30 June

2020

The UK's largest listed battery storage fund

Gresham House Energy Storage Fund plc (GRID)
Interim Report and Accounts as at 30 June 2020

Since 1857
Gresham House
Specialist asset management

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

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

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

Financial Highlights

NAV per Share (pence)
(as at 30 June 2020)

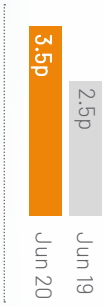
98.16p

Profit/loss (£m)
(for the period to 30 June 2020)

(£0.5m)

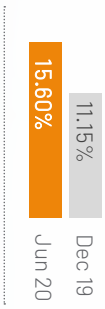
Dividend per Ordinary Share (pence)
(for the period to 30 June 2020 - including proposed dividend)

3.5p



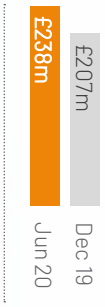
Ordinary Share price return since IPO
(for the period to 30 June 2020)

15.6%



Total gross funds raised (£m)
(for the period post IPO to 30 June 2020)

£238m



Performance Highlights

- Net Asset Value (NAV) of £230.0m or 98.16 pence per share. Reduction in the NAV per share of 2.6p due downward revisions to forward curves in the wake of the COVID-19 pandemic and partially uncovered dividend due to cash weighting. Weighted average cost of capital remains unchanged at 11.1%
- Flat NAV total return of minus 0.02% for the six-month period as NAV per share reduction of 2.6p offset by dividends of 2.75p paid in the six-month period
- Strong share price performance since inception: Ordinary Share price total return was 15.6% to the end June 2020, with shares consistently trading at a premium to NAV reflecting strong investor demand: apart from initial volatility during the COVID period. The Ordinary Share Price total return for the six-month period ended June 2020 was 4.0%
- Announcement of 2020 dividend of 1.75 pence per Ordinary Share for the period from 1 April 2020 to 30 June 2020, bringing total dividends of 3.5p for the six-month period. The Board reaffirms expectations of 7.0 pence dividends for 2020 and expects full dividend cover in 2021
- £31 million raised in the six-month period with total gross funds raised to date of £238 million. These funds will be deployed by the end of the year with 350MW of operational capacity. In addition, the GRID Power Bond offering is underway
- Gresham House Asset Management, the Investment Manager of the Company, has achieved the highest A+ score in relation to Principles for Responsible Investment demonstrating a strong commitment to Environmental, Social and Governance matters: reinforcing the Company's ESG credentials

Operational Highlights

- COVID-19 impact on GRID's operations remains low, despite slowdown in connections by Distribution Network Operators which partly impacted commissioning dates of Wickham Market and Thurcroft
- The Company has 215MW of operational projects as at the date of this report, including the acquisition of the 41MW Bloxwich project on 3 July 2020 from Arenko Group
- Thurcroft and Wickham projects will commission in Q3 2020 / early Q4 2020 respectively adding another 100MW
- A further project of c.25MW (Project River), not previously contemplated, is in advanced stages of due diligence and is expected to complete in September. Including the 10MW Glassenbury extension, the portfolio will total 350MW by the end of 2020
- On 4 March 2020 the system price spiked to £2,242/MWh, the highest price in 19 years, catalysed by a wind forecasting error, and each of our available sites were able to capture significant value

Chair's Statement

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

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

Summary
On behalf of the Board, I am delighted to present the Interim Report and Accounts of Gresham House Energy Storage Fund plc for the period ending 30 June 2020.

Portfolio description, transactions and pipeline
This has been an eventful period leading to significant growth in our contracted portfolio of battery storage assets.

The pace of new project acquisition and integration continues to cement our industry lead and allows us to leverage our scale and sector "know how" in the market.

We are pleased to note that the Company's pipeline continues to build strongly, as identified in the Portfolio Section of the Investment Manager's report.

At end 2019 the portfolio was 174MW. On 3 July 2020, the 41MW Bloxwich project was acquired. In addition, a further 75MW is expected to be added to the portfolio by the end of September 2020 and another 50MW in early Q4. Including the Glassenbury extension of 10MW, this will double the portfolio to 350MW by the end of 2020.

These projects include Project River (c.25MW), an operational project in advanced stages of due diligence and the Thurcroft (50MW) and Wickham (50MW) projects.

In addition, exclusivity has been secured for a c.40MW project in the Republic of Ireland (Project Emerald) which will be our first outside of the UK. None of these deals contributed to the period ending 30 June 2020; we look forward to their positive contribution in H2 2020 and full contribution during 2021.

Project Emerald reflects our recognition of the unique opportunity to generate better than average returns in the "volume-uncapped with tariff" regulated Irish market for frequency response and related services over the next few years, and the identification of a specific project to take advantage of this. The Manager sees the Irish market as providing excellent investment opportunities for the Fund and provides the ability to secure operational cash flows to provide dividend cover and diversify revenue streams. This deal was possible following the amendment to the Company's Investment Policy, which now permits investment of up to 10% of NAV in the Republic of Ireland and Northern Ireland and was overwhelmingly approved by Shareholders at the AGM on 30 June 2020.

Of the deals the Manager has worked on in the year 2020 to date, two were already operational; Bloxwich, the energy storage system acquired from Arenko Group and Project River – see further details in the Investment Manager's report.

Such assets demonstrate a diversification of our deal sourcing strategy.

The Byers Brae 30MW project near Edinburgh (which is in the Company's exclusivity pipeline) is likely to be commissioned in H1 2021, a little later than previously expected, but remains exciting as our first Scottish deal and will take advantage of the opportunity to help National Grid manage the growing output from wind energy in Scotland, and in particular, to minimise curtailment when generation is strong.

In our Annual Report, we highlighted that 22% of the portfolio's capacity was still ramping up following an upgrade or experiencing some degree of technical challenges. I am pleased to say that this has now fallen to under 4% of the 215MW in operation today. Further, given all the portfolio growth, it has been important for the Investment Manager to add further highly experienced and well qualified operational resources.

Last and by no means least, the Investment Manager has worked to make sure that potential risks and opportunities resulting from the COVID-19 pandemic have been well understood and, where possible, have been mitigated.

Results and outlook
During the first half, the Company has been in a transition towards full deployment of funds raised to date and expects to be fully invested before the year end.

In terms of revenue sources and mix, the Manager has skewed battery operations to frequency response, in particular since lockdown, as this has offered higher revenues than trading in the wholesale market or the Balancing Mechanism.

Meanwhile, in terms of wholesale trading, lower national electricity demand has consequently led to lower available trading revenues during the lockdown period of the second quarter. However, it is noteworthy that there has been some recovery of demand since the lows of May and June, and that has helped wholesale market trading returns recover. In normal market environments there would be very limited correlation to power prices, however when electricity demand collapses as it did during the initial COVID-19 impact period, the Manager has, in hindsight, observed that temporary excess generation plays a part in dampening trading spreads.

Similar dynamics apply in the Balancing Mechanism (or "BM", the mechanism by which National Grid uses generation assets, at prices offered by their operators, to balance supply and demand on a rolling half-hourly basis) and this remains one of our most important areas of revenues. However, having started the year in a very promising way, the BM became less profitable than the wholesale market during the lockdown as National Grid needed to take decisions to protect the stability of the system. This had an adverse impact on intraday pricing, as well as on the utilisation of batteries.

National Grid are only too aware of their under-use of batteries, given their promise to be able to operate a zero-carbon grid by 2025. In this context, from September National Grid will start to publish the times they do not use batteries when they could have done (known as "skip rates"). These skip rates will be monitored by Ofgem under the upcoming RIIO2 framework, which is designed to improve value for customers, and should lead to further demand for battery services from National Grid.

Separately, earlier in 2020, National Grid made a request to industry stakeholders asking for ways they might be able to better utilise batteries. Arenko (from whom the Company acquired the Bloxwich asset) proposed a trial using processes currently used to make gas turbine generators available for system balancing by providing payments for availability. This concept of payment-for-availability which Arenko has proposed is an ideal way to make batteries available via contract several hours in advance.

There have been two trials so far and a third is planned for September. We are therefore hopeful that National Grid will introduce this as a revenue generating service in coming months. In our view, this could transform the use of batteries, and put them on the path to mainstream adoption.

Fundraising
During the period, the Company raised a further £31 million in equity, immediately prior to the commencement of the UK lockdown period.

The Company launched, through its 100% owned subsidiary Gresham House Energy Storage Holdings plc, a bond raise (GRID Power Bonds) on 7 July 2020 seeking up to £40 million of funding over a 12-month period. The first series targeting up to £15 million will be closing in the coming weeks. This funding is allocated to fund projects within the current pipeline.

Net Asset Value (NAV)
Through the period, the NAV has fallen from 100.79p to 98.16p This has come mainly from a more cautious set of volatility and revenue stream forecasts from our new third-party industry consultants (we are no longer using Cornwall Insight). In addition, 0.7p of the reduction is from a cash shortfall from the dividend not being fully covered in the first half of the year.

Industry consultants have reacted to recent events by making fairly significant reductions to their forecast curves of average daily power prices, linked to a lower demand outlook, a growing amount of near-zero marginal cost renewables and much lower natural gas prices. The net impact of these changes has resulted in lower power pricing forecasts. We have adopted this new and more conservative regime.

While we have reflected these forecasts in the NAV, we are cautiously optimistic about the future prospects of the portfolio because of its scale and its capability to operationally flex our assets.

The Board have decided to review discount rates and will consider the outcome in future NAV updates.

COVID-19
The impact of COVID-19 on our business was outlined in our 2019 Annual Report in April 2020.

We have been pleased and relieved that, as expected, day to day operations and maintenance have not been affected thanks to the diligence of our O&M contractors and sub-contractors. However, as noted in the Market Update Section, the portfolio has experienced some flattening of volatility curves which have impacted on income opportunities available; the flexibility of the portfolio has been utilised to minimise the impact of this on asset optimisation income.

The impact of the lockdown on deployment has impacted the timings of the commissioning of new projects. Specifically, the Wickham and Thurcroft commissioning dates were pushed back by a few months due in part to a pause in connections by Distribution Network Operators during the lockdown as well as certain contractors employing specialist staff who had a need to self-isolate. Fortunately, there has been no financial impact as the lost income due to late commissioning will be mitigated through agreed compensation from the sellers and EPC contractors at a level that will fully replace operating cash flows.

In our view, COVID-19 has had the effect of highlighting the importance of the ESG agenda and the extent to which integrating additional battery storage deeper into the UK power grid can play a more valuable role in emergency situations.

The high percentage of demand being met by renewables in Q2 2020, caused by the lockdown-induced drop in demand, has offered a glimpse of a future where there is not sufficient battery capacity installed. The UK renewables fleet, combined with low amounts of battery storage requires the use of more gas fired generation to balance the system. Indeed, balancing costs to the UK power grid reached £718 million for the period March to July 2020 according to Ofgem, a 41% increase on 2019.

Thus, installing batteries in the right quantities achieved two things at once; lower CO2 emissions by using less gas, and avoiding unnecessary curtailment of renewable power thereby lowering balancing costs to the UK power grid which are reaching unacceptable levels.

The National Grid has just added more recognition to the importance of battery storage by launching Dynamic Containment, a new frequency response service which will add significantly to procurement of such services from battery projects. The service is being launched on 1 October 2020 to include 500MW of demand. This approximately doubles the total demand for Frequency Response services; a further sign that battery storage is becoming increasingly integral to the UK power grid.

Finally, before I discuss dividends, I am pleased to announce that Gresham House Asset Management Limited, the Investment Manager of the Company, has achieved an A+ score in relation to Principles for Responsible Investment demonstrating a strong commitment to Environmental, Social and Governance matters in relation to infrastructure investment. The Board pass on their congratulations and look forward to taking the "ESG" agenda further forward as the Company grows.

Dividend

Although dividends were not yet fully covered in this period, the Company continues to target a dividend policy totalling 7.0p per Ordinary Share in the 2020 calendar year.

Whilst COVID-19 has temporarily impacted revenues at the margin, the positive medium and long term outlook combined with the strategic imperative and vital role which batteries will play in the energy transition, supported by a growing range of new monetary opportunities to leverage the flexibility of battery storage, gives the Board confidence that the current level of dividend is sustainable.

John Leggate CBE
Chair
Date: 28 August 2020


Gresham House

Investment Manager's Report

Gresham House Asset Management Limited (GHAM) is wholly owned by Gresham House plc (GH), an AIM-quoted specialist alternative asset manager with a market capitalisation of £267 million as at 24 August 2020. GH provides funds, direct investments and tailored investment solutions, including co-investment across a range of highly differentiated alternative strategies. GHAM's expertise includes strategic public equity, private equity, forestry, housing, new energy & infrastructure.

Ben Guest
Managing Director,
New Energy

Investment portfolio

Existing assets	Location	Capacity (MW)	Battery size (MWh)	Battery duration (c.hours)	Site type*	Acquisition date
a.Staunch	Staffordshire	20	4.0	0.25	Battery and generators, 0.5MW import	14 November 2018
b. Rufford	Nottinghamshire	7	9.5	1.40	Battery and generators, symmetrical	14 November 2018
c. Lockleaze	Bristol	15	22.1	1.50	Battery, symmetrical	14 November 2018
d. Littlebrook	Kent	8	7.5	0.90	Battery, symmetrical	14 November 2018
e. Roundponds	Wiltshire	20	27.8	1.30	Battery and generators, 10MW import	14 November 2018
f. Wolverhampton	West Midlands	5	7.7	1.55	Battery, symmetrical	1 August 2019
g. Glassenbury	Kent	40	22.1	0.55	Battery, symmetrical	13 December 2019
h. Cleator	Cumbria	10	5.9	0.60	Battery, symmetrical	13 December 2019
i. Red Scar	Lancashire	49	73.0	1.50	Battery, symmetrical	31 December 2019
Total		174	179.6			

** Note: a symmetrical battery system has equal import and expect capability to the grid; this allows quicker discharge and recharge cycles and increases the level of services the site is able to operate.*

Following the acquisition of 99MW across three projects in December 2019, there were no new additions to the operational portfolio in H1 2020. However, the Company completed the acquisition of the 41MW Bloxwich project, just after the period end, on 3 July 2020 from Arenko Group.

The Company is expecting to complete the acquisitions of Thurcroft (50MW) and Wickham Market (50MW) by the end of September/early Q4 2020 respectively as these projects are very close to commissioning. The transactions complete upon issuance of a Provisional Acceptance Certificate (PAC) to the EPC contractor.

A further project of 25MW, codenamed Project River, and not previously contemplated, is in advanced stages of due diligence and is expected to complete in September 2020. Altogether, combined with the extension of Glassenbury, these projects add 176MW to the portfolio, almost doubling operational capacity to 350MW. We estimate that this gives the Company a c.25% market share in the UK.

The pipeline as at 30 June 2020 is set out below. This reflects the projects discussed above which had not yet been acquired by 30 June 2020.

In addition to the projects mentioned above, there are two new 50MW pipeline projects (Monet's Garden and Lister Drive) acquired for construction and commissioning in the second half of 2021. These will be the Company's first transmission-connected projects.

Also, in this table, is a project based in the Republic of Ireland, codenamed Project Emerald. This is the Company's first Irish project since it received Shareholder approval to invest in Ireland at the AGM in June 2020. The details of the project are currently confidential, and the project's capacity is shown rounded to the nearest 10MW.

Portfolio and pipeline summary

Pipeline projects	Location	Capacity (MW)	Battery size (MWh)	Site type	Commissioning status[1]
j. Bloxwich	West Midlands	41	41	Battery, symmetrical	July 2020 (completed)
k. Project River	North	25	c.13	Battery, symmetrical	Q3 2020
l. Wickham Market	Suffolk	c.50	75	Battery, 40MW import	Q3 2020
m. Thurcroft	South Yorkshire	c.50	75	Battery, symmetrical	Q3 2020
n. Glassenbury Extension[2]	Kent	10	15	Battery, symmetrical	Q3 2020
o. Byers Brae[3]	Scotland	30	45	Battery, symmetrical	Q1 2021
p. Monet's Garden	North Yorkshire	c.50	c.50	Battery, symmetrical	Q4 2021
q. Lister Drive	Merseyside	c.50	c.50	Battery, symmetrical	Q4 2021
r. Project Emerald	Republic of Ireland	c.40	c.25	Battery, symmetrical	Q4 2021
Other project in due diligence with GHAM for addition to exclusivity pipeline	North of England	c.190	c.190	Battery, symmetrical	2021
Total		c.536	c.579		
In addition to the above, the Manager has identified over 300MW of additional pipeline					

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

2. Remains subject to planning consent

3. Formerly known as Exclusivity Pipeline Project 2

The Company's Investment Policy states that it cannot take construction or development risks and so is only able, at this time, to acquire operational projects. As this is an emerging sector there are few operational projects available to acquire outside the Exclusivity Projects communicated in the IPO Prospectus. However, the Company is pleased to have identified and completed the acquisition of Bloxwich, Glassenbury and Cleator and it expects to be able to acquire other such projects over time.

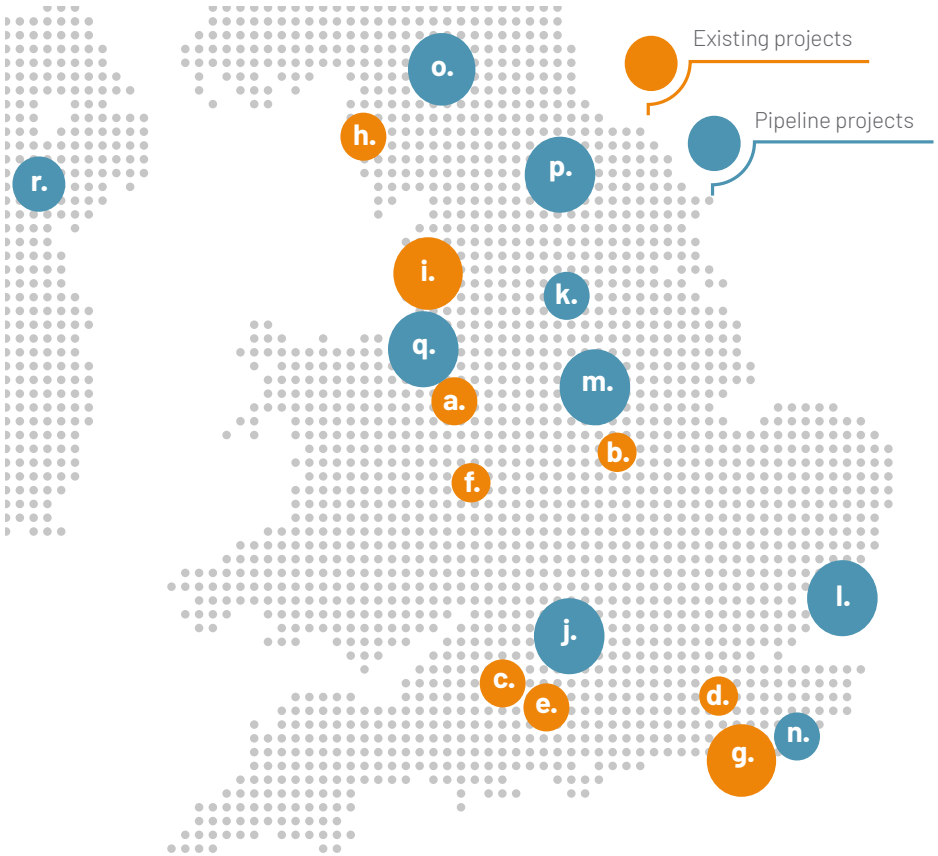
Including Bloxwich, which completed on 3 July 2020, the Company has 215MW of operational projects. Following the integration of Wickham and Thurcroft and the other near-term transactions the Company will have 350MW in operational projects by the end of 2020. The Company does not anticipate completing any other transactions in 2020 but it will be working on the pipeline for 2021, including having Byers Brae under construction. This project, which had been in the pipeline for Q4 2020 is now expected in Q1 2021.

While some existing storage facilities use gas engines or other generation technologies, all current pipeline projects are intentionally designed as large-scale symmetrical, battery-only projects which do not use generation technologies. This approach is designed to maximise efficiency and minimise the impact on carbon emissions and the environment.

We expect to take advantage of new planning legislation which allows projects larger than 50MW to have planning permissions granted and determined by local planning authorities. Before this change, which was announced by BEIS in July 2020, projects larger than 50MW had to be approved by the Planning Inspectorate, the agency responsible for approving Nationally Significant Infrastructure Projects (NSIPs).

This may reduce the barriers to development of larger storage facilities (>50MW) which would enhance our ability to maximise operational efficiencies.

The Investment Manager is confident of its ability to grow its pipeline and to maintain the growth of the Company as the requirement for batteries burgeons.



Staunch

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

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

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

Littlebrook

The Littlebrook project is an 8MW import and export battery-only project.

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

This project was commissioned in December 2017.

Lockleaze

The Lockleaze project is a 15MW import and export battery-only project located in the Lockleaze area of Bristol beside a railway line and a substantial Western Power Distribution (WPD) substation, on approximately 0.5 acres of land leased from WPD. The site battery capacity was increased from 11.4MWh to 22.1MWh in 2019

The Lockleaze project was commissioned in July 2017.

Rufford

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

The former colliery site is currently undergoing remediation. The project sits adjacent to an existing electrical substation and is positioned within its own secure compound built on approximately 0.5 acres of land.

The nearest residential premises are approximately 1.3 kilometres south of the site.

The Rufford project was commissioned in July 2017.

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

Roundponds

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

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

The project was commissioned and started commercial operations in April 2018. During the upgrade work in 2019 the battery size was increased from 12.7MWh to 27.8MWh. The 10MW of generators remain in place to meet the requirements of one of the two 10MW CM contracts belonging to this project.

Wolverhampton

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

The Wolverhampton project was commissioned in April 2019.

Glassenbury

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

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

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

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

Cleator

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

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

This project is also expected to undergo a battery capacity increase prior to the EFR contract terminating in readiness for Asset Optimisation.

Red Scar

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

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

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

Bloxwich

Bloxwich is a 41MW/41MWh battery project constructed indoors. The project also has a 52MW (summer) and 60MW (winter) symmetrical, accepted connection offer which may be used to augment the project's frequency response capability, in due course.

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

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

This project is operated by Arenko Group (Arenko). Arenko has been leading the initiative with National Grid to trial BM reserve services.

Fund and portfolio performance
The Fund has performed well in the first half of 2020 and remains on track to distribute 7.0p per Ordinary Share in 2020 and anticipates that this dividend level is fully covered in 2021. As stated in the 2019 Annual Report, there was a substantial amount of cash left to deploy at the start of 2020 and this will be deployed in the coming weeks.

The Company is pleased to announce a dividend of 1.75p for the period from 1 April 2020 to 30 June 2020 to be paid on 25 September 2020. Combined with the 1.75p dividend paid on 12 June 2020, the Fund will pay dividends of 3.5p in relation to H1 2020 in line with the 2020 dividend target stated above.

The Ongoing Charges Figure (OCF) for the Fund for the period to 31 December 2019 was 1.43%. For the six month period ended 30 June 2020 the OCF reduced to an annualised rate of around 1.3% representing economies of scale as the Fund has expanded.

Upgraded sites returned to full operations in H1 2020 with some sites taking longer than others but all are operational now and with under 4% of the 215MW in operation today (measured in MW) having a degree of technical downtime issues at the time of writing. This compares with 22% at the time that the Annual Report was published. The Manager expects to further reduce technical unavailability by the year end.

Operational capability broadened to full asset optimisation from the end of 2019. This allowed projects to trade in the wholesale market as well as offering frequency response services, following the upgrades to both battery capacity and grid connections. Application Programming Interface (API) software upgrades now allow the sites to be remotely controlled by the asset optimisers (traders) appointed to trade the sites.

Trading was anticipated to be the main activity from the start of 2020, but, due to favourable pricing available in ancillary services, the sites have benefited from winning contracts in the monthly and weekly Firm Frequency Response (FFR) auctions.

The trading capability continues to expand among our traders. Most traded in either the wholesale market or in the Balancing Mechanism until recently. However, via one of a couple of mechanisms offered by National Grid, projects are now able to trade in the Balancing Mechanism as well as trade in the wholesale market in a complementary fashion. We expect this to have a positive impact on trading performance going forward.

We were encouraged by the evidence to date in the portfolio's ability to capture value during system pricing events. On 4 March 2020 the system price spiked to £2,242/MWh, the highest price in 19 years, catalysed by a wind forecasting error. Each of our available sites was able to export into and capture significant value with this event representing our best single day of trading performance to date.

The Manager believes such pricing events will become more frequent with the increase in renewables generation. Over the short term, peak prices have also fallen, offsetting the benefitting of lower intraday lows. The Manager views these lower peaks as a function of overcapacity in generating capacity, particularly in the form of gas-fired power stations (CCGTs) which, due to low demand, have tended to be the marginal supplier of power and have found themselves setting the price at a time when gas prices were also significantly down.

This backdrop is not sustainable, and it is likely that very low load factors in the gas-fired power plant fleet will lead to capacity dropping off the system. We have, in June, seen the insolvency of Calon Energy which owns a portfolio of CCGTs totalling 2.3GW (out of a fleet of c.30GW in the UK). The Manager expects to see many further examples of this, with the end result being that the market will experience lower lows and higher highs as more renewable capacity is added to the system. Such an outlook on volatility would reaffirm the Fund's investment thesis and its plans to focus future efforts towards trading, over time.

Elsewhere, the 2019/20 TRIADs have been confirmed during this financial period with all three occurring in 2019. The portfolio achieved its targets of hitting at least two of the three TRIADs.
In May, the planned import increase at Roundponds to 16MW was completed ahead of schedule. This increased import allows the site to compete for larger capacity Frequency Response contracts as well as improving cycling opportunity when trading.

Finally, the Manager has experienced delays to construction as a result of COVID-19 with Thurcroft and Wickham commissioning being delayed to the end of Q3 2020/early Q4 2020 respectively. Fortunately, the delays are coming to an end with both projects due to be energised shortly. The Sale and Purchase Agreements signed for the projects protect the Fund from being adversely impacted as a result of the delays in commissioning, thereby protecting the forecasted portfolio earnings and resulting dividend cover.

Market update
2020 so far has been an extraordinary period for electricity markets, and as discussed further in the Outlook Section below, is likely to be a catalyst for major changes which we expect to favour energy storage going forward.

The market has been impacted by several factors as detailed below.

i) Lower electricity demand and lower levels of peak demand.

The year started with a continuation of the trend which started during the 2008 recession of gradually falling demand and of lower absolute annual peak levels of demand.

ii) Large increase in instances of negative pricing and huge Balancing Services Use of System (BSUoS) costs.

The latter, combined with mild weather translated, this year, in the unusual result of there being no TRIADs crystallising during January or February which are the last two months of the TRIAD season (November to February).

After a brief uptick in demand at the start of March as cold weather created stronger demand, at the start of lockdown, the decline accelerated into a collapse of up to 20% year on year. This equates to a multi-decade low in electricity demand.

In August, so far, demand has recovered to being down c.3% year on year.

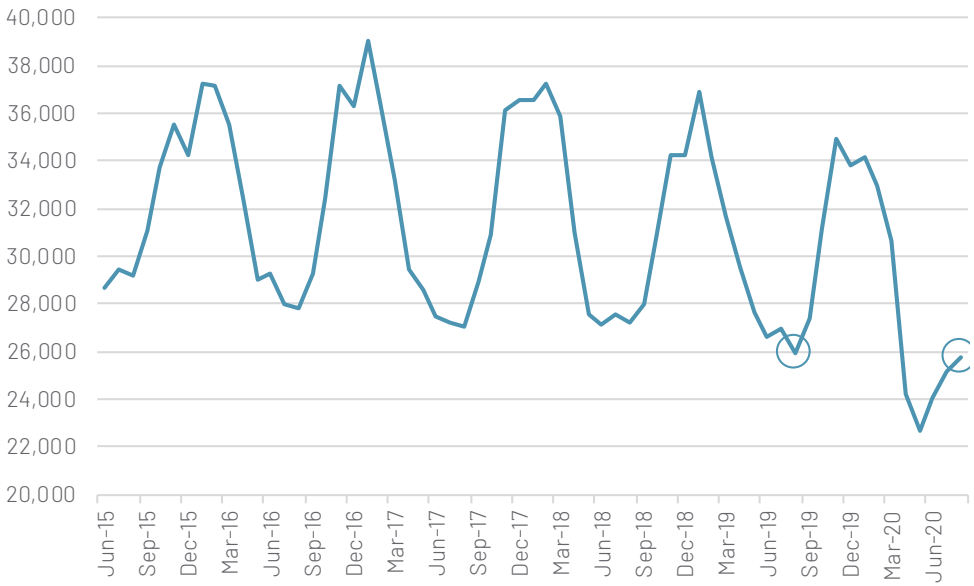
The exceptionally low demand levels seen since March have resulted in regular negative pricing as National Grid paid renewable generation to curtail output. This was only exacerbated by the extraordinarily sunny weather we have seen since April, injecting even more renewable power into the system.

The chart above shows the total half-hourly negative price events by quarter over the last three years.

Low electricity demand and strong renewable energy generation created a headache for National Grid as it reduced, sharply, the amount of generation from large rotating turbines (such as gas-fired turbines) which inherently provide stability to the system as a result of their "spinning inertia". Thus, during this extraordinary period, National Grid needed to curtail more renewable generation than just the amount over-provided by this technology, purely to increase the inertia on the system, to keep the lights on.

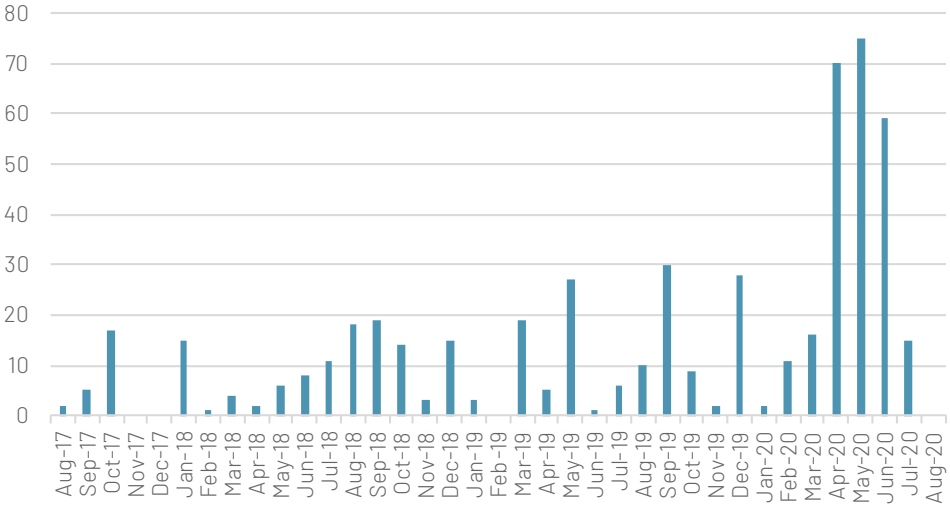
The need to balance a more unstable system is expected to lead to a national bill for balancing the system during the lockdown of £1 billion. This is far in excess of what we have seen in the past and will show up in electricity bills.

National Demand (MW, monthly averages)



Source: Aurora EOS

Number of half hours periods of negative pricing per month



Source: Aurora EOS

iii) Weak Gas prices, Combined Cycle Gas Turbine (CCGT) overcapacity and the impact on Spreads.

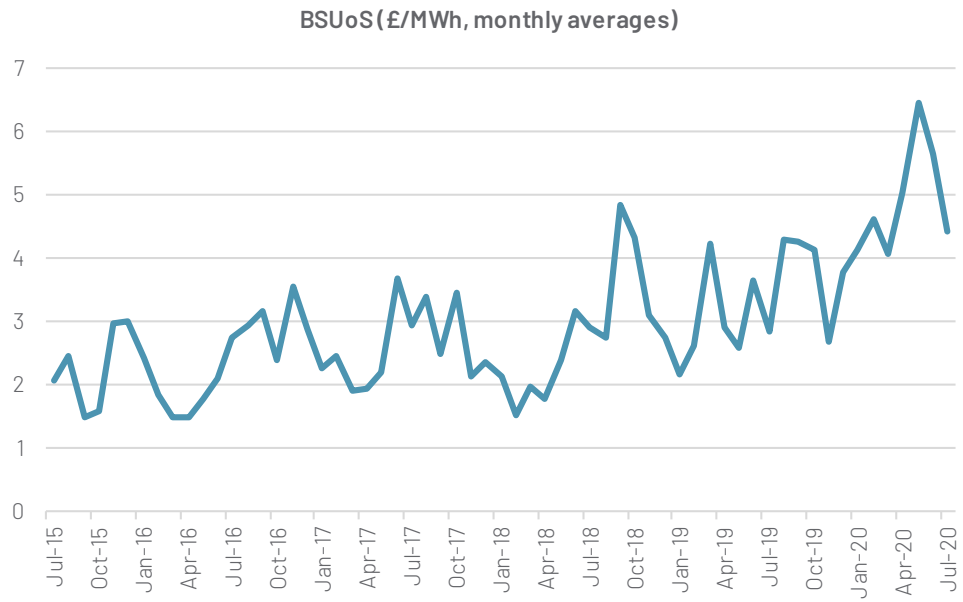
Gas prices have fallen sharply in 2020. Combined with lower demand during the lockdown and the fact there is too much CCGT capacity on the system (which operated at load factors of under 20% at one stage), this has resulted in peak daily power prices not reaching the levels we have become accustomed to. Therefore, despite the lower lows driven by increased curtailment, the net effect was lower intraday volatility in power prices and reduced revenues in trading in the short term. This is a temporary effect and we are already seeing both higher demand and higher gas prices and thus higher returns from trading compared with the lows.

Gas prices are famously volatile and having fallen over 75% have now doubled from their lows but are still at less than half their 5-year average price level, and so are likely to bounce further; as gas producers are not making money at these levels they are therefore holding back production.

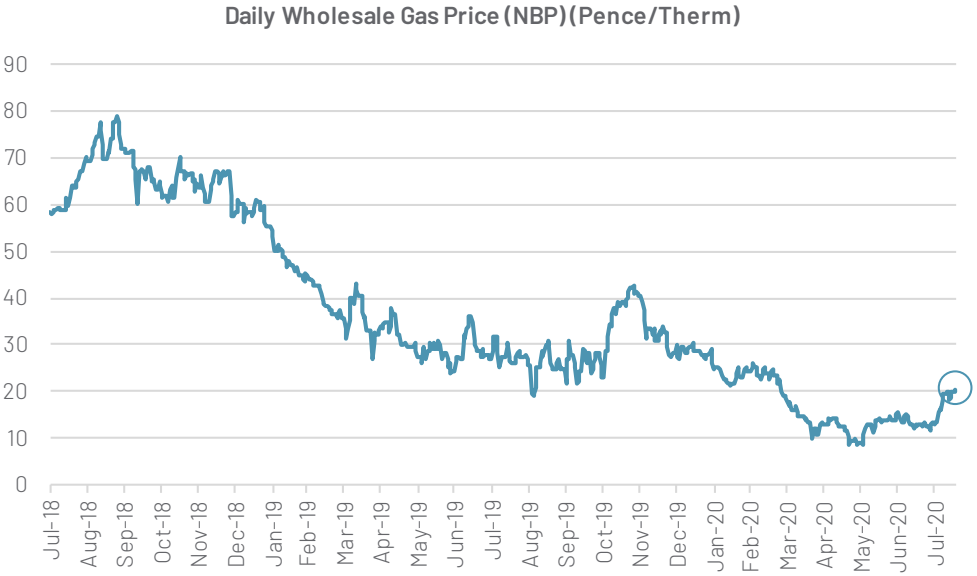
COVID-19

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

The Manager has experienced very few operational disruptions since restrictions were put in place and is pleased with the professional response shown by both O&M contractors on the ground and by optimisation partners. As mentioned earlier in this Interim Report, there have been some commissioning delays to certain projects; these projects are due to be commissioned in Q3 2020.



Source: Aurora EOS



Source: Aurora EOS

Outlook

Reinforcing our optimism on prospects for the sector, there are three promising initiatives at National Grid to attempt to increase the use, and therefore profitability, of batteries in the Balancing Mechanism. At the core of these efforts is the recognition that batteries are fundamentally more environmentally friendly and more cost-effective than any other alternative.

First, there is a trial to use batteries in 'Reserve' services in the same way that CCGTs are used to run for hours to be able to be up or down 'regulated' (i.e. their outputs varied) to balance the market, for which they receive payments to warm up, to be available and for their utilisation. Naturally batteries don't need 'warming up' and they do not need to be exporting power to be available which therefore reduces curtailment of renewables, they can just be utilised when required. This trial is proving promising as it is both technically and operationally feasible, without new systems at National Grid, financially attractive to National Grid and environmentally positive as it reduces carbon based emissions. For batteries, if it turns into a permanent service, it is likely to lead to significantly higher revenues for the fleet.

The second, more established, but evolving, initiative is to drive the use of batteries alongside, or instead of, more established alternatives like pumped storage, peaking plants and interconnectors which are simply instructed when needed. One challenge has been too few batteries in the BM to date, even adding all batteries together, to provide the required power most of the time, leading to larger alternatives being favoured and batteries being under used.

Recognising this issue, National Grid have taken the decision to operate batteries even if they lead to over procurement in the BM, taking the long term view that doing this will lead to a lower cost system over time, as batteries are fundamentally more competitive.

The third initiative is Dynamic Containment, a new frequency response service which will add significantly to procurement of such services from battery projects. The service is being launched on 1 October 2020 to include 500MW of demand. This approximately doubles the total demand for Frequency Response services.

These initiatives are not factored into the forecast or NPVs as at 30 June 2020 but fundamentally the batteries owned by the Company are able to target the revenue streams which offer the best returns for the Fund, including the above schemes.

Taking the comments above together with those in the Market Update Section, we note that, there is a very positive message which can be taken from the unprecedented recent events during lockdown; in particular the fact that National Grid has had to use gas much more extensively and over curtail renewables to achieve this (as the gas plant needs to run to be available and provide system inertia). This confirms the need for batteries which can better balance the intermittent supply from renewables, given that they can do so without any curtailment of renewables due to their ability to meet demand immediately.

Crucially, batteries can offer their services at a dramatically lower cost than gas-fired generation and are therefore much cheaper for National Grid to utilise for system balancing.

Additionally, they emit no CO2 at the point of use; as the recharging of batteries will be from a grid dominated by renewable generation, the CO2 impact will be substantially less than burning gas. The one issue, at the current time, is that there are not enough operational batteries yet for National Grid to use the technology effectively in a scalable manner. This will change as more batteries are commissioned and become the overwhelmingly compelling option for system balancing.

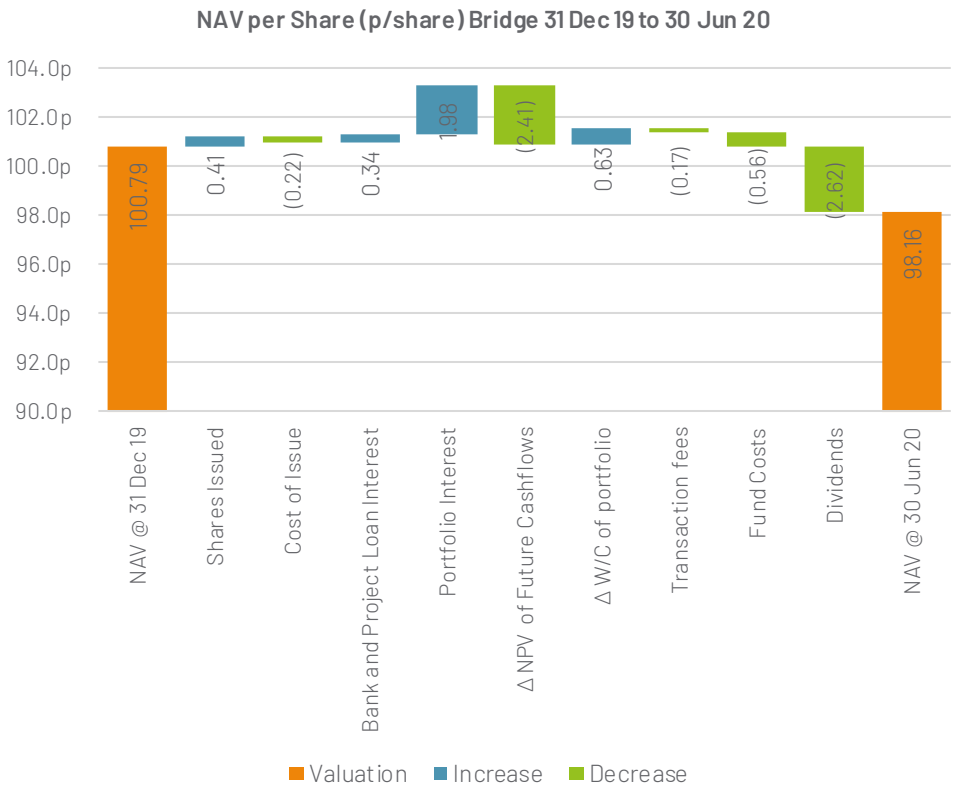
Valuation

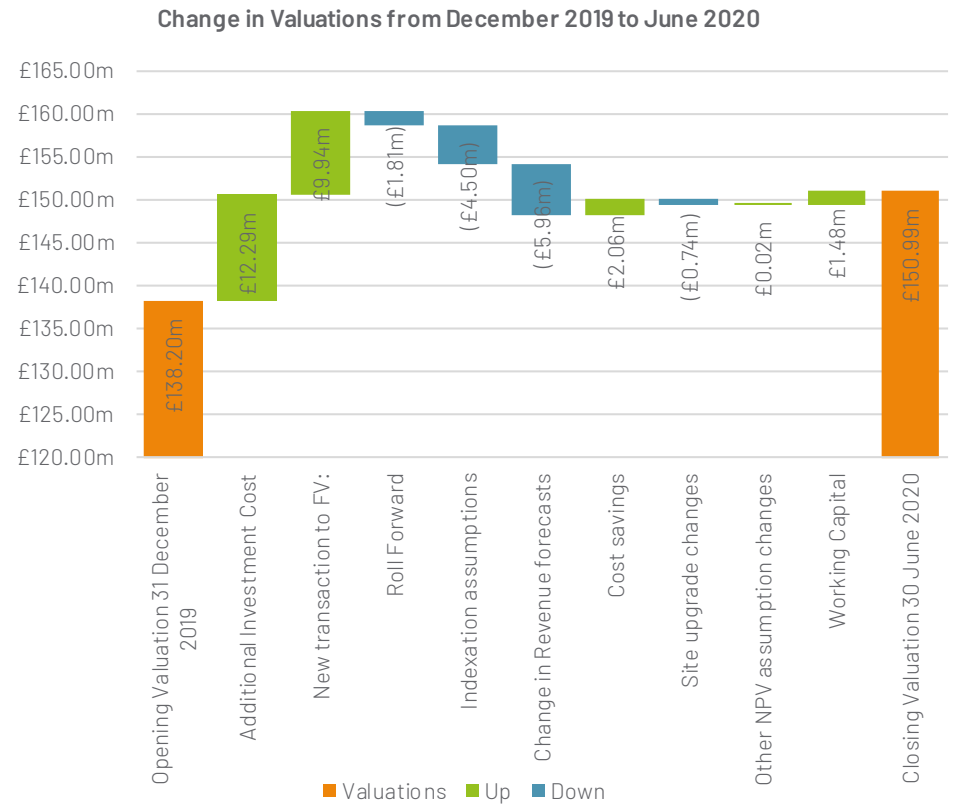
NAV per share has fallen from 100.79p per Ordinary Share at 31 December 2019 to 98.16p per Ordinary Share at 30 June 2020. This equates to a NAV Total Return of (0.02%) in the six month period.

Most of the reduction in NAV per share has come from a fall in the NPV of future project cash flows due to more conservative revenue forecasts from our third-party providers in the wake of the reduced volatility curves during the COVID-19 pandemic. This can be seen in the valuations bridge below for H1 2020.

The revenue forecasts used for valuations reflect the pricing and volatility observed during the low demand and low volatility environment during the pandemic lockdown in the UK. The Manager recommends valuing the portfolio conservatively at this time but, as noted, in the market update, there have been positive signs of recovery since the easing of lockdown. This suggests improvements are achievable versus the forecasts.

The current forecasts used do not include any upside from the introduction of Dynamic Containment or from the potential success of the ongoing BM trial with National Grid. The Manager is therefore confident that the current conservative valuations reflect a prudent view of the value of the portfolio in the light of COVID-19.






STOP GAS

Environmental, Social and Governance

Gresham House Energy Storage Fund's projects fundamentally enable a cost-effective energy transition which we believe is both a social and environmental good as well as being cost-effective.

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

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

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

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

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

- Supporting infrastructure that enables further investment into renewable energy
- Transition in power generation which took carbon emissions from 42.2MtCO_2e in 1990 to 106.0MtCO_2e in 2017 and 98.3MtCO_2e in 2018 (source BEIS)
- However, there is still a significant challenge reducing emissions by over 90% to meet the goal of 10g CO_2/KWh by 2050 set by the Committee on Climate Change[5]
- Increasing the security of energy supply where currently 36%[6] of the UK's energy needs are imported in the form of oil and natural gas for the most part
- We estimate significant numbers of jobs will be created as c.30GW of ESS capacity will be required, equivalent to c.1,000 projects in the next decade[7]

Supply chain

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

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

Disposal of batteries

It cannot be avoided that ESS projects still require substantial materials used in their manufacture.

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

5. Source BEIS

6. Source House of Commons Library, 19 October 2018

7. Source Gresham House Research

By comparison, fossil-fuel powered generation plants only gets to use the fuel that has been extracted, processed and transported once. At their end of life, battery disposal is an obligation of the EPC contractor who imports a battery or the original manufacturer. Over time, it is expected that recycling technologies will be developed to ensure environmentally sustainable disposal and reuse of these raw materials.

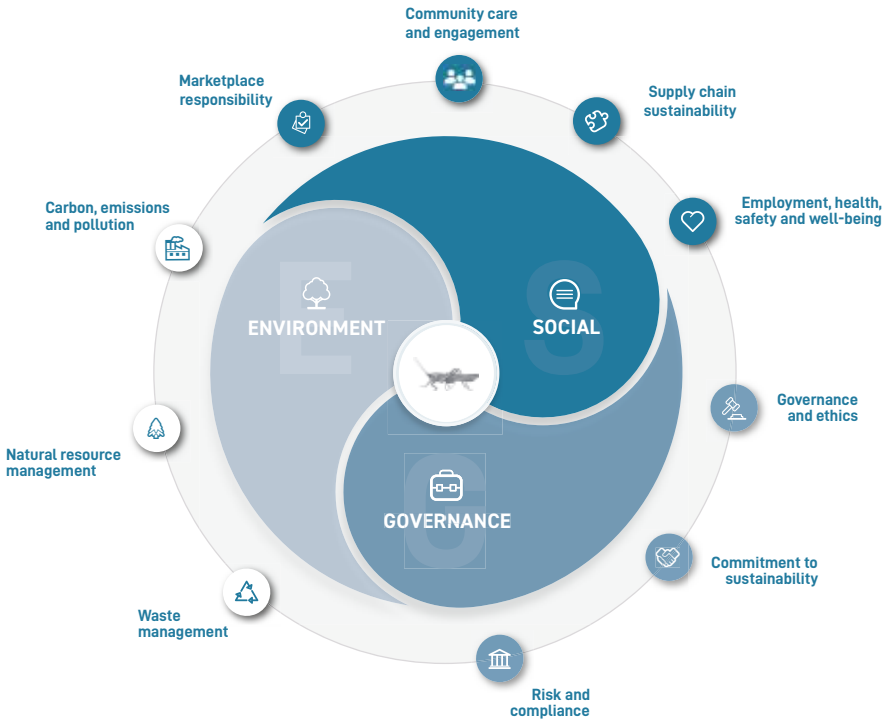
Environmental standards at sites

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

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

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

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



Board and Investment Team

Investment Team

Ben Guest
Managing Director, New Energy

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

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

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

Bozkurt Aydinoglu
Investment Director, New Energy

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

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

Gareth Owen
Investment Director, New Energy

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

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

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

Rupert Robinson
Managing Director, Gresham House Asset Management Limited

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

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

Stephen Beck
Finance Director, Real Assets

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

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

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

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

The Board has 25% female representation. The Board has also adopted a formal diversity policy and considers diversity on the Company's Board as an important supplement to the Boards existing skills, experience and knowledge.

All appointments to the Board are, and will continue to be, subject to a formal, rigorous and transparent procedure as required by the AIC Code.

The Board's requirements for vacancies on the Board are set with reference to objective criteria and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Further, the Board reviews, at least annually, its effectiveness and its combination of skills, experience and knowledge.

The Board has been in situ for approximately 16 months and considers succession planning for existing Directors to be premature at this stage.

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

Board

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

John is highly experienced as an energy sector executive and is a venture investor in the "clean tech" and digital technologies.

John has significant board experience and is currently on the Board of cyber security firm Global Integrity in Washington DC and is a senior advisor to an international strategic advisory consultancy specialising in the energy sector.

John was appointed to the Board on 24 August 2018.

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

Catherine Pitt
Independent Non-Executive Director

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

Cathy was appointed to the Board on 1 March 2019.

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

David Stevenson
Independent Non-Executive Director

David is a financial journalist and commentator for a number of leading publications including The Financial Times (the Adventurous Investor), Money Week and the Investors Chronicle. He is also Executive Director of the world's leading alternative finance news and events service www.altfi.com, which focuses on covering major trends in marketplace lending, crowdfunding and working capital provision for small to medium sized enterprises.

David was appointed to the Board on 24 August 2018.

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

Duncan Neale
Audit Committee Chair and Independent Non-Executive Director

Duncan is a CFO and Finance Director with over 20 years of commercial experience working for both publicly listed and privately owned companies.

Duncan is a Fellow of the Institute of Chartered Accountants and qualified with Price Waterhouse in London.

Duncan was appointed to the Board on 24 August 2018.

Significant interests:
Duncan is a trustee of the Cambodian Children's Fund UK and a Director of DJN Consultancy Limited.

Directors' Report

John Leggate, CBE FREng
Non-Executive Chair

The Directors present their interim report for the period from 1 January 2020 to 30 June 2020.

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.

Fundraising and GRID Power Bonds
On 6 February 2020, the Company announced its intention to seek Shareholder authority to issue up to 30,000,000 new Ordinary Shares to acquire an identified new asset, extend an existing asset and to provide increased general working capital. The Company's Shareholders granted this authority at a General Meeting held on 27 February 2020.

On 3 March 2020, the Company announced that it had raised gross proceeds of £31.2 million though the issue of 30,000,000 Placing Shares at a Placing Price of 104 pence per Placing Share.

As at 30 June 2020 the Company had no external gearing, although the IPO allows gearing up to 30% of Gross Asset Value to be utilised. The Company believes that the injection of some gearing at historically low interest rates is appropriate.

In consequence, subsequent to the end of the Period, on 7 July 2020, the Company announced that a private debt offer of GRID Power Bonds was being made by the Company's wholly owned subsidiary, Gresham House Energy Storage Holdings PLC.

This private offer is targeting a raise of a maximum of c. £15 million through an initial series of 5.0% per annum fixed rate bonds, equivalent to a coupon of approximately 4% after tax. These GRID Power Bonds are expected to be issued in one or more series, with each series having a term of five years from its issue date, redeemable by the Issuer with no penalty after two years. The GRID Power Bonds will pay interest semi-annually, in arrears, in equal instalments and have a maximum, aggregate subscription amount of £40 million.

The offer period will be open for 12 months to July 2021 to, among other things, assist with the acquisition of further battery storage projects. The first series will close soon.

Acquisitions
On 2 January 2020, the Company announced the closing of a 49MW battery-only project (Red Scar). Red Scar is located on the Red Scar Business Park, by the Longridge Road and the M6 outside Preston, and was acquired for a total enterprise value of approximately £32.8 million (inclusive of £1.0 million of deferred consideration, payable in 12 months, subject to the Project achieving EBITDA targets).

On 20 March 2020, the Company announced that it had conditionally agreed to acquire a 50MW battery project located near Thurcroft, to the east of Rotherham (Thurcroft). Thurcroft will be GRID's largest project to date.

Finally, on 14 April 2020, the Company announced that it had conditionally agreed to acquire a 50MW battery project located near Wickham Market, Suffolk (Wickham).

Thurcroft and Wickham were all part of the exclusivity pipeline identified in the Company's October 2018 IPO prospectus. They are expected to complete in September/October 2020.

After the period end, on 3 July 2020, the Company completed the acquisition of a 41MW operational energy storage facility known as Bloxwich from a group of investors led by Arenko Cleantech.

The acquisition increased the total capacity of operational utility scale battery storage projects in the Company's investment portfolio to 215MW.

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 Financial Conduct Authority (FCA).

The registered office of the Company is The Scalpel,18th Floor, 52 Lime Street, London, EC3M 7AF.

Results
The results of the Company for the period are disclosed on page 29.

Dividends
During the period, the Company has declared and paid two dividends; 1p per Ordinary Share for the period from 1 October to 31 December 2019, paid on 20 March 2020, and 1.75p per Ordinary Share for the period from 1 January 2020 to 31 March 2020, paid on 12 June 2020.

Subject to market conditions and the Company's performance, it is intended that dividends will be payable quarterly hereafter. The Company's dividend target remains 7.0p per Ordinary share in relation to the financial year ending 31 December 2020.

The Directors recommend that a second interim dividend of 1.75p per share be paid in respect of the period ended 30 June 2020.

The Company is currently reviewing the dividends paid and whether these should be treated as interest distributions under the Investment Trusts (Dividends)(Optional Treatment of Interest Distributions) 2009. The Registrar will contact Shareholders in due course in relation to this.

Share capital
As at 30 June 2020, 234,270,650 Ordinary Shares were in issue and no other classes of shares were in issue at that date.

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 on pages pages 25-27.

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 were re-elected at the Company's AGM held on 30 June 2020.

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

John Leggate
Duncan Neale
David Stevenson
Catherine Pitt

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 2020 (£)
John Leggate	65,000	32,500
Duncan Neale	45,000	22,500
David Stevenson	40,000	20,000
Catherine Pitt	40,000	20,000

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 2020 are shown below:

Directors' interest and beneficial interest	Number of Ordinary Shares	Percentage of issued share capital
John Leggate	28,675	0.01%
Duncan Neale	9,625	0.00%
David Stevenson	9,854	0.00%
Catherine Pitt	14,660	0.01%

Significant shareholdings
As at 30 June 2020 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 Plc, Gresham House (Nominees) Limited, and LF Gresham Multi Cap Income Fund	28,658,297	12.23%
Sarasin & Partners LLP	23,427,065	10.00%
CCLA Investment Management Limited	22,429,297	9.57%
Benjamin Guest	14,152,759	6.04%
Schroders plc	12,382,250	5.29%
Close Asset Management Limited	10,755,932	4.59%
Newton Investment Management Limited	8,660,668	3.70%

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 in the Principal and Emerging Risks Section.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 19 to the Condensed Financial Statements. The Company continues to meet day-to-day liquidity needs through its cash resources.

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

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

As at 30 June 2020, the Company had net current assets of £79 million and had cash balances of £53 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 owing as at 30 June 2020.

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 this 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 19 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.

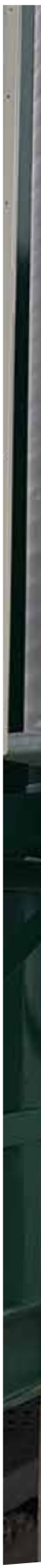
Statement of Directors' Responsibilities
The Directors are responsible for preparing the Interim Report and Condensed Financial Statements in accordance with applicable law and regulations.

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,

Chair
Date: 28 August 2020



Prinicipal and Emerging Risks

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

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

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

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

A. Emerging business model

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

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

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

As this Interim Report illustrates, the trading activity within the SPVs is not based on the absolute level of power prices but is primarily based on volatility within the power market.

This creates arbitrage opportunity within which trading opportunities emerge and can be rapidly exploited. However, the level of power prices can have an indirect impact as behaviour of other market participants alters which may reduce arbitrage opportunities as noted in the Investment Manager's report.

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

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

- Further investment has been undertaken in the Seed Assets to ensure grid connection capacity and battery capacity have been expanded in both absolute levels and export/import symmetry created where possible to maximise opportunities.

This has included replacement of diesel generation sets with further expansion of battery capacity and gas turbines;
- Improvement of control systems and dispatch technologies to "iron-out" and test before full scale Asset Optimisation is launched;
- Testing of relationships with Asset Optimisation partners and models to ensure Asset Optimisation is successful, The Company has begun Asset Optimisation and expects 2020 to be a year when this model is fully proven;
- Therefore, it is important that the Company and the Investment Manager look through the investment company structure to ensure the underlying operating assets are able to generate income to meet the Investment Objectives of the Company; and
- The aim of the Company is to be the leader in this field. As the business continues to develop other entrants will seek to participate and the Company will continually seek to optimise the business model of its investments to gain competitive advantage.

B. Risk relating to regulation
As in any emerging market, regulation can often take time to catch up. However, there are already extensive rules and regulations in the energy storage market.

These mostly include existing regulations in the electricity, planning and construction sectors including rules and/or laws relating to the Health & Safety Executive, the Environmental Agency laws, Construction, Design and Management Regulations (CDM), the National Planning Framework, the National Grid Market Framework, and Ofgem's areas of oversight (including the conduct of market operators and government subsidy & incentive mechanisms such as the ROO-FIT and CfD regimes). Whilst not a risk to the Company as it lies within the operational SPVs, the Company works to ensure its investments comply with these.

C. Risks relating to technical performance
The Company's assets are treated as investments. The valuation of these are established using assumptions which rely on the assets performing technically to the standards expected of the Asset Optimisation business model into which these assets are deployed.

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

- The provision of batteries and other critical assets are sourced from "top tier" suppliers with accompanying warranty and performance guarantees;
- Robust commissioning and acceptance testing are undertaken to ensure assets perform to these standards;
- Regular monitoring of performance indicators (i.e. battery health, cycle reporting and degradation) is undertaken to ensure the assets are available to operate when required; and
- By the use of skilled and trusted partners to both operate and construct the assets.

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

D. Risks relating to environmental social governance
The Company seeks to ensure that the activities of the SPVs asset portfolio into which it invests are beneficial to society as a whole. Whilst not an immediate risk for the Company itself as these matters are mainly evolving, the Company will continue to review the issues of supply chain governance and recycling of battery materials and other components are considered and built into the risk management programme of the Company as a whole.

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

- Certain individuals in Gresham House are large shareholders in the Company and thus have a direct stake in ensuring successful rollout of the business plan;
- Noriker Power Limited is a large shareholder in the Company and therefore has a direct incentive in the same manner;
- Gresham House plc owns 30% of Noriker Power Limited and has a Director on the Board of Noriker Power Limited; and
- The Company will be taking a stake in Noriker Power Limited to further align incentives and strengthen long term relationships; this is expected to complete imminently.

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

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

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

These include:

- Counterparty risk: as the SPV income streams move away from the National Grid to trading platforms it is important that strong creditworthy partners, including trading counterparties, are in place to ensure any credit risk is managed and financial loss is not incurred by the Company;
- Technology risk: the asset portfolio within the SPVs is based on the latest technology available. There is a risk that new technologies develop which are either cheaper than the SPV asset portfolio or have another technological advantage. These newer technologies may impact on the income opportunities available to the SPVs. The Company and the Investment Manager continue to monitor technologies to ensure latest developments are built into the strategy of the Company and its investments;
- Neither the Company nor the underlying assets within SPVs are currently exposed to the risk of borrowing or leverage although this will alter when the Grid Power Bonds are issued and there are some financial covenants which apply to these Grid Power Bonds; and
- The Company has advanced interest-bearing loans to non-subsidiaries. These are secured against the assets purchased with these loans. The Company continues to monitor these investments. The intention remains that these subsidiaries are acquired by the Company. The current balance on these loans is £27.1 million of which £25.2 million relate to Wickham and Thurcroft and will be paid on acquisition.

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

The Coronavirus Pandemic (COVID-19)
Finally, as mentioned in the Chair's Report, the Company continues to monitor closely the COVID-19 pandemic. The main risks the Company relate to operations within the investment SPVs but could affect the ability of the Company to deliver income and capital returns to Shareholders.

These risks include:

- Inability to operate existing assets; The SPVs operate with supply chain partners with strong business continuity arrangements and the assets are operated by remote monitoring and dispatching.
- There is a residual risk that suitable specialist personnel are unable to attend site when required to ensure these assets are operating to their full potential. This has not been experienced to date and the Company is confident appropriate arrangements are in place;
- Inability to construct or commission pipeline assets within SPVs; 100MW of pipeline assets are in the advanced stages of construction and commissioning. Whilst the key equipment to deliver these projects are secure there has been a commissioning delay due to travel restrictions impacting on the availability of certain personnel and associated impact on project delivery; and
- Dysfunctional markets affecting trading operations within SPVs. The Investment Manager notes that the energy markets into which the assets operate are operating as expected although the behaviour of "gas peakers" has negatively impacted on volatility and reduced revenue. However, the Investment Manager and the trading partners will continually monitor these markets to ensure the assets are trading as expected.

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

Condensed Statement of Comprehensive Income

For the period from 1 January 2020 to 30 June 2020

Company number 11535957

1 January 2020 to 30 June 2020	Notes	Revenue (£)	Capital (£)	Total (£)
Net gain/(loss) on investments at fair value through the profit and loss	5	4,631,312	(4,162,440)	468,872
Interest on loans to related parties	6	781,088	-	781,088
Bank interest		23,037	-	23,037
Other income		75,295	-	75,295
Total income/(loss)		5,510,732	(4,162,440)	1,348,292
Administrative and other expenses				
Transaction fees		-	(83,376)	(83,376)
Legal and professional fees		-	(306,771)	(306,771)
Other administrative expenses	7	(1,413,551)	-	(1,413,551)
Total administrative and other expenses		(1,413,551)	(390,147)	(1,803,698)
Profit/(loss) before tax		**4,097,181**	**(4,552,587)**	**(455,406)**
Taxation	8	-	-	-
Profit/(loss) and total comprehensive income for the period		**4,097,181**	**(4,552,587)**	**(455,406)**
Profit/(loss) per share (basic and diluted) - pence per share	9	1.83	(2.03)	(0.20)
24 August 2018 (incorporating date) to 30 June 2019		**(£)**	**(£)**	**(£)**
Net gain on investments at fair value through the profit and loss	5	2,251,254	4,563,921	6,815,175
Interest on loans to related parties	6	4,742	-	4,742
Bank interest		144,838	-	144,838
Total income		2,400,834	4,563,921	6,964,755
Administrative and other expenses				
Transaction fees		-	(1,011,655)	(1,011,655)
Legal and professional fees		-	(136,256)	(136,256)
Other administrative expenses	7	(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	8	-	-	-
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	9	1.27	4.23	5.50

All items dealt with in arriving at the result for the period relate to continuing operations.
The Notes on pages 33 to 50 form an integral part of these Condensed Financial Statements.

Condensed Statement of Financial Position

As at 30 June 2020

Company number 11535957

	Notes	30 June 2020 (£)	31 December 2019 (£)
Non-current assets			
Investments in subsidiaries at fair value through profit or loss	10	150,991,956	138,203,407
		150,991,956	138,203,407
Current assets			
Cash and cash equivalents	12	52,952,749	52,905,852
Restricted cash	13	-	10,843,595
Trade and other receivables	14	110,980	267,001
Loans receivable	11	27,056,065	6,109,952
		80,119,794	70,126,400
Total assets		231,111,750	208,329,807
Current liabilities			
Trade and other payables	15	(1,140,168)	(2,450,447)
		(1,140,168)	(2,450,447)
Total net assets		229,971,582	205,879,360
Shareholders' equity			
Share capital	20	2,342,707	2,042,707
Share premium	20	134,770,179	104,380,109
Capital reduction reserve	20	85,622,108	91,764,550
Capital reserves	22	(428,156)	4,124,431
Revenue reserves	22	7,664,744	3,567,563
		229,971,582	205,879,360
Total shareholders equity		229,971,582	205,879,360
Net Asset Value per Ordinary Share (pence)	19	98.16	100.79

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: 28 August 2020

The Notes on pages 33 to 50 form an integral part of these Condensed Financial Statements.

Condensed Statement of Changes in Equity

For the period from 1 January 2020 to 30 June 2020

	Note	Share capital (£)	Share premium reserve (£)	Capital reduction reserve (£)	Capital reserves (£)	Revenue reserves (£)	Total shareholders equity (£)
As at 1 January 2020		2,042,707	104,380,109	91,764,550	4,124,431	3,567,563	205,879,360
Comprehensive income for the period		-	-	-	-	-	-
Profit/(loss) for the period		-	-	-	(4,552,587)	4,097,181	(455,406)
Total comprehensive income for the period		-	-	-	(4,552,587)	4,097,181	(455,406)
Transactions with owners							
Ordinary Shares issued at a premium during the period	20	300,000	30,900,000	-	-	-	31,200,000
Share issue costs	20	-	(509,930)	-	-	-	(509,930)
Dividends paid	20	-	-	(6,142,442)	-	-	(6,142,442)
As at 30 June 2020	**20**	**2,342,707**	**134,770,179**	**85,622,108**	**(428,156)**	**7,664,744**	**229,971,582**
24 August 2018 (incorporation date) to 30 June 2019		**(£)**	**(£)**	**(£)**	**(£)**	**(£)**	**(£)**
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	20	1,492,280	147,837,801	-	-	-	149,330,081
Share issue costs	20	-	(2,086,886)	-	-	-	(2,086,886)
Issue of redeemable preference shares	20	12,500	-	-	-	-	12,500
Redemption of redeemable preference shares	20	(12,500)	-	-	-	-	(12,500)
Transfer to capital reduction reserve	20	-	(97,009,475)	97,009,475	-	-	-
Dividends paid	20	-	(1,400,000)	-	-	-	(1,400,000)
As at 30 June 2019	**20**	**1,492,280**	**48,741,440**	**95,609,475**	**3,416,010**	**1,023,910**	**150,283,115**

The Notes on pages 33 to 50 form an integral part of these Condensed Financial Statements.

Condensed Statement of Cash Flows

For the period from 1 January 2020 to 31 June 2020

	Note	1 January 2020 to 30 June 2020 (£)	24 August 2018 to 30 June 2019 (£)
Cash flows used in operating activities			
Profit/(loss) for the period		(455,406)	4,439,920
Net gain on investments at fair value through the profit and loss	10	(468,872)	(4,563,921)
Interest income		(804,125)	(2,400,834)
Increase in trade and other receivables		156,021	-
(Decrease)/Increase in trade and other payables		(1,310,279)	1,020,972
Net cash used in operating activities		**(2,882,661)**	**(1,503,863)**
Cash flows used in investing activities			
Loans made to subsidiaries	10	(12,319,675)	(23,926,887)
Loans receivable	11	(20,165,028)	(18,699,689)
Inflow to restricted cash		10,843,595	-
Bank interest received		23,037	122,285
Net cash used in investing activities		**(21,618,071)**	**(42,504,291)**
Cash flows used in financing activities			
Proceeds from issue of Ordinary Share at a premium	20	31,200,000	111,168,345
Share issue costs	20	(509,929)	(2,086,886)
Issue of redeemable preference shares		-	12,500
Redemption of redeemable preference shares		-	(12,500)
Dividends paid		(6,142,442)	(1,400,000)
Net cash inflow from financing activities		**24,547,629**	**107,681,459**
Net increase in cash and cash equivalents for the period		**46,897**	**63,673,305**
Cash and cash equivalents at the beginning of the period		**52,905,852**	**-**
Cash and cash equivalents at the end of the period		**52,952,749**	**63,673,305**

The Notes on pages 33 to 50 form an integral part of these Condensed Financial Statements.

Notes to the Financial Statements

For the period from 1 January 2020 to 30 June 2020

1. General information

Gresham House Energy Storage Fund plc (the Company) was incorporated in England and Wales on 24 August 2018 with company number 11535957 as a closed-ended investment company. The Company's business is as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010. The registered office of the Company is The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF. Its share capital is denominated in Pounds Sterling (GBP or £) and currently consists of Ordinary Shares. The Company's principal activity is to invest in a diversified portfolio of operating utility-scale Energy Storage Systems (ESS), which utilise batteries and may also utilise generators. The ESS projects comprising the portfolio are located in diverse locations across Great Britain. These accounts cover the period from 1 January 2020 to 30 June 2020, with a comparative period from incorporation to 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. The accounts have been prepared on a basis that is consistent with accounting policies applied in the preparation of the Company's Annual Financial Statements for 31 December 2019.

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.

These Condensed Financial Statements do not include all information and disclosures required in the Annual Financial Statements and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2019, which were prepared under full IFRS requirements as adopted by the EU and the DTRs of the UK FCA. The comparative period for the prior year is for the period from incorporation date to 30 June 2019.

Functional and presentation currency

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

Going concern

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

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

As at 30 June 2020, the Company had net current assets of £79 million and had cash balances £53 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 owing as at 30 June 2020.

New standards and amendments to existing standards that are relevant to the Company, but are not yet effective and have not been early adopted by the Company:

IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction.

The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. The standard is not expected to have a material impact on the Company's Condensed Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are to be applied retrospectively.

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

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

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

During the period the Directors considered the following significant estimates:

Valuation of investments in subsidiaries

Significant estimates in the Company's 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. Fees and expenses

Accounting, secretarial and Directors

JTC (UK) Limited acts 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 £61,855 (2019: £84,221) with £28,750 (2019: £28,671) being outstanding and payable at the period end.

Notes to the Financial Statements

For the period from 1 January 2020 to 30 June 2020

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

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

During the period, Investment Manager fees recognised in these Condensed Financial Statements amounted to £1,126,012 (2019: £952,994) with £nil (2019: £657,232) being outstanding and payable at the period end.

5. Net gain on investments at fair value through the profit and loss	1 January 2020 to 30 June 2020 (£)	24 August 2018 to 30 June 2019 (£)
Unrealised gain on investments at fair value through the profit and loss	(4,162,440)	4,563,921
Interest on loans to subsidiaries	4,631,312	2,231,856
	468,872	6,795,777

6. Interest on loans to related parties	1 January 2020 to 30 June 2020 (£)	24 August 2018 to 30 June 2019 (£)
Interest on loans to related party	781,088	24,140
	781,088	24,140

7. Administrative and other expenses	1 January 2020 to 30 June 2020 (£)	24 August 2018 to 30 June 2019 (£)
Administration fees	61,855	84,221
Audit fees	48,141	59,040
Depositary fees	16,596	22,775
Directors remuneration	105,970	159,221
Managerment fees	1,126,012	952,994
Sundry expenses	54,977	98,673
	1,413,551	1,376,924

8. Taxation

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

The Company may make interest distributions to reduce taxable profits to nil due to the taxable profits for the period to 30 June 2020 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 2020.

		1 January 2020 to 30 June 2020 (£)	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			
(Loss)/profit before tax		(455,406)	4,439,920
Tax at UK main rate of 19%	19.00%	(86,527)	843,585
Tax effect of:			
Net gain/(loss) on investments at fair value through the profit and loss	(6.27%)	790,863	(867,145)
Non-deductible expenses	1.40%	74,128	218,103
Subject to group relief/designated as interest distributions	(14.13%)	(778,464)	(194,543)
Tax charge for the period	-%	-	-

9. Earnings per Ordinary Share

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

	Revenue (£)	Capital (£)	1 January 2020 to 30 June 2020 Total (£)
Net profit/(loss) attributable to ordinary shareholders	4,097,181	(4,552,587)	(455,406)
Weighted average number of Ordinary Shares for the period	223,721,199	223,721,199	223,721,199
Profit per Ordinary Share (basic and diluted) – pence per Ordinary Share	1.83	(2.03)	(0.20)

	Revenue (£)	Capital (£)	24 August 2018 to 30 June 2019 Total (£)
Net profit/(loss) attributable to ordinary shareholders	1,023,910	3,416,010	4,439,920
Weighted average number of Ordinary Shares for the period	80,724,271	80,724,271	80,724,271
Profit per Ordinary Share (basic and diluted) – pence per Ordinary Share	1.27	4.23	5.50

Notes to the Financial Statements

For the period from 1 January 2020 to 30 June 2020

10. Investment in subsidiaries

As at 30 June 2020	Place of business	Percentage ownership	Opening balances (£)	Equity movement (£)	Loans movement (£)	Net fair value movement (£)	Closing balance: equity and loans (£)
Noriker Staunch Ltd (NSL)	England & Wales	100%	27,003,352	-	-	(5,204,529)	**21,798,823**
HC ESS2 Holdco Limited (HCESS2)	England & Wales	100%	27,616,588	-	-	(1,230,461)	**26,386,127**
HC ESS3 Limited (HCESS3)	England & Wales	100%	19,898,159	-	-	(3,188,587)	**16,709,572**
West Midlands Grid Storage Two Limited (WMGS)	England & Wales	100%	4,070,589	-	30,000	56,771	**4,157,360**
Cleator Battery Storage Limited (Cleator)	England & Wales	100%	6,691,989	-	-	192,467	**6,884,456**
Glassenbury Battery Storage Limited (Glassenbury)	England & Wales	100%	30,642,513	-	-	1,685,594	**32,328,107**
HC ESS4 Limited (HCESS4)	England & Wales	100%	22,280,217	-	12,289,675	8,157,618	**42,727,511**
			138,203,407	-	12,319,675	(468,874)	**150,991,956**

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

A loan advance of £8,453,092 was made to HCESS4 Limited on 2 January 2020 on acquisition to repay its debts.

A further loan of £735,000 was made on 9 January 2020 to fund trading accounts and an amount of £3,101,583 was made on 6 March 2020 to pay final amounts due under EPC contracts.

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

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

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

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

Notes to the Financial Statements

For the period from 1 January 2020 to 30 June 2020

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

*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.

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

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

11. Loans receivable

	Loans: opening balance (£)	Loans: principal advanced (£)	Loans: interest accrued (£)	30 June 2020 Closing balance: loans (£)
HC ESS 6 Limited (HCESS6)	3,756,187	11,643,319	384,616	**15,784,122**
Biggerbrook Limited (Biggerbrook)	1,806,295	-	72,053	**1,878,348**
HC ESS 7 Limited (HCESS7)	547,470	8,521,708	324,417	**9,393,595**
	6,109,952	20,165,027	781,086	**27,056,065**

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

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

The loans attract an interest rate of 8% per annum from the date of advance, which is 25 June 2019 for HCESS6; 2 September 2019 and 17 October 2019 for Biggerbrook; and 17 October 2019 for HCESS7. The loan principal and any interest accrued shall be repayable on the earlier of (i) written demand from the Company, or (ii) 31 December 2030. Interest compounds on 31 December of each period and the loans are secured over the various assets in these companies. HCESS6 Limited and HCESS7 Limited are ultimately owned by Gresham House plc and Noriker Power Limited. Biggerbrook Limited is owned by Corylus Capital LLP.

12. Cash an cash equivalents

	30 June 2020 (£)	31 December 2019 (£)
Cash at bank	27,927,614	13,705,852
Treasury fixed term deposits held at Barclays Bank plc	25,025,135	39,200,000
	52,952,749	52,905,852

13. Restricted cash

	30 June 2020 (£)	31 December 2019 (£)
Restricted cash	_	10,843,595
	_	10,843,595

14. Trade and other receivables

	30 June 2020 (£)	31 December 2019 (£)
Management fees	40,500	52,386
Prepaid expenses	20,833	-
VAT receivable	49,647	214,615
	110,980	267,001

15. Trade and other payables

	30 June 2020 (£)	31 December 2019 (£)
Administration fees	28,750	28,750
Advisor and broker fees	-	30,248
Audit fees	29,230	58,000
Depositary fees	2,974	3,000
Accrued IPO costs	14,000	14,000
Professional fees	-	274,918
Other accruals	30,214	270,476
Other creditor: Corylus	-	79,158
Other creditor: Gresham House plc	-	656,899
Deferred consideration for HCESS4 (Red Scar)* (Note 22)	1,035,000	1,035,000
	1,140,168	2,450,447

Notes to the Financial Statements

For the period from 1 January 2020 to 30 June 2020

16. Categories of financial instruments

	30 June 2020 (£)	31 December 2019 (£)
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	52,952,749	52,905,852
Restricted cash	-	10,843,595
Trade and other receivables	40,500	52,386
Loans receivable	27,056,065	6,109,952
Fair value through profit or loss:		
Investment in subsidiaries	150,991,956	138,203,407
Total financial assets	**231,041,270**	**208,115,192**
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	(1,140,168)	(2,450,447)
Net financial assets	**229,971,582**	**205,664,745**

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

17. Fair value measurement

Valuation approach and methodology

The same valuation methodology and process is followed in these Condensed Financial Statements as was applied in the preparation of the Company's Annual Financial Statements for the year ended 31 December 2019. The Company used the income approach to value its investments. The income approach indicates value based on the sum of the economic income that an asset, or group of assets, is anticipated to produce in the future. Therefore, the income approach is typically applied to an asset that is expected to generate future economic income, such as a business that is considered a going concern. Free cash flow to total invested capital is typically the appropriate measure of economic income. The income approach is the DCF approach and the method discounts free cash flows using an estimated discount rate (WACC).

Valuation process

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

All of these investments are based in the UK. The Directors review and approve the valuations of these assets following appropriate challenge and examination. The current portfolio consists of non-market traded investments, and valuations are analysed using forecasted cash flows of the assets and use the discounted cash flow approach for valuation purposes. For period end and interim report and Condensed Financial Statements the Company engages external, independent and qualified valuers to determine the fair value of the Company's investments or are produced by the office of the Investment Manager. The Company engages external, independent and qualified valuers to determine the fair value of the Company's investments or are produced by the office of the Investment Advisor. As at 30 June 2020, the fair value of the portfolio of investments has been determined (presented by the Investment Advisor). All other investments are valued by the Investment Advisor.

The valuations have been determined using discounted cash flow methodology, whereby the estimated future cash flows relating to the Company's equity investment in each project have been discounted to 30 June 2020, using discount rates reflecting the risks associated with each investment project and the time value of money. The valuations are based on the expected future cash flows, using reasonable assumptions and forecasts for revenues, operating costs, macro-level factors and an appropriate discount rate.

As at the period end, the Company uses discount rates to value the expected future cash flows of each investment project. From these discount rates a blended discount rate of 11.1% is calculated. The determination of the discount rate applicable to each individual investment project takes into account various factors, including, but not limited to, the stage reached by each project, the period of operation, the historical track record, the terms of the project agreements and the market conditions in which the project operates.

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

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

The Board reviews the operating and financial assumptions, including the discount rates, used in the valuation of the Company's underlying portfolio and approves them based on the recommendation of the Manager.

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

Key valuation input	Range	Weighted average
WACC	8.3% - 11.4%	11.1%

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

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 2020 (£)	31 December 2019 (£)
Opening balance	138,203,407	-
Add: purchases during the period (Note 11)	-	27,043,631
Add: loans advanced (Note 11)	12,319,675	99,626,655
Add: accrued interest on loans (Note 6)	4,631,313	5,306,389
Total fair value movement through the profit or loss (Note 6)	(4,162,439)	6,226,732
Closing balance	150,991,956	138,203,407

Notes to the Financial Statements

For the period from 1 January 2020 to 30 June 2020

18. Financial risk management

As at 30 June 2020 there have been no changes to the financial instruments risk identified in the Annual Financial Statements of 31 December 2019.

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 ESS projects are currently skewed to FFR revenues, FFR being the provision to the National Grid of a dynamic response service to maintain the grid's electrical frequency at 50Hz. In 2020, operations are expected to be increasingly targeted towards Asset Optimisation, as this becomes the more profitable business activity. There are several additional revenue opportunities emerging for the portfolio as a series of regulatory changes are implemented.

The 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 Baa2.

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

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

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

→ Liquidity risk

The objective of liquidity management is to ensure that all commitments 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 collateralisation between the projects.

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

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

As at 30 June 2020	< 1 year (£)	1 to 2 years (£)	2 to 5 years (£)	>5 years (£)	Total (£)
Financial assets					
Cash and cash equivalents	52,952,749	-	-	-	52,952,749
Trade and other receivables	40,500	-	-	-	40,500
Loans receivable (Note 12)	27,056,065	-	-	-	27,056,065
Fair value through profit or loss:					
Investment in subsidiaries	-	-	-	121,884,032*	121,884,032
Total financial assets	**80,049,314**	-	-	**121,884,032**	**201,933,346**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables	1,140,168	-	-	-	1,140,168
Total financial liabilities	**1,140,168**	-	-	-	**1,140,168**

*excludes the equity portion of the investment in subsidiaries

Notes to the Financial Statements

For the period from 1 January 2020 to 30 June 2020

18. Financial risk management (continued)

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

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

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

→ Market risk

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

Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. At 30 June 2020, the valuation basis of the Company's investments was valued at market value. This investment is driven by market factors and is therefore sensitive to movements in the market.

→ 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. Principal and emerging risks and uncertainties are disclosed in the Strategic Report on pages 25 to 27.

19. Net Asset Value per Ordinary Share

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

	30 June 2020	31 December 2019
Net assets per Statement of Financial Position	£229,971,582	£205,879,360
Ordinary Shares in issue	234,270,650	204,270,650
NAV per Ordinary Share – Basic and diluted (pence)	98.16	100.79

20. Share capital

	Ordinary Shares number	Share capital (£)	Share premium reserve (£)	Capital reduction reserve (£)	Total shareholders equity (£)
Allotted and issued share capital					
As at 31 December 2019	204,270,650	2,042,707	104,380,109	91,764,550	198,187,366
Issue of Ordinary Shares of £0.01 and fully paid at £1.00 – 5 March 2020	30,000,000	300,000	30,900,000	-	31,200,000
	234,270,650	2,342,707	135,280,109	91,764,550	229,387,366
Share issue costs	-	-	(509,930)	-	(509,930)
Dividends paid	-	-	-	(6,142,443)	(6,142,443)
As at 30 June 2020	**234,570,650**	**2,342,707**	**134,770,179**	**85,622,107**	**222,734,993**

Notes to the Financial Statements

For the period from 1 January 2020 to 30 June 2020

20. Share capital (continued)

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

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

Share capital and share premium account and capital reduction reserve
The Board of Directors announced the following on 17 February 2020:

A non-pre-emptive placing of new Ordinary Shares at an issue price of 104.0p per Placing Share are used for further pipeline acquisitions and provide increased general working capital. The Placing Shares will not rank for the dividend of 1.0p per Ordinary Share declared by the Company but will otherwise rank pari passu with the Company's existing Ordinary Shares in issue. Further to the placing announcement of 17 February 2020, the Company issued 30,000,000 Ordinary Shares as announced on 3 March 2020, raising gross proceeds of £31.2 million

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

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

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

	1 January 2020 to 30 June 2020 (£)	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

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

22. Reserves

The nature and purpose of each of the reserves included within equity at 30 June 2020 are as follows:

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

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

23. Transactions with related parties and other significant contracts

Following admission of the Ordinary Shares 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.

Key management personnel include the Directors. Total Directors' remuneration of £105,970 was incurred in respect of the period and includes short-term employee benefits of £24,413. There was no Directors' remuneration outstanding and payable at the period end.

Dividends paid by the Company to the Directors during the period were as follows. No dividend amounts were payable as at 30 June 2020.

2019 Dividends Dividend in p/share (GBP)		**1.00 20 March 2020**	**1.75 12 June 2020**	**2.75 Total**
John Leggate	Shares	18,875	28,675	28,675
	Dividend	188.75	501.81	690.56
Duncan Neale	Shares	9,625	9,625	9,625
	Dividend	96.25	168.44	264.69
David Stevenson	Shares	9,854	9,854	9,854
	Dividend	98.54	172.45	270.99
Catherine Pitt	Shares	5,000	14,660	14,660
	Dividend	50.00	256.35	306.55

Notes to the Financial Statements

For the period from 1 January 2020 to 30 June 2020

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

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

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

During the period, AIFM fees amounted to £1,126,012 (2019: £952,994) with £nil (2019: £657,232) outstanding and payable at the period end.

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

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

Subsidiary	Outstanding loan £	Interest receivable £	Total £
Noriker Staunch Ltd	16,973,082	677,063	17,650,145
HC ESS2 Limited	27,006,649	1,079,700	28,146,349
HC ESS3 Limited	16,886,111	672,796	17,538,907
HC ESS4 Limited	30,769,493	1,180,079	31,949,572
WMGS	4,198,752	167,437	4,366,189
Cleator	4,615,299	184,106	4,799,405
Glassenbury	16,799,281	670,130	17,469,411
			121,919,978

Loans receivable

Loans receivable represent amounts due to the Company from its affiliated parties, Biggerbrook, HC ESS6 Limited and HC ESS7 Limited, as follows:

Subsidiary	Outstanding loan £	Interest receivable £	Total £
Biggerbrook	1,806,294	72,054	1,878,348
HC ESS6 Limited	15,399,505	384,616	15,784,121
HC ESS7 Limited	9,069,178	324,418	9,393,596
			27,056,065

24. Capital commitments

As at 30 June 2020 the Company has no significant binding or conditional future capital commitments.

25. Post balance sheet events

On 3 July 2020, the Company acquired the 41MW Bloxwich battery storage project from Arenko Group.

On 6 July 2020, an additional loan of £720,000 was advanced to HC ESS3 Limited.

On 7 July 2020,the Company launched a private offer of secured power bonds (the "GRID Power Bonds) to facilitate the acquisition of additional battery storage projects in accordance with GRID's investment policy, to advance loans to ESS projects and/or to refinance existing shareholder loans to ESS projects.

The private offer is being made by GRID's wholly owned subsidiary, Gresham House Energy Storage Holdings plc (the "Issuer") and is targeting an initial raise of a maximum of £15 million through an initial Series of 5.0% per annum fixed rate bonds (equivalent to a coupon of approximately 4% after tax). The GRID Power Bonds may be issued in one or more series (each a Series), with each Series having a term of five years from its issue date, redeemable by the Issuer with no penalty after two years. The first Series will close soon.

It is intended that the proceeds of the initial Series will be used, among other things, to acquire an operating asset which is at an advanced stage of due diligence. The addition of this project to the Company's existing portfolio of operational assets is expected to be accretive to the Fund's cash flow and NAV per share.

The GRID Power Bonds provide the Company's group with attractive, flexible fixed rate financing terms with low arrangement, legal and other ancillary fees as compared to a typical revolving credit facility or project finance.

The GRID Power Bonds will pay interest semi-annually, in arrears, in equal instalments and have a maximum, aggregate subscription amount of £40 million. The offer period will be open for 12 months to July 2021 to, among other things, assist with the acquisition of further battery storage projects.

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

On 19 August 2020 the Board approved a loan to Grid Reserve Limited (which owns the Byers Brae project). This loan totalled £2.05 million. There were no further events after the reporting date which require disclosure.

Company Information

Non-Executive Directors
John Leggate - Chair
Duncan Neale
David Stevenson
Catherine Pitt

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Corporate Broker and Financial Adviser (appointed 3 June 2020)
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Ticker: GRID

Glossary

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

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

AUM/Assets Under Management
The total net assets of the Company.

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

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

In order to provide balancing services a Balancing Services use of System charge (BSUOS) is payable.

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

Black Start
A total or partial shutdown of the national electricity transmission system (NETS) is an unlikely event. However, if it happens, National Grid are obliged to make sure there are contingency arrangements in place to ensure electricity supplies can be restored in a timely and orderly way. Black Start is a procedure to recover from such a shutdown.

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

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

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.

NAV
Net Asset Value being the total Net Assets in the Company divided by the total number of Ordinary Shares in issue as at 30 June 2020.

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

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

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

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

System inertia
Inertia works to keep the electricity system running at the right frequency by using the kinetic energy in spinning parts in power plant generator turbines.

When needed, the spinning parts in generator turbines can rotate slightly faster or slower to help balance out supply and demand. The more turbines you have, the more energy there is in the system and the greater the system inertia, which helps to stabilise the frequency.

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

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

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

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

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

VRLA
Valve-Regulated Lead-Acid.

Since 1857

Gresham House

Specialist asset management