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Specialist asset management

GRESHAM HOUSE ENERGY STORAGE FUND PLC

INTERIM REPORT AND ACCOUNTS
For the period ended 30 June 2019

CONTENTS

1. HIGHLIGHTS

Performance highlights

- Growth in the post-admission NAV per share of 2.8% to 100.7 pence driven by cash generated by the portfolio, improved revenue forecasts and project-level value enhancements

- Announcement of second dividend of 1.1 pence per Ordinary Share for the period from 1 April 2019 to 30 June 2019, reaffirming expectations of 4.5 pence for 2019. The dividend will be paid on 20 September 2019 to Shareholders on the register as at the close of business on 6 September 2019. The ex-dividend date is 5 September 2019

- Strong share price performance since IPO - Ordinary Share price return of 5.4% to end June, with shares consistently trading at a premium to NAV reflecting strong demand

- £65m raised via two placings under the Placing Programme, adding to the £100m IPO proceeds, with the potential to issue the remaining 36.16 million shares available under the Placing Programme before its expiry in October 2019

Operational highlights

- The deployment of funds is progressing as expected. Anticipated 229MW commissioned by end of Q1 2020 will represent the UK's largest portfolio of energy storage projects:
  - first acquisition since IPO completed on 20 August of 5MW Wolverhampton project
  - committed to the acquisition of the 49MW Longridge project, contingent on final due diligence and technical acceptance
  - progressing two additional 50MW pipeline projects for acquisition by end of Q1 2020

- Added value to the Seed Assets acquired for £57.2m at IPO known as Staunch, Littlebrook, Lockleaze, Rufford and Roundponds through:
  - extending duration of the leases of three projects
  - improving the revenue generation capability of three projects
  - the physical enhancement and upgrade of the Seed Assets

Announcement of acquisition

- Acquisition announced of a stake in Noriker Power Limited, a developer of energy storage assets, where post-investment, GRID will hold 5% of the issued ordinary share capital for a total consideration of £400,000

- Noriker and Gresham House Asset Management (the "Investment Manager" or "GHAM") have an established history of working together and developed the Seed Assets acquired at the IPO by GRID with a total grid connection capacity of 70MW. Today Noriker and the Investment Manager have a pipeline of Energy Storage Systems ("ESS") in development with an expected total grid capacity of 187MW over the next 12 months, with further assets being developed beyond this pipeline

- Under the framework agreement which has been in place since the IPO, Noriker provides the Investment Manager exclusive rights of first refusal on all projects developed by Noriker and, once projects are developed provides other services including project management

- This one-off transaction further consolidates the strategic alliance and the alignment of interest between Noriker and the Fund and provides shareholders in the Fund with the opportunity to participate in potential development profits

2. CHAIR'S STATEMENT

Summary

On behalf of the Board, I am delighted to present the unaudited Interim Report and Accounts of the Gresham House Energy Storage Fund plc (the "Fund" or the "Company"). These are our first set of semi-annual accounts since the IPO in November 2018.

It is a positive confirmation of our investment thesis to see that grid-scale batteries are now becoming an essential feature of the UK's critical national infrastructure. The innate ability of grid-scale batteries to secure the operation of the National Grid is now self-evident, especially under the relentless pressure from the rapid acceleration in deployment of renewable energy. This is indeed the premise for our Fund.

Perhaps the most significant illustration of the challenges the grid faces when renewables become dominant has been the power outage on 9 August 2019; at the time of the outage, wind generation represented 50% of total electricity supply.

The Fund's key achievements since its IPO are listed below. These are mirrored in the growing recognition that this Fund is receiving as a leader in this emergent segment;

- Growth in the post-admission NAV per share of 2.8% to 100.7 pence;
- Ordinary Share Total Return of 5.4% based in the closing price of 104.0 pence per share on the final trading day of June 2019[1];
- First dividend payment in line with expectations;
- Acquisition of Seed Assets for £57.2 million at IPO;
- £65 million raised in additional equity via two placings;
- First project acquisition since IPO completed, the 5MW Wolverhampton project;
- Committed to the acquisition of the 49MW Longridge (a.k.a. Red Scar) project in Q4 2019, contingent on final due diligence and technical acceptance;
- Added value to the Seed Portfolio through:
  - extended duration of the leases of three projects;
  - improved revenue generation capability of three projects; and
  - physical enhancement and upgrade of the Seed Assets.
- Progressing two additional 50MW pipeline projects for acquisition by end of Q1 2020.

The total of current operating assets, projects in hand and the pipeline of projects and upgrades should result in a total 229MW in Energy Storage System ("ESS") projects in the Fund's ownership by the end of Q1 2020.

Net asset value and results

During the period since IPO, the NAV has risen from 98.0p immediately post-admission to 100.7p, driven by cash generated by the portfolio, improved revenue forecasts and the project-level value enhancements referred to earlier.

Dividends

The Fund paid its maiden dividend on 7 June 2019 at 1.4 pence per Ordinary Share. The Fund is pleased to announce a further interim dividend of 1.1 pence per Ordinary Share, payable on 20 September 2019. The Fund remains committed to delivering on its intention to pay dividends totalling 4.5 pence per Ordinary Share in respect of the financial year ending 31 December 2019.

Investment portfolio

Our strategic objective is to build out a substantial portfolio that will focus on a 'revenue stack' which captures a combination of revenue earning opportunities; from electricity trading through asset optimisation to multiple types of balancing services for National Grid. The opportunity is to exploit this market which is predicted to grow 15x to c.10GW within five years[2].

Indeed, scale is key to success. Our average project sizes are growing which will drive down unit costs. The next three projects are around 50MW each. This is the trend line on which we will seek to maximise value for our shareholders.

Fundraising and pipeline

The Fund was admitted to the Specialist Fund Segment of the London Stock Exchange on 13 November 2018 with £100m of gross proceeds in difficult equity market conditions. The Fund has since been back to the market on two occasions; firstly, in May 2019 raising gross proceeds of £49.72m through a placing of 49,228,000 shares at a price of 101.0 pence per share. Secondly, in July 2019, a further £15.34m of gross proceeds was raised following a placing of 14,610,000 shares at a price of 105.0 pence per share.

1. Source: London Stock Exchange, closing mid-price

2. Source: Gresham House research

Since IPO, the share price has consistently traded at a premium to NAV, demonstrating strong interest in the Fund's shares.

The latest fundraising initiative allows the Company to acquire further energy storage projects in the pipeline, as outlined in the Prospectus.

In addition, the Fund is in discussions regarding raising debt finance, and will continue to consider the potential for further share placings under the Prospectus, both of which will facilitate the acquisition of further pipeline projects.

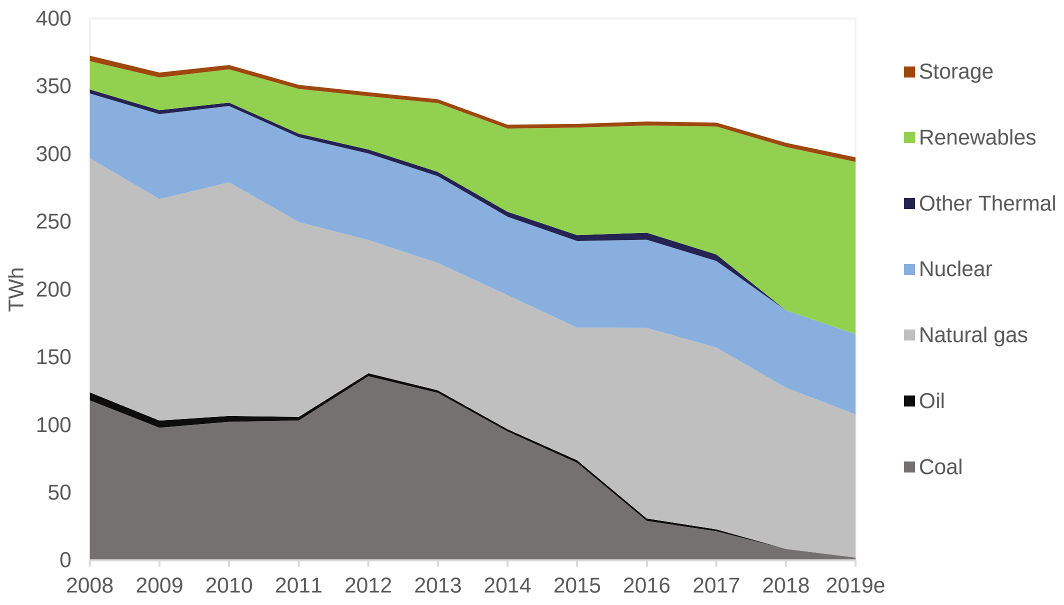
Industry backdrop

The Board is conscious that this is a new, pioneering Fund which is operating a new type of energy project. For this reason, we believe it is worthwhile to share our perspectives about the industry in which the Fund operates, including discussing the opportunities that lie ahead.

A central aim of the UK government is to achieve a low-carbon future, and recently this commitment has stepped up from an 80% reduction in carbon emissions by 2050 to a 100% reduction, as recommended by the Committee on Climate Change (CCC).

Central to the transition to a zero-carbon economy is increasing year-on-year deployment of renewable electricity generation the growth of which has already been impressive, which is shown in Figure 1 below.

Figure 1: UK Electricity Generation by fuel type



Source: BEIS: Reference Scenario in Annex J, 2018 Updated Energy & Emissions Projections.

The next stage in this evolution of the electricity industry's infrastructure requires more dynamic management of the grid to accompany the growth in renewables in order to make the transition cost effective. Of all types of flexible generation that are available, grid-scale energy storage is the most impactful. Batteries are needed because renewables, as a class of power generation, are intermittent and are a non-dispatchable source. The UK electricity system has declining levels of baseload generation, and at high levels of output, renewables have the potential to wreak havoc on the stability of the electricity system by constantly over- or under-generating relative to demand as the system has much reduced intrinsic inertia. We believe the events of 9 August 2019, when there were outages across much of Great Britain, are a stark illustration of lack of system inertia to deal with intermittent supply and the sort of challenge the grid will experience increasingly. Battery systems deployed at scale will be essential for the future stable operations of the National Grid.

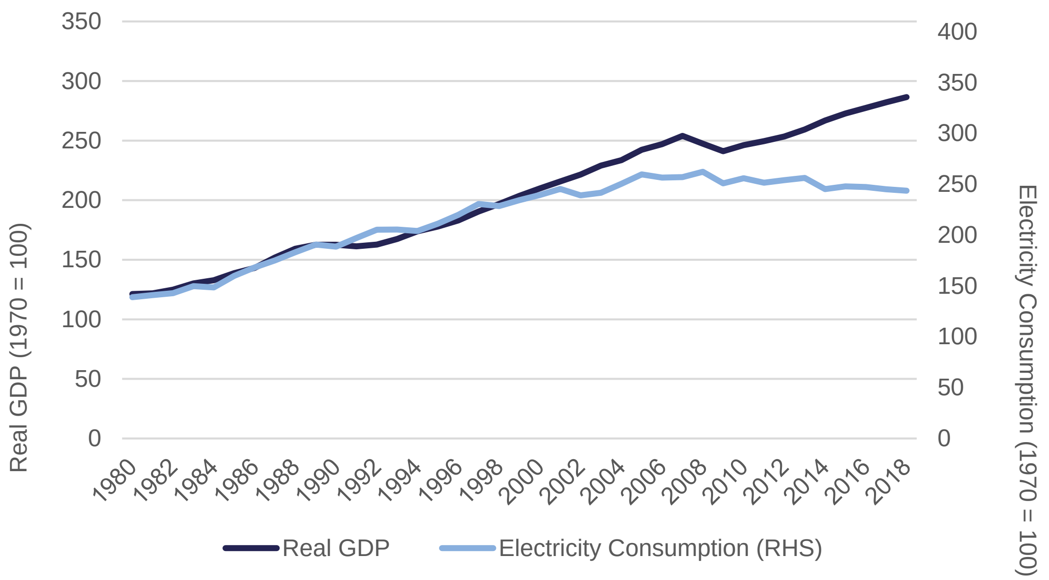
In 2018, CO_2 emissions from electricity generation fell by 7.3%, resulting in a cumulative reduction of 51.8% since 2000.[3] We would not be surprised to

An explanation of TRIADs is provided here; https://www.nationalgrideso.com/document/130641/download

3. Source: BEIS: 2018 UK Greenhouse Gas Emissions, provisional figures see a further significant drop this year given the continued rapid rate of renewable deployment.

Demand has fallen in the UK over the last ten years due mostly to the more efficient use of electricity. The champion is the humble LED bulb which is up to 95% more efficient than the humble tungsten-filament incandescent bulb, but white goods and other products have played a part where a common aspect to many of them is oftentimes a more efficient electric motor. All this has magnified the impact of renewables and has accelerated the demise of the legacy fossil fuel baseload electricity generation base. In time, of course, we do see the electrification of domestic heating and fully electric cars, buses, etc. driving up electricity consumption, at the expense of gas and oil consumption respectively; another key feature of the CCC's recommendations.

Figure 2: Electricity Demand vs GDP



Source: Carbon Brief

As shown in Figure 1 on the previous page, the mix of energy sources for electricity generation has changed drastically over the years, as the relative cost of different generation technologies has shifted, often influenced by regulatory regimes, which in turn have been driven by energy security concerns or the low-carbon agenda.

As such, renewable energy has risen, with the significant impetus from subsidies in the early years, and now represent c.40% of total electricity generation. Looking forward, rapidly falling costs now mean that they are now at grid parity and can compete without support, fuelling further rapid deployment.

However, the overall decline of coal and gas-fired plants has been slowed down by the Capacity Mechanism established by the UK government in 2014 to ensure sufficient base capacity when renewables are not available.

Within the baseload generation mix, coal, which historically has been more competitive than gas has been marginalised by another regulatory regime, the UK's Carbon Price Support, as well as by the EU Exchange Traded System (EU ETS), adding significantly to the cost of generation of coal as it emits the most CO_2 per unit of electrical energy generated. This has resulted in an extraordinary situation; coal-fired generation, from a market share of 42% of total electricity generation in 2012, has since been almost completely removed from the grid.

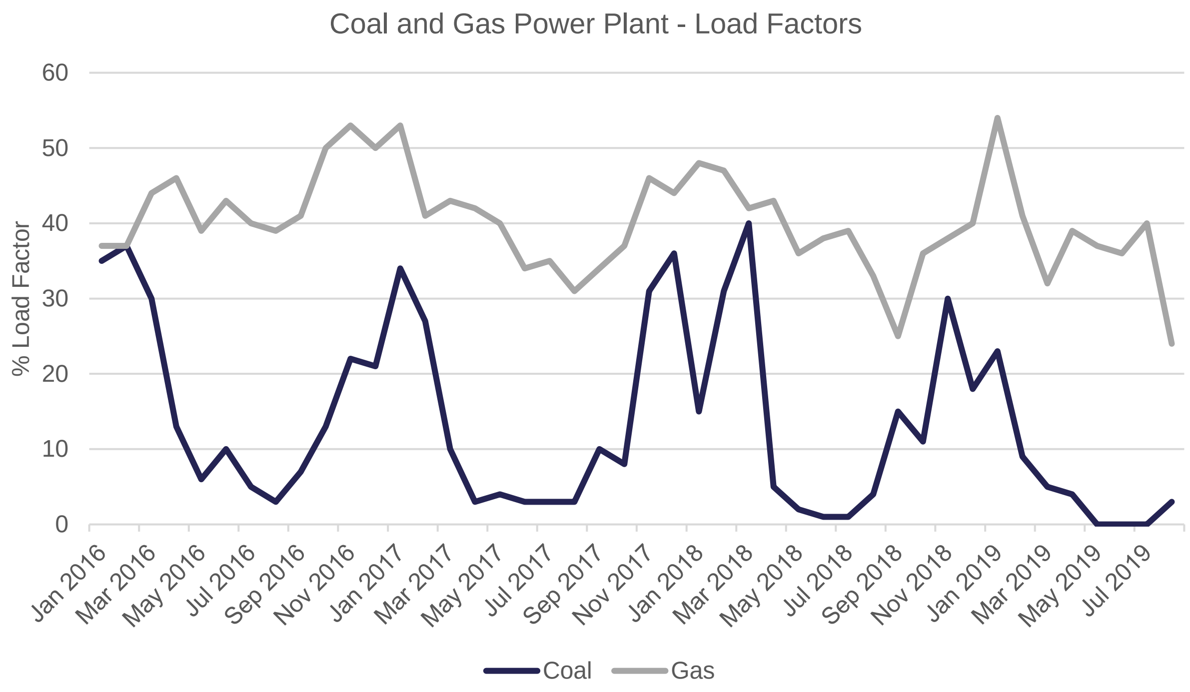
Thanks to gas-fired generation, there is still a great deal of fossil fuel-fired generation in operation today. However, this is set to fall quickly as renewables deployment marches on for the reasons covered above.

The chart below shows how load factors have evolved for coal and gas-fired generation. Coal, as discussed, is almost all gone. Meanwhile, the c.29GW of gas-fired capacity[4] saw its load factor peak almost three years ago.[5]

4. Source: BEIS DUKES report 2019

5. Source: Aurora energy research

Figure 3: Falling load factors of coal and gas-fired generation



Source: Aurora Energy Research

In the next year alone, another c.2GW of offshore wind generation and c.1GW of solar and onshore wind generation is expected to be commissioned.[6] This will increase renewable generation by c.10% and add around four percentage points to renewables' market share of electricity generation, taking a further chunk out of gas-fired generation's market share.

Gas-fired generation already operates at an average load factor below 40%, a challenging level. Compounding gas-fired generation's problems is the fact that renewable generation is intermittent, meaning gas-fired power plants can only run when renewable generation is weak. This on-off generation profile drives up both operational and maintenance costs. This combination of factors is likely to become too challenging economically for some plants before too long.

Gas-fired generation, which has a middling marginal cost compared with renewables (c.£0/MWh) or flexible generation (>£70/MWh), happens to set the price of electricity much of the time. Thus, the falling use of gas creates more dispersion in intraday low and high price points - these spreads increase the profits available to energy storage projects.

With the rising share of renewables in electricity generation, the routinely used grid management tool is curtailment (temporary shutting down) of renewable sources. Curtailment is an expensive solution and costs the consumer £162 million per annum. Over 6% of all wind output is curtailed[7] and this is set to rise until there are sufficient batteries system to stabilise the grid.

Batteries are also needed to support the grid in real time. Our ESS projects have supported National Grid by offering Firm Frequency Response (FFR) Services and indeed, this was the main source of revenues for our Seed Portfolio. These services are the first line of defence, adding or removing power from the grid if the electrical frequency varies by as little as +/-0.05Hz, all in order to keep the frequency within a band from 49.5Hz - 50.5Hz, in line with National Grid's license requirements.

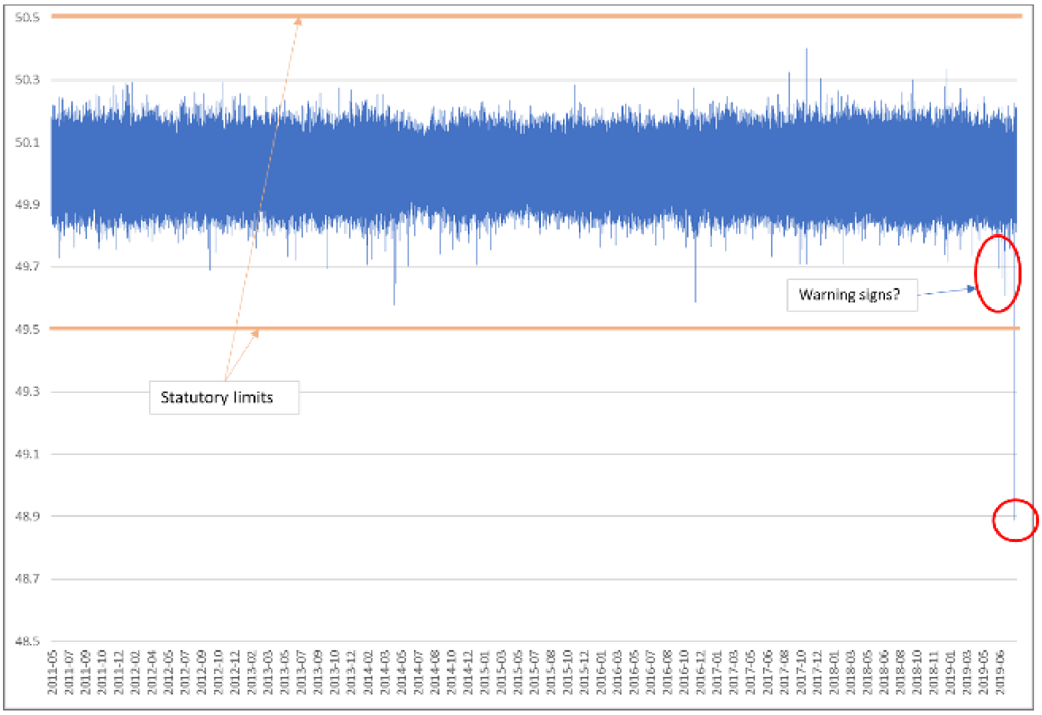
It was this line of defence that 'saved the day' during the blackouts of 9 August by avoiding a far worse outcome. However, they failed in aggregate to completely avoid a short-duration blackout as the supply of back-up power from batteries and other fast-acting generators could not compensate for the size of the system's loss of load.

It is interesting to trace the grid frequency over the last few years, including the now infamous events of 9 August (see the chart below), the day of the recent blackouts across parts of Great Britain. Our technical team had already observed falling 'inertia' on the system in recent months evidenced by

6. Source: Gresham House New Energy research

7. Source: National Grid ESO data, March 2019 increasingly common low-frequency events when there was a drop-in load on the system. We believe, this is due to the recent absence of coal and other heavy rotating turbines which can physically absorb such shocks, tempering the decline in system frequencies.

Figure 4: National Grid frequency (Hz) – Blackout on 9 August 2019



Source: Gridwatch Templar, Elexon

We therefore feel fully justified in our optimism that this new world of a low inertia National Grid will require the development of more battery capacity, which would benefit battery projects such as ours.

Outlook

Without doubt, the UK needs more grid-scale batteries. The growth in renewables demands this and recent events provide confirmatory evidence that batteries can make a difference.

The Fund is very well positioned to build on its initial premise and to grow to significant scale and materiality. The Board and the Gresham House Team have the bench strength, capabilities and experience to create an impactful portfolio of high-performing assets in this sector which is becoming of critical national importance.

John S. Leggate CBE, FREng

Chair

Date: 27 August 2019

3. INVESTMENT MANAGER'S REPORT

Portfolio description - overview

In November 2018, upon IPO, the Fund acquired five separate projects known as the Seed Assets. These comprised of projects known as: Staunch, Littlebrook, Lockleaze, Rufford and Roundponds. These projects offer a mix of storage and generation configurations and technologies which are outlined below.

All the Seed Assets were constructed by Metka-EGN Limited, who also currently provide operations and maintenance services. All the sites are, or will shortly, undergo an upgrade, and an overview is provided later in the Manager's report.

Staunch

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

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

The Staunch project consists of utility-scale batteries plus reciprocating engines with a capacity currently split as follows: 20MW across gas and diesel reciprocating generators; and a battery system, which comprise: 4MW (2MWh) of lithium-ion batteries; and 1MW of VRLA batteries.

The Staunch project was commissioned in March 2017.

The project will be going through an extensive upgrade during Q4, removing diesel engine capacity and replacing these with efficient gas engines, following an evaluation of the project's business model.

Littlebrook

The Littlebrook project is an 8MW import and export battery-only project located near the site of the old Littlebrook power station near the Dartford river crossing on the south side of the Thames, on less than 0.5 acres of land. The site is located within the existing Littlebrook Industrial Estate which contains large industrial tenants and is close to the site of a former power station. The site was formerly an isolated patch of scrub vegetation surrounded on all sites by existing industrial development.

The Littlebrook project was commissioned in December 2017.

It is anticipated that this project will be extended at a nearby site, by 5MW, during Q4 2019. The original site is also having its battery capacity increased substantially in the coming weeks in readiness for adoption of the asset optimisation business model described in the Fund's IPO Prospectus and which involves trading electricity.

Lockleaze

The Lockleaze project is a 15MW symmetrical export battery-only project located in the Lockleaze area of Bristol beside a railway line and a substantial Western Power Distribution substation, on approximately 0.5 acres of land within the local electricity distribution board's estate. The site is adjacent to a large sub-station, a builders' merchant, with a railway line running to the west of the site. Previously, the site area was used as a storage compound by the electricity distribution network operator and has been cleared, surfaced and fenced.

The Lockleaze project was commissioned in July 2017.

This project is having its battery capacity increased substantially in the coming weeks in readiness for adoption of the asset optimisation business model described in the Prospectus and which involves trading electricity.

Rufford

The Rufford project is a 7MW import and export battery and reciprocating generator project located on land previously used for coal stocking within the former Rufford Colliery in Nottinghamshire. The site is situated on a former coal mine, which is currently undergoing remediation. The project sits adjacent to an existing electrical substation and is positioned within its own secure compound built on approximately 0.5 acres of land. The site is approximately 1.8km north of Rainworth and 2.6km east of Mansfield. There are no properties in proximity of the site; the nearest residential premises are approximately 1.3km south of the site.

The Rufford project was commissioned in July 2017.

This project, currently made up of batteries and reciprocating engines, is having its battery capacity increased substantially in the coming weeks in readiness for adoption of the asset optimisation business model described in the Prospectus and which involves trading electricity. A result of this is that the engines are no longer expected to be used for the vast majority of the time.

Roundponds

The Roundponds Project, which is situated in Melksham, Wiltshire, commenced commercial operations in April 2018 and has an asymmetric grid-connection capacity of 20 MW export, 10 MW import.

The Roundponds Project is a c.0.5-acre site located near a complex of agricultural buildings at Roundponds Farm, being 1.3km north west of Melksham, Wiltshire off the Bath Road. The site was formerly a compound area used during the construction of a solar farm located to the west of the site. The site is in open countryside (which previously benefited from planning permission for other electricity generation equipment) and is approximately 150m from the nearest residential building.

The Roundponds project was commissioned in April 2018.

The business model of this project is being enhanced through the offer of an improved import grid connection, which will take import capacity up to 20MW, making it a symmetrical project with no further need for engines.

This project is also having its battery capacity increased substantially in October in readiness for adoption of the asset optimisation business model described in the Prospectus and which involves trading electricity.

Wolverhampton

Wolverhampton is the first post-IPO acquisition and is a symmetrical 5MW battery-only project. It was acquired by the Fund in August 2019. The site is situated in an urban environment c.1km from the centre of Wolverhampton. The site is surrounded by a mix of major roads, commercial, industrial activity, and to the north west, several residential dwellings.

The Wolverhampton project was constructed by Metka-EGN Limited and commissioned in April 2019.

Pipeline

Existing assets	Location	Capacity (MW)	Site type	Commissioning status
Staunch	Staffordshire	20	Battery and generators, 0.5MW import	Operational
Rufford	Nottinghamshire	7	Battery and generators, symmetrical	Operational
Lockleaze	Bristol	15	Battery, symmetrical	Operational
Littlebrook	Kent	8	Battery, symmetrical	Operational
Roundponds	Wiltshire	20	Battery and generators, 10MW import	Operational
Wolverhampton	West Midlands	5	Battery, symmetrical	Operational
Total		75		

Pipeline projects[8]	Location	Capacity (MW)	Site type	Commissioning status[9]
Wickham Market	Suffolk	50	Battery, 40MW import	Expected Q1 2020
Littlebrook Extension[10]	Kent	5	Battery, symmetrical	Expected Q4 2019
Red Scar	Lancashire	49	Battery, symmetrical	Expected Q4 2019
Thurcroft	South Yorkshire	50	Battery, symmetrical	Expected Q1 2020
Total		154		

In addition to the above, the Manager has identified over 250MW of additional pipeline.

The Manager is executing a plan to commit the funds raised over the last nine months.

The Fund can only acquire operational projects. As this is an emerging sector there are currently very few operational projects available to acquire outside the Manager's pipeline communicated at the time of the IPO. As the Fund's mandate is to wait and acquire projects after commissioning, there has been a natural pause before acquiring further projects post-IPO, as a result of lead times in ordering equipment, engaging engineering contractors, arriving at the optimum final designs and confirming these with the planning authorities. However, there are now a handful of large projects either in, or about to go into, construction. First, the Fund expects to commit to acquiring the 49MW Longridge project (also known as Red Scar) that went into construction in July 2019 and is expected to commission in November 2019. This project is on the Red Scar Industrial Estate in Preston, Lancashire.

Meanwhile a further three projects are expected to begin construction over the next ten weeks, totalling 105MW. Assuming successful commissioning of these projects and acquisition by the Fund, the Fund is expected to have 229MW in operational projects by the end of Q1 2020. This is expected to represent the UK's largest battery portfolio.

All the projects mentioned above are operated as "symmetrical" battery projects and do not have any gas engines or other technologies installed.

Seeing the opportunity in longer duration batteries, we are typically installing c.1.5-hour batteries, that is to say, batteries that would take 1hr 30mins to discharge if fully charged through the relevant grid connection.

In summary, the Manager remains committed to have fully deployed IPO proceeds within 12 months of the IPO and all funds raised subsequently, in May and July 2019, by the end of the first quarter 2020.

The Manager has a good pipeline of prospective projects to consider should any incremental funds

8. All Pipeline projects are owned by Gresham House Group and exclusivity over the projects has been granted in favour of the Fund
9. Expected commissioning dates are indicative and based on most recent conversations with relevant Distribution Network Operators (DNOs)
10. Remains subject to planning consent

be raised. Scale is of the essence for new projects. Every single project under consideration is at least 30MW and more typically 50MW.

Portfolio commentary

The Fund continues to perform well having generated ample cash to meet our 2019 dividend target, so far since the IPO.

The Manager has drafted this report at a pivotal moment in the history of this Fund. The Seed Portfolio has been, apart from TRIADs in a four-hour daily window from November to February, solely focused on delivering FFR services, enjoying well-priced contracts won in 2016 or 2017.

Going forward, we are transitioning our anticipated long-term business model towards the electricity trading opportunity. Our Prospectus had projected we might earn over 70% of revenues from this activity and we continue to believe this will be the case.

It is possible, however, following the blackouts of Friday 9 August that National Grid procures more frequency response capacity and this opportunity can deliver better financial returns. If this is the case, we will certainly take advantage of this.

The Seed Portfolio performed very well in delivering its services to National Grid achieving full compliance and thus earning all the potential revenue achievable from these contracts.

There is a lot of activity within the team as we focus on readying the Seed Portfolio for electricity trading, the main task being increasing the battery size at all projects. Battery sizes are being increased to 1.5-hour duration where possible and this is expected to happen at the Lockleaze and Littlebrook projects.

The Seed Portfolio benefited in a number of other areas.

At the 20MW Staunch project, the only significantly asymmetrical project in the portfolio at this stage, we have decided to upgrade all generating capacity to gas, removing the diesel capacity which was originally to be turned into bi-fuel gas and diesel generating capacity. The latter was deemed not to be the best marginal investment by the Fund.

Elsewhere in the Seed Portfolio, we are anticipating a further 10MW of import capacity at the 20MW Roundponds project, which will take the import capacity there to 20MW making it a perfectly symmetrical project (i.e. equal export and import). This improves the business model significantly and also simplifies the project.

It is worth mentioning that 5MW of the additional 105MW expected by the end of Q1 2020 is in fact an enlargement to the existing Littlebrook site. This is a very cost-effective way of adding to our MWs under management.

The Manager has also managed to achieve several lease extensions starting with a 5-year extension to the lease at Staunch to a 30-year lease. The leases at Rufford (7MW) and Littlebrook (8MW) have been extended by 5 years and 10 years, and to 30 and 35 years respectively.

Reporting on our Seed Portfolio has been very straightforward. As long as the projects deliver the FFR service to National Grid, the projects receive the fixed contract revenue.

Going forward, the Manager will still report on the ability of projects to win and perform against FFR contracts, but this is likely to be a smaller percentage of total revenues. The majority, coming from trading, is a function of the volatility of the electricity market and the performance of the asset optimisers responsible for these assets. The revenues reported will also be more volatile when examined on a month by month basis.

The Manager has gone through an extensive process to select the best asset optimisation firms in the market. Their aim is to identify a number of potential partners. We have identified the strengths a trading counterparty needs; from balance sheet strength to the intelligence of their trading algorithms to a very deep knowledge of their industry. An initial set of counterparties has been identified and the strongest performers will be given the opportunity to grow with us.

The entities contracted so far are mostly very well known in the electricity marketplace although credible new entrants are also being considered for future capacity.

Cost performance has been an area of focus. The Manager has identified savings similar to those identified in the early years of the wind and solar farm industries. Operations and maintenance costs are expected to fall significantly on a per MW basis as the Fund’s scale grows.

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

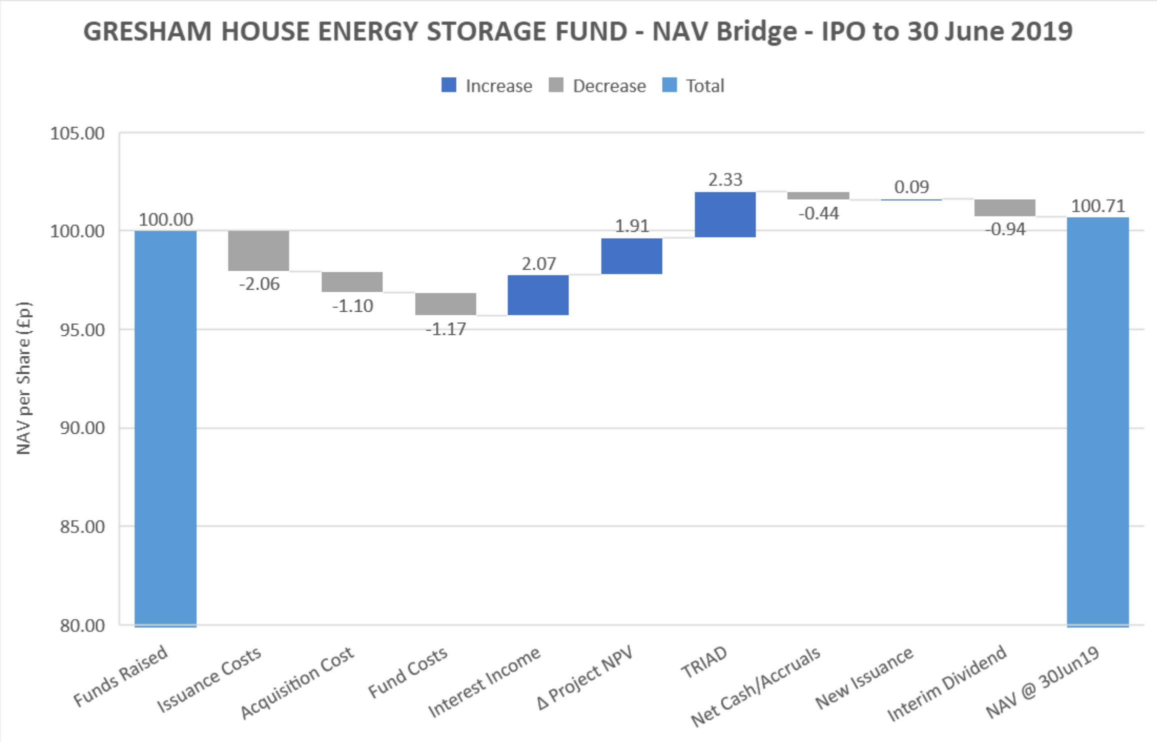
Forecasts

While we, in our role as Manager, evaluate the potential of the market, the forecasts for existing and prospective projects are provided by our consultants at Cornwall Insight. We also closely track the forecasts and reports of other consultants active in the sector.

While we factor these forecasts into revenue projections for our NAV calculations, we will not necessarily rely on these fully if we believe that the Central case (sometimes known) as P50 is either too optimistic or creates a valuation which creates a risk to the projected dividend.

Valuation and NAV update

Since IPO the NAV has risen from 98.0p to 100.7p as of the end of June. The bridge between the two valuations is broken down in the chart below. Further information on the valuation process can be found in Note 17 of the accounts.



Outlook

Over the last months, the Fund has continued fundraising under the Placing Programme. Specifically, in May the Fund raised an additional £49.7m at 101p and in July 2019 has raised a further £15.3m at 105p, leaving a potential 36.16m shares available to be issued during the life of the Placing Programme, which expires on 16 October 2019.

We are looking forward to deploying these and any additional funds in a timely way as described above.

We are excited by developments in the electricity market; both regulatory and in terms of continued renewables deployment that is expected to keep our investment thesis on track.

We are in a strong position, in particular due to our scale, to capitalise on the opportunity that lies ahead.

About the Investment Manager

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

Gresham House New Energy ("GHNE") was formed in November 2017 following announcement to acquire the business of Hazel Capital LLP. The GHNE team have worked together for c.10 years and have developed or invested in 28 solar projects (290MW) and 6 Energy Storage System (ESS) projects (75MW) to date.

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

The GHNE team and Noriker Power Ltd have collaborated since 2016 to deliver and bring into commercial operation 75MW of operational ESS projects which have now been acquired by the Fund.

4. PRINCIPAL RISK AND UNCERTAINTIES

4.1. Principal Risk and Uncertainties

The following principal risks and uncertainties to the Company for the remainder of the period to 31 December 2019 have been identified:

A. Risk relating to the Company

1. The Company and its subsidiaries have no employees and are reliant on the performance of third-party service providers
2. The Company's targeted returns are based on estimates and assumptions that are inherently subject to significant uncertainties and contingencies
3. Changes in laws or regulations governing the Company's operations may adversely affect the Company's business
4. The UK's exit from the European Union may adversely affect the overall electricity market in which the Company operates

B. Risk relating to portfolio and investment strategy

1. Macro level risks:
   - 1.1 Energy market regulations
   - 1.2 New energy storage technologies
2. Acquisition of energy storage projects risks:
   - 2.1 Competition for acquisitions
   - 2.2 Due diligence may fail to uncover all material risks
3. Other risk:
   - 3.1 Valuation process

C. Risks relating to operation of the Company's portfolio

1. Inability to control operating expenses and investments
2. Changes in method to procure balancing services, length of contracts and pricing, including frequency response and failure to secure new contracts
3. Volatility of the price of electricity
4. Counterparty risk which includes demand aggregator, electricity supplier and other counterparties
5. Technological and operational risks may rise which may not be covered by warranties or insurance

D. Risks relating to taxation

The Company and its subsidiaries (the "Group") will claim capital allowances to minimise tax payable within the Group. Government policy may restrict the rate of such capital allowances or use of taxation losses over the Group. This may impact cash flow available for dividend payments.

More detailed information on the risks and uncertainties affecting the Company can be found in Company's Prospectus dated 17 October 2018.

4.2. Directors' Report

The Directors present their interim report for the period from 24 August 2018 (incorporation date) to 30 June 2019. This is the first Interim Report and Condensed Financial Statements prepared by Gresham House Energy Storage Fund plc (the "Company") and therefore no comparatives are provided.

Principal activity and business review

The Company was incorporated in England and Wales on 24 August 2018 with company number 11535957 as a closed-ended investment company. On 13 November 2018, the Company's Ordinary Shares were admitted to the Specialist Fund Segment and commenced dealings on the Main Market of the London Stock Exchange ("LSE"). The Company has subsequent to its launch, entered the Investment Trust Company ("ITC") regime for the purposes of UK taxation. The Company is a Member of the Association of Investment Companies ("AIC").

The Company's investment objective is to provide investors with an attractive and sustainable dividend over the long term by investing in a diversified portfolio of utility-scale Energy Storage Systems ("ESS"), which utilise batteries and may also utilise generators. The ESS projects comprising the portfolio are located in diverse locations across Great Britain.

On 8 November 2018 the Company announced that it raised gross proceeds of £100 million pursuant to the Share Issue (the "Issue and Placing Programme"), as described in the Prospectus published by the Company on 19 October 2018 and the Supplementary Prospectus published by the Company on 6 November 2018.

The Company's Seed Portfolio was acquired at the Initial Public Offering ("IPO") on 13 November 2018. The acquisition was for 70MW at a cost of £57.22 million. The Manager is now focused on deploying the remaining cash raised at IPO and in subsequent fund raises.

Since IPO the Company has raised funds from two non-pre-emptive placings. Firstly, on 28 May 2019 it announced the placing of 49,228,000 Ordinary Shares at 101 pence per share, raising gross proceeds of £49.72 million. Secondly, on 11 July 2019, it announced the placing of 14,610,000 Ordinary Shares at an issue price of 105p, raising gross proceeds of £15.34 million.

On 20 August 2019 the Company announced the acquisition of Wolverhampton, a 5MW symmetrical battery project, its first acquisition since IPO. Construction has commenced on the next project, known as Red Scar, which the Company expects to acquire during Q4 2019.

Gresham House Asset Management Limited, the Alternative Investment Fund Manager ("AIFM") of the Company has been appointed as manager under the AIFM Agreement and is authorised and regulated by the FCA.

The registered office of the Company is 7th Floor, 9 Berkeley Street, London, W1J 8DW.

Results

The results of the Company for the period are disclosed on page 15.

Dividends

The Company declared a dividend of £1.4 million (1.4 pence per share) for the period running from incorporation to 31 March 2019 which was paid on 7 June 2019. Subject to market conditions and the Company's performance, it is intended that dividends will be payable quarterly hereafter.

The Directors recommend that an interim dividend of 1.1 pence per share be paid in respect of the period ended 30 June 2019.

Share capital

As at 30 June 2019, 149,228,000 Ordinary Shares were in issue and no other classes of shares were in issue at that date. Subsequent to the period end, the Company issued an additional 14,610,000 shares which brings the total shares in issue to 163,838,000.

Risk management and internal control

The Board is responsible for financial reporting and controls, including the approval of the Interim Report and Accounts, the dividend policy, any significant changes in accounting policies or practices, and treasury policies including the use of derivative financial instruments. During the period the Manager has carried out an assessment of the principal risks and uncertainties facing the Company and how they are being mitigated, as described in section 4.1 above, and note 18 to the Condensed Financial Statements.

In light of the Company's current position and principal risks and uncertainties, the Board has assessed the prospects of the Company for a period of 12 months from the date of this report, reviewing the Company's liquidity position, compliance with any loan covenants and the financial strength of its energy contracts, together with forecasts of the Company's future performance under various scenarios. The Board has concluded there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities over that period.

The Board has oversight of the internal controls of the Company, including operational and compliance controls and risk management systems, which are documented in a Board memorandum. As with any risk management system, the Company's internal control framework is designed to manage risk but cannot give absolute assurance that there will never be any material misstatement or loss. The Board has reviewed the risk management and internal control framework in the period and believes it to be working effectively. The Board has considered the appropriateness of establishing an internal audit function and, having regard to the relatively simple nature of the Company's operations and the likely cost of such a function, has concluded that it is not necessary at this stage.

The Board meets at least every quarter to review the Company's performance against its strategic aims, objectives, business plans and budgets and ensures that any corrective action considered necessary is taken. Additional meetings are held as required to deal with the business of the Company in a timely manner. Directors are expected to attend all meetings of the Board and all meetings of those committees on which they sit, as well as the Annual General Meeting ("AGM"). Meetings called outside the scheduled quarterly Board meetings may need to be convened at relatively short notice and therefore at times when not every director is available. Every meeting during the period has however been correctly convened with an appropriate quorum and with the Directors independent of the Investment Manager.

Directors

All Directors are independent Non-Executive Directors. In terms of the AIC Code of Corporate Governance (2019), all Directors are required to retire and seek re-election at the AGM. All four Directors will therefore retire and seek re-election at the next AGM in June 2020.

The Directors who served during the period and to the date of this report are:

John Leggate (appointed on incorporation date and became a Non-Executive Director on 14 October 2018)

Duncan Neale (appointed on incorporation date and became a Non-Executive Director on 15 October 2018)

David Stevenson (appointed on incorporation date and became a Non-Executive Director on 14 October 2018)

Catherine Pitt (appointed as a Non-Executive Director on 1 March 2019)

The Company maintains £20 million of Directors' and Officers' Liability Insurance cover for the benefit of the Directors, which was in place throughout the period and which continues in effect at the date of this report.

Details of the gross fees paid to Directors in the period are set out below.

Director	Annual fee (£)	Received in period ended 30 June 2019 (£)
John Leggate	65,000*	54,167
Duncan Neale	45,000*	42,500***
David Stevenson	40,000*	38,333***
Catherine Pitt	40,000**	6,667

*Effective from 1 September 2018
**Effective from 1 March 2019
***Includes additional fees paid of £5,000 during the period

In accordance with FCA Listing Rules 9.8.6(R)(1), Directors' interest in the shares of the Company (in respect of which transactions are notifiable to the Company under FCA Disclosure and Transparency Rule 3.1.2(R)) as at 30 June 2019 are shown below:

Directors' interest and beneficial interest	Number of Ordinary Shares	Percentage of issued share capital
John Leggate	5,000	0.00%
Duncan Neale	5,000	0.00%
David Stevenson	5,000	0.00%
Catherine Pitt	5,000	0.00%

Significant shareholdings

As at 30 June 2019 the Directors have been notified that the following shareholders have a disclosable interest of 3% or more in the Ordinary Shares of the Company:

Shareholder	Number of Ordinary Shares	Percentage of issued share capital
Gresham House (Nominees) Limited	16,708,613	11.20%
State Street Nominees Limited	13,488,672	9.04%
ROY Nominees Limited	9,500,000	6.37%
HSBC Global Custody Nominee (UK) Limited	9,169,212	6.14%
Lion Nominees Limited	9,162,836	6.14%
Lux Energy Limited	8,760,066	5.87%
The Bank Of New York (Nominees) Limited	7,429,550	4.98%
HSBC Global Custody Nominee (UK) Limited	5,523,213	3.70%
Benjamin Guest	4,693,619	3.15%

Going concern

The Company's business activities, together with the factors likely to affect its future development performance and position, are set out in the Investment Manager's Report. The Company faces a number of risks and uncertainties, as set out above. The financial risk management objectives and policies of the Company, including exposure to price risk, interest rate risk, credit risk and liquidity risk are discussed in note 18 to the Condensed Financial Statements. The Company continues to meet day-to-day liquidity needs through its cash resources.

As at 30 June 2019, the Company had net current assets of £63 million and had cash balances £64 million (excluding cash balances within investee companies), which are sufficient to meet current obligations as they fall due. The major cash outflows of the Company are the costs relating to the acquisition of new assets and payment of dividends, both of which are discretionary. The Company had no outstanding debt as at 30 June 2019.

The Directors have reviewed Company forecasts and projections which cover a period of not less than 12 months from the date of this report, taking into account foreseeable changes in investment and trading performance, which show that the Company has sufficient financial resources. On the basis of this review, and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As such the Directors believe that the Company will continue into the foreseeable future and have adopted the going concern basis in preparing these Interim Report and Condensed Financial Statements.

Political contributions

The Company made no political contributions during the period.

Employees

The Company has no employees and therefore no employees share scheme or policies for the employment of disabled persons or employee engagement.

Other disclosures

Disclosures of financial risk management objectives and policies and exposure to financial risks are included in note 18 to the Condensed Financial Statements.

Disclosures in relation to the Company's business model and strategy have been included within the Investment Manager's report. Disclosures in relation to the main industry trends and factors that are likely to affect the future performance and position of the business have been included within the Investment Manager's report.

Signed by order of the Board,

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Chair

Date: 27 August 2019

4.3. Statement of Directors' Responsibilities

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

The Directors confirm that to the best of their knowledge:

- the Interim Report and Condensed Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

- the Chair's Statement and Interim Investment Manager's Report include a fair review of the development, performance and position of the Company and a description of the principal risks and uncertainties, that it faces for the next six months as required by DTR 4.2.7.R of the Disclosure Guidance and Transparency Rules.

- the Investment Manager's Interim Report and note 23 to the Condensed Financial Statements include a fair review of related party transactions and changes therein, as required by DTR 4.2.8.R of the Disclosure Guidance and Transparency Rules.

Signed by order of the Board,

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Chair
Date: 27 August 2019

5. CONDENSED FINANCIAL STATEMENTS

5.1. Condensed Statement of Comprehensive Income

As at 30 June 2019

Company number 11535957

24 August 2018 to 30 June 2019	**Notes**	**Revenue (£)**	**Capital (£)**	**Total (£)**
Net gain on investments at fair value through the profit and loss	6	-	4,563,921	4,563,921
Revenue	7	2,400,834	-	2,400,834
Administrative and other expenses				
Transaction fees		-	(1,011,655)	(1,011,655)
Legal and professional fees		-	(136,256)	(136,256)
Other administrative expenses	8	(1,376,924)	-	(1,376,924)
Total administrative and other expenses		(1,376,924)	(1,147,911)	(2,524,835)
Profit before tax		**1,023,910**	**3,416,010**	**4,439,920**
Taxation	9	-	-	-
Profit after tax and total comprehensive income for the period		**1,023,910**	**3,416,010**	**4,439,920**
Profit per share (basic and diluted) - pence per share	10	1.27	4.23	5.50

All items dealt with in arriving at the result for the period relate to continuing operations.

5.2. Condensed Statement of Financial Position

As at 30 June 2019

Company number 11535957

	Notes	30 June 2019 (£)
Non-current assets		
Investment in subsidiaries at fair value through profit or loss	11	68,884,400
Loans receivable	12	18,723,829
		87,608,229
Current assets		
Cash and cash equivalents	13	63,673,305
Trade and other receivables	14	22,553
		63,695,858
Total assets		151,304,087
Current liabilities		
Trade and other payables	15	(1,020,972)
		(1,020,972)
Total net assets		150,283,115
Shareholders' equity		
Share capital	20	1,492,280
Share premium	20	48,741,440
Capital reduction reserve	20	95,609,475
Capital reserves	22	3,416,010
Revenue reserves	22	1,023,910
		150,283,115
Total shareholders' equity		150,283,115
Net asset value per share (pence)	19	100.71

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

____

Chair
Date: 27 August 2019

5.3. Condensed Statement of Changes in Equity

For the period from 24 August 2018 (incorporation date) to 30 June 2019

	Notes	Share capital (£)	Share premium reserve (£)	Capital reduction reserve (£)	Capital reserves (£)	Revenue reserves (£)	Total shareholders' equity (£)
As at 24 August 2018		-	-	-	-	-	-
Comprehensive income for the period		-	-	-	-	-	-
Profit for the period		-	-	-	3,416,010	1,023,910	4,439,920
Total comprehensive income for the period		-	-	-	3,416,010	1,023,910	4,439,920
Transactions with owners							
Ordinary Shares issued at a premium during the period		1,492,280	147,837,801	-	-	-	149,330,081
Share issue costs		-	(2,086,886)	-	-	-	(2,086,886)
Issue of redeemable preference shares		12,500	-	-	-	-	12,500
Redemption of redeemable preference shares		(12,500)	-	-	-	-	(12,500)
Transfer to capital reduction reserve	20	-	(97,009,475)	97,009,475	-	-	-
Dividends paid		-	-	(1,400,000)		-	(1,400,000)
As at 30 June 2019		**1,492,280**	**48,741,440**	**95,609,475**	**3,416,010**	**1,023,910**	**150,283,115**

The notes on pages 24 to 40 form an integral part of these Condensed Financial Statements.

5.4. Condensed Statement of Cash Flows

For the period from 24 August 2018 (incorporation date) to 30 June 2019

	Note	24 August 2018 to 30 June 2019 £
Cash flows used in operating activities		
Profit for the period		4,439,920
Net gain on investments at fair value through profit and loss		(4,563,921)
Interest income		(2,400,834)
Increase in trade and other payables		1,020,972
Net cash used in operating activities		**(1,503,863)**
Cash flows used in investing activities		
Loans made to subsidiaries	21	(23,926,887)
Loans receivable	12	(18,699,689)
Bank interest received		122,285
Net cash used in investing activities		**(42,504,291)**
Cash flows used in financing activities		
Proceeds from issue of Ordinary Shares at a premium	21	111,168,345
Share issue costs		(2,086,886)
Issue of redeemable preference shares		12,500
Redemption of redeemable preference shares		(12,500)
Dividends paid		(1,400,000)
Net cash inflow from financing activities		**107,681,459**
Net increase in cash and cash equivalents for the period		**63,673,305**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		**63,673,305**

The notes on pages 24 to 40 form an integral part of these Condensed Financial Statements.

5.5. Notes to the Condensed Financial Statements

For the period from 24 August 2018 (incorporation date) to 30 June 2019

1. General information

Gresham House Energy Storage Fund plc (the Company) was incorporated in England and Wales on 24 August 2018 with company number 11535957 as a closed-ended investment company. The Company intends to carry on business 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 7th Floor, 9 Berkeley Street, London, W1J 8DW. Its share capital is denominated in Pounds Sterling ("GBP" or "£") and currently consists of Ordinary Shares. The Company's principal activity is to invest in a diversified portfolio of operating utility-scale Energy Storage Systems ("ESS"), which utilise batteries and may also utilise generators. The ESS projects comprising the portfolio are located in diverse locations across Great Britain. These accounts cover the period from incorporation to the 30 June 2019.

2. Basis of preparation

Statement of compliance

The Interim Report and Condensed Financial Statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union. The Condensed Financial Statements have been prepared on a historical cost basis except for financial assets and liabilities at fair value through the profit or loss. This is the first Interim Report and Condensed Financial Statements prepared by the Company and therefore no comparatives are provided.

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

Functional and presentation currency

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

Going concern

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries and bearing in mind the nature of the Company's business and assets, the Directors consider the Company to have adequate resources to continue in operational existence for the foreseeable future. As such, they have adopted the going concern basis in preparing the Interim Report and Condensed Financial Statements.

New and revised standards in issue but not yet effective

The following standard and interpretation have been issued but are not yet effective.

IFRS 16 Leases - specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for annual periods beginning on or after 1 January 2019 and is endorsed by the European Union.

The Directors considered the above and are of the opinion that the above standard is not expected to have a material impact on the Company's Condensed Financial Statements.

3. Significant accounting judgements, estimates and assumptions

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

During the period the Directors considered the following significant judgements and assumptions:

Assessment as an investment entity

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

a. the Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;

b. the Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

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

The Company meets the criteria as follows:

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

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

During the period the Directors considered the following significant estimates:

Valuation of investments in subsidiaries

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

4. Summary of significant accounting policies

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

Segmental information

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

Income and expenses

Income and expenses are accounted for on an accruals basis. The Company's income and expenses are charged to the Condensed Statement of Comprehensive Income.

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.

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 Statement of Comprehensive Income 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.

Investment in subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary entity and has the ability to affect those returns through its power over the subsidiary entity. In accordance with the exemption under IFRS 10 Consolidated Financial Statements, the Company is an investment entity.

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

Loans receivable

Loans receivable are recognised initially at fair value and subsequently stated at amortised cost less allowance which is calculated using the provision matrix of the expected credit loss model.

Cash and cash equivalents

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

Trade and other receivables

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

Trade and other payables

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

Dividends

Dividends are recognised when they become legally payable, as a reduction in equity in the Condensed Financial Statements. Interim equity dividends are recognised when paid. Final equity dividends will be recognised when approved by the shareholders.

Equity

Equity instruments issued by the Company are recorded at the amount of the proceeds received, net of directly attributable issue costs. Costs not directly attributable to the issue are immediately expensed in the Statement of Comprehensive Income. The Company's capital is represented by the Ordinary Shares, Share Premium (until cancellation), Retained Earnings and Capital Reduction Reserve.

Share Premium

The surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The reserve is non-distributable. The share premium following the IPO was cancelled during the period and transferred to the capital reduction reserve (see below).

Revenue Reserves

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

Capital Reserves

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

Capital Reduction Reserve

Following a successful application to the High Court and lodgement of the Company's statement of capital with the Registrar of Companies, the Company was permitted to cancel its share premium account. This was effected on 13 February 2019 by a transfer of the balance of £97,009,475 from the share premium account to the capital reduction reserve (refer to note 19). The capital reduction reserve is classed as a distributable reserve and dividends to be paid by the Company are to be offset against this reserve.

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.

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 comprise both debt and equity). There are no consolidated subsidiaries.

Financial liabilities measured at amortised cost

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

Recognition and derecognition

Financial assets are recognised on trade date, 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 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.

For interest receivables on cash balances, the Company uses a 12-month expected loss allowance for all interest receivables. The Company has completed some high-level analysis and forward looking qualitative and quantitative information, to determine if the interest receivable is low credit risk. Based on this analysis the expected credit loss ("ECL") on interest receivable is not material and therefore no impairment adjustments were accounted for.

Loans receivable fall within the scope of IFRS 9. The Company has completed some high-level analysis and forward looking qualitative and quantitative information to determine if the loans receivable have low credit risk. The Directors considered the counterparties to have low credit risk due to the following:

- The Company is not planning on recalling these loans in the next 12 months neither is there any legal obligation to do so;
- Management does not expect there to be adverse changes in economic and business conditions during the loan repayment period which would reduce the ability of the affiliated entities, HC ESS4 Limited and HC ESS6 Limited to repay the loans;
- Management considers the loans to have a very low risk of the probability of default.

For loans that are low credit risk, IFRS 9 allows a 12-month expected credit loss to be recognised. The Directors have concluded that any ECL on the loans receivable would be immaterial to the Interim Condensed Financial Statements and therefore no impairment adjustments were accounted for.

Fair value measurement and hierarchy

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

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

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

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

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

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

5. Fees and expenses

Accounting, secretarial and directors

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

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

During the period, expenses incurred with JTC (UK) Limited for administrative and secretarial services amounted to £84,221 with £28,671 being outstanding and payable at the period end.

AIFM

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

- 1% on the first £250 million of the Net Asset Value of the Company
- 0.9% on the Net Asset Value of the Company in excess of £250 million and up to and including £500 million
- 0.8% on the Net Asset Value of the Company in excess of £500 million

During the period, AIFM fees recognised in these Condensed Financial Statements amounted to £952,994 with £657,232 being outstanding and payable at the period end.

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

	24 August 2018 to 30 June 2019 (£)
Net gain on investments at fair value through the profit and loss	4,563,921
	4,563,921

7. Revenue

	24 August 2018 to 30 June 2019 (£)
Bank interest income	144,838
Interest on loans to subsidiaries	2,231,856
Interest on loans to related parties (see note 12)	24,140
	2,400,834

8. Administrative and other expenses

	24 August 2018 to 30 June 2019 (£)
Administration fees	84,221
Audit fees paid	59,040
Depositary fees	22,775
Directors' remuneration	159,221
Management fees	952,994
Sundry expenses	98,673
	1,376,924

9. Taxation

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

To the extent that there is insufficient group tax relief available to eliminate taxable profits, the Company may make interest distributions to reduce taxable profits to nil due to the taxable profits for the period to 30 June 2019 being below the Company's Qualifying Net Interest Income. Therefore, no corporation tax charge has been recognised for the Company for the period to 30 June 2019.

		24 August 2018 to 30 June 2019 (£)
(a) Tax charge in profit or loss		
UK corporation tax		-
(b) Reconciliation of the tax charge for the period		
Profit before tax		4,439,920
Tax at UK main rate of 19%	19.00%	843,585
Tax effect of:		
Net gain on investments at fair value through the profit and loss	(19.53%)	(867,145)
Non-deductible expenses	4.91%	218,103
Subject to group relief/designated as interest distributions	(4.38%)	(194,543)
Tax charge for the period	-%	-

10. Earnings per share

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

	24 August 2018 to 30 June 2019 (£)
Net profit attributable to ordinary shareholders	£4,439,920
Weighted average number of Ordinary Shares for the period	80,724,271
Profit per share (basic and diluted) - pence per share	5.50

Excluding the period prior to the initial public offering on 8 November 2018, the EPS for the period would be 4.22p (based on weighted average number of 105,240,400 shares).

11. Investment in subsidiaries

	Place of business	Percentage ownership	Opening equity (£)	Loans: principal advanced (£)	Loans: Interest accrued (£)	Opening equity and loans (£)	Fair value movement (£)	Closing balance: equity and loans (£)
Noriker Staunch Ltd ("NSL")	England & Wales	100%	7,150,538	11,588,503	534,705	19,273,746	4,699,946	**23,973,692**
HC ESS2 Holdco Limited ("HCESS2 Holdco")	England & Wales	100%	4,634,116	23,827,622	1,028,216	29,489,954	(1,344,966)	**28,144,988**
HC ESS3 Limited ("HCESS3")	England & Wales	100%	1,648,697	13,239,147	668,935	15,556,779	1,208,941	**16,765,720**
			13,433,351	48,655,272	2,231,856	64,320,479	4,563,921	**68,884,400**

In accordance with clause 5.3.2 of the amended and restated sale and purchase agreement dated 5 November 2018, the Company advanced funds to NSL, HCESS2 and HCESS3 in order for the subsidiaries to repay their outstanding debts.

The total principal amounts of the loans advanced on 13 November 2018 and 14 June 2019 are detailed in the table above. Further amounts may be advanced from time to time at the discretion of the Company and on the same terms set out in this agreement.

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

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

There are no committed uncalled loan amounts. The repayment of the loans (including the annual compound interest which will be rolled up into the loans) will be made based on operational cash flow requirements. There is no intention for the Company to recall the loans within the next year.

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

	Immediate Parent	Place of business	Percentage ownership	Ownership
Noriker Staunch Ltd ("NSL")	The Company	England & Wales	100%	Wholly owned
HC ESS2 Limited ("HCESS2")*	HCESS2 Holdco	England & Wales	100%	Wholly owned
South West Grid Storage One Limited*	HCESS2	England & Wales	100%	Wholly owned
Roundponds Energy Limited	HCESS3	England & Wales	100%	Wholly owned

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

12. Loans receivable

	Loans: principal advanced (£)	Loans: Interest accrued (£)	30 June 2019 Closing balance: loans (£)
HC ESS 4 Limited	15,093,671	19,398	**15,113,069**
HC ESS 6 Limited	3,606,018	4,742	**3,610,760**
	18,699,689	24,140	**18,723,829**

The loans attract an interest rate of 8% per annum from the date of advance, which is 24 June 2019 for HC ESS 4 Limited and 25 June 2019 for HC ESS 6 Limited. The loan principal and any interest accrued shall be repayable on the earlier of (i) written demand from the Company, or (ii) 31 December 2030. Interest compounds on 31 December of each year and the loans are unsecured.

13. Cash and cash equivalents

	30 June 2019 (£)
Cash at bank	24,473,305
Treasury fixed term deposits held at Barclays Bank plc	39,200,000
	63,673,305

14. Trade and other receivables

	30 June 2019 (£)
Interest receivable on Treasury fixed term deposits	22,553
	22,553

15. Trade and other payables

	30 June 2019 (£)
Administration fees	28,671
AIFM fees	657,232
Audit fees	32,567
Depositary fees	6,000
Accrued IPO costs	14,000
Professional fees	151,503
LSE fees	98,622
Other creditors	32,377
	1,020,972

16. Categories of financial instruments

	30 June 2019 (£)
Financial assets	
Financial assets at amortised cost:	
Cash and cash equivalents	63,673,305
Trade and other receivables	22,553
Loans receivable	18,723,829
Fair value through profit or loss:	
Investment in subsidiary	68,884,400
Total financial assets	**151,304,087**
Financial liabilities	
Financial liabilities at amortised cost	
Trade and other payables	1,020,972
Net financial assets	**150,283,115**

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

17. Fair value measurement

Valuation process

The Company held a portfolio of energy storage investments with a capacity of 70 Megawatt (“MW”) operational (the “Investments”) through its subsidiary companies. The Investments comprise 5 projects held in 3 special project vehicles: the Staunch project, the Littlebrook project, the Lockleaze project, the Rufford project and the Roundponds project.

All of these investments are based in the UK. The Directors review and approve these valuations following appropriate challenge and examination. The current portfolio consists of non-market traded investments, and valuations are analysed using forecasted cash flows of the assets and use the discounted cash flow approach for valuation purposes. For Year-End and Interim Report and Condensed Financial Statements the Company engages external, independent and qualified valuers to determine the fair value of the Company's investments or these are produced by the office of the Investment Manager.

As set out in the Company's RNS dated 16 November 2018, the 15 November 2018 judgment of the General Court of the Court of Justice of the European Union had the effect of annulling the European Commission's State Aid approval for the Capacity Market scheme and introducing a standstill period until the scheme can be approved again. On 21 February 2019 the European Commission announced that they will be launching an in-depth investigation as required for the scheme to be approved again, and that they will be appealing the General Court judgment.

The valuation of the Investments assumes that Capacity Market revenues, across the current portfolio, will be received as originally set-out in the Capacity Market scheme. However, while the Manager and the Directors are confident that there will be a positive outcome from the European Commission's investigation, it is not certain that the scheme will be reinstated on exactly the same basis as previously contracted. The contribution of Capacity Market revenues to the valuation is £6.266 million. The blended discount rate used in the valuations incorporates an additional risk premium in relation to these revenues.

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 seed asset (being each asset within the Seed Portfolio) and attributable to the seed assets have been discounted to 30 June 2019, using discount rates reflecting the risks associated with each seed asset and the time value of money. The valuations are based on the expected future cash flows, using reasonable assumptions and forecasts for revenues, operating costs, macro-level factors and an appropriate discount rate.

As at the period end, the Company uses a blended discount rate of around 12 percent. in respect of the expected future cashflows of the seed assets. The determination of the discount rate applicable to the Seed Portfolio takes into account various factors, including, but not limited to, the stage reached by each project, the period of operation, the historical track record, the terms of the project agreements and the market conditions in which the seed assets operate.

It is intended that this blended discount rate will also be applied in respect of the expected future cashflows of projects acquired by the Company in the future. The Manager exercises its judgement in assessing the expected future cash flows from each investment. The Manager produces, for each underlying project, detailed financial models and the Manager takes into account, amongst other things, in its review of such models, and make amendments where appropriate to:

(a) discount rates (i) implied in the price at which comparable transactions have been announced or completed in the UK energy storage sector (if available); (ii) publicly disclosed by the Company's peers in the UK energy storage sector (if available); and (iii) discount rates applicable for other comparable infrastructure asset classes and regulated energy sectors;

(b) changes in power market forecasts from leading market advisers;

(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).

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 Manager.

Valuation approach and methodology

Valuation input	Range	Weighted average
WACC	11.7% - 12.1%	11.9%
Inflation	n/a	3.0%*

* 1.5% from 31 December 2031

Valuation of financial instruments

The investment at fair value through profit or loss is a Level 3 in the fair-value hierarchy and the reconciliation in the movement of this Level 3 investment is presented below. No transfers between levels took place during the period.

Reconciliation	30 June 2019 (£)
Opening balance	-
Add: purchases during the year (see note 21)	13,433,351
Add: loans advanced (see note 21 for the non-cash portion)	48,655,272
Add: accrued interest on loans	2,231,856
Total fair value movement through the profit or loss	4,563,921
Closing balance	68,884,400

18. Financial risk management

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

- **Counterparty risk**

The Company is exposed to third-party credit risk in several instances and the possibility that counterparties with which the Company and its subsidiaries, together the Group, contracts may default or fail to perform their obligations in the manner anticipated by the Group. Such counterparties may include (but are not limited to) manufacturers who have provided warranties in relation to the supply of any equipment or plant, EPC contractors who have constructed the Company's plants, who may then be engaged to operate assets held by the Company, property owners or tenants who are leasing ground space and/or grid connection to the Company for the locating of the assets, contractual counterparties who acquire services from the Company underpinning revenue generated by each project or the energy suppliers, or demand aggregators, insurance companies who may provide coverage against various risks applicable to the Company's assets (including the risk of terrorism or natural disasters affecting the assets) and other third parties who may owe sums to the Company. In the event that such credit risk crystallises, in one or more instances, and the Company is, for example, unable to recover sums owed to it, make claims in relation to any contractual agreements or performance of obligations (e.g. warranty claims) or require the Company to seek alternative counterparties, this may materially adversely impact the investment returns. Further, the projects in which the Company may invest will not always benefit from a turnkey contract with a single contractor and so will be reliant on the performance of several suppliers. Therefore, the key risks during battery installation in connection with such projects are the counterparty risk of the suppliers and successful project integration.

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

- **Concentration risk**

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

The Fund's ESS projects generate revenues primarily from Firm Frequency Response (FFR), Asset Optimisation (Trading), Capacity Market (CM) and other grid connection-related charges, including TRIADs. Revenues from the portfolio's seed ESS projects are currently skewed to FFR revenues, FFR being the provision to the National Grid of a dynamic response service to maintain the grid's electrical frequency at 50Hz. In 2019, operations are expected to be increasingly targeted towards Asset Optimisation, as this becomes the more profitable business activity. There are several additional revenue opportunities emerging for the portfolio as a series of regulatory changes are implemented.

The Manager is of the view that the UK's exposure to renewable energy generation has increased significantly over the last few years and the pace has not lessened despite the removal of legacy subsidies to onshore wind and solar. This is largely because the development of offshore wind installations has continued apace. As a result, generation from wind is having a growing impact on the grid, generating a volatile supply of energy which underpins the opportunity for ESS.

- **Credit risk**

Cash and other assets that are required to be held in custody will be held at bank. Cash and other assets may not be treated as segregated assets and will therefore not be segregated from the bank's own assets in the event of the insolvency of a custodian. Cash held with the bank will not be treated as client money subject to the rules of the FCA and may be used by the bank in the ordinary course of its own business. The Company will therefore be subject to the creditworthiness of the bank. In the event of the insolvency of the bank, the Company will rank as a general creditor in relation thereto and may not be able to recover such cash in full, or at all.

The 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 A2.

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 which are required to be funded can be met out of readily available and secure sources of funding.

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

The Company does intend to assess its ability to raise debt and is expected to introduce leverage (at the Company level and/or the ESS project Company level) once sufficient assets have been acquired and to the extent funding is available on acceptable terms. In addition, it may from time to time use borrowing for short-term liquidity purposes which could be achieved through a loan facility or other types of collateralised borrowing instruments. The Company is permitted to provide security to lenders in order to borrow money, which may be by way of mortgages, charges or other security interests or by way of outright transfer of title to the Company's assets. The Directors will restrict borrowing to an amount not exceeding 50%. of the Company's Net Asset Value at the time of drawdown. There will be no cross collateralization between the projects.

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

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

As at 30 June 2019	< 1 year (£)	1 to 2 years (£)	2 to 5 years (£)	> 5 years (£)	Total (£)
Financial assets					
Cash and cash equivalents	63,673,305	-	-	-	63,673,305
Trade and other receivables	22,553	-	-	-	22,553
Loans receivable (see note 12)	-	-	-	18,723,829	18,723,829
Fair value through profit or loss:					
Investment in subsidiaries	-	-	-	50,887,128*	50,887,128
Total financial assets	**63,695,858**	**-**	**-**	**69,610,957**	**133,306,815**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables	1,020,972	-	-	-	1,020,972
Total financial liabilities	**1,020,972**	**-**	**-**	**-**	**1,020,972**

*excludes the equity portion of the investment in subsidiaries

- **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 30 June 2019, 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.

- **Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is exposed to interest rate risk on its cash balances held with counterparties, bank deposits, loans receivable, advances to counterparties and through loans to subsidiaries. Bank deposits and Treasury fixed-term deposits carry a fixed rate of interest for a definite period and loans receivable and loans to subsidiaries carry a fixed rate of interest until repayment at the earlier of written demand from the lender or 31 December 2030. The Company may be exposed to changes in variable market rates of interest as this could impact the discount rate and therefore the valuation of the projects as well as the fair value of the loans to subsidiaries.

- **Currency risk**

All transactions and investments during the current period were denominated in Pounds Sterling, thus no foreign exchange differences arose. The Company does not hold any financial instruments at period end which are not denominated in Pounds Sterling and is therefore not exposed to any significant currency risk. Subsidiary entities may, from time to time, incur expenditure in currencies other than Pounds Sterling.

- **Capital risk management**

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

- **Other risks**

The Company is exposed to other risks as set out in the Prospectus dated 17 October 2018.

19. Net asset value per share

Basic NAV per share is calculated by dividing the Company's net assets as shown in the Condensed 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 share are identical.

	30 June 2019
Net assets per Condensed Statement of Financial Position	£ 150,283,115
Ordinary Shares in issue as at 30 June 2019	149,228,000
NAV per share - Basic and diluted (pence)	100.71

20. Share capital

	Ordinary Shares number	**Share capital (£)**	**Share premium reserve (£)**	**Capital reduction reserve (£)**	**Total shareholders' equity (£)**
Allotted and issued share capital					
Issue of 50,000 redeemable preference shares - one quarter paid up		12,500			12,500
Redemption and cancellation of 50,000 redeemable preference shares		(12,500)	-	-	(12,500)
Issue of Ordinary Shares of £0.01 and fully paid at £1 - 8 November 2018	100,000,000	1,000,000	99,000,000	-	100,000,000*
Issue of Ordinary Shares of £0.01 and fully paid at £1 - 28 May 2019	49,228,000	492,280	48,837,801	-	49,330,081
	149,228,000	1,492,280	147,837,801	-	149,330,081
Share issue costs	-	-	(2,086,886)	-	(2,086,886)
Transfer to capital reduction reserve	-	-	(97,009,475)	97,009,475	-
Dividends paid	-	-	-	(1,400,000)	(1,400,000)
As at 30 June 2019	**149,228,000**	**1,492,280**	**48,741,440**	**95,609,475**	**145,843,195**

***Please refer to note 21 for the non-cash flow portion of the share issue.**

Share capital and share premium account and capital reduction reserve

On incorporation the Company issued 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 6 October 2018, the Company published a Prospectus for its initial public offering and the acquisition of the Seed Portfolio, and a supplementary Prospectus was published on 6 November 2018. The Prospectus provided for the issue of up to 200 million Ordinary Shares of £0.01 each in the capital of the Company at a price of £1 per ordinary share. On 8 November 2018, the Company announced that it had issued 100,000,000 Ordinary Shares, raising gross proceeds of £100 million pursuant. On 17 November 2018, the Company's Ordinary Shares were admitted to the Specialist Fund Segment and commenced dealings on the Main Market of the London Stock Exchange.

The consideration received in excess of the par value of the Ordinary Shares issued of £99,000,000 was credited to the share premium account.

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

The Board of Directors announced on 26 April 2019, a proposed non pre-emptive placing of up to 75 million new Ordinary Shares of 1p each in the capital of the Company ("Placing Shares") at an issue price of 101 pence per Placing Share to be used for further pipeline acquisitions. The Placing Shares will not rank for the dividend of 1.4 pence per Ordinary Share declared by the Company on 26 April 2019 but will otherwise rank *pari passu* with the Company's existing Ordinary Shares in issue.

Pursuant to the above placing and on 28 May 2019, the Company issued 49,228,000 Ordinary Shares, raising gross proceeds of £49.72 million.

An interim dividend of 1.4 pence per ordinary share for the period from inception to 31 March 2019 has been announced on 26 April 2019. The dividend was paid on 7 June 2019 to shareholders on the register as at the close of business on 17 May 2019. The ex-dividend date is 16 May 2019.

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

Ordinary shareholders are entitled to all dividends declared by the Company and, in a winding up, to all of the Company's assets after repayment of its borrowings and ordinary creditors. Ordinary shareholders have the right to vote at meetings of the Company. All Ordinary Shares carry equal voting rights.

21. Non-cash flow items

The Statement of Cash Flow for the period excludes the following non-cash items:

	24 August 2018 to 30 June 2019 (£)
Non-cash flows used in investing activities	
Purchase of investments	13,433,351
Loans made to subsidiaries	24,728,385
	38,161,736
Non-cash flows used in financing activities	
Proceeds from issue of Ordinary Shares at a premium	38,161,736
	38,161,736

22. Reserves

The nature and purpose of each of the reserves included within equity at 30 June 2019 are as follows:

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

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

23. Transactions with related parties

Following admission of the Ordinary Shares (refer to note 20), the Company and the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company. The Company does not have an ultimate controlling party.

Details of related parties are set out below:

Directors

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

Key management personnel include the Directors. Total Directors' remuneration of £159,221 was incurred in respect of the period and includes short-term employee benefits of £17,554. There was no Directors' remuneration outstanding and payable at the period end.

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

AIFM

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

- 1% on the first £250 million of the Net Asset Value of the Company
- 0.9% on the Net Asset Value of the Company in excess of £250 million and up to and including £500 million
- 0.8% on the Net Asset Value of the Company in excess of £500 million

During the period, AIFM fees amounted to £952,994 with £657,232 outstanding and payable at the period end.

The AIFM is a wholly owned subsidiary of Gresham House plc, a significant shareholder in the Company. Ben Guest (a director of the AIFM), Bozkurt Aydinoglu and Gareth Owen are also significant shareholders in the Company. These parties have entered into a Lock-up and Orderly Market Deed dated 16 October 2018 that regulates their ability to deal in the Company's shares. Ben Guest also holds, via a wholly owned vehicle Lux Energy Limited, a significant financial interest in the Company.

Loans to related parties

Loans to subsidiaries represent amounts due to the Company from its direct subsidiary undertakings, Noriker Staunch Ltd and HC ESS3 Limited, as well its indirect subsidiary, HC ESS2 Limited, as follows:

- £12,123,208 due from Noriker Staunch Ltd at the period end, being an outstanding loan amount of £11,588,503 as well as accrued interest receivable of £534,705
- £13,908,082 due from HC ESS3 Limited at the period end, being an outstanding loan amount of £13,239,147 as well as accrued interest receivable of £668,935
- £24,855,838 due from HC ESS2 Limited at the period end, being an outstanding loan amount of £23,827,622 as well as accrued interest receivable of £1,028,216

Loans receivable

Loans receivable represent amounts due to the Company from its affiliated parties, HC ESS4 Limited and HC ESS6 Limited, as follows:

- £15,113,069 due from HC ESS4 Limited at the period end, being an outstanding loan amount of £15,093,671 as well as accrued interest receivable of £19,398
- £3,610,760 due from HC ESS6 Limited at the period end, being an outstanding loan amount of £3,606,018 as well as accrued interest receivable of £4,742

24. Capital commitments

As at 30 June 2019 the Company has no significant binding or conditional future capital commitments.

25. Contingencies

As outlined in the Prospectus and Supplementary Prospectus the Company may make further payment (in cash) of 'Deferred Project Consideration' upon satisfaction of certain increases of value of the Seed Portfolio. The Deferred Project Consideration may be payable in the event certain conditions are met within 12 months after Admission, such as securing lease extensions or planning consent. The quantum of any Deferred Project Consideration has not yet been evaluated, and in the event the conditions are satisfied, the amount payable remains subject to determination by an independent valuer.

26. Post balance sheet events

On 2 July 2019, an additional loan of £1,026,542 was advanced to HC ESS4 Limited.

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

The Board of Directors recommended that an interim dividend of 1.1 pence per share in respect of the period ended 30 June 2019 be paid on 20 September 2019 to all shareholders with the record date on 6 September 2019.

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

6. GLOSSARY

Asset optimisation

Asset optimisation involves buying and selling electricity in order to capture a spread between the high and low electricity prices on any given day. This can be done via one or more market mechanisms, hence the expression ‘‘asset optimisation’’.

Asymmetric

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

Balancing services

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

- Black Start
- Demand side response
- Enhanced frequency response (EFR)
- Firm frequency response (FFR)
- Short term operating reserve (STOR)

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

Black start

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

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

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.

Symmetrical

A symmetrical grid connection is where the import and export capacities are the same.

System inertia

Inertia works to keep the electricity system running at the right frequency by using the kinetic energy in spinning parts in power plant generator turbines. When needed, the spinning parts in generator turbines can rotate slightly faster or slower to help balance out supply and demand. The more turbines you have, the more energy there is in the system and the greater the system inertia, which helps to stabilise the frequency.

https://www.nationalgrideso.com/information-about-great-britains-energy-system-and-electricity-system-operator-eso/technical-terms-explained

TRIADs

Triads are defined as the three half-hours of highest demand on the GB electricity transmission system between November and February each year, the Triads are part of a charge-setting process. This identifies peak electricity demand at three points during the winter in order to minimise energy consumption.

However, Triads must be at least 10 days apart. This is to avoid all three potentially falling in consecutive hours on the same day, for example during a particularly cold spell of weather.

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

VRLA

Valve-Regulated Lead-Acid

7. COMPANY INFORMATION

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