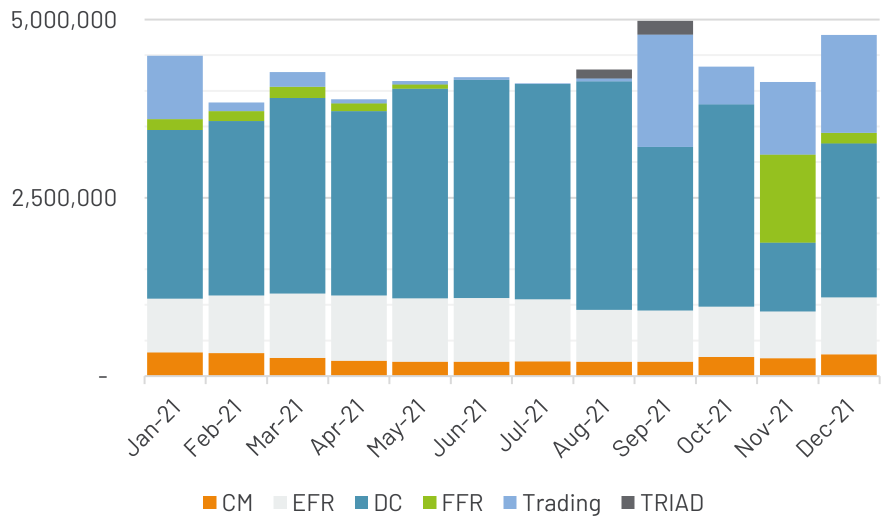
There are two incidents to note across the portfolio. The first involved vandalism at the DNO connection for Rufford in May, which left the site offline for six months. The incident was reported to the police and all damaged equipment has since been replaced. The site has been online and performing at full capacity since the DNO connection was reinstated in November. The lost earnings for this outage plus equipment costs to rectify the connection are being claimed under an existing insurance policy. We currently expect full reimbursement and this is factored into the valuations.

The second incident involved trespassing and theft of materials at another site in September. Due to the nature of the materials taken and the damage to the perimeter fencing, manned guarding was installed around the perimeter of the site until remedial works were carried out and the site could be deemed safe: safety for workers and the general public are paramount for the Investment Manager. We are grateful for the collaborative effort from all concerned to ensure a swift and safe resolution. Despite being offline for half of the month, the asset was still able to deliver returns higher than achievable in DC for the full month, thanks to effective trading of the September energy price volatility before the incident. No insurance claim was made for this incident.

These two incidents tested and proved the effectiveness of the team's Health, Safety and Security procedures, while also offering learning opportunities. As such, the Investment Manager will look to implement new ideas across the portfolio to further enhance site security and safety.

In terms of project delivery, we have previously reported some slippage to timescales and unfortunately a few more have developed since 10 January 2022, the date of the Company's Trading Update announcement. Almost all issues relate to unexpected procurement challenges. Examples include: a high voltage cable being in short supply in one project; concrete being in short supply at another; delays to the delivery of key components due to shipping delays; or component shortages at suppliers affecting other projects, to name a few. These challenges are being addressed with a wholehearted effort from our construction management team. All problems are being resolved without any material impact on cost, but they are affecting commissioning dates. The team will attempt to compress commissioning timeframes to counter some of the delays during construction.

Portfolio revenue split by month



Market update
The market backdrop for BESS projects in the UK and Ireland has improved significantly during 2021 as long-expected high power price volatility has continued, having first emerged in late 2020. This volatility has emerged as renewable penetration has risen to levels at which existing sources of flexibility, and in particular gas-fired generation, have reached their limits in terms of dealing with the rising intermittency of renewables. And indeed, as renewables gain market share, baseload gas is losing share and will probably be gradually decommissioned, reducing a source of flexibility – further reinforcing the need for batteries. Recent sharp price increases in global energy prices have further supported the investment and energy security cases for a global acceleration of renewable energy development, and thus continuing to favour the global rollout of battery storage.

Past CfD auctions offering a guaranteed offtake for offshore wind projects (in 2015: 2.2GW, 2017: 3.3GW and 2019: 5.5GW) and the most recent auction for offshore and onshore wind and solar (expected to catalyse a further 12GW of capacity according to the Department for Business, Energy and Industrial Strategy (BEIS)) provide near term visibility for the energy storage business model. With only 1.4GW of energy storage commissioned in the UK to date, albeit with further significant rollout expected in the next few years, energy storage still lags the pace of renewable project installations, which are running at over 2GW per annum and rising.

There are three key factors we believe will drive the investment portfolio and performance in the BESS market over the short to medium term:

i) FR market
The FR services market currently consists of DC and FFR. As of November 2021, saturation of these markets began and with continuing growth of BESS assets in the market, further pressure on pricing is anticipated.

In addition to DC and FFR, Dynamic Modulation (DM) and Dynamic Regulation (DR) are set to launch in 2022, currently expected by the end of the summer. However, we do not expect a long-term increase in the overall volume as National Grid plans to phase out FFR once these two products are launched.

The ability to stack trading revenues on to these services and the reduced 4-hourly contract periods increases our confidence that value will continue to be extracted from FR despite its reduced attractiveness on its own.

Furthermore, while the FR markets are becoming saturated, the volume requirement from National Grid ESO on a seasonal basis is expected to rise as we head into summer, as additional capacity is required when renewable (solar) generation is higher. This may provide a short-term reprieve to the downward trend in prices but is noteworthy, nonetheless. The higher summer and lower winter requirement for FR services should manifest in the Company's revenue split going forward.

ii) Reserve from Storage

Aside from FR services and increasing volume requirements, National Grid have long promised more demand for storage as a source of reserve capacity. We expect more news on this in 2022 after a lengthy design phase following the successful Reserve from Storage trial in September 2020, which demonstrated the value of BESS assets versus CCGTs used in Balancing Mechanism (BM) Reserve.

iii) Electricity prices and Trading

2021 saw further increases in Trading opportunities for the portfolio, with increasing volatility over previous years and more frequent pricing events. Some of this opportunity remained uncaptured by batteries as DC pricing remained significantly above average daily returns from Trading. As prices for FR services have fallen, and electricity price volatility continues to increase, Trading is becoming key to profit maximisation.

As shown in the chart below, the daily average system price trebled in 2021 from £81/MWh in 2020 to £242/MWh in 2021. There were also 136 days with an average system price of at least £200/MWh versus just 11 days in 2020 (2018: 4, 2019: 1). We have also seen record numbers of extremely high prices with 36 half hours at prices of £1,000/MWh and above in 2021 (2020: 2). Prior to this year, the previous system price high in recent years was in March 2020 at £2,242/MWh. From the start of 2021 through to January 2022, there have been 28 instances of prices higher than this, with seven instances of prices being at least £4,000/MWh. The Company's assets have been capturing this upside in the intraday market as well as in the Day ahead markets which has offered significant spread opportunities more valuable than DC.

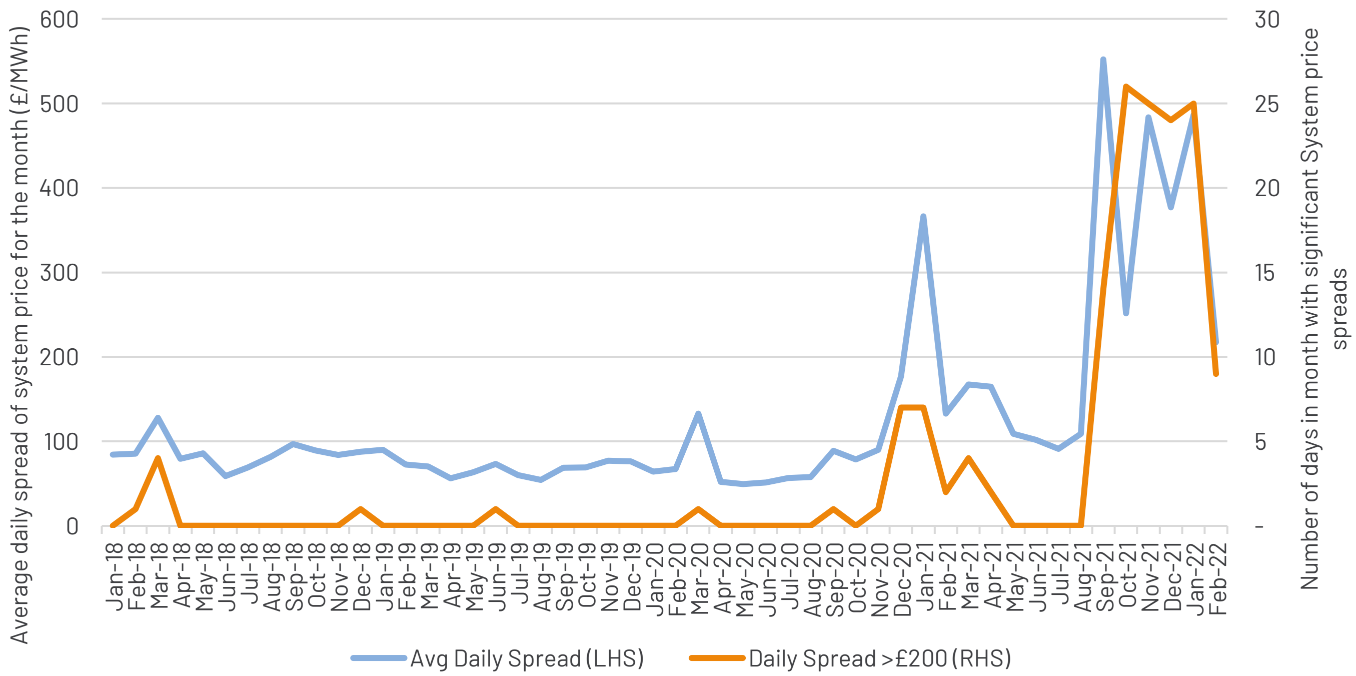
This volatility is expected to remain as more renewables are commissioned.

These exceptional prices are occurring more frequently, but in addition to this, we are also seeing more occurrences of consecutive settlement periods at extreme prices. Since the start of January 2021, we have seen seven days with prices above £1,000/MWh for at least three consecutive settlement periods (1.5 hours).

To illustrate the potential for building larger batteries to capture this, on 9 September 2021, a 1-hour asset could have earned the equivalent of 8.8 days' worth of DC revenue at the £17/MWh cap whereas a 3.5-hour asset could have achieved a full month of DC revenue from a single cycle of the battery.

We are therefore committed to steadily expanding duration towards 2-hours. The current EFR assets, which come to the end of their contracts in 2022, will be the first to be expanded to 2-hour durations with some of the pipeline assets being commissioned as 2-hour sites as well.

Value of average daily spreads by month and frequency of significant spread opportunities in the system price (£/MWh)



Russian invasion of Ukraine
The Russian invasion of Ukraine, which occurred after the year end, has had significant geopolitical ramifications for the UK energy markets in which the Company's investments operate. The Investment Manager strongly opposes the invasion and we believe there is no place in the modern world for actions such as those undertaken by Russia in Ukraine. Whilst the Company has no investments in Russia and is not engaged with any sanctioned entities, we understand our obligations to our stakeholders to assess the potential impacts on the Company. We are closely following the global response to the Russian invasion and its impact on energy markets. We will continue to review our counterparties and to reduce any exposure to potential future sanctions.

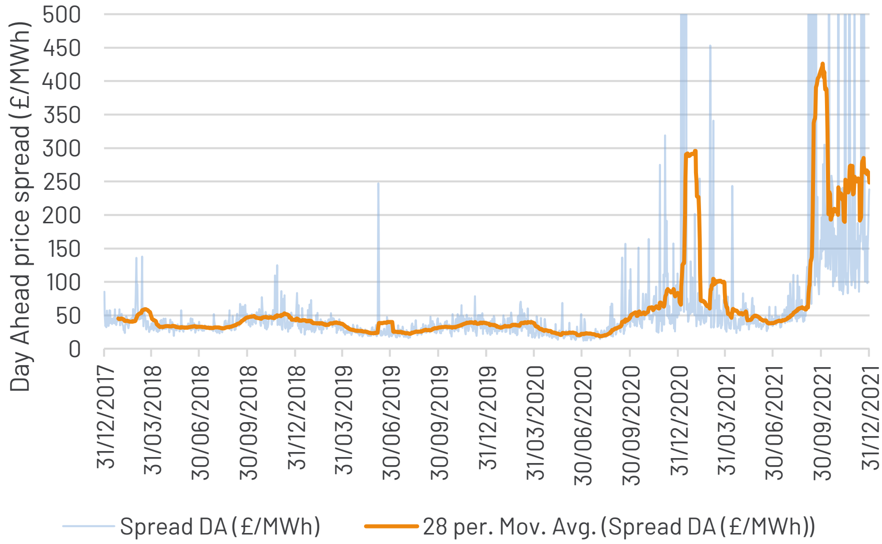
To date, there has been no impact on development projects in terms of either delays or costs as Russian entities are currently neither counterparties to the Company nor its investments. The increasing and volatile gas prices at the start of March 2022, however, have had an impact on energy prices in the UK. This has led to an increase in volatility in the electricity markets. If energy prices remain high for longer periods, we may start to see cost of construction for pipeline assets increase if parts and material costs increase.

Across Europe, we are starting to see a push to reduce reliance on Russian gas with an increased focus on driving growth in renewables. At the time of this report, the UK Government is considering plans to ease planning restrictions for on-shore wind to reduce the lead time for new projects. The likely increase in renewable generation is expected to further increase the demand for BESS.

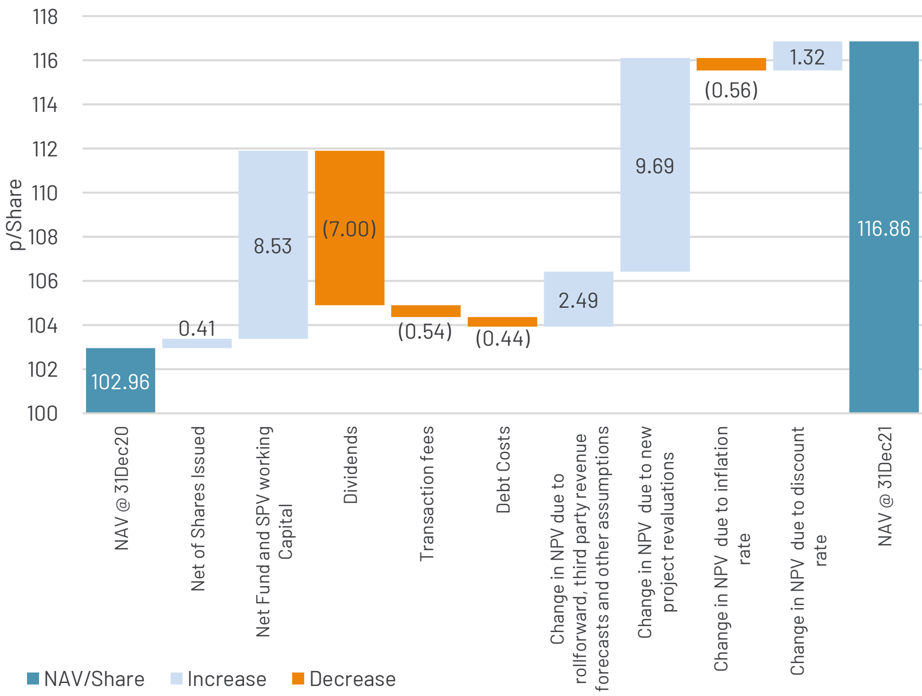
Valuations and NAV
NAV per share[14] has risen from 102.96p per Ordinary Share at 31 December 2020 to 116.86p per Ordinary Share at 31 December 2021. This equates to a NAV Total Return[14] of 20.3% for the period.

Most of the increase in the NAV per share is driven by the revaluation of projects previously held at cost (£38.0mn), including assets under construction at the year end. A net improvement in forecasts, driven by a recovery in revenue assumptions following a drop in 2020 (+£5.8mn), as well as significant cash generation from underlying asset performance in excess of value losses on model roll forwards (+£31.2mn), also contributed positively.

Daily Day Ahead Auction Max/Min Spread (£/MWh)



NAV (p/Share) bridge from 31 Dec 20 to 31 Dec 21



The discount rate for CM revenues remains at 5% whilst the discount rate for all other revenues has decreased marginally from 11.1% to 10.85%. The reduction to the discount rate reflects a longer track record of delivery and increased confidence in returns from BESS projects, which is echoed by the confidence in the Company's forecasts, and ability to deliver against them. Confidence in delivering against forecasts is perhaps best demonstrated by the willingness of well-established, blue-chip institutions to provide debt finance for the growth of BESS, as shown by the debt facility agreed in the period.

Following a revision to the Company's Valuation Policy, a further 0.5% is added to discount rates for construction assets revalued in the period, to reflect additional risk mainly on timing of cash flows and full commissioning of assets. It is worth noting that the impact of revaluing three construction assets, totalling 150MW, in the period was 4.72p.

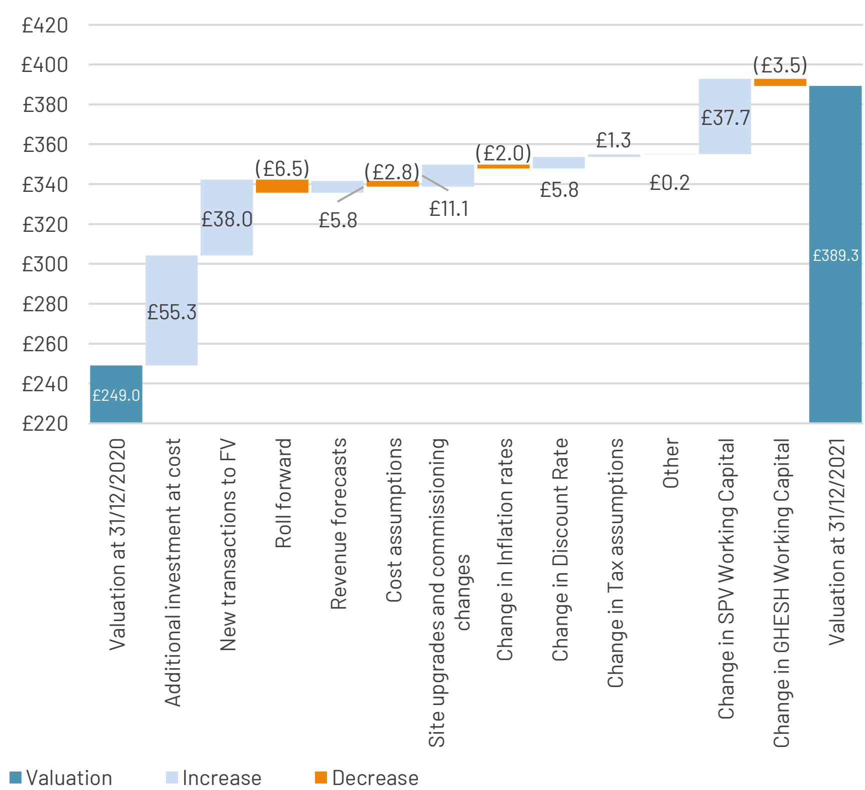
A lower capex per MW on projects in construction (compared with previously acquired operational projects) has presented opportunities for larger positive revaluations upon acquisition into the Fund.

14 *Alternate performance measures are defined and calculated on pages 89 to 91 of the Annual Report*

As the Company continues to acquire the outlined pipeline and begins to revalue these in line with the revised Valuation Policy, which allows for certain construction projects to be revalued with an additional premium of 0.5%, we expect to see further growth in valuations and NAV similar to those seen in HY2 2021. The removal of the extra 0.5% to discount rates on the construction assets as they become operational will further have a positive impact in future quarters as these assets are commissioned.

While the Investment Manager develops its own views on the market, revenue forecasts for the Company's projects are provided by an independent consultant. These revenue forecasts are driven from the independent consultant's view on the future volatility in the market. These revenue forecasts can have a meaningful impact on the valuations of the Company's investments and NAV. More conservative assumptions have the impact of reducing the overall valuation of investments due to reducing future cash generation expectations of the investments. Further information on the valuation process and sensitivities can be found in Note 18 on pages 80 to 83.

Change in investment value from December 2020 to December 2021 (£mn)



Outlook

We remain very confident that opportunities in the UK and Irish markets will remain healthy for many years as the deployment of renewables continues apace and electricity demand starts to rise in the UK, particularly driven by an increase in electric vehicle uptake and the beginning of an electric heat pump rollout (replacing natural gas-fired domestic and commercial boilers). We intend to increase scale to take advantage of our leading position, to drive down operational costs as well as the cost of capital across the industry. As such, efforts will continue in sourcing additional pipeline for later in 2023 and beyond.

As we look ahead to 2022, we anticipate Operational Dividend Cover to increase progressively in line with projects commissioning through the year and expect full Operational Dividend Cover for the year. In addition, we anticipate achieving NAV growth towards the upper end of the target range of 8% to 15% and continuing to be the leading owner of operational BESS in the UK. We do not anticipate the Russian invasion of Ukraine to detract from these aims for the year, however we will continue to monitor and assess the potential impact for our portfolio and work with our supply chains and counterparties to reduce exposure to any potential future sanctions.

Expected shareholder proposals to change the Investment Policy, outlined in the Chair's Statement relating to development risk (into shovel-ready projects), will lower acquisition costs (all else being equal) and potentially help in facilitating a migration to the premium segment of the London Stock Exchange in due course (hopefully driving down the cash cost of equity), while improving liquidity in the Company's shares. Similarly, while the UK opportunity remains strong, our plans for international expansion, subject to shareholder approval, are timely and could further accelerate the Company's growth while creating diversification. We continue to ensure that the team's size and experience appropriately matches the opportunity ahead.

Sustainability Report

Environmental, Social and Governance

The Investment Manager's sustainable investment approach
Battery energy storage systems (BESS) play an essential role supporting the shift from a world powered by hydrocarbon resources to a new energy world powered by intermittent renewables in what is a rapidly changing energy landscape.

The Investment Manager is committed to increasing BESS capacity to support the decarbonisation and electrification of the UK's energy system. The Fund, in this way, contributes positively to climate change mitigation and the UK's Net Zero Strategy, which explicitly recognises and supports the need to improve and increase the supply of storage to the National Grid to decarbonise the UK power system by 2035[15].

The Investment Manager also recognises the importance of environmental, social and governance (ESG) considerations and incorporating them into the investment process to deliver long-term, sustainable growth, and consistent positive outcomes across local and national communities.

Positive contributions
The Investment Manager has identified two material positive contributions of GRID:

Environment: Climate change and pollution

1. **BESS plays a key role in the UK's pathway to net zero emissions**

BESS plays a key role in decarbonising the UK's electricity grid by enabling further deployment and production of renewable energy. This will in turn reduce reliance on carbon intensive energy generation, such as coal and gas, as renewables form a greater proportion of the UK's energy mix due to the availability of battery storage capacity, supporting reductions in carbon emissions. Therefore, to support the UK's net zero ambitions and renewable energy targets, battery storage capacity across the grid must increase.

Social: Marketplace responsibility

2. **BESS helps stabilise the energy network reducing consumer energy costs**

BESS supports the production of renewable energy on a large scale by balancing and stabilising the electricity grid. The imbalances in supply and demand of electricity are currently expensive for National Grid to manage. For example, National Grid has to pay to generate more electricity from gas fired power stations when renewable supply falls short and must also pay owners of wind and solar farms to stop generating when supply is greater than anticipated. Additional costs are then passed on to consumers, increasing energy bills, and in some cases contributing to the problem of fuel poverty.

The use of BESS in the electricity grid may help reduce consumer energy costs over time in two ways, to:

1. Avoid National Grid having to 'turn on' expensive gas fired power generators and instead requesting the energy stored in the batteries to be released; and to
2. Prevent National Grid from paying renewable energy generators from curtailing generation and instead requesting batteries store the additional energy produced until it is needed.

The UK Government estimates that the cumulative value (from 2020-2050) from reduced costs driven by increased system flexibility could be between £30-70bn[16] meaning BESS is an important solution to help reduce National Grid's costs and therefore consumer costs[17].

15 *BEIS, Net Zero Strategy, October 2021*
16 *Transitioning to a Net Zero Energy System: Smart Systems and Flexibility Plan, BEIS, July 2021*
17 *The Just Transition reflects the idea that seeks to ensure that no-one is unfairly disadvantaged by the transition to a low carbon economy*

Key 2021 statistics

425MW **total battery energy storage operational capacity provided to the UK National Grid[18]**

- An increase in operational capacity of 110MW from 2020

415MW **of battery energy storage capacity under construction**

2nd year **of GRID being awarded the LSE Green Economy Mark**

18 *Cumulative capacity of BESS fleet (MW) using end of year (31 December 2021) data*

BESS plays a key role in the UK's pathway to Net Zero emissions
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.

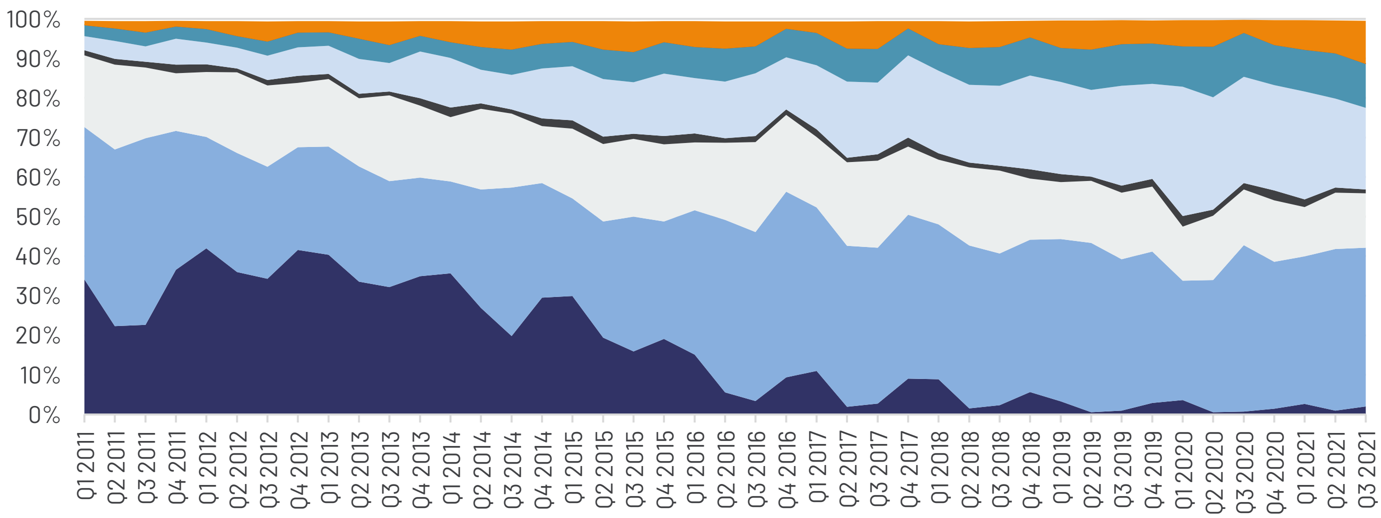
Whilst the falling costs of renewable power generation have led to rapid deployment over the past few years, the chart below shows that we still rely heavily on carbon intensive gas-fired generation:

Electricity generation mix in the UK

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

Renewable electricity penetration rose from 9.6% in 2011 and is expected to rise to c.53% in 2023 (Source: BEIS)

GB Electricity generation by technology



Source: BEIS

Considerations of renewable energy generation
Generating energy from solar and wind relies on solar irradiation and the wind blowing. This means renewable energy generation is intermittent, varying continuously. This inflexible generation is the opposite of what is required by National Grid who need to 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 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 across summarise the actions that National Grid take to meet energy supply and demand with and without BESS.

The chart below outlines the electricity capacity flexibility requirements (gigawatts) and the technologies needed to achieve this in the government's "High flexibility, High demand" 2050 Scenario[19]. "Other Storage" refers to short-term storage and includes existing battery projects and other new deployments including new pumped hydro projects. "Flexible demand" refers to mechanisms that reduce demand for energy such as smart charging of electric vehicles and heat pumps with combined heat storage. Finally, "Interconnection" refers to the use of electricity or gas from suppliers outside of the UK to support flexibility requirements.

As such, BESS has a central role to play in decarbonising the UK's energy system and its achievement of its net zero strategy and GRID is already contributing materially.

BESS helps stabilise the energy network reducing consumer energy costs
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 meet electricity supply and demand.
- Helping to regulate supply and demand through "merchant" activities whereby power is drawn and stored when there is a surplus in the system with the purpose of discharging it into the electricity grid when there is a shortage.

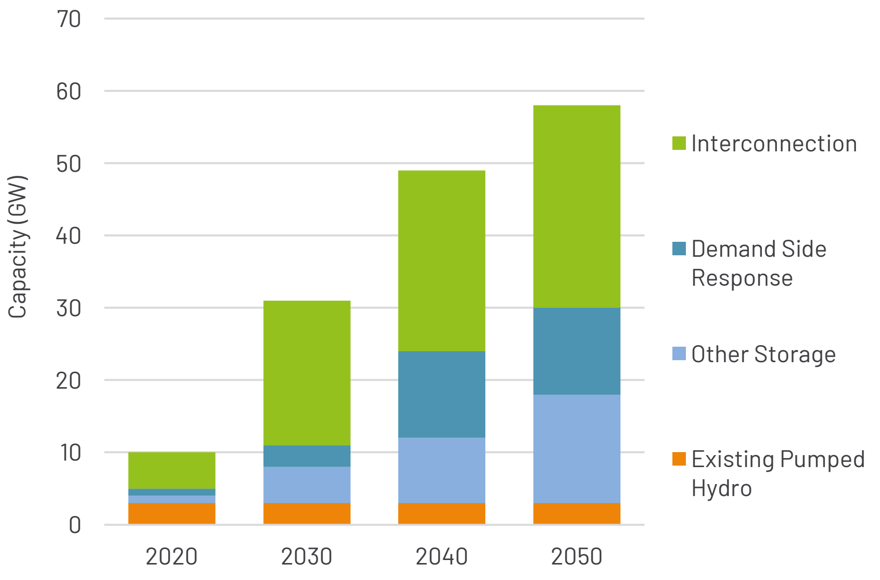
Without BESS

	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. Need to build backup gas capacity with low load factors

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

Technology deployment for a flexible electricity system by 2050



Source: BEIS, July 2021

19 *High flexibility, High demand 2050 Scenario, Transitioning to a Net Zero Energy System: Smart Systems and Flexibility Plan, BEIS, July 2021*

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[20]. The 2021 figure was expected to be lower due to the less windy conditions throughout the year. 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.

The use of BESS in the electricity grid therefore may help reduce consumer energy costs, an important aspect to be considered as part of a Just Transition.

The UK Government estimates that the cumulative value (from 2020-2050) from reduced costs driven by increased system flexibility could be between £30-70bn[21].

20 *LCP, energy sector consultants*
21 *Transitioning to a Net Zero Energy System: Smart Systems and Flexibility Plan, BEIS, July 2021*

Sustainable investment process

The Investment Manager has developed and published an overarching Sustainable Investing Policy along with a New Energy Sustainable Investment Policy which is specific to the Fund's asset division. These policies describe the Investment Manager's approach to sustainable investment and highlight the Investment Manager's commitments to investing sustainably while meeting its overall investment objectives. The Investment Manager has also integrated sustainability across all asset divisions, including that of the Fund, which starts with the completion of its proprietary ESG Decision Tools.

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 ESG Decision Tool (the Tool), first applied by the Investment Manager in 2020, supports 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 prior to an investment decision being made.

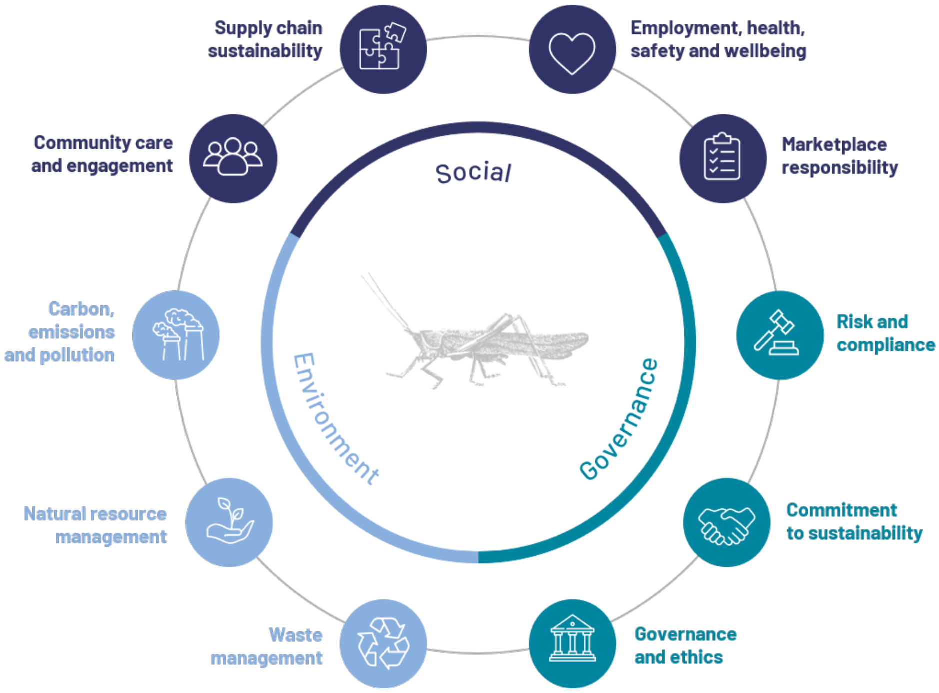
The Tool is based on the ten themes in the SIF and several sub-factors are considered under each broader theme. It is used across the various stages of the investment and management process: pre-acquisition, pre-construction, construction, and operation.

The Investment Manager has identified six ESG factors across the SIF that are most material to the Company's operations and investments. These are carbon emissions and pollution, natural capital, waste management, employment, health, safety and well-being, supply chain management, and governance and ethics. The specifics of each of these factors are addressed in more detail as part of the sustainability objectives discussed in the tables below.

Wider sustainability considerations

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

Sustainable Investment Framework and ESG Decision Tool



The Investment Manager applies a robust sustainable investment process to fully incorporate all ESG considerations, positive and negative, into the investment process. The integration of ESG factors ensures the Investment Manager both assesses risks and opportunities to investments, and delivers long-term, sustainable growth, and positive outcomes for key stakeholders.

The Investment Manager has also set sustainability objectives for the Fund which aim to enhance the positive sustainability contributions of BESS and to address ESG risks and minimise or avoid negative externalities.

Sustainability objectives

The tables below provide an update on progress made against the sustainability objectives set for 2021 and ambitions for the period 2022-2025.

Sustainability-related objectives set at the time of the 2021 Annual Report were either met during the year or key milestones to achieving them were passed.

Since 2020, the Investment Team have updated the objective categories to be aligned with the Investment Manager's recently published Corporate Sustainability Strategy (CSS) and priority topics.

The CSS was developed in 2021 to supports the Investment Manager's 2025 strategic objective "'to become a recognised leader in sustainable investment, including ESG". More information on the CSS can be found in the Investment Manager's Sustainable Investment Report 2021.

G: Commitment to sustainability (previously Strategic Contribution)		
2021 Objective	**Progress in 2021**	**Future objective**
Continue to increase capacity under management to increase GRID's contribution to the decarbonisation of the UK electricity network.	Increased operational capacity by 110MW, to 425MW as of 31 December 2021, through the acquisition of five new BESS projects. Acquired and put into construction eight new projects with a total capacity of 375MW.* **Total in construction is 415MW including Stairfoot (which is not yet subject to an SPA).*	Continue to increase capacity under management to increase GRID's contribution to the decarbonisation of the UK's electricity network and a reliable, low-cost energy system.

S: Supply Chain Management (previously Supply Chain)		
2021 Objective	**Progress**	**Future objectives**
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.	The team engaged with consulting and audit firms specialising in supply chains to establish how they could help GRID and the Investment Manager with auditing and continuous monitoring of the supply chain for batteries.	Update the Supply Chain Policy to fully reflect best practice in the market and the commitments of the Investment Manager.
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.	The Investment Manager devised the scope for supply chain audit and regular monitoring. The Investment Manager conducted a competitive process to identify two firms best positioned to carry out this project, with the final selection between the two underway at the time of writing. The Fund switched from NMC to LFP battery chemistry for all projects entered into construction from 2021, reducing potential human rights related risks linked to the sourcing of Cobalt.	Have a comprehensive supply chain monitoring and management process in place to assess ESG risks in the supply chain and to ensure the compliance of suppliers with the Supply Chain Policy. Include sustainability criteria into supplier contract renewal and supplier selection decisions.
Increase active engagement with suppliers to positively influence sustainability practices and policies.	Increased levels of engagement with key battery suppliers in relation to their environmental and social practices and standards.	Have engaged with key suppliers to enhance their sustainability processes and reduce the Fund's ESG risk exposure.

G: Marketplace Responsibility: Processes, Policies and Education (previously GHESF Asset Review)		
2021 Objective	**Progress**	**Future objectives**
Assess current operating assets against our SIF and establish plans to rectify any material risks or create value for shareholders.	The Sustainable Investment Framework and ESG Decision Tool was applied to the screening and acquisition process of all new projects in 2021 (seven projects).	Assess all assets against our SIF using the ESG Decision Tool and establish plans to rectify any material risks to create and protect value for shareholders. Ensure the ESG Decision Tool remains up to date to reflect any enhancements to the sustainable investment processes and sustainability-related policies. Finalise ESG KPIs to monitor and measure sustainability performance of the Fund and report these regularly to stakeholders.

E: Climate Change and Pollution (previously GHESF Asset Review)		
2021 Objective	**Progress**	**Future objectives**
Review the carbon footprint of current operations and set an action plan to reduce emissions	Carbon footprinting of GRID assets, as of December 2021, is being carried out at the time of writing of this report with the support of an expert carbon consultancy group. Results will be reported in the 2022 Annual Report. Control and monitoring software was installed and configured at certain sites, reducing the need for human involvement and travel to and from sites. This offers the potential to reduce carbon emissions associated with travel and enables the identification of opportunities to improve energy efficiency on site.	Report annual carbon footprint to stakeholders, across all three emissions scopes. Set targets and actions to reduce operational carbon emissions in line with science. Engage suppliers and contractors to reduce Scope 3 emissions. Apply full TCFD guidance and report in line with recommendations.

G: Governance & Ethics: Engaged and active ownership (previously Engagement)		
2021 Objective	**Progress**	**Future objectives**
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.	Continued engagement with National Grid to establish BESS as a key contributor to the stability of the UK's electricity system.	Continue engagement with key counterparties to increase BESS capacity and the contribution of BESS to a low carbon economy. Identify and work with key industry bodies to drive positive industry outcomes linked to sustainability topics. Track and report on engagement activities and key outcomes.
Increase community engagement, where applicable, continuing to educate the public on the role of BESS in the UK's decarbonisation ambitions.	Increased levels of engagement with local communities in relation to landscaping and biodiversity.	Increase community engagement, where applicable, continuing to educate the public on the role of BESS in the UK's decarbonisation ambitions.
Solicit, where practical, feedback from key stakeholders who are in a position to contribute.	Continued dialogue with key investors and brokers in this area to understand their sustainability requirements.	Solicit, where practical, feedback from key stakeholders who are in a position to contribute.

E: Natural Capital		
2021 Objective	**Progress**	**Future objectives**
N/A	Recruitment of an experienced Project Manager to manage Safety, Health, and Environment for each new project. The Project Manager sits on a Biodiversity Sub-Committee of the Investment Manager. The Sub-Committee aims to enhance biodiversity-related processes and outcomes for all New Energy assets, including those in the Fund. Environmental Plans and ecological surveys for all new projects completed or underway.	Measure and report on key natural capital impacts and dependencies. Enhance policies and processes to reduce, restore and enhance biodiversity and other key ecosystem services at asset sites.

E: Waste Management		
2021 Objective	**Progress**	**Future objectives**
N/A	N/A	Work with contractors to incorporate full lifecycle analysis into BESS design to maximise asset life, reduce the overall carbon footprint of constructing and operating projects, and consider end-of-life use to reduce negative environmental and social impacts of battery production and the battery components including raw materials. Engage with contractors/suppliers on their end-of-life process development and technology.

Further updates on sustainability initiatives in 2021

S: Supply Chain Management
Supply chain sustainability was one of the big themes in 2021, both in terms of availability and pricing, but also in terms of ESG considerations. The demand for batteries from the electric vehicle and energy storage industries increased throughout the year, and this coincided with the ongoing tightening of supply chains affecting raw material pricing and transportation costs. The increased leverage suppliers therefore gained at the expense of purchasers, including GRID and its contractors, this did not divert the Investment Manager from the focus of managing ESG risk in the supply chain.

Supply Chain Policy Implementation
The Investment Manager published its first Supply Chain Policy in 2020. The Supply Chain Policy covers material ESG topics and places obligations on suppliers (including contractors) to ensure their own compliance, as well as the compliance of their subcontractors, with the Policy. It also requires suppliers to monitor and report any non-compliance to the Investment Manager.

The Supply Chain Policy was covered in detail in the 2020 Annual Report. It has now been in place for a year and the Investment Manager will be updating the Policy requirements with guidance from the appointed supply chain audit consultant and in line with new information from our own understanding of our key supply chains.

GRID obtained the approval of its investors in November 2020 to take a limited amount of construction risk. This provided it with more flexibility to engage directly with equipment suppliers and sub-contractors. Five of the projects sourced in 2021 were put into construction after negotiating individual contracts with key equipment suppliers and subcontractors. This meant that the Supply Chain Policy was applied across to all five new contracts.

Supply Chain Risk Assessment
While BESS support the decarbonisation of the electricity grid using battery-based storage systems, the Investment Manager recognises that the production, transportation, use, and end of life treatment of batteries may have environmental and social implications.

The Investment Manager is aware of the need to carefully monitor suppliers of Lithium-Ion batteries due to the long and complex supply chains and manufacturing processes associated with their production. The supply chains for the batteries have a global footprint and include resources that are sourced from parts of the world with heightened sustainability-related risks, particularly in relation to labour practices, environmental impact, and business conduct.

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 committed to demonstrating best practice regarding sustainability in the deployment and operation of BESS projects. A key step in this process was the commissioning of an audit of the supply chain for batteries in 2021. This project will be continued in 2022.

E: Natural Capital
Natural capital relates to the natural assets which exist on BESS sites such as geology, soil, water and living things. In the period, where eight new projects were put into construction, the Investment Manager stepped up its efforts in the management of project environmental impact, and engagement with local communities in this context to protect natural capital on BESS sites.

Biodiversity Sub-Committee
An experienced Project Manager was recruited to manage Safety, Health, and Environment for each new project. The Project Manager sits on the Investment Manager's internal Biodiversity Sub-Committee for the New Energy division to enhance the Fund's processes and biodiversity outcomes for all projects.

Biodiversity Sub-Committee Objectives

- Educate the team and key stakeholders (contractors, landowners, and investors) on the role that New Energy can play in enhancing biodiversity
- Develop a clear framework on how to implement biodiversity considerations into the full investment lifecycle
- Clearly define core expectations for biodiversity for all New Energy projects, including expectations for suppliers (contractors included)
- Create a process to measure and assess baseline biodiversity, monitor progress over time, and work to enhance biodiversity where possible

Environmental plans
The process for the granting of new planning permissions in the UK incorporates stringent screening and assessment of the environmental impact of projects. It imposes conditions, pre and post construction phase, for eliminating and mitigating environmental impact be that visual, pollution related (including noise), or more general impact on local communities.

The Investment Manager has ambitions to go beyond these requirements, and where feasible, do more to assist local communities and bring biodiversity benefits.

Each of the new projects going into construction has an Environmental Plan to ensure there are Risk Assessments and Method Statements in place to reduce risk of negative environmental impact.

Examples of actions taken to reduce risk of negative environmental impact

- Spill kit available at each site. These are used if there is spillage of fuel from equipment to build and commission the project and allow contractors a quick means of limiting pollution
- Traffic Management Plan ensuring contractors and suppliers know the shortest and most efficient routes to site, highways they are not to use, and off-site holding areas to regulate large deliveries
- Noise monitoring

Every project is subject to an ecological survey to ensure the Investment Manager manages the existing flora and fauna, appropriately deals with Sites of Special Scientific Interest, existing water courses, and other habitat areas such as woodlands with Tree Preservation Orders. Fenced-off battery storage plants may sometimes provide safe refuge for birds, reptiles and small mammals protecting them from larger predators.

The Investment Manager attends one on one, online and in person consultations with residents, planning officers and local politicians to ensure our projects are sympathetic to the local communities wishes.

Examples of actions to protect or enhance biodiversity on site

- Attenuation ponds designed into site plans
- Actions to enhance the local flora and fauna are investigated
- Upgraded planting schedules to include mature trees that quickly hide the project from the local community
- Expansion of local beehives onto project sites
- Implementation of nesting bird boxes and bat boxes

E: Waste Management
The recycling of Lithium-Ion batteries is another key consideration battery purchasers and owners need to account for from a sustainability perspective.

Despite the rapid growth in the electrical vehicle and grid-connected battery markets, battery suppliers and waste management/ recycling companies are still developing large scale alternatives for battery recycling at the end of its useful life.

The oldest batteries in GRID's fleet were purchased in late 2016 but have been used in applications that cause little degradation. Considering a useful life of at least eight years based on the way batteries have been operated, there is still time for end-of-life use options to emerge for GRID's assets.

The Investment Manager has, in the vast majority of cases, deliberately passed on the recycling obligations to the EPC contractors who have built the sites. The likely port of call for EPC contractors will be the manufacturers themselves who will face demand for recycling from several other purchasers.

The Investment Manager is of the opinion that multiple alternatives will emerge for end-of-life use going forward as recycling becomes profitable due to the high metal and mineral content of the batteries. Specialist metal and electronics recycling firms are likely to compete.

Prior to recycling, it is anticipated that there will be a market giving batteries a "second life" as batteries used in BESS systems are planned to be replaced once cumulative degradation exceeds 40% of the initial capacity.

The Investment Manager is closely monitoring developments in the recycling area so that it is up-to-date on which technologies and processes have the best potential for limiting negative sustainability-related externalities associated with the disposal of batteries. It is also investigating options for offloading any commercial risk associated with these recycling obligations.

The Investment Manager has set an objective to identify end-of-life opportunities that reduce and minimise negative impacts and support circular economies.

Climate change
The Company's investment portfolio is front and centre of the race to Net Zero: the roll-out of utility scale BESS is seen as crucial to enable development of intermittent renewable energy generation and displace fossil fuels from the UK energy grid. This creates both risk and opportunity:

Issue	Opportunity	Risks
UK Government policy to achieve Net Zero and European government policies to decarbonise.	▪ Continuing rollout of renewable generation at scale which require battery energy storage to balance the system.	▪ Co-located batteries on sites reduce the need for "centralised" battery storage. ▪ Utilisation of ageing fossil plant as an alternative form of system balancing: whilst not viable in the long term such plant can operate at incremental cost as investment costs are sunk.
	▪ European governments remain committed to decarbonise and reduce reliance on imported gas: this creates additional opportunities for battery energy storage.	▪ Risks from flooding or increasing AC requirements. ▪ The production of hydrogen (both green and blue) by use of renewable generation is likely to be a long-term solution: however, the time-scales and investment required to achieve this are very long.
Electric vehicle rollout	▪ This may create opportunities for the Company to become an "aggregator" of batteries and trade them in future.	▪ Decentralised batteries being used, particularly overnight, may reduce income earning opportunities for utility scale centralised battery energy storage.

Task Force on Climate-related Financial Disclosure (TFCD)
The recommendations of the Task Force on Climate-Related Financial Disclosures are supported by the Company. This will establish a framework for consistent, comparable, and clear reporting on a company's approach to climate change and assessing its potential impact on the Company.

The Company is working towards a full disclosure in relation to these areas in 2023 onwards: a preliminary assessment against all eleven of the TCFD recommendations is undertaken below on a voluntary basis:

Governance

Recommendation	Disclosure
1. Describe the Board's oversight of climate-related risks and opportunities.	The Board has overall responsibility for the Company's sustainability risks and opportunities, including climate change. The Gresham House Sustainability Policy is on the website: https://greshamhouse.com/wp-content/uploads/2020/09/Sustainable-Investment-Policy-final-update-190920.pdf The Board and Investment Manager meet on a quarterly basis and as part of this meeting cycle, review the risks facing the Company. In future this will include risks and opportunities related to climate change. The Company's investment strategy is embedded within the race to Net Zero. The impact of the physical consequences of climate change features in these meetings and in the Company's Risk Management Framework. The Board's Management Engagement Committee reviews the Investment Manager's performance annually, including their adherence to the Company's Sustainability Policy. The Board's Audit Committee considers the Company's climate-related disclosures.
2. Describe management's role in assessing and managing climate-related risks and opportunities.	The Gresham House Sustainability Policy, including climate change considerations, applies when making new investments and running of the Company's existing investments by its Investment Manager. The Investment Manager monitors climate-related government policy, to inform the application of the Company's strategy and assessment of the risks faced by the Company. The Investment Manager also ensures that climate change related risks are considered for individual investment projects.

Strategy	
Recommendation	**Disclosure**
3. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	The Company's investments are specifically designed to take advantage of the investment opportunities arising from the decarbonisation of energy usage: the pace of decarbonisation is driving the size of the investment opportunities for the Company. The Climate Change risks section on page 26 details these risks further.
4. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	The Climate Change risks section on page 26 details these risks further. The Investment Manager ensures that all investments are reviewed under the Gresham House Sustainable Investment Policy: this will also include local planning for the impact of climate change on flood risks and cooling requirements for the battery storage assets.
5. Describe the resilience of the organisation's strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario.	The Board and Investment Manager have identified three major risks in this area: ▪ Confidence of renewable generation to be built based on power price forecasts: power price forecasts for a 2°C or lower scenario are variable: energy demand is expected to increase as transport and heating move away from fossil fuels but, as gas prices have less impact on setting the prevailing market price, power prices might reduce, although higher carbon pricing is expected to offset this – in this scenario it is expected that renewable generation remains an attractive investment and therefore demand for battery energy storage remains robust. ▪ Alternative technologies replace battery energy storage: over time a move to a hydrogen-based energy system is likely to be required to achieve Net Zero: most likely this will utilise renewable energy generation to create "green" hydrogen. This transition requires a complete refresh of the UK's national gas grid and huge investment which will take time. In this scenario, battery energy storage systems are still required to secure electricity supplies for the production of hydrogen. ▪ Increased infrastructure costs: the increase in temperature will require additional cooling capital expenditure and operating costs: this is not anticipated to be material.
6.Describe the organisation's processes for identifying and assessing climate-related risk.	The Company's business model is specifically designed to take advantage of the investment opportunities arising from the decarbonisation of the energy system. However, climate change risks remain and are assessed as part of the Sustainable Investment Framework review process and ongoing asset management activities.
7. Describe the organisation's processes for managing climate-related risks.	The Company's risk register includes climate-related risks. They are identified at several stages: ▪ During the acquisition process such risks are managed via the business plan and appropriate costs for mitigation measures. ▪ Risks identified as part of the running of the Company's investments are managed through mitigating action proposed by the Investment Manager. Management activities are discussed by the Management Engagement Committee.
8. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate-related risks are integrated into the Company's risk management framework through the investment process and reported quarterly to the Board. The Board considers the risks recognised and the proposed mitigations.

Metrics	
Recommendation	**Disclosure**
9. Disclose the metrics used by the organisation to assess climate-related risks and opportunities.	The Company's investments mitigate against climate related risks by allowing for the balancing of the UK electricity grid and the reduction of renewable energy being "spilled" from the system, and potentially benefiting the energy curb of the end users. The Company estimates the CO_2 reducing impact of this by calculating the net energy exported and assuming that this energy removes an equivalent amount of gas generation from the system. In addition, the Company also monitors the energy efficiency of the battery cells and their degradation/ impact on useful life based on the services being operated by the batteries.
10. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks.	Scope 1 and Scope 2 emissions are disclosed on page 43.
11. Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	The Company monitors its investments via a monthly dashboard which shows the level of utilisation of each energy storage asset and the income achieved from each of the main services offered. The level of utilisation and the optimisation of the battery assets (i.e. moving to a 2-hour battery model) will improve the level of CO_2 abated.

Strategic Report

The Directors present their Strategic Report for the period ended 31 December 2021. Details of the Directors who held office during the period and as at the date of this report are given on page 39 of the Annual Report and Financial Statements. This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006 and best practice. Its purpose is to inform the members of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

The Directors present their Strategic Report for the period ended 31 December 2021. Details of the Directors who held office during the period and as at the date of this report are given on page 39 of the Annual Report and Financial Statements. This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006 and best practice. Its purpose is to inform the members of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

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 Board's existing skills, experience, and knowledge.

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 7 to 16.

The Directors are of the view that the investment strategy, incorporating both additional acquisitions and the existing portfolio is performing well. The Company has a strong portfolio of investments which are well positioned to take advantage of a growing opportunity. The equity fundraising at the end of 2021 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 2022 is to ensure an effective and efficient deployment of the capital raised at the end of 2021, augmented by a drawdown of the debt facility, into a portfolio of accretive assets that are in line with the Company's Investment Policy. The Board is also reviewing the current Investment Policy and is expected to recommend, to shareholders, proposals for amending the policy as described in more detail in the Chair's Statement.

Key performance indicators

The Board believes that the key performance indicators detailed in the Highlights section on page 2 and the Investment Manager's 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; the pipeline of new batteries is substantial; and the revenue earning opportunities for these batteries are continually developing in line with expectations. Further discussion of the KPIs and results are included in the Chair's Statement on page 3 and in the Investment Manager's Report.

The Company has generated £80.4mn of profit in the year ended 31 December 2021, including interest receivable from subsidiaries. Total dividends in respect of 2021 were £27.5mn (including the dividend paid on 25 March 2022).

The Board maintains a focus on operating profit and Operational 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 continue to ensure this is monitored closely.

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

Investment Policy: diversification of assets and revenues

The Company invests in BESS projects using Lithium-Ion batteries as such technology is considered by the Company to offer the best risk/return profile. However, the Company is agnostic as to which specific battery energy storage technology is used by the projects over the longer term and will monitor projects and may invest in projects with alternative battery 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 Investment Manager determines in its discretion that such realisation is in the interests of the Company. Such circumstances may include (without limitation) disposals for the purposes of realising or preserving value, 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 (BTM) services. BESS projects will be selected with a view to achieving appropriate diversification in respect of the portfolio.

First, diversification will be sought by geographical location of the BESS projects in which the Company invests across Great Britain, 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 (FFR) – the Company invests in BESS projects that generate FFR 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. 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 BM.
- CM – 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 CM 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.

BESS projects in which the Company invests may diversify their revenue sources further by collaborating with renewable generators or large users of power in close proximity to a BESS project or providing availability-based services to restore electric power stations or 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, in so far 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 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 within SPVs, where 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 SPV. The SPV 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 an 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 £1mn in aggregate.

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

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

Leverage and derivatives
The Company (via MidCo) has raised a debt facility in September 2021 comprising a £150mn capex term facility and a £30mn revolving credit facility. There is also an uncommitted accordion of £200mn which brings total available debt to £380mn. The interest rate is 300bps over SONIA (before hedging). This debt is expected to start to be drawn down in Q2 2022.

The Directors will restrict borrowing to an amount not exceeding 50% of the Company's NAV 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 techniques
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.

Bribery and Corruption policy
The Investment Manager has an Anti-Bribery and Corruption Policy and the Company is working on its own Anti-Bribery and Corruption Policy.

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 current market conditions, the Company will target dividend payments of 7.0p per Ordinary Share in the financial year ending 31 December 2022 and in financial periods thereafter[22].
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 Investment Trust Regulations.

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

Share buybacks
The Company may purchase Ordinary Shares in the market at prices which represent a discount to the prevailing NAV per Ordinary Share of that class so as to enhance the NAV per Ordinary Share for the remaining holders of Ordinary Shares of the same class.

The Company is authorised to make market purchases of up to 35,117,170 Ordinary Shares. The Board intends to seek shareholder approval to renew its authority to make market purchases of its own issued Ordinary Shares once its existing authority has expired or at subsequent AGMs.

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 and has no intention to buy back shares at the present time.

Continuation votes
Shareholders will have the opportunity to vote on an ordinary resolution on the continuation

22 *This is a target only and is based on current market conditions as at the date of this 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 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 or assume that the Company will make any distributions at all.*

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 and viability

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

The key risks facing the Company include, but are not limited to, the risks mentioned on pages 33 to 36. The Board notes that it is difficult to foresee the viability of any business over the long term given the inherent uncertainty involved and that the risks associated with investments within the infrastructure sector could result in a material adverse effect on the Company's performance.

Going concern

As at 31 December 2021, the Company had net current assets and net cash balances of £122mn (excluding cash balances within investee companies) and no debt. The Company is a guarantor to the £180mn debt facility (£150mn capex facility and £30mn revolving credit facility) entered into by the MidCo in September 2021 which was undrawn at the year end. It is anticipated that the capex facility will be utilised during 2022 to purchase equipment for pipeline projects as previously announced.

In January 2022, the Company provided letters of credit to a supplier for an amount of £30mn in respect of the purchase of batteries that are being used in projects under construction in the Company portfolio and which are expected to commission during 2022.

As set-out in the Chair's Statement, the Company has also decided to build certain projects to a 2-hour duration and to upgrade all existing EFR projects to 2-hours. The cost of the 2-hour projects and upgrades is likely to require additional funding and the Directors note that the existing debt facility includes provision for an incremental facility of up to £200mn. Alternatively, the Directors could take the decision to seek an additional placement of shares, pause certain projects and/or dispose of surplus batteries.

As described in the viability statement, financial models have been prepared on a conservative base case and on a severe but plausible downside case, which show that sufficient cash is expected to be available to the Company to meet current obligations and commitments as they fall due and that the debt covenants of MidCo's debt facility are expected to be met.

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

Viability statement

The Directors have assessed the prospects of the Company for the period to March 2025. Although the Company maintains cash flow models which extend well beyond this period, there is less certainty over the later cash flows as the profitability of the underlying investment portfolio (and therefore available dividends to the Fund) is driven by future pricing volatility in the electricity market. We therefore limit the review to three and a half years to reduce this uncertainty in forecasting and which also reflects the current investment strategy and cash deployment. The Company's MidCo includes a financing facility which expires in September 2026, the viability statement assumes this is refinanced by March 2025.

An uncertainty in the Company's viability is the continuation vote which will be held in 2023 in line with the Company's Articles of Association. We believe the Company will continue on the basis of the growth seen since IPO and the continued development to drive valuation growth.

Financial models have been prepared for the viability period which consider liquidity at the start of the period and key financial assumptions at the Company level as well as at the operational project level. These financial assumptions include expected cash, generated and distributed by the portfolio companies available to be distributed to the Company, this includes inflows and outflows in relation to the external debt and interest payments expected within the MidCo, the availability of new external debt facilities, committed expenditure for investments and expected dividends as well as the ongoing administrative costs of the Company. It is also assumed that there is no vote to terminate the Company in 2023. The Directors 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 but plausible downside case scenario which assumes a reduction in underlying portfolio EBITDA of 25% to the base case. The downside case also takes account of the availability of mitigating actions available to the Directors, such as reducing discretionary spend and pausing the roll-out of projects.

The principal risks are as set out on pages 33 to 36 and management have considered the mitigation to those risks when setting the downside case scenario, which, given the revenue opportunities available to the portfolio companies, the critical nature of the services provided by the portfolio companies to the National Grid and the continued volatility of power prices, is considered unlikely. The Directors have considered the impact of the Russian invasion of Ukraine and believe that there is no significant impact.

The financial models show that the debt covenants in relation to the debt entered into by the MidCo are expected to be met throughout the period and the viability assessment considers the MidCo is able to refinance any external debt when it becomes due.

As set out in the going concern statement, the Company has provided letters of credit and parental guarantees to suppliers in respect of advance orders of batteries for which additional funding is likely to be required. The Directors are confident the additional funds will be available to the Company, either through an incremental facility to the capex facility or an additional placement of shares. Other alternative measures could include the decision to pause the projects and/or dispose of surplus batteries.

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 March 2025.

Principal risks and uncertainties

Risk management approach
The Company continues to recognise that effective risk management is critical to enable it to meet its strategic objectives. The Company has a clear framework for identifying and managing risk, at both an operational and strategic level. Its risk identification and mitigation processes have been designed to respond to the changing environment in which it operates.

The impact of emerging risks on the Company's business model are also considered and used to make informed decisions, including as to the delivery and evolution of the Company's strategy. The table below captures those risks that would have the most significant adverse impact on the Company (and the underlying investments), based on their impact and/or likelihood. In addition, climate change risks are considered separately on page 26.

Existing risks

Risk area	Gross impact	Mitigation	Net impact
Emerging business model and impact on revenue streams. Residual risk: high (2020: high)	Adverse changes by National Grid in relation to services contracted by them may reduce the size/scope of income earning opportunities to the Company's investments and potential impact on valuation.	The Company's investments enjoy several different income streams ranging from BM, Capacity Payments, FFR, TRIADs, and DC as contracted services to National Grid; the Company's investments are able to change which income streams are contracted and ascertain the most advantageous on any given time period: this is continuously monitored by the Investment Manager and optimisation partners. Due to the progressive decommissioning of other carbon intensive options available to National Grid for managing these services, and the need to support the security of this critical national infrastructure, BESS is expected to form an integral part of transforming the electricity sector in the UK.	Battery energy storage is a versatile asset, and it can perform a variety of roles to manage risk. There is also the potential to "revenue stack" and gain multiple revenue streams from different services. The income stream opportunities and usage of battery energy storage systems is expected to evolve over time.

Risk area	Gross impact	Mitigation	Net impact
Environmental, Social and Governance: production and recycling of batteries creates risk. Residual risk: medium (2020: medium)	BESS are manufactured, installed and operated with the intention of driving the transformation to a low carbon energy supply in the UK. However, the lifecycle ESG impact of the batteries needs to be considered and minimised.	The supply for battery manufacture relies on high quality global partners who ensure their supply chain does not involve the use of illegally or unethically sourced "rare earth" materials or inadequate labour standards. This could be mitigated by undertaking reviews of the supply chain. The recycling of the BESS systems is subject to constant development and research; the importer of these batteries (not the Company or SPV companies) is responsible for their disposal, but the Company will facilitate this to ensure low environmental impact.	Some aspects of this are still evolving over time, especially the end use/recycling of BESS. The ability of the BESS market to drive a low carbon electricity system needs to be considered versus the other, mainly fossil fuelled, options when considering the overall ESG impact of BESS. Work will continue to minimise this over time.
Valuation risk. Residual risk: medium (2020: medium)	The Company's investments are valued using discounted cash flows and assessment of future income streams: these valuations may be materially incorrect or not held at fair value.	The Company's investments are impaired if income streams are not as profitable as expected or costs are higher than expected. Risk adjusted discount rates drive valuation along with the external pricing curves.	The Company utilises a modelling methodology which ensures income streams are discounted using appropriate discount rates dependent on the perceived risks. The weighted average discount rates are reviewed regularly and the Company believes the valuations are conservative. A third-party valuer reviews valuations and confirms appropriateness.
Operational and performance risk in the underlying investments leading to loss of value. Residual risk: low (2020: medium)	The BESS investments do not perform in the manner expected (i.e. degradation in performance) or are not optimised in the best commercial manner to capture revenue streams leading to reduction in valuations. Performance within the SPVs may not meet planning or safety requirements and result in curtailment of operations and loss of investment value. The portfolio will rely on contracts with suppliers to maintain certain key equipment: these suppliers may fail to provide adequate support.	The Company underwent a programme of upgrades to the seed assets to optimise these assets and has ensured that the new assets being invested into are designed in a flexible manner. The battery duration for the new investments is also considered to ensure fullest flexibility for future operation. Design and commissioning testing takes place in each investment to ensure all relevant planning and HSE conditions are met. Fire risk, in particular, is carefully assessed and sites are designed and operated to ensure this risk is as low as practicable. Cyber security risk is managed via secure systems used by optimisation partners. The portfolio has a number of alternative suppliers and optimisers to manage risk.	The Investment Manager has substantial experience managing BESS assets and works with leading asset optimisers to ensure assets are designed and operated as expected. Health and safety performance is rigorously tested and reviewed.

Risk area	Gross impact	Mitigation	Net impact
Investment in development and construction projects. Residual risk: low (2020: low)	The Company invests in projects via loans before and after the projects are owned by the Company. There is a risk that the project does not complete, and the Company incurs financial loss. The Company invests in construction projects as part of its investment portfolio. There is a risk of financial loss or delay of revenue generation.	The Company does not invest in speculative project development. Any investments in projects are carefully assessed and vetted by the Investment Manager: they will have secured certain minimum requirements and are expected to be ready to proceed to construction in a relatively short timescale. Late delivery of plant items may lead to delay.	Limited exposure to the Company due to careful vetting and management of project development activities and commercial arrangements with the Investment Manager to manage construction risk. The Company is usually investing in the advance purchase of equipment which has inherent value and can be used on other projects if needed. The Company is proposing that these current development and construction loans are combined into a limit to ensure the pipeline of projects can be balanced.
Reliance on the Investment Manager. Residual risk: low (2020: low)	The Company relies on the Investment Manager as a key supplier.	The Company has long-term contractual arrangements in place with the Investment Manager and the Investment Manager has confirmed to the Company that the growth of the Company is a key focus area of the Investment Manager.	The Investment Manager remains incentivised to continue to grow the Company and drive value.
Financing risk. Residual risk: low (2020: low)	Equity or debt financing is not available and the Company is unable to fund its pipeline of assets.	The Company does not enter into unfunded commitments: all committed pipeline can be funded from existing equity finance or the existing debt facility.	Limited overall impact on deployment of pipeline. When drawn the debt facility will include appropriate hedging of interest rates to manage this risk.
COVID-19 pandemic. Residual risk: low (2020: medium)	The pandemic can impact adversely both on delivery of new battery capacity projects in construction through labour, travel restrictions, or the inability to source key materials/parts from overseas due to shipping problems or production shortages.	Energy was, and remains, a key industry in the UK and the construction of these assets continues. Remote commissioning with overseas technical experts was utilised to ensure project commissioning could continue. Shipping costs and capacity to deliver equipment for new projects remain a concern, as many components are sourced overseas, and the Investment Manager works closely with key providers to ensure key components are ordered in advance.	Limited overall impact expected in the future: shipping costs remain high but are a modest portion of project costs. The Company is managing access to key plant and materials by arranging long-term supply frameworks with key suppliers.
Tax compliance. Residual risk: low (2020: low)	The Company is registered as an Investment Trust and must comply with certain tests.	The Investment Manager undertakes the relevant tests each quarter and the Company's tax advisers review this regularly.	None.

Emerging risks

Risk area	Gross impact	Mitigation	Net impact
Emerging technology replaces battery energy storage assets. Residual risk: low (2020: new risk)	The Company invests in battery storage projects: a new or disruptive technology might adversely impact on the Company's investments.	The Company utilises proven technologies with associated Tier 1 supplier warranties and performance guarantees. Whilst the cost of these batteries is expected to continue to fall and incremental performance improvements accrue in future, it is currently viewed as unlikely that a completely new reliable and cost competitive technology will appear during the lifetime of these batteries and impact on the lifecycle of these batteries. The Company continues to review available technologies.	Falling cost of batteries may reduce future income streams if new entrants have significantly lower marginal costs. However, the Company will also benefit from lower costs and the valuation model assumes continuing cost reductions for replacement assets over time.
Potential equipment shortages if China is subject to sanctions. Residual risk: low (2020: new risk)	If China invades Taiwan or takes other hostile measures which cause sanctions, the supply chain of crucial equipment would be disrupted.	The Company has relationships with other non-Chinese suppliers, but they are likely to source components from China. The Company ensures payments are protected via Letters of Credit to ensure no financial loss.	The Company ensures it is securing key equipment orders in advance.

Stakeholder Engagement and Statement under Section 172

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

The Company has identified the following key stakeholders:

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

Engagement with shareholders and lenders

Who they are?

The Company will require further funding to continue the requirements of the investment strategy and obtain the additional pipeline investments. As such, existing and prospective equity investors and existing lenders are vitally important stakeholders.

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

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

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

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

- Interim and full year accounts
- Company's corporate Brokers and Investment Manager are in regular communication with shareholders and shareholder views are reported to the Board on at least a quarterly basis
- One-to-one meetings with the Investment Manager
- Regular news and quarterly NAV updates
- A webinar and Q&A session with the Chair and the Investment Manager

What came out of the engagement?

Through these engagement activities, the Company has successfully carried out a fundraising for an increased pipeline of investments during 2021, whilst also managing the shareholders' expectation on the Company's growth. The Company will continue to engage with shareholders in future as further expansion becomes necessary.

In addition, the Company's wholly owned subsidiary secured a £180mn debt facility in 2021. This will enable the Company to manage the debt and equity mix to improve cost of capital and cash flows for dividends.

Engagement with the Investment Manager

Who they are?

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

Why is it important to engage with the Investment Manager?

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

How does the Company engage with the Investment Manager?

The Company, supported by its Management Engagement Committee, 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 a number of ad hoc Board meetings, as discussed in the Corporate Governance Report, and more informal contact, as appropriate to the subject matter.

What came out of the engagement?

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

Through this engagement the Company has been able to carry out an additional equity raise during the year for an increased pipeline of investments. With the support of the Investment Manager, the Board has also reviewed the discount rate for its operational assets and resolved to approve a 25bp discount rate reduction.

The Board and the Investment Manager also discussed and revisited governance arrangements going forward as the Company grows in size.

Engagement with communities

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

Engagement with business partners and key service providers

Who they are?

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

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

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

How does the Company engage with the key service providers?

The Company, supported by its Management Engagement Committee, reviews all key service providers to the Company and the terms of their engagement. During the period, the Company conducted a review of the terms of all service provider engagements along with their fee levels to ensure appropriate levels of support to the Company during the period.

The Company seeks two-way engagement between the Board and key service providers on service delivery expectations and feedback on important issues experienced by service providers during the period. The intention of the Company is to maintain long-term and high-quality business partnerships to ensure stability while the Company pursues its growth strategy.

What came out of the engagement?

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

Key strategic decisions during 2021

The Company continued its growth phase in the period ended 31 December 2021.

Key strategic decisions included:

- Investment in future asset pipeline
- Fundraising decisions to align the investment programme with available funds (including securing a debt facility)
- Continuing to upgrade 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

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 2021 was delivered.

This Strategic Report is approved on behalf of the Board by

John Leggate CBE, FREng
Chair
Date: 5 April 2022

Board and Investment Team

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 and asset management sectors for over 20 years, specialising in governance, regulation, capital markets and mergers and acquisitions.

Significant interests: Cathy is a Consultant and former Partner at CMS Cameron McKenna Nabarro Olswang LLP, a director of Baillie Gifford UK Growth Trust plc and a member of the Advisory Council of Sex Matters, a not-for-profit company limited by guarantee.

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.

The Company has a Board of four Independent Non-Executive Directors. 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, its first such evaluation took 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.

All directors were re-appointed at the Company's AGM in 2021. As is the Company's policy, all of the Directors will all stand for re-election at the Company's AGM every year.

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.

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 2021.

The Company has no employees. The Directors during the period, including their appointment dates, are set out in the Nomination Committee Report on page 58.

The Corporate Governance Report on pages 49 to 52 forms part of this report.

Company performance
The Directors have reviewed the performance of the Company throughout the period. Details of the performance of each investment owned by the Company are included in the Investment Manager's Report on pages 7 to 16 and the Chair's Statement on pages 3 to 6.

Financial risk management
Details in relation to the Company's use of financial instruments, financial risk management objectives and policies, including policies for hedging each major type of forecasted transaction for which hedge accounting is used; the Company's exposure to price, credit, liquidity, or cash flow risk can be found under Note 19 on pages 83 to 85.

Share capital
At the period end, the Company had in issue 437,842,078 Ordinary Shares. There are no other share classes in issue and the Company does not own any of its own shares.

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

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

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 2021 is not recognised in the period to 31 December 2021.

On 14 February 2022, the Company announced its interim dividend for Q4 2021 of 1.75p per Ordinary Share successfully meeting its dividend target for the 2021 financial year of 7.0p per Ordinary Share (7p per Ordinary Share was paid in 2020). Further, the Board confirmed its commitment to targeting a 7.0p per Ordinary Share dividend for 2022.

Substantial interests
As at 31 December 2021, and the date of this report, the Company had been notified of the following beneficial interests exceeding 3% of the issued share capital, being 437,842,078 (see table on page 42).

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on pages 45 to 47.

Annual General Meeting (AGM)
The Company's AGM was held on 21 June 2021. 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 2022. The Notice of the AGM and Form of Proxy will be circulated to all shareholders in advance of this meeting.

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

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 2021	28 April 2021	13 May 2021	4 June 2021	1.75p	£6,099,736
1 April to 30 June 2021	1 July 2021	8 July 2021	30 July 2021	1.75p	£6,099,736
1 July to 30 September 2021	15 November 2021	25 November 2021	17 December 2021	1.75p	£7,662,236
1 October to 31 December 2021	14 February 2022	3 March 2022	25 March 2022	1.75p	£7,662,236

Shareholder	Number of Ordinary Shares as at 31 Dec 2021	Percentage of Issued Share Capital as at 31 Dec 2021	Number of Ordinary Shares as at 31 March 2021	Percentage of Issued Share Capital as at 31 March 2021
Sarasin & Partners	42,976,903	9.82%	34,784,954	9.98%
Schroder Investment Management	28,483,743	6.51%	18,292,152	5.25%
Gresham House	26,509,422	6.05%	25,502,737	7.32%
Gravis Capital Management	23,857,210	5.45%	21,062,210	6.04%
CCLA Investment Management	22,356,233	5.11%	22,088,195	6.34%
Close Asset Management Limited	20,815,264	4.75%	18,535,490	5.32%
Newton Investment Management	20,334,378	4.64%	22,809,955	6.54%
East Riding Pension Fund	18,080,757	4.13%	17,253,614	4.95%
Ben Guest	14,383,826	3.29%	14,383,826	4.13%
JM Finn & Co	13,714,525	3.13%	7,958,750	2.28%

Directors' responsibilities

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

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

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

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

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

Website publication

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

Directors' responsibilities pursuant to 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 in accordance with UK adopted International accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

Insurance cover

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

Corporate governance

The Company's corporate governance statement and compliance with the 2019 AIC Code of Corporate Governance which has been endorsed by the Financial Reporting Council (www.frc.org.uk) is shown on pages 49 to 52.

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 2021 conversion factors published by the Department for Business, Energy & Industrial Strategy.

Boundaries

We have used the equity share approach.

The Company itself is not an emitter of greenhouse gas. However, the underlying investments within the Company's portfolio companies import and export electricity which are sourced from either the grid or 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.

Scope 3 emissions
We have identified the following as Scope 3 emissions which have not been quantified:

- Carbon emissions from end-to-end manufacturing, transport, and installation at battery energy storage systems
- Investment Manager emissions (i.e. office buildings)

Intensity measurement
The chosen intensity measurement ratio is gross emissions in metric tonnes CO_2e per weighted average MW capacity. This is considered a more appropriate ratio than MWh due to variability in operation of assets and different service types.

Measures taken to improve energy efficiency
The usage of diesel generators within the operational portfolio has been significantly reduced. Diesel generators are in place to meet CM contract requirements and TRIAD operations on three of the sites but are also available for trading activities. The Company is not currently making new investments in projects which require diesel generators.

Going concern
The going concern statement is detailed on page 32 of this Annual Report.

Future developments
Future developments in the Company are detailed in the Chair's Statement, pages 3 to 6.

Engagement with stakeholders
Further information on the Directors' engagement with the Company's stakeholders can be found on pages 37 to 38.

Post Balance Sheet Events
Post Balance Sheet events are disclosed in Note 25 of the Accounts on page 88.

Energy used:	**2021**	**2020**
Scope 1 emissions in metric tonnes CO_2e		
Gas consumption	1,596	2,541
Diesel consumption	64	73
Total Scope 1	**1,660**	**2,614**
Scope 2 emissions in metric tonnes CO_2e		
Consumption of electricity*	2,891	2,412
Total Scope 2	**2,891**	**2,412**
UK energy consumption used to calculate emissions (MWh)*		
Gas	8,716	13,821
Diesel	233	266
Electricity*	12,509	9,525
Total UK energy consumption	**21,458**	**23,612**
Intensity ratio CO_2 emissions per weighted average battery capacity (tonnes per MW)	11.1	24.2
**The figures shown are the net import/(export) of electricity from the grid*		

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: 5 April 2022


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 2021 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 61 to 66.

The Annual Remuneration Statement
The Chair of the Remuneration Committee has summarised the major decisions on Directors' remuneration, including the discretion which has been exercised in the award of Directors' remuneration, the changes relating to Directors' remuneration made during the year and the context in which those changes occurred, and decisions have been taken in the report from the Remuneration Committee on page 56.

Remuneration Policy
The Company's policy remains unchanged: the remuneration of Non-Executive Directors should be determined with due regard to the experience of the Board as a whole, the time commitment required and to be fair and comparable to that of other Non-Executive Directors of similar companies. The Company may also periodically choose to benchmark Directors' fees with an independent review, to ensure they remain competitive, fair, and reasonable.

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. There has been no change to the policy.

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

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

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

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

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

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

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 available for inspection at the Company's registered office and at the AGM. The agreements are terminable on three months' notice by either side. The Directors are not entitled to any variable consideration or any other taxable benefits under these agreements.

The Annual Remuneration Report
The Remuneration Committee considers any change in the Directors' Remuneration Policy. The report from the Remuneration Committee is set out on page 56.

Directors' remuneration and interests (audited)
Directors' remuneration (excluding National Insurance Contributions) for the Company and dividend received for the period under review is shown in the tables on page 46.

The Directors of the Company had the following beneficial interests in the issued Ordinary Shares as at 31 December 2021 and at the date of this report:

Directors	As at the date of this report 5 April 2022	As at 31 Dec 2021
John Leggate	46,875	46,875
Duncan Neale	13,425	13,425
Catherine Pitt	23,987	23,093
David Stevenson	18,330	18,330

2021	Salary and fees period from 01/01/21 to 31/12/21 £	Short term variable pay period from 01/01/20 to 31/12/20 £	Percentage increase since 01/01/20 on short term variable pay	**Total fixed remuneration period from 01/01/21 to 31/12/21 £**	**Total variable remuneration period from 01/01/21 to 31/12/21 £**	**Total remuneration (fixed and variable) period from 01/01/21 to 31/12/21 £**
John Leggate	80,000	-	-	**80,000**	**-**	**80,000**
Duncan Neale	62,500	-	-	**62,500**	**-**	**62,500**
Catherine Pitt	45,000	-	-	**45,000**	**-**	**45,000**
David Stevenson	45,000	-	-	**45,000**	**-**	**45,000**
Total fixed remuneration	232,500	-	-	**232,500**	**-**	**232,500**

2020	Fixed salary and fees period from 01/01/20 to 31/12/20 £	Short term variable pay period from 01/01/20 to 31/12/20 £	**Total fixed remuneration period from 01/01/20 to 31/12/20 £**	**Total variable remuneration period from 01/01/20 to 31/12/20 £**
John Leggate	65,000	-	**65,000**	**-**
Duncan Neale*	45,000	7,000*	**45,000**	**7,000***
Catherine Pitt	40,000	-	**40,000**	**-**
David Stevenson	40,000	-	**40,000**	**-**
Total fixed remuneration	190,000	7,000	**190,000**	**7,000**

* 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

2021	Percentage increase from 31 December 2019 to 31 December 2020 on salary annual fees	Percentage increase from 31 December 2020 to 31 December 2021 on salary and annual fees
John Leggate	0%	23%
Duncan Neale	0%	38.8%
Catherine Pitt	0%	12.5%
David Stevenson	0%	12.5%

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 are expected to be at the current annual fee level, as shown in the table above. The Board reviews Directors' remuneration at least annually to ensure that it is in line with market rates.

Consideration of shareholders' views

An ordinary resolution to approve the Remuneration Report will be put to shareholders at the Company's 2022 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 2021 AGM

The Directors' Remuneration Report was subject to an advisory vote at the 2021 AGM. The voting outcome is shown in the table below:

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

Resolution to approve Directors' Remuneration Report	Votes	%
Votes for*	164,826,784	89.28
Votes against	19,763,202	10.72
Total votes validly cast	184,589,986	
Total votes cast as % of issued share capital		52.96
Votes withheld**	31,469	

* 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 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 across represents the Company's performance during the period since the Company's Ordinary Shares were first admitted to trading on the London Stock Exchange on 13 November 2018 and shows Ordinary Share price total return and NAV total return performance on a 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.

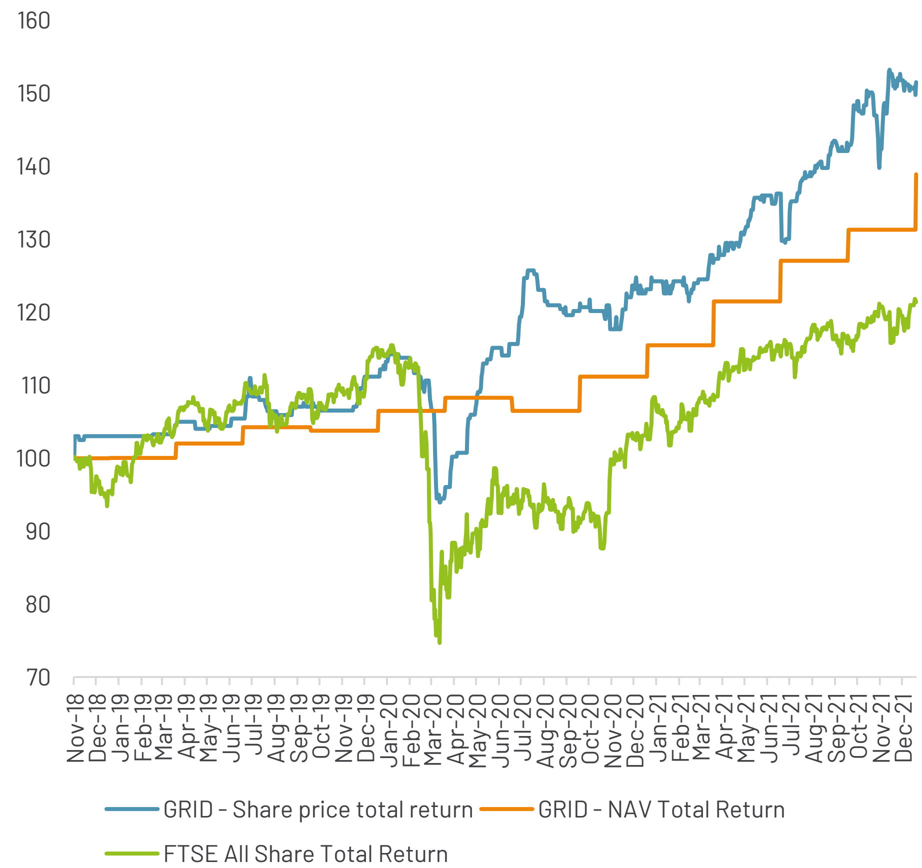
Relative importance of spend on pay

The difference in actual spend between 31 December 2020 and 31 December 2021 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
5 April 2022

GRID vs FTSE All Share Total Return



	Payments made during the year ended 31 December 2021 £	Payments made during the year ended 31 December 2020 £
Remuneration to Directors	232,500	197,000
Dividends paid to shareholders	25,961,445	14,341,916
Buy-back of Ordinary Shares	-	-
Total	**26,193,945**	**14,538,916**

Corporate Governance Report

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

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

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

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

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

Capital structure and voting rights
Information about the Company's capital structure and voting rights are set out in Note 21 of the Financial Statements on pages 86 and 87.

Board leadership and purpose
The Board views its purpose as supporting the Investment Manager, including providing constructive challenge, to achieve the Company's intended acquisition of a portfolio of BESS projects to take advantage of the significant market opportunity for battery-based energy storage systems. The Board is also committed to delivering the Company's targeted dividends and NAV total return. Further discussion of the Company's strategy has been set out within the Strategic Report on pages 29 to 38.

The Board seeks to establish a culture of openness and engagement. The Board considers this culture aligned with the strategic purpose of the Company through its growth phase.

The Board has met frequently with the Investment Manager throughout the period in an effort to sustain continuous dialogue on key issues.

During the year ended 31 December 2021, the Board supported the Investment Manager with further deployment of the available funds and in further fundraising by way of both debt and equity.

As set out in the section on Stakeholder Engagement and Statement under Section 172, pages 37 to 38, 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 57 to 58.

Chair
The Chair, John Leggate, is responsible for the leadership of the Board and ensuring its effectiveness.

Senior Independent Director
As announced on 3 December 2021, David Stevenson was appointed as the Senior Independent Director of the Company with effect from 18 November 2021. The Senior Independent Director will be the alternative contact for shareholders should they have any concerns in relation to which the contact with the Chair, the Investment Manager, or the Company Secretary may be inappropriate.

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. 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;
- sells projects to the Company; and
- takes development risk on behalf of the Company, where the Company's investment mandate prevents taking this risk.

The Management Engagement Committee, on an annual basis, reviews the Investment Manager's performance during the year along with its adherence to the terms of the AIFM Agreement. Further details are contained in the Management Engagement Committee Report on pages 59 to 60.

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

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

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
  - Health and safety commentary
  - Trading data and investment performance, by month
  - Analysis of the Company's financial model, including and updates to key assumptions
  - Risk management and risk mitigation
  - 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 second AGM in 2021 was unable to be held with shareholders in attendance due to the restrictions imposed by the Company in response to COVID-19. The Company will, however, seek to secure appropriate shareholder engagement as part of its AGM in 2022.

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 first AGM and proxy form will be circulated with this Annual Report.

Remuneration

The Board is committed to implementing remuneration policies and practices that are designed to support strategy and promote long-term sustainable success. This policy is set on in the Remuneration Report on page 56.

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

John Leggate CBE, FREng
Chair
Date: 5 April 2022

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
Board Leadership and Company purpose

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
Board Leadership and Company purpose

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
Stakeholder Engagement and Statement Under Section 172
Audit, Risk, and Internal Controls
Audit Committee Report

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
Board Leadership and Company purpose

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
Board Leadership and Company purpose
Division of responsibilities

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
Directors' Biographies

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
Division of responsibilities
Audit Committee Report
Management Engagement Committee Report

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

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

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

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

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
Audit Committee Report
Notes 2 and 3 to the Financial Statements

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

Strategic Report
Audit, risk, and internal control
Audit Committee Report
Independent Auditor's Report
Financial Statements

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
Viability statement
Audit, risk, and internal control
Audit Committee Report
Directors' Report

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

Strategic Report
Board leadership and Company purpose
Remuneration Committee Report

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

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

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.

Building on its work during 2020, the Committee continued to work with the Investment Manager and key service providers in 2021 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 three times during the period. These meetings were also attended by representatives of the Investment 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 considering relevant guidance regarding the provision of non-audit services by the Auditors.

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

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

The Audit Committee considered the detailed reviews undertaken at various stages of the production process by the Investment Manager, Administrator and Auditor, which are intended to ensure consistency and overall balance.

The Committee 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 2021, 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.

Going concern and viability
The Committee considered the going concern statement and viability statement on page 32. 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 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 Audit Committee considered and agreed that BDO, the engagement team and other partners and Directors conducting the audit had complied with relevant ethical requirements including the FRC's Ethical Standard and were considered independent of the Company.

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

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

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

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

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 reviews the Company's internal controls on an annual basis with the last review being conducted in November 2021. 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, and going concern assessment on pages 33 to 36. 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. These arrangements are embedded into the Investment Manager and Administrator's internal policies and are being embedded into a Company focused process at the time of writing.

The Company focused process (currently being reviewed) 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, considering the relevant regulations and ethical guidance in this regard.

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

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

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

Financial reporting
The Directors' responsibilities statement for preparing the accounts is set out in the Report of the Directors on pages 45 to 47 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on pages 61 to 66.

Statement on Investment Manager's risk management and internal controls
During the period the Audit Committee has reviewed and has received appropriate evidence of the Investment Manager's risk management and internal control systems and the Audit 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 the Investment Manager's risk management and internal control systems regularly and at least annually.

Audit Committee evaluation
An external evaluation of the Audit Committee was undertaken as part of the overall Board evaluation in 2021. The evaluation concluded that the Audit Committee was effectively run by the Chair with a high degree of scrutiny. The Audit Committee will continue to concentrate on development and training of committee members, as the regulatory focus on audit and audit committees increases.

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

Duncan Neale
Chair of the Audit Committee
5 April 2022

Remuneration Committee Report

Introduction
During the period, the Board was mindful of the requirements under the AIC Code and the Company's objective of maintaining high governance standards.

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 Remuneration Committee met once during the period. The Remuneration Committee's meeting was 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 Remuneration Committee. The Chair of the Board was independent on appointment to the Board and remains independent and is therefore eligible to serve on the Remuneration Committee.

Terms of reference
The Remuneration Committee reviewed its terms of reference to ensure that they were in alignment with the 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.

Review of Directors' remuneration
The Remuneration Committee considered that the appointment of an external remuneration consultant was not required for 2021. During the year, the Remuneration Committee considered the appropriate level of increases to the Directors' fees for 2022.

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 three years, that commitment has grown as the Company itself has grown.

Following a review, the Remuneration Committee decided to increase the Directors' remuneration in line with Consumer Price Inflation (CPI) each year to ensure that Directors fees remain competitive and in line with inflation.

Director	2021 Fee	2022 Fee
John Leggate	£80,000	£84,080
Duncan Neale	£62,500	£65,687
Catherine Pitt	£45,000	£47,295
David Stevenson	£45,000	£47,295

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

David Stevenson was appointed by the Board as the Senior Independent Director (SID). David will not receive an additional remuneration for this role.

Remuneration Committee evaluation
An external evaluation of the Remuneration Committee was undertaken as part of the overall Board evaluation in 2021. The evaluation concluded that there was a good balance of skills between the four Directors on the Remuneration Committee.

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

David Stevenson
Chair of the Remuneration Committee
5 April 2022

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 2021.

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

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

Terms of reference
The Nomination 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 Nomination Committee's principal responsibilities are:

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

The Nomination Committee is also responsible for supporting the Chair of the Board in an annual review of the effectiveness of the Board, its 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 39, 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 39.

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

The Nomination Committee reviewed the size and composition of the Board having regard to the skills of each Director and the commitment involved in service on the Board. The Board particularly considered whether the time was right to appoint a Senior Independent Director and/or a fifth Director to the Board. The Nomination Committee agreed to appoint David Stevenson as the Senior Independent Director and to proceed with the recruitment of a fifth Director to the Board. The recruitment process for a fifth Director would take place during the course of 2022.

The Nomination Committee also considered the opportunity for scholarship initiatives and Board apprenticeship programmes. The Nomination Committee considered that access to experience would be valuable for disadvantaged individuals and for the Nomination Committee to support the wider community. The Nomination Committee resolved to pursue initiatives to support scholarship initiatives and Board apprenticeship programmes during 2022.

Board evaluation
During the period, the Board undertook its first externally facilitated Board evaluation conducted by an experienced independent external consultant, BoardAlpha Limited.

Three proposals from different independent external consultants were considered by the Board in February 2021. Following a detailed review by the Board, BoardAlpha Limited was selected to undertake the Board evaluation for 2021. BoardAlpha Limited were deemed to be sufficiently experienced given their experience in evaluating Boards of investment companies, and therefore have the technical expertise to conduct the evaluation. BoardAlpha Limited had not provided any other services to the Company in the past.

The focus of the review was to conduct a comprehensive assessment of the following areas:

- overall strategy of the Company;
- supervision of investment activities;
- risk management;
- shareholder accountability;
- Board composition and process;
- committee structure, composition, and effectiveness;
- corporate governance and regulatory compliance;
- support and relationship with suppliers; and
- performance of the Chair.

The Company Secretary assisted in providing BoardAlpha Limited access to the key individuals involved in the evaluation process. The evaluation process was conducted over a five-month period and it involved one-to-one interviews with each of the four Directors, including the Chair. A number of discussions and interviews took place with the Investment Manager's key personnel, the Company Secretary (JTC), the Company's legal advisers at Eversheds Sutherland, the independent valuers Grant Thornton, the independent Board adviser Charles Conner, and the Company's PR agency Kaso Legg Communications. BoardAlpha Limited also spoke to one of the Company's shareholders during the process.

BoardAlpha Limited also observed one Board meeting and a shareholder Q&A held during the year. Furthermore, BoardAlpha Limited reviewed the Board and committees' meeting packs from all meetings over the year.

The evaluation process concluded that the Board was highly engaged in the strategy of the Company, and that the Investment Manager provided the Board with good and timely information on the Company's portfolio. The Board's independent adviser has also played a key role in achieving this. The Board also received good information with respect of regulatory compliance from the Company Secretary, its external Auditor BDO, and its legal advisors Eversheds Sutherland.

Areas for ongoing development included the increase of the Board's engagement with shareholders, and the appointment of a Senior Independent Director to act as a secondary point of contact for shareholders. On 18 November 2021, David Stevenson was appointed as Senior Independent Director to address this.

Whilst there is a good balance of skills on the Board, the appointment of a fifth Director would also help to ensure a smooth succession planning. The recruitment process is underway to facilitate the appointment of a fifth Director. It is anticipated that a fifth Director will be appointed during 2022.

The Company's policy is to have an externally facilitated Board evaluation at least every three years.

During 2022, the Company will monitor its progress against the recommendations arising from the externally facilitated Board evaluation.

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.

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

Diversity
The Company recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining an effective Board. The Company has adopted a formal Diversity Policy, which sets out the Company's approach to and commitment to diversity. The policy was reviewed by the Nomination Committee during 2021.

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

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

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

Cathy Pitt
Chair of the Nomination Committee
5 April 2022

Management Engagement Committee Report

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

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

Building on its work during 2021, the Management Engagement Committee continued to work with the Investment Manager and key service providers to ensure that the Company had a robust system of internal financial controls and a clear risk management procedure.

Management Engagement Committee composition
The Management Engagement Committee is chaired by Cathy Pitt. Cathy is supported by the other three independent Non-Executive Directors on the Committee.

During 2021, the Board agreed to appoint Cathy Pitt as chair of the Management Engagement Committee to replace John Leggate. This decision was intended to provide John with additional time and capacity to focus on leading the Board.

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

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

Principal responsibilities
The Management Engagement Committee's principal responsibilities include:

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

The Management Engagement Committee also reviews the performance of other service providers to the Company and makes 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 Investment Manager
The Management Engagement Committee reviewed the performance of the Investment Manager and the Management Engagement Committee was generally satisfied that the Investment Manager had performed well during

the period with the Company completing a number of acquisitions during the period, driving the performance of the operating assets, successfully deploying the capital raised during 2020 and conducting a further successful fundraising during 2021.

The Management Engagement Committee noted that information flow to the Board had improved during 2021. The Management Engagement Committee continues to collaborate with the Investment Manager to improve reporting and information flow to the Board and its committees.

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

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

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

Performance of key service providers

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

The Management Engagement Committee specifically discussed the performance of JTC (UK) Limited appointed by the Company both as Administrator and as Company Secretary and concluded that the performance as Administrator and Company Secretary remained satisfactory. JTC (UK) Limited continue to work with the Investment Manager and Board on a process of continuous improvement around financial information, internal controls, and corporate governance. The Company are responsible for the appointment or removal of the Company Secretary.

Committee evaluation

An externally facilitated evaluation of the Management Engagement Committee was undertaken as part of the overall Board evaluation. The Management Engagement Committee was found to be working well and the skills and experience of the members was found to be appropriate for their roles. The evaluation report recommended that the Management Engagement Committee be chaired by a different Director and Cathy Pitt took over as the Management Engagement Committee's Chair.

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

Cathy Pitt
Chair of the Management Engagement Committee
5 April 2022

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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gresham House Energy Storage Fund plc (the 'Company') for the year ended 31 December 2021, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

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

Independence
Following the recommendation of the Audit Committee, we were appointed by the Board of Directors in December 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is three years, covering the years ending 31 December 2019 to 31 December 2021. 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:

- assessing the reasonableness of the Company's cash flow forecast by comparing the expected cash flows to contractual obligations and that these are covered by the available cash reserves for the period of 12 months from the date of approval of the financial statements;
- considering the appropriateness of the approach and model used by the Directors;
- assessing the reasonableness of the stress test performed by the Directors which assumed that there would be a 25% reduction in inflows and no further dividends are paid in the period and all existing funding obligations towards the investments would still be met over the next 12 months;
- evaluating the appropriateness of the Directors consideration of the impact of the current Russia/Ukraine crisis on going concern based on our knowledge of the entity; and
- reviewing the adequacy and consistency of the disclosure in line with the Directors' assessment.

	2021		2020	
Key audit matters	Valuation of unquoted investments	✓	Valuation of unquoted investments	✓
Materiality	*Financial statements as a whole* £7.6mn (2020: £5.3mn) based on 1.5% of net assets *Specific materiality* £870k (2020: £500k based on 3% of profit before tax) based on 5% of profit before tax less fair value gains			

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 12 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. This matter was 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 this matter.

<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 71 and 73 and Note 12 on page 77 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 financial statements.

The valuations of the investments make use of judgemental assumptions 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 NAV of the Company.

The Company has engaged an independent external 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 net revenue yield and changes in energy production. 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 independent 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.
▪ We discussed the key assumptions with the independent external valuer and with the assistance of our internal valuation experts, we challenged the appropriateness of the selection and application of key estimates in the discounted cash flow model including discount rate, net revenue yield, annual generation, inflation rate, underlying costs and asset life by benchmarking these to available industry data and actual results in the year.
▪ Agreed net revenue yield and annual generation used in the discounted cash flow model to net revenue yield provided by management's independent third-party expert. We held discussions with them to understand the model assumptions and how the models are produced.
▪ 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 investments where the battery asset is under construction, we have challenged the policy applied to fair value these investments through obtaining an understanding of the status of each project and the risks of the projects. For the construction risk premium applied, we benchmarked this against other companies and considered the risks in the projects. We discussed the premium with management's independent external valuer and involved our internal valuations experts in assessing the appropriateness of the premium.
▪ 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 of the unquoted investments 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.

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

	Company financial statements	
	2021	2020
Materiality	£7,600,000	£5,300,000
Basis for determining materiality	1.5% net assets	
Rationale for the benchmark applied	We considered that net assets is the most relevant performance measure for users of the financial statements.	
Performance materiality	£5,110,000	£3,445,000
Basis for determining performance materiality	70% of materiality based on consideration of factors including the level of historical errors and nature of activities, which resulted in an increase in the performance materiality benchmark.	65% of materiality based on consideration of factors including the level of historical errors and nature of activities.

Specific materiality
We also determined that for transactions and balances that impact on the Company's realised return other than the valuation of the unlisted investment portfolio, 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 based to be £0.87mn (2020: £0.5mn) based on 5% of profit before tax less fair value gains. We further applied a performance materiality level of 70% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them, all individual audit differences in excess £43,500 (2020: £25,000). 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 applicable to the Company, and the Association of Investment Companies 'AIC' SORP.
- We understood how the Company is complying with these laws and regulations by making enquiries of the Investment Manager, the management service provider, the Board of Directors and those responsible for legal and compliance matters. We reviewed correspondence between the Company and regulated bodies and reviewed minutes of the Board of Directors and committee meetings, gaining an understanding of the Company's approach to governance.
- We assessed the susceptibility of the financial statements to material misstatement, including fraud and made enquiries of the Investment Manager, the management service provider and the Board of Directors of any known or suspected instances of fraud. The key area for fraud and manipulation is around the unquoted investment valuation (see related key audit matter) and management override of controls.
- We challenged the assumptions made by the Investment Manager in their significant accounting estimates, in particular, in relation to valuation of unquoted investments (see related key audit matter).
- In response to the risk of management override of controls, we identified and tested journal entries, in particular any journal entries posted with unusual account combinations and low value recurring items, journals posted by the Investment Manager and journals posted and reviewed by the same individual by agreeing to supporting documentation.
- We communicated 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.

The engagement partner has assessed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

5 April 2022

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 2021

Company number 11535957

For the year ended 31 December 2021	Notes	Revenue (£)	Capital (£)	Total (£)
Net gain on investments at fair value through profit and loss	7	22,470,837	63,058,528	85,529,365
Other income		298,500	-	298,500
Total income		22,769,337	63,058,528	85,827,865
Administrative and other expenses:				
Transaction fees		-	56,539	56,539
Legal and professional fees		-	(560,589)	(560,589)
Other administrative expenses	9	(4,932,056)	-	(4,932,056)
Total administrative and other expenses		(4,932,056)	(504,050)	(5,436,106)
Profit before tax		**17,837,281**	**62,554,478**	**80,391,759**
Taxation	10	-	-	-
Profit and total comprehensive income for the year		**17,837,281**	**62,554,478**	**80,391,759**
Earnings per share (basic and diluted) - pence	11	4.57	16.02	20.59

For the year ended 31 December 2020	Notes	Revenue (£)	Capital (£)	Total (£)
Net gain on investments at fair value through 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 comprehensive income for the year		**9,946,027**	**8,742,931**	**18,688,958**
Earnings per share (basic and diluted) - pence	11	4.15	3.64	7.79

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

All results are derived from continuing operations. The Notes on pages 71 to 88 form an integral part of these Financial Statements.

Statement of Financial Position

For the year ended 31 December 2021

Company number 11535957

	Notes	31 December 2021 (£)	31 December 2020 (£)
Non-current assets			
Investments in subsidiaries at fair value through profit or loss	12	389,346,748	248,964,175
		389,346,748	248,964,175
Current assets			
Cash and cash equivalents	14	122,175,081	110,967,025
Trade and other receivables	15	359,467	274,427
		122,534,548	111,241,452
Total assets		511,881,296	360,205,627
Current liabilities			
Trade and other payables	16	(210,255)	(1,315,217)
		(210,255)	(1,315,217)
Total net assets		511,671,041	358,890,410
Shareholders' equity			
Share capital	21	4,378,421	3,485,564
Share premium	21	349,058,720	251,601,260
Merger relief reserve	21	13,299,017	13,299,017
Capital reduction reserve	21	38,162,172	64,123,617
Capital reserves		75,421,840	12,867,362
Revenue reserves		31,350,871	13,513,590
Total shareholders' equity		511,671,041	358,890,410
Net Asset Value per Ordinary Share (pence)	20	116.86	102.96

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: 5 April 2022

The Notes on pages 71 to 88 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31 December 2021

	Note	Share capital (£)	Share premium reserve (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Capital reserves (£)	Revenue reserves (£)	Total shareholders' equity (£)
Shareholders' equity at 1 January 2021		3,485,564	251,601,260	13,299,017	64,123,617	12,867,362	13,513,590	358,890,410
Profit for the year		-	-	-	-	62,554,478	17,837,281	80,391,759
Total comprehensive income for the year		-	-	-	-	62,554,478	17,837,281	80,391,759
Transactions with owners:								
Ordinary Shares issued at a premium during the year	21	892,857	99,107,143	-	-	-	-	100,000,000
Share issue costs	21	-	(1,649,683)	-	-	-	-	(1,649,683)
Dividends paid	21	-	-	-	(25,961,445)	-	-	(25,961,445)
Shareholders' equity at 31 December 2021		**4,378,421**	**349,058,720**	**13,299,017**	**38,162,172**	**75,421,840**	**31,350,871**	**511,671,041**

	Note	Share capital (£)	Share premium reserve (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Capital reserves (£)	Revenue reserves (£)	Total shareholders' equity (£)
Shareholders' equity at 1 January 2020		2,042,707	104,380,109	13,299,017	78,465,533	4,124,431	3,567,563	205,879,360
Profit for the period		-	-	-	-	8,742,931	9,946,027	18,688,958
Total comprehensive income for the year		-	-	-	-	8,742,931	9,946,027	18,688,958
Transactions with owners:								
Ordinary Shares issued at a premium during the year	21	1,442,857	149,757,143	-	-	-	-	151,200,000
Share issue costs	21	-	(2,535,992)	-	-	-	-	(2,535,992)
Dividends paid	21	-	-	-	(14,341,916)	-	-	(14,341,916)
Shareholders' equity at 31 December 2020		**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 2021 are £69,513,043 (2020: £77,637,207). Distributable reserves are made up of the capital reduction reserve and revenue reserve.

The Notes on pages 71 to 88 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 December 2021

	Note	31 December 2021 (£)	31 December 2020 (£)
Cash flows used in operating activities			
Profit for the year		80,391,759	18,688,958
Net gain on investments at fair value through profit and loss	7	(85,529,365)	(22,402,605)
Interest income		-	(784,206)
Taxation		-	20,570
Increase in trade and other receivables		(85,040)	(7,425)
Decrease in trade and other payables		(74,431)	(1,155,801)
Net cash used in operating activities		**(5,297,077)**	**(5,640,509)**
Cash flows used in investing activities			
Acquisition of equity in subsidiaries		-	(238,095)
Deferred consideration paid		(1,030,530)	-
Disposal of investments		458,331	-
Loans made to subsidiaries		(55,730,831)	(76,155,352)
Loans repaid by investments		419,291	5,750,000
Bank interest received		-	23,037
Net cash used in investing activities		**(55,883,739)**	**(70,620,410)**
Cash flows used in financing activities			
Proceeds from issue of Ordinary Shares at a premium	21	100,000,000	151,200,000
Share issue costs	21	(1,649,683)	(2,535,992)
Dividends paid	21	(25,961,445)	(14,341,916)
Net cash inflow from financing activities		**72,388,872**	**134,322,092**
Net increase in cash and cash equivalents for the year		**11,208,056**	**58,061,173**
Cash and cash equivalents at the beginning of the year		110,967,025	52,905,852
Cash and cash equivalents at the end of the year		**122,175,081**	**110,967,025**

The Notes on pages 71 to 88 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 December 2021

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. Through its subsidiaries, the Company's principal activity is to invest in SPVs which operate a diversified portfolio of operating utility-scale Battery Energy Storage Systems (BESS), which utilise batteries and may also utilise generators. The BESS projects comprising the investment portfolio are located in diverse locations across Great Britain.

These Annual Financial Statements cover the year ended 31 December 2021 with comparatives for the year ended 31 December 2020 and comprise only the results of the Company as all its subsidiaries are measured at fair value.

2. Basis of preparation

Statement of compliance

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

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

Functional and presentation currency

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

Going concern

As noted in the Strategic Report, as at 31 December 2021, the Company had net current assets of £122mn including cash balances of £122mn (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 (other than committed transactions). 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 2021. The Company is an obligor to the debt facility entered into by the MidCo in 2021, but which was undrawn as at 31 December 2021.

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

3. Significant accounting judgements, estimates and assumptions

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

During the year the Directors considered the following significant judgements 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

Notes to the Financial Statements - year ended 31 December 2021

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.

An 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.

A further indicator of whether a Company is an investment entity is the expectation they hold more than one asset. Following the re-organisation in 2020 and the sale of Noriker Power in the year, the Company holds one investment directly but several indirectly, as there is a portfolio of assets within the MidCo.

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 meets the characteristics of an investment entity and will reassess this conclusion on an annual basis.

Assessment of the MidCo as an investment entity
The MidCo (see Note 12) is not consolidated as the MidCo is also 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 these criteria. If the MidCo was not considered to meet the definition of an investment entity, then the Company would be required to consolidate the entity. The net assets of the MidCo have been set out in Note 12. The impact of consolidating the MidCo would be to increase the investment value to £401,115,427 (2020: £264,393,793) and recognise the Bond loan of nil (2020: £15,088,825) and additional net working capital of £11,768,679 (2020: £340,794).

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.

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.

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 18 for further details.

Interest revenue
The interest revenue generated by the Company on the loan paid to the MidCo. The interest is capitalised annually and is charged at the rate of 8% per annum.

4. New and revised standards and interpretations
There are no new standards, amendments or interpretations at the reporting date which have been issued but are not yet effective, which could impact the Financial Statements of the Company and which are deemed to be material for the Company.

5. Summary of significant accounting policies

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

Segmental information

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

Income and expenses (excluding investments)

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

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 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 which 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, 12 month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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

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

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

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

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

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

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

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

6. Fees and expenses

Accounting, secretarial and Directors

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

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

During the year, expenses incurred with JTC (UK) Limited for administrative and secretarial services amounted to £235,934 (2020: £126,356) with £29,210 (2020: £57,500) being outstanding and payable at the year end.

AIFM

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

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

During the year Investment Manager fees amounted to £4,052,956 (2020: £2,400,485) with no outstanding payables at the year-end (2020: nil).

The Investment Manager is a wholly owned subsidiary of Gresham House plc, a significant shareholder in the Company (6.05% (2020: 12.23%) of total issued Ordinary Shares). Ben Guest (a Director of the Investment Manager), Bozkurt Aydinoglu (0.28% (2020: 0.57%) of total issued Ordinary Shares) and Gareth Owen (0.05% 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 3.29% (2020: 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 2021 (£)**	**31 December 2020 (£)**
Unrealised gain on investments at fair value through the profit and loss	62,838,290	10,055,692
Realised gain on investments at fair value through the profit and loss	220,238	-
Interest on loans to subsidiaries	22,470,837	12,346,913
	85,529,365	22,402,605

During the year the Company disposed of its interest in Noriker Power Limited, realising a net gain of £220,238.

8. Interest on loans to affiliated entities of the Investment Manager	**31 December 2021 (£)**	**31 December 2020 (£)**
Interest on loans to affiliated entity of the Investment Manager	-	761,169
	-	761,169

9. Administrative and other expenses	**31 December 2021 (£)**	**31 December 2020 (£)**
Administration and secretarial fees	235,934	126,356
Remuneration received by the Company's Auditor for the audit of these financial statements	144,400	106,000
Remuneration received by the Company's Auditor for the audit of the prior year financial statements	34,400	18,911
Remuneration received by the Company's Auditor for the audit of the subsidiary accounts	15,600	*15,000
Depositary fees	54,949	36,081
Directors' remuneration salary	232,500	197,000
Directors' remuneration social security contributions and similar taxes	23,209	19,073
Investment Manager fees	4,052,956	2,400,486
Sundry expenses	138,108	410,814
	4,932,056	3,329,721

There were no non audit fees payable to the Company's Auditor in the year.
*In the prior year this fee was included within the total audit fees which amounted to £121,000

10. Taxation

The Company is recognised as an Investment Trust Company (ITC) and is taxed at the main rate of 19%.

For the year ended 31 December 2021 the Company may utilise group relief or make interest distributions to reduce taxable profits to nil. There is no corporation tax charge for the year (2020: £20,570).

		31 December 2021 (£)	31 December 2020 (£)
(a) Tax charge in profit or loss			
Current tax on profits for the year		-	-
Adjustments for current tax of prior periods		-	20,570
		-	20,570
(b) Reconciliation of the tax charge for the year			
Profit before tax		80,391,759	18,709,528
Tax at UK main rate of 19%	19.00%	15,274,434	3,554,810
Tax effect of:			
Non-taxable income		(11,981,120)	(1,914,490)
Non-deductible expenses		31,350	249,425
Subject to group relief/designated as interest distributions		(3,324,664)	(1,889,745)
Adjustments for current tax of prior periods		-	20,570
Tax charge for the year		-	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 EPS are identical.

	Revenue	Capital	31 December 2021 Total
Net profit attributable to ordinary shareholders (£)	17,837,281	62,554,478	80,391,759
Weighted average number of Ordinary Shares for the year	390,386,109	390,386,109	390,386,109
Profit per share (basic and diluted) - pence	4.57	16.02	20.59

	Revenue	Capital	31 December 2020 Total
Net profit 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 share (basic and diluted) - pence	4.15	3.64	7.79

12. Investment in subsidiaries

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

	Immediate parent	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 18 for valuation disclosures relating to the investments in subsidiaries. In the year, the Company disposed of its interest in Noriker Power Limited.

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

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

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

Reconciliation	31 December 2021 (£)	31 December 2020 (£)
Opening balance	248,964,175	138,203,407
Add: purchases during the year	-	238,095
Less: disposals during the year	(238,095)	-
Add: loans advanced	55,730,831	76,155,352
Less: Loan repayments	(419,290)	(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	22,470,837	12,346,913
Total fair value movement through the profit or loss	62,838,290	10,055,692
Closing balance	389,346,748	248,964,175

	Equity (£)	Loans (£)	Total equity and loans (£)
As at 31 December 2021	69,124,138	320,222,610	389,346,748
As at 31 December 2020	6,285,848	242,678,327	248,964,175

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

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

Further analysis

The Company owns 100% of the Ordinary Shares in Gresham House Energy Storage Holdings plc (the MidCo) which itself holds a number of 100% owned subsidiaries. The investment in the MidCo of £389,346,748 (2020: £248,964,175) comprises underlying investments as follows:

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

	Percentage ownership		Total Investment	
	31 December 2021	31 December 2020	31 December 2021 (£)	31 December 2020 (£)
Noriker Staunch Ltd	100%	100%	17,342,193	15,758,538
HC ESS2 Ltd	100%	100%	23,881,200	24,156,127
HC ESS3 Ltd	100%	100%	20,066,324	19,262,407
West Midlands Grid Storage Two Ltd	100%	100%	3,961,609	3,746,322
Cleator Battery Storage Ltd	100%	100%	7,612,741	7,448,425
Glassenbury Battery Storage Ltd	100%	100%	38,507,279	36,471,706
HC ESS4 Ltd	100%	100%	46,118,825	45,615,597
Bloxwich Energy Storage Ltd	100%	100%	25,088,436	22,397,138
HC ESS6 Ltd	100%	100%	44,737,484	38,238,323
HC ESS7 Ltd	100%	100%	46,055,369	47,058,902
Tynemouth Energy Storage Ltd	100%	-	15,956,108	-
Gridreserve Ltd	100%	-	19,569,973	-
Nevendon Energy Storage Ltd	100%	-	5,028,954	-
Port of Tyne Energy Storage Ltd	100%	-	17,551,881	-
Enderby Storage Ltd	100%	-	19,189,475	-
West Didsbury Storage Ltd	100%	-	14,917,971	-
Penwortham Storage Ltd	100%	-	15,073,790	-
Grendon Storage Ltd	100%	-	2,943,599	-
Melksham East Storage Ltd	100%	-	8,110,637	-
Melksham West Storage Ltd	100%	-	1,955,602	-
Investments in subsidiaries - subtotal			**393,669,450**	**260,153,485**
Noriker Power Ltd	-	4%	-	238,095
Biggerbrook Ltd	-	-	-	1,951,194
Gridreserve Ltd (prior to acquisition)	-	-	-	2,051,020
Coupar Ltd	-	-	3,519,729	-
Arbroath Ltd	-	-	3,926,248	-
Total investments			**401,115,427**	**264,393,794**
Bonds issued by MidCo			-	(15,088,825)
Working capital in MidCo			(11,768,679)	(340,794)
Total investment in MidCo			**389,346,748**	**248,964,175**

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

13. Loans receivable

The only loans receivable at 31 December 2021 are loans to the MidCo, which are accounted for as investments in subsidiaries – see Note 12.

14. Cash and cash equivalents

	31 December 2021 (£)	31 December 2020 (£)
Cash at bank	122,175,081	110,967,025
	122,175,081	110,967,025

15. Trade and other receivables

	31 December 2021 (£)	31 December 2020 (£)
Prepayments	88,666	13,995
Accrued income	41,397	89,902
VAT receivable	229,404	170,530
	359,467	274,427

16. Trade and other payables

	31 December 2021 (£)	31 December 2020 (£)
Administration and secretarial fees	29,210	57,500
Audit fee accrual	95,804	121,000
Other accruals	85,241	85,617
Deferred consideration for HC ESS4 Ltd (Red Scar)*	-	1,030,530
Taxation payable	-	20,570
	210,255	1,315,217

* This related to the outstanding portion payable for the acquisition of the subsidiary based on meeting certain performance targets, the amount was subsequently paid in 2021. These performance targets are not disclosed as they are commercially sensitive.

17. Categories of financial instruments

	31 December 2021 (£)	31 December 2020 (£)
Financial assets *Financial assets at amortised cost:*		
Cash and cash equivalents	122,175,081	110,967,025
Trade and other receivables	130,063	103,897
Fair value through profit or loss:		
Investment in subsidiaries	389,346,748	248,964,175
Total financial assets	**511,651,892**	**360,035,097**
Financial liabilities *Financial liabilities at amortised cost:*		
Trade and other payables	(210,255)	(1,315,217)
Net financial assets	**511,441,637**	**358,719,880**

As at 31 December 2021, the Company had an outstanding charge with Santander UK plc in respect of its position as guarantor to the debt facility, held against all the assets and undertakings of the Company. Since the year end the Company has also provided letters of credit in respect of equipment purchases for the benefit of certain subsidiaries for which a charge is held by Barclays Bank plc over a bank account belonging to the Company.

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

18. Fair value measurement

Valuation approach and methodology

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

Valuation process

The Company, via the MidCo, held a portfolio of energy storage investments with a capacity of 425 Megawatt (MW) operational and 375MW in construction (together the investments)[23]. The investments comprise 24 projects held in 22 special project vehicles.

All of the investments are based in the UK. The Directors review and approve the valuations of these assets following appropriate challenge and examination. The current portfolio consists of non-market traded investments, and valuations are analysed using forecasted cash flows of the assets and use the discounted cash flow approach for valuation purposes. The Company engages external, independent, and qualified valuers to determine the fair value of the Company's investments or valuations are produced by the Investment Manager. As at 31 December 2021, the fair value of the portfolio of investments has been determined by the Investment Manager and reviewed by Grant Thornton UK LLP.

The valuations have been determined using discounted cash flow methodology, whereby the estimated future cash flows relating to the Company's equity investment in each project have been discounted to 31 December 2021, 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.

New operational projects acquired are initially held at cost, which is deemed to be fair value, and are revalued once the performance of the assets has been verified. The valuation of these assets, after the initial period, is performed on the same basis as the remainder of the portfolio. Assets in the course of construction are also held initially at cost, but are revalued, with a construction risk premium of 0.5%, once certain criteria are met including the timescale to expected commercial operations and the signing of certain contracts.

The determination of the discount rate applicable to each individual investment project considers various factors, including, but not limited to, the stage reached by each project, the period of operation, the historical track record, the terms of the project agreements and the market conditions in which the project operates.

The Investment Manager exercises its judgement in assessing the expected future cash flows from each investment. The Investment Manager produces detailed financial models for each underlying project. The Investment Manager makes amendments where appropriate to:

a) discount rates (i) implied in the price at which comparable transactions have been announced or completed in the UK energy storage sector (if available); (ii) publicly disclosed by the Company's peers in the UK energy storage sector (if available); and (iii) discount rates applicable for other comparable infrastructure asset classes and regulated energy sectors;
b) changes in power market forecasts from leading market forecasters;
c) changes in the economic, legal, taxation or regulatory environment, including changes in retail price index expectations;
d) technical performance based on evidence derived from project performance to date;
e) the terms of any power purchase agreement arrangements;
f) accounting policies;
g) the terms of any debt financing at project level;
h) claims or other disputes or contractual uncertainties; and
i) changes to revenue, cost, or other key assumptions (may include an assessment of future cost trends, as appropriate).

Valuation assumptions include consideration of climate related matters such as expected levels of renewable energy entering the grid system, demand patterns and current regulatory policy. These are factored into the pricing assumptions which are prepared by 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.

	31 December 2021		31 December 2020	
Key valuation input	**Range**	**Weighted average**	**Range**	**Weighted average**
WACC/WADR	9.9 - 11.4%	10.8%	10.3 - 11.1%	10.8%
RPI	2.8 – 2.9%	2.8%	3%	3%

23. *Total in construction is 415MW including Stairfoot (which is not yet subject to an SPA).*

Another key assumption in the valuation models is the volatility of power prices. Due to the Asset Optimisation strategy, the investments are able to benefit from a range of revenue streams including arbitrage on power price volatility or FFR and other similar income streams. Due to the nature of the assets owned by the investments, should one revenue stream be impacted the asset is able to switch to alternative sources of revenue to seek to maintain total revenue targets.

Sensitivity analysis
The below table reflects the range of sensitivities in respect of the fair value movements of the Company's investments, via the MidCo.

The sensitivity analysis does not include an assessment of the fall in the power price as underlying power information is provided on a net revenue basis as the investment portfolio generates value through maximising on the volatility in the market, therefore adjusting revenue as a total is a more relevant measure. Therefore, we have therefore provided a sensitivity based on percentage changes in revenue overall.

Investment	Project	Valuation technique	Significant inputs description	Sensitivity	Estimated effect on fair value 31 December 2021 (£)	Estimated effect on fair value 31 December 2020 (£)
Noriker Staunch Ltd	Staunch	DCF	Discount rate	+1% -1%	(1,188,112) 1,346,462	(1,224,113) 1,401,859
			Revenue	+10% -10%	1,307,467 (1,321,450)	1,157,930 (1,176,750)
HC ESS2 Ltd	Rufford, Lockleaze, Littlebrook	DCF	Discount rate	+1% -1%	(1,622,287) 1,844,065	(1,666,859) 1,906,534
			Revenue	+10% -10%	1,594,147 (1,947,003)	1,233,342 (1,455,996)
HC ESS3 Ltd	Roundponds	DCF	Discount rate	+1% -1%	(1,504,951) 1,744,638	(1,494,752) 1,751,979
			Revenue	+10% -10%	1,475,139 (1,505,125)	1,163,309 (1,125,303)
West Midlands Grid Storage Two Ltd	Wolverhampton	DCF	Discount rate	+1% -1%	(271,807) 308,750	(263,187) 300,777
			Revenue	+10% -10%	399,734 (435,547)	361,590 (340,677)
Cleator Battery Storage Ltd	Cleator	DCF	Discount rate	+1% -1%	(743,633) 851,165	(648,290) 750,802
			Revenue	+10% -10%	883,206 (886,715)	524,510 (529,040)
Glassenbury Battery Storage Ltd	Glassenbury	DCF	N/A	N/A	N/A	N/A
	Glassenbury B	DCF	Discount rate	+1% -1%	(3,576,483) 4,092,515	(3,302,809) 3,819,262
			Revenue	+10% -10%	4,201,276 (4,216,089)	2,608,817 (2,606,621)
HC ESS4 Ltd	Red Scar	DCF	Discount rate	+1% -1%	(3,751,022) 4,416,962	(3,840,242) 4,546,579
			Revenue	+10% -10%	4,393,203 (4,420,195)	3,019,526 (3,819,002)
Bloxwich Energy Storage Ltd	Bloxwich	DCF	Discount rate	+1% -1%	(1,822,905) 2,074,137	(1,629,444) 1,861,700
			Revenue	+10% -10%	2,690,591 (2,719,548)	2,138,010 (2,017,161)
HC ESS7 Ltd	Thurcroft	DCF	Discount rate	+1% -1%	(3,605,403) 4,203,128	(3,530,887) 4,123,953
			Revenue	+10% -10%	4,234,266 (4,284,189)	2,945,498 (3,666,454)

Investment	Project	Valuation technique	Significant inputs description	Sensitivity	Estimated effect on fair value 31 December 2021 (£)	Estimated effect on fair value 31 December 2020 (£)
HC ESS6 Ltd	Wickham	DCF	Discount rate	+1% -1%	(3,207,419) 3,680,717	- -
			Revenue	+10% -10%	4,004,174 (4,060,406)	- -
Tynemouth Battery Storage Ltd	Tynemouth	DCF	Discount rate	+1% -1%	(1,661,999) 1,956,686	- -
			Revenue	+10% -10%	2,037,818 (2,044,741)	- -
Gridreserve Ltd	Byers Brae	DCF	Discount rate	+1% -1%	(1,436,577) 1,638,084	- -
			Revenue	+10% -10%	2,013,383 (2,048,092)	- -
Nevendon Energy Storage Ltd	Nevendon	DCF	Discount rate	+1% -1%	(646,090) 729,222	- -
			Revenue	+10% -10%	1,097,594 (1,104,807)	- -
Port of Tyne Energy Storage Ltd	Port of Tyne	DCF	Discount rate	+1% -1%	(1,377,801) 1,510,192	- -
			Revenue	+10% -10%	2,248,320 (2,243,005)	- -
Enderby Storage Ltd	Enderby	DCF	Discount rate	+1% -1%	(2,598,696) 3,026,012	- -
			Revenue	+10% -10%	3,466,831 (3,516,511)	- -
West Didsbury Storage Ltd	West Didsbury	DCF	Discount rate	+1% -1%	(2,605,119) 3,035,333	- -
			Revenue	+10% -10%	3,426,385 (3,472,099)	- -
Penwortham Storage Ltd	Penwortham	DCF	Discount rate	+1% -1%	(2,640,548) 3,079,486	- -
			Revenue	+10% -10%	3,361,519 (3,402,072)	- -

The Coupar, Arbroath, Melksham and Grendon projects are held at cost.

Portfolio Sensitivity of RPI	Sensitivity	Estimated effect on fair value 31 December 2021 (£)	Estimated effect on fair value 31 December 2020 (£)
Inflation	+0.25% -0.25%	9,733,718 (9,417,405)	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 2021	**Level 1 (£)**	**Level 2 (£)**	**Level 3 (£)**
Investment in subsidiaries	-	-	389,346,748
	-	-	**389,346,748**

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

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.

19. Financial risk management
The Company is exposed to certain risk through the ordinary course of business and the Company's financial risk management objective is to minimise the effect of these risks. The management of risks is performed by the Directors of the Company and the exposure to each financial risk considered potentially material to the Company, how it arises and the policy for managing it is summarised below:

- Counterparty risk

The Company is exposed to third party credit risk in several instances and the possibility that counterparties with which the Company and its subsidiaries, together the Group, contracts may default by failing to pay for services received from the Company or its subsidiaries or fail to perform their obligations in the manner anticipated by the Group. Such counterparties may include (but are not limited to) manufacturers who have provided warranties in relation to the supply of any equipment or plant, EPC contractors who have constructed the Company's plants, who may then be engaged to operate assets held by the Company, property owners or tenants who are leasing ground space and/or grid connection to the Company for the locating of the assets, contractual counterparties who acquire services from the Company underpinning revenue generated by each project or the energy suppliers, demand aggregators, insurance companies who may provide coverage against various risks applicable to the Company's assets (including the risk of terrorism or natural disasters affecting the assets) and other third parties who may owe sums to the Company. In the event that such credit risk crystallises, in one or more instances, and the Company is, for example, unable to recover sums owed to it, make claims in relation to any contractual agreements or performance of obligations (e.g. warranty claims) or unable to identify alternative counterparties, this may materially adversely impact the investment returns. Management has completed a high-level analysis which considers both historical and forward-looking qualitative and quantitative information, to assess the credit risk of these loan receivables and has determined that the credit risk of these loans as at 31 December 2021 is low due to the financial position of the borrowers as a result of the value of these underlying project investments.

Further, the projects in which the Company may invest will not always benefit from a turnkey contract with a single contractor and so will be reliant on the performance of several suppliers. Therefore, the key risks during battery installation in connection with such projects are the counterparty risk of the suppliers and successful project integration.

The Investment Manager regularly assesses the creditworthiness of its counterparties and enters into counterparty arrangements which are financially sound and ensures, where necessary, the sourcing of alternative arrangements in the event of changes in the creditworthiness of its present counterparties.

- Concentration risk

The Company's investment policy is limited to investment (via its subsidiary) in battery energy storage infrastructure, which will principally operate in the UK. This means that the Company has a significant concentration risk relating to the UK battery energy storage infrastructure sector. Significant concentration of investments in any one sector may result in greater volatility in the value of the Company's investments via its subsidiary, and consequently the NAV and may materially and adversely affect the performance of the Company and returns to shareholders.

The Fund's BESS projects generate revenues primarily from Firm Frequency Response (FFR), Asset Optimisation, Capacity Market (CM) and other grid connection-related charges, including TRIADs and Dynamic Containment. Revenues from the portfolio's seed BESS projects have historically been skewed to FFR revenues, FFR being the provision to the National Grid of a dynamic response service to maintain the grid's electrical frequency at 50Hz. In 2021, operations were increasingly targeted towards Asset Optimisation, as this becomes the more profitable business activity. There are several additional revenue opportunities emerging for the portfolio as a series of regulatory changes are implemented.

The Investment Manager is of the view that the UK's exposure to renewable energy generation has increased significantly over the last few years and the pace has not lessened despite the removal of legacy subsidies to onshore wind and solar. This is largely because the development of offshore wind installations has continued apace. 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 includes debt funding.

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

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, the MidCo has entered into a debt facility during the year.

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 NAV at the time of drawdown.

The Company's only financial liabilities are trade and other payables. The Company has sufficient cash reserves to cover these in the short to medium term. The Company's cash flow forecasts are monitored regularly to ensure the Company is able to meet its obligations when they fall due.

The following table reflects the maturity analysis of financial assets and liabilities.

As at 31 December 2021	**<1 year (£)**	**1 to 2 years (£)**	**2 to 5 years (£)**	**>5 years (£)**	**Total (£)**
Financial assets					
Cash and cash equivalents (Note 14)	122,175,081	-	-	-	122,175,081
Trade and other receivables (Note 15)**	41,397	-	-	-	41,397
Fair value through profit or loss:					
Investment in subsidiaries*	-	-	-	389,346,748	389,346,748
Total financial assets	**122,216,478**	-	-	**389,346,748**	**511,563,226**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables (Note 16)	210,255	-	-	-	210,255
Total financial liabilities	**210,255**	-	-	-	**210,255**

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 15)**	89,902	-	-	-	89,902
Fair value through profit or loss:					
Investment in subsidiaries*	-	-	-	248,964,175	248,964,175
Total financial assets	**111,056,927**	-	-	**248,964,175**	**360,021,102**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables (Note 16)	1,315,217	-	-	-	1,315,217
Total financial liabilities	**1,315,217**	-	-	-	**1,315,217**

*excludes the equity portion of the investment in subsidiaries (in 2020 equity investments were included due within one year, these are now included in due more than five years as there is no set maturity)
**excludes prepayments and VAT

- Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The objective is to minimise market risk through managing and controlling these risks to acceptable parameters, while optimising returns. The Company uses financial instruments in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks.

Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. At 31 December 2021, the valuation basis of the Company's investments was valued at market value. This investment is driven by market factors and is therefore sensitive to movements in the market. The Company relies on market knowledge of the Investment Manager, the valuation expertise of the third-party valuer and the use of third-party market forecast information to provide comfort with regard to fair market values of investments reflected in the Financial Statements. Refer to Note 18 for trading revenue sensitivities.

- Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is exposed to interest rate risk on its cash balances held with counterparties, bank deposits, loans receivable, advances to counterparties and through loans to subsidiaries. Loans to subsidiaries carry a fixed rate of interest until repayment at the earlier of written demand from the lender or 31 December 2030. The Company may be exposed to changes in variable market rates of interest 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 year end which are not denominated in Pounds Sterling and is therefore not exposed to any significant currency risk. Subsidiary entities may, from time to time, incur expenditure in currencies other than Pounds Sterling.

- Capital risk management

The capital structure of the Company at year end consists of equity attributable to equity holders of the Company, comprising issued capital and reserves. The Board continues to monitor the balance of the overall capital structure so as to maintain investor and market confidence. The Company is not subject to any external capital requirements.

20. Net Asset Value (NAV) per Ordinary Share

Basic NAV per Ordinary Share is calculated by dividing the Company's net assets as shown in the statement of financial position that are attributable to the ordinary equity holders of the Company by the number of Ordinary Shares outstanding at the end of the period. As there are no dilutive instruments outstanding, basic, and diluted NAV per Ordinary Share are identical.

	31 December 2021	31 December 2020
Net assets per statement of financial position (£)	511,671,041	358,890,410
Ordinary Shares in issue	437,842,078	348,556,364
NAV per Ordinary Share - Basic and diluted (pence)	116.86	102.96

21. Share capital

	Ordinary Shares number	Share capital (£)	Share premium reserve (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Total (£)
Allotted and issued share capital						
As at 31 December 2020	348,556,364	3,485,564	251,601,260	13,299,017	64,123,617	332,509,458
Issue of Ordinary Shares of £0.01 and fully paid at £1.12 - 14 July 2021	89,285,714	892,857	99,107,143	-	-	100,000,000
	437,842,078	4,378,421	350,708,403	13,299,017	64,123,617	432,509,458
Share issue costs	-	-	(1,649,683)	-	-	(1,649,683)
Dividends paid	-	-	-	-	(25,961,445)	(25,961,445)
As at 31 December 2021	**437,842,078**	**4,378,421**	**349,058,720**	**13,299,017**	**38,162,172**	**404,898,330**

	Ordinary Shares number	Share capital (£)	Share premium reserve (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Total (£)
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**

Share capital
The Company's capital is represented by the Ordinary Shares, Share premium (until cancellation), Merger relief reserve, Capital reduction reserve, Revenue reserves and Capital reserves.

Share premium
The surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The reserve is non-distributable.

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

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.

Capital reduction reserve
Following a successful application to the High Court and lodgement of the Company's statement of capital with the Registrar of Companies in a prior period the Company was permitted to cancel its Share premium account. This was completed on 13 February 2019 by a transfer of the balance of £97,009,475 from the Share premium account to the Capital reduction reserve. The Capital reduction reserve is classed as a distributable reserve and dividends to be paid by the Company may be offset against this reserve.

Share capital 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 announced on 3 March 2020, the issue of 30mn Ordinary Shares raising gross proceeds of £31.2mn.

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

14 July 2021, the Company announced the successful raise of gross proceeds of £100mn through the issue of 89,285,714 new Ordinary Shares at an issue price of 112 pence per Ordinary Share.

Dividends

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 2021	28 April 2021	13 May 2021	4 June 2021	1.75 pence	£6,099,736
1 April to 30 June 2021	1 July 2021	8 July 2021	30 July 2021	1.75 pence	£6,099,736
1 July to 30 September 2021	15 November 2021	25 November 2021	17 December 2021	1.75 pence	£7,662,236
1 October to 31 December 2021	14 February 2022	3 March 2022	25 March 2022	1.75 pence	£7,662,236

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.

22. Cash and non-cash flow items
The non-cash movements for the year ended 31 December 2021 relate to movement in the investments, these non-cash movements are reconciled and discussed in Note 12.

23. Reserves
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:

	31 December 2021	31 December 2020
Directors' remuneration	232,500	197,000
Employers NI	23,209	19,073
Total key management personnel	255,709	216,073

All directors' remuneration is short term salary.

The remuneration arrangements of Directors are disclosed in the Director's Remuneration Report on pages 45 to 47.

Dividends paid by the Company to the Directors are disclosed in the Director's Remuneration Report on pages 45 to 47.
No dividend amounts were payable as at 31 December 2021 (2020: none).

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

Loans to related parties

Loans receivable represent amounts due to the Company from its subsidiary and are disclosed in Note 12.

	Principal advanced (£)	Interest accrued (£)	Total loans (£)
As at 31 December 2021	297,751,771	22,470,837	320,222,608
As at 31 December 2020	230,033,724	12,644,603	242,678,327

24. Capital commitments

As at 31 December 2021 the Company has no significant binding or conditional future capital commitments (2020: none).

25. Post balance sheet events

The Board of Directors announced the following:

- On 14 February 2022, the Board approved the payment of an interim dividend in respect of Q4 2021 of 1.75 pence per Ordinary Share. It was proposed that the Dividend would be paid on 25 March 2022 to the members whose names appeared on the Company's register of members on 4 March 2022, with an ex-dividend date of 3 March 2022.
- In January 2022, the Company issued a Letter of Credit to Sungrow Power UK Limited for an amount of £30,769,589 in relation to battery purchases made by subsidiaries of MidCo.
- On 24 February 2022, Russia began an unlawful invasion of Ukraine: this has caused significant volatility within the UK power market within which the Company's investments operate.

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

Alternative Performance Measures

For the period from 1 January 2021 to 31 December 2021

1) Dividend per Ordinary Share

Dividend per Ordinary Share is a measure to show the distributions made to shareholders during the year.

Dividend period: 12 months to 31 December 2021	Dividend paid per share (£)	Number of shares on dividend payment date	Total dividend paid (£)
Q1 2021 (declared 28 April 2021)	0.0175	348,556,364	6,099,736
Q2 2021 (declared 1 July 2021)	0.0175	348,556,364	6,099,736
Q3 2021 (declared 15 November 2021)	0.0175	437,842,078	7,662,236
Q4 2021 (declared 14 February 2022)	0.0175	437,842,078	7,662,236
	0.0700		27,523,944

Dividend period: 12 months to 31 December 2020	Dividend paid per share (£)	Number of shares on dividend payment date	Total dividend paid (£)
Q1 2020 (declared 11 May 2020)	0.0175	234,270,650	4,099,736
Q2 2020 (declared 1 September 2020)	0.0175	234,270,650	4,099,736
Q3 2020 (declared 27 October 2020)	0.0175	234,270,650	4,099,736
Q4 2020 (declared 19 February 2021)	0.0175	348,556,364	6,099,736
	0.0700		18,398,944

2) Ordinary Share price total return

Ordinary Share price total return is a measure of the return that could have been obtained by holding a share over the reporting period.

	12 months to 31 December 2021 (pence)	12 months to 31 December 2020 (pence)
Share price at end of the year	130.50	112.50
Dividends paid from inception to end of the year	16.75	9.75
Dividend reinvestment impact	4.26	0.88
Share price at initial public offering	(100.00)	(100.00)
Ordinary Share price total return since inception	51.51	23.13
Ordinary Share price total return since inception %	51.5%	23.1%

Alternative Performance Measures - year ended 31 December 2021

3) Net asset value (NAV) per Ordinary Share

	12 months to 31 December 2021	12 months to 31 December 2020
NAV at end of the year	£511,671,041	£358,890,410
Ordinary Shares in issue	437,842,078	348,556,364
NAV per share (pence) – Basic and diluted	116.86	102.96

4) NAV per Ordinary Share total return for the period

NAV per Ordinary Share total return is a measure of the success of the Investment Manager's strategy to grow the NAV, showing how the NAV has changed over a period of time, considering both capital returns and dividends paid to shareholders.

	12 months to 31 December 2021 (pence)	12 months to 31 December 2020 (pence)
NAV per Ordinary Share at end of the year	116.86	102.96
Dividends paid from inception to end of the year	16.75	9.75
Dividend reinvestment impact	2.51	0.42
NAV per Ordinary Share at end of the year including dividend reinvestment	136.12	113.13
NAV per Ordinary Share at beginning of the year including dividend reinvestment	(113.13)	(104.36)
NAV Total Return for the year	22.99	8.77
NAV per Ordinary Share total return for the year	20.3%	8.4%

5) Gross asset value (GAV)

GAV is a measure of the total value of the Company's assets.

	12 months to 31 December 2021 (£'000)	Year ended 31 December 2020 (£'000)
Total assets reported in the Company at end of period	511,881	360,206
Debt held by intermediate holding company (A)	-	14,935
GAV (B)	511,881	375,141
Gearing as defined by the Company (A / B)	0.0%	4.0%

6) Ongoing charges figure (OCF)

OCF measures the Company's recurring fund management costs incurred during the year expressed as a percentage of the average of the net assets at the end of each quarter during the year.

	12 months to 31 December 2021 (£'000)	12 months to 31 December 2020 (£'000)
Fees to Investment Manager	4,053	2,400
Legal and professional fees	561	1,003
Other transaction fees	(57)	310
Administration fees	312	237
Directors' remuneration	256	216
Audit fees	194	140
Other ongoing expenses	117	336
Total expenses	5,436	4,642
Non-recurring expenses not in OCF calculation	(165)	(1,608)
Total ongoing expenses	5,271	3,034
Average NAV for the year	429,192	240,820
Ongoing charges for the year	1.23%	1.26%

7) Operational Dividend Cover

Operational Dividend Cover is a measure to demonstrate the Company's ability to pay dividends from the underlying operating cash earnings of its investments after accounting for external interest costs and operational costs of the Company but excluding transaction costs and debt arrangement fees.

	12 months to 31 December 2021 (£'000)	12 months to 31 December 2020 (£'000)
EBITDA of underlying group companies	42,522	15,615
Ongoing costs in the Company	(5,271)	(3,034)
External interest costs	(1,405)	(154)
Interest income	405	1,671
Net earnings for Operational Dividend Cover	36,251	14,098
Dividends declared by the Company for the year	27,524	18,399
Operational Dividend Cover	1.32x	0.77x

8) Dividend yield

Dividend yield is a measure to show the dividend return received by shareholders for the year.

	12 months to 31 December 2021	12 months to 31 December 2020
Dividend per share declared in respect of the period (pence)	7.00	7.00
Share price at end of period (pence)	130.50	112.50
Dividend yield for the period	5.4%	6.2%

Company Information

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Duncan Neale
Catherine Pitt
David Stevenson

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Ticker: GRID

Glossary

Asset Optimisation (Trading)
Asset Optimisation involves buying and selling electricity in order to capture a spread between the high and low electricity prices on any given day. This can be done via one or more market mechanisms, hence the expression "Asset Optimisation" and includes trading in the wholesale market and offering the battery to National Grid via the Balancing Mechanism.

Asymmetric
An asymmetrical grid connection is where the import and export capacities are different.

AUM
Assets Under Management: the total net assets of the Company.

Balancing Mechanism (BM)
A tool used by the ESO to balance the electricity supply and demand close to real time. The BM is used to balance supply and demand in each half hour trading period of every day. Where the ESO predicts that there will be a discrepancy between the amount of electricity produced and the level of demand during a certain period, they may accept a 'bid' or 'offer' to either increase or decrease generation (or even increase consumption in the case of storage assets). Sites must be registered in the BM to receive such actions but once registered they are able to set their own prices for being used.

Balancing services
National Grid procure services to balance demand and supply and to ensure the security and quality of electricity supply across Britain's transmission system. These include:

- Black Start
- Demand side response
- Dynamic Containment (DC)
- Enhanced Frequency Response (EFR)
- Firm Frequency Response (FFR)
- Optional Downward Flexibility Management (ODFM)
- Short term operating reserve (STOR)

https://www.nationalgrideso.com/balancing-services

Black start
A total or partial shutdown of the national electricity transmission system (NETS) is an unlikely event. However, if it happens, 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 short falls.

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

Operational Dividend Cover
Operational Dividend Cover for the purpose of this report refers to a calculation for the ratio between net earnings of the underlying investment portfolio in the review period and dividends paid in respect of the same review period.

This measure aims to add clarity on the Company's ability to pay dividends from the earnings and cash generation of its underlying investments after deducting Company costs.

This measure includes the EBITDA of underlying group companies less Company and holding company costs (excluding capital related costs and debt arrangement fees but including external interest expense).

Dividend Yield
The annual dividends expressed as a percentage of the current share price.

EBITDA of underlying group companies
EBITDA includes earnings before interest, tax, depreciation and amortisation and includes liquidated damages earnt by SPVs. Earnings are calculated on an accruals basis and therefore only SPVs which were owned in the accounting period have their earnings included here. Transactions completing after the period will have locked box income recognised once the transaction is completed.

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 (FR) 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 and cash under the management of the Company including debt held by the MidCo.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB) and have been applied by the Company in the preparation of the financial statements.

Liquidated Damages (LD)
Liquidated damages are presented in certain legal contracts as an estimate of losses to one of the parties. It is a provision that allows for the payment of a specified sum should one of the parties be in breach of contract. Liquidated damages are meant as a fair representation of losses in situations where actual damages are difficult to ascertain.

Liquidated damages are often included in specific contract clauses to cover circumstances where a party faces a loss from an asset. The Company typically uses these in EPC arrangements to protect earnings from an asset in the result of delays to construction but are also common in other contracts such as for O&M arrangements.

Load factors
The load factor is usually expressed as the percentage of the actual output of a generator compared to its theoretical maximum output in a year.

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.

Net Asset Value (NAV) per Ordinary Share
The total net assets in the Company divided by the total number of Ordinary Shares in issue as at 31 December 2021.

NAV Total Return
A measure showing how the NAV per share has performed over a period of time, considering both capital returns and dividends paid to shareholders.

NAV Total Return is shown as a percentage change from the start of the period. It assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend.

NAV Total Return shows performance which is not affected by movements in discounts and premiums (share prices). It also considers the fact that different investment companies pay out different levels of dividends.

Ongoing Charges Figure (OCF)
The Ongoing Charges Figure includes all charges and costs incurred by the Company which relate to the ongoing operation of the Company. This includes management fees, administration fees, audit fees, Director's remuneration, depositary services costs and other similar costs. It excludes capital costs and costs of raising new capital. The Ongoing Charges are then divided by the weighted average NAV and annualised.

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, considering both capital returns and dividends paid to shareholders.

Share price total return is shown as a percentage change from the start of the period. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend.

Share price total return shows performance which is affected by movements in discounts and premiums. It also considers the fact that different investment companies pay out different levels of dividends.

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 Great Britain electricity transmission system between November and February each year, the TRIADs are part of a charge-setting process. This identifies peak electricity demand at three points during the winter in order to minimise energy consumption.

However, TRIADs must be at least ten days apart. This is to avoid all three potentially falling in consecutive hours on the same day, for example during a particularly cold spell of weather.

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

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.

VRLA
Valve-Regulated Lead-Acid

Since 1857

Gresham House

Specialist asset management