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Gresham House
Specialist asset management

Powering the renewable energy transition

Gresham House Energy Storage Fund plc (GRID)

Annual Report and Financial Statements for the year ended 31 December 2022

Contents

Real time energy storage to address supply-demand imbalances to enable renewable energy.

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

Highlights

NAV per share
(as at 31 December 2022)

155.51p
+33.07%

Dec 21: 116.86p
Dec 22: 155.51p

Dividend per Ordinary Share
(as at 31 December 2022)

7.0p

Dec 21: 7.0p
Dec 22: 7.0p

Company profit and total comprehensive income
(as at 31 December 2022)

£217.1mn
+170.00%

Dec 21: £80.4mn
Dec 22: £217.1mn

Ordinary Share Price Total Return since IPO
(as at 31 December 2022)

+96.4%

Dec 21: +51.5%
Dec 22: +96.4%

Total gross equity funds raised
(as at 31 December 2022)

£150.0mn
+50.00%

Dec 21: £100.0mn
Dec 22: £150.0mn

NAV per Ordinary Share Total Return
(as at 31 December 2022)

+39.1%

Dec 21: +20.3%
Dec 22: +39.1%

EBITDA of underlying investment portfolio[1]
(as at 31 December 2022)

£48.8mn
+14.82%

Dec 21: £42.5mn
Dec 22: £48.8mn

1. Alternative Performance Measures, including Operational Dividend Cover, are defined and calculated on page 114

Operational portfolio reached
(as at 31 December 2022)

550MW
+29.41%

Dec 21: 425MW
Dec 22: 550MW

Performance highlights

- Net Asset Value (NAV) as of 31 December 2022 rose to £841.7mn or 155.51 pence per share (HY 2022: 144.11 pence/FY 2021 116.86 pence).
- Operational Dividend Cover[2] of 1.28x was achieved in 2022. The dividend for the year of 7.0 pence per share was equivalent to a 4.3% dividend yield based on the closing share price of 161.50 pence on 31 December 2022.
- In light of the growth in EBITDA from increased operational capacity in 2022 and expected in 2023, the Board intends to pay a dividend of 7.35 pence per share for 2023, a 5% increase over 2022. The Board will periodically review the dividend policy to maintain a competitive dividend yield while also ensuring that Operational Dividend Cover[2] remains strong.
- £150mn equity was raised in May 2022 at a share price of 145 pence per share.
- In addition, a £155mn incremental debt facility was closed by Gresham House Energy Storage Holdings plc (MidCo), a wholly owned subsidiary of Gresham House Energy Storage Fund plc in November 2022, taking the total debt available to £335mn. As of 31 December 2022, £60mn had been drawn.

Operational highlights

- The underlying investment portfolio generated revenues[3] of £62.7mn (December 2021: £51.4mn) and EBITDA of £48.8mn (December 2021: £42.5mn).
- Operational Capacity of the portfolio has now reached 550MW as of 31 December 2022 with Arbroath (35MW), Stairfoot (40MW) and Enderby (50MW) completed in the period. The total increased to 590MW in Q1 2023 with the commissioning of Coupar Angus (40MW) in February 2023.
- While the portfolio has experienced anticipated delays on its construction throughout 2022, the Manager is working to improve lead times on in-construction assets and increasing the construction capabilities of the team to ensure smoother programme execution and grid connections processes. The Company anticipates operational MWs to reach 1027MW by the end of 2023.

2. Alternative Performance Measures, including Operational Dividend Cover, are defined and calculated on page 114

3. Financial performance of the underlying investment portfolio contributes to the valuation of investments through growth in working capital balances. Earnings greater than forecasted in prior valuations will increase valuations and hence NAV

Chair's Statement

On behalf of the Board, I am pleased to present the Annual Report and Accounts of Gresham House Energy Storage Fund plc ("GRID", the "Fund" or the "Company") for the year ending 31 December 2022.

Summary

2022 was another important and successful year for the Fund. We are delighted to have shown strong growth in earnings, in operational capacity and in our NAV per share and share price, while maintaining a fully covered dividend.

This progress is despite the challenging macroeconomic backdrop in 2022. The greatest headwinds were experienced in relation to construction activities within the investment portfolio, specifically in terms of delays caused by longer lead times and issues relating to connecting projects to the grid, as well as some supply chain cost increases linked to, for example, the weakening of sterling versus the US dollar. These issues have affected the entire Battery Energy Storage System (BESS) sector. Conversely, and more positively, delays in the growth of the Great Britain energy storage fleet have given the existing BESS portfolio a boost in terms of performance in 2022, as a result of undersupply of BESS capacity in key services. By the end of 2022, we had grown our operating capacity to 550MW and it is expected to reach 1GW during 2023.

Rising interest rates have prompted us to increase the discount rate we apply to contracted income by 50bps, while merchant discount rates remain unchanged as we recognise our growing track record and demonstration of the revenue case. The challenges and delays faced in construction have been reflected in an increase of 25bps in the discount rate used for projects under construction.

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We are delighted to have shown strong growth in earnings, in operational capacity and in our NAV per share and share price, while maintaining a well covered dividend.

Our weighted average discount rate has risen to 10.9% (2021: 10.8%). We believe that our position on discount rates and approach to valuation is both robust and appropriate.

Despite the delays in construction experienced by the portfolio, and the higher interest rate environment, the Board and the Manager remain confident in our ability to meet the Company's returns targets, made up of income generated by the existing portfolio and capital growth from the integration of well-priced project acquisitions.

Performance update

The Company's NAV increased to £841.7mn and 155.51 pence per share as of 31 December 2022, up 64% from £511.7mn and 116.86 pence per share as of 31 December 2021. NAV per share performance in 2022 was driven by project revaluations, new Capacity Market contracts, stronger revenue forecasts and healthy cash generation over and above our dividend payment requirements. Further details can be found in the Investment Manager's report.

The underlying investments owned by the Company generated a record level of EBITDA at £48.8mn[4], up 15% year over year and up 22% on a fully comparable basis (this excludes locked box accrued in 2020 but accounted for in 2021 on project acquisitions completed in 2021).

Portfolio, transactions, and pipeline

The Fund saw three new projects commissioned during 2022: Arbroath, Enderby and Stairfoot. These contributed to an increase in operational capacity to 550MW as of 31 December 2022 from 425MW at the end of 2021. During Q1 2023, operational capacity increased to 590MW through the completion of Coupar Angus.

4. Alternative Performance Measures are defined and calculated on page 114

The target portfolio has grown to 2GW, due to a further 0.4GW in project pipeline, as discussed in the Investment Manager's report. Of the new total, 477MW is due to commission during 2023 and a further c.500MW in 2024.

The Manager has also highlighted, for the first time, its efforts to secure a large, long-term pipeline to build the portfolio in the second half of this decade. While not detailing specific projects, the Manager has well advanced pipeline opportunities in place in Great Britain and Ireland and is working on similar opportunities in the US, European Economic Area and Australia. The pipeline potential derived from these agreements is expected to exceed 5GW. This scale reflects the size of the global addressable market created by intermittent renewable electricity generation.

Construction activities

Throughout 2022, we continued to see supply chain disruptions caused by COVID-related lockdowns in China. China has rapidly opened up since December 2022 and this has already started to ameliorate disruptions. However, we continue to see a general tightening of supply chains. This is caused in part by the huge demand created by the global boom in renewables, boosted by the US "Inflation Reduction Act" and the anticipated EU "Green Deal Industrial Plan", both of which are designed to provide tax breaks for renewables and energy storage projects.

The result, unsurprisingly, is longer lead times and higher equipment prices. The drive for more renewable energy, however, brings with it an increasing requirement for installed BESS globally, presenting opportunities for the Company and its investments in the UK and internationally. In addition, Russia's invasion of Ukraine, and the specific targeted destruction of its grid infrastructure, is also lengthening lead times for high voltage equipment as manufacturers support repair and reinforcement efforts.

In parallel, the growing number of renewables and BESS projects seeking access to grid capacity has challenged the Distribution Network Operators and National Grid.

These challenges are industry wide, however GRID is well positioned thanks to its scale in terms of portfolio size, purchasing power and the investments made to the Manager's project delivery team with expertise over all areas from project development, procurement, construction and operations to address these issues.

Positive developments include a material reduction in shipping rates while underlying commodity costs such as copper and steel were lower in 2022 than in 2021. Even lithium carbonate prices have recently fallen, and lead times for battery purchases for GRID have significantly improved. We are excited to see continued technical innovation which is improving the efficiency, energy density and functionality of grid-scale batteries.

Capital structure

The Fund has attracted a significant amount of additional capital in 2022, first in the form of an oversubscribed £150mn equity raise at a price of 145p per share in May and then in the form of an incremental debt facility of £155mn entered into by MidCo in November 2022 as an extension to the existing £180mn facility[5]. As of 31 December £60mn of this facility had been drawn.

Investment policy

As reported in the Company's interim results, the Fund has expanded its horizons through a shareholder resolution, which was overwhelmingly approved to change the Investment Policy to allow a 30% exposure, as a percentage of Gross Asset Value (GAV), to invest in Overseas Jurisdictions, which are defined as the United States, Canada, the European Economic Area (EEA) and Australia.

The purpose of this change is to permit the Fund to pursue opportunities in growing markets, following a similar trend in Great Britain, as the increased electrification of energy consumption and decarbonisation of electricity generation through the growth in renewable generation capacity has driven the need for energy storage capacity.

5. £155mn Accordion Debt Facility RNS: https://otp.tools.investis.com/clients/uk/gresham_house_energy_storage_fund_plc2/rns/regulatory-story.aspx?cid=2430&newsid=1641471

Dividends

The Fund paid a 1.75 pence per share dividend for each quarter in 2022, a total of 7 pence per share for the full year (2021: 7 pence).

However, the Board is aware that the accretion in NAV per share from IPO to date and the resulting increase in share price has brought the Fund's dividend yield to levels of less than 4.5% based on the share price at the end of 2022. In light of the growth in EBITDA of the underlying portfolio[6] in 2022 and the increasing operational capacity expected in 2023, the Board intends to pay a dividend of 7.35p per share for 2023, representing a 5% increase over 2022. The Board will continue to periodically review the dividend policy to maintain a competitive dividend yield while also ensuring continued strong dividend cover. The Board believes that the Fund's investment opportunities merit retaining some income as well as recycling some capital into accelerating the growth of the portfolio. The Board wishes to strike a balance between growing the Company and maintaining its market sector leadership, alongside increasing the Company's dividend.

6. Alternative Performance Measures are defined and calculated on page 114

Sustainability

The Company's approach to sustainability is inherent in its business: by operating and increasing BESS capacity, the Company is supporting the decarbonisation of energy to help address climate change. Previously, we have described our sustainability performance by reporting against internal objectives set in the Manager's Sustainable Investment Framework. This was because reporting standards had not kept pace with our, and our investors', wish to see progress from a sustainable investment perspective.

The Board recognises that laws and reporting standards are improving with ratification of the Environment Act in the UK and the establishment of reporting standards such as the EU Sustainable Finance Disclosure Regulation (SFDR) and Taskforce for Climate-related Financial Disclosures (TCFD). Although neither of these standards are compulsory for the Company at this time, we have adopted these new standards to demonstrate its commitment to understanding and addressing climate-related risks and to aid consistency and comparability for stakeholders.

The Company's sustainability work comprises much more than can be reported in these two external formats.

In our monitoring and reporting, we continue to focus on key indicators of the Company's contribution to mitigating climate change: Operational BESS capacity in MW and MWh; greenhouse gas emissions; and carbon emissions avoided. This is discussed further in our Sustainability Report on page 24.

Outlook

Following GRID's strong trajectory in 2022, the Company has set its ambitions higher going into 2023. EBITDA of the underlying investment portfolio is expected to increase in 2023 as more projects are commissioned and operational capacity increases. This should also lead to growth in NAV per share and in the Fund's potential to pay dividends.

At the time of writing, the markets were still digesting the market dislocation in the financial industry and implications of Central Banks actions. The Manager continues to monitor GRID's banking exposure and will act to minimise risks on a pro-active basis.

The Manager continues to focus on performance of the fleet from conventional metrics such as uptime and accessing fully optimised EBITDA delivery. The metrics displayed in the Investment Manager's report demonstrate the Manager's strong operational oversight of the portfolio, while its continued investment in technology-led asset management systems will allow the team to scale the operational portfolio without a proportionate increase in staff.

The Manager has reviewed and reset the pipeline's commissioning timeline more conservatively for 2023, which had a minor impact on the NAV per share as of 31 December 2022. This re-basing should result in less risk of further slippage while the Manager will work to deliver on these expectations.

As set out in the Company's Initial Public Offering prospectus, a Continuation vote will be proposed at the upcoming AGM. Further information will be made available in the Notice of Meeting.

We expect to see the income generating capacity of the underlying investment portfolio grow as the Fund's operational MW capacity almost triples through 2025, and as MWh capacity grows even faster as we increase the average duration of our portfolio (new projects are increasingly built out to 2-hour duration). Beyond this, it is clear to the Board and the Manager that we are still only in the foothills of the opportunities in the energy storage arena in Great Britain and globally and significant growth beyond 2025 is expected to drive ongoing shareholder returns for many years.

John S. Leggate

John Leggate CBE, FREng
Chair

Date: 5 April 2023

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 £289mn as at 31 December 2022. Gresham House provides funds, direct investments and tailored investment solutions, including co-investment, across a range of highly differentiated alternative strategies. GHAM's expertise includes strategic public equity, private equity, forestry, housing, new energy and infrastructure.

Portfolio and pipeline overview

The Company increased its operational portfolio further in 2022 with the addition of Stairfoot (40MW) and the commissioning of Arbroath (35MW) and Enderby (50MW), taking the total operational portfolio to 20 projects and 550MW (2021: 17 projects and 425MW). In addition to this, the Company has also added Coupar Angus (40MW) after the year end, taking total operational capacity to 590MW as of the date of the approval of the accounts.

We are pleased to inform investors that the Company's portfolio and exclusive pipeline currently stands at a total of 2.0GW, having increased by 410MW since 31 December 2021 with the addition of Shilton Lane (40MW), Rothienorman (50MW), Walpole (100MW), Project SK (100MW) and Monvalet 2 (120 MW). The pipeline table can be seen on the next page.

In May 2022, the Company raised £150mn in equity to fund new projects moving into construction. The placing was significantly oversubscribed but the Company exercised capital discipline by not accepting more funds than required at that time. In addition to this, the Company, through its wholly owned subsidiary Gresham House Energy Storage Holdings (MidCo), has increased its overall borrowing capacity with a £155mn incremental debt facility, secured in November 2022, taking overall debt available to £335mn. The available debt alongside the equity raised in the year is being deployed into the existing pipeline.

Delays in both equipment availability and connection dates have caused a number of delays to project commissioning, meaning certain projects which were originally planned for 2022 are now expected to be commissioned in 2023. Despite these challenges, by the end of 2023, the Company expects to have 1027MW of operational capacity, an 87% increase in operational capacity from 31 December 2022.

The key challenges faced by the Manager and other BESS operators in the market in commissioning new projects remains similar to what we highlighted in the Interim 2022 Report. The high demand for renewable and BESS projects is tightening supply chains, which, along with more general inflationary pressures and weak sterling, is contributing to higher costs and delays. However, the greatest impact on commissioning dates through 2022 has come from grid connection processes: insufficient personnel and other resources at Distribution Network Operators (DNOs), National Grid and Independent Connection Providers (ICPs) is resulting in delays to project programmes.

To address the challenges, the Manager has been growing its project delivery team to ensure deep involvement in the grid connection process and to pre-empt potential issues which could cause delays. Having in-house asset management and Operation and Maintenance (O&M) teams enables directing additional resource to help unlock commissioning challenges.

Table 1 - Company portfolio

Map ref.	Existing assets	Location	Capacity (MW)	Battery size (MWh)	Site type*	Operational status 31 December 2022
1	Staunch	Staffordshire	20	3	Battery and generators, 0.5MW import	Operational
2	Rufford	Nottinghamshire	7	10	Battery and generators, symmetrical	Operational
3	Lockleaze	Bristol	15	22	Battery, symmetrical	Operational
4	Littlebrook	Kent	8	6	Battery, symmetrical	Operational
5	Roundponds	Wiltshire	20	26	Battery and generators, 16MW import	Operational
6	Wolves	West Midlands	5	8	Battery, symmetrical	Operational
7	Glassenbury*	Kent	40	28	Battery, symmetrical	Operational
8	Cleator*	Cumbria	10	7	Battery, symmetrical	Operational
9	Red Scar	Lancashire	49	74	Battery, symmetrical	Operational
10	Bloxwich	West Midlands	41	47	Battery, symmetrical	Operational
11	Thurcroft	South Yorkshire	50	75	Battery, symmetrical	Operational
12	Wickham	Suffolk	50	74	Battery, 40MW import	Operational
13	Tynemouth*	Tyne and Wear	25	17	Battery, symmetrical	Operational
14	Glassenbury Extension	Kent	10	10	Battery, symmetrical	Operational
15	Nevendon*	Basildon	10	7	Battery, symmetrical	Operational
16	Port of Tyne*	Tyne and Wear	35	28	Battery, symmetrical	Operational
17	Byers Brae	West Lothian	30	31	Battery, symmetrical	Operational
18	Arbroath	Scotland	35	35	Battery, symmetrical	Operational Q4 2022
19	Enderby	Leicester	50	50	Battery, symmetrical	Operational Q4 2022
20	Stairfoot	North Yorkshire	40	40	Battery, symmetrical	Operational Q4 2022
Total operational			**550**	**598**		

*Current size prior to any potential duration extensions

Table 1 – Company portfolio (continued)

Map ref.	Existing assets	Location	Capacity (MW)	Battery size (MWh)	Site type*	Operational status 31 December 2022
21	Coupar Angus**	Scotland	40	40	Battery, symmetrical	Operational Q1 2023
22	West Didsbury	Manchester	50	50	Battery, symmetrical	Target COD: Q2 2023
23	Melksham	Wiltshire	100	100	Battery, symmetrical	Target COD: Q3 2023
24	Penwortham	Preston	50	50	Battery, symmetrical	Target COD: Q2 2023
25	Grendon***	Northampton	100	200	Battery, symmetrical	Target COD: Q3 2023
26	York	York	50	75	Battery, symmetrical	Target COD: Q2 2023
27	Bradford West	West Yorkshire	87	174	Battery, symmetrical	Target COD: Q4 2023
28	Elland 1	West Yorkshire	50	100	Battery, symmetrical	Target COD: Q4 2023
29	Shilton Lane	Scotland	40	40	Battery, symmetrical	Target COD: H1 2024
30	Rothienorman	Aberdeenshire	50	50	Battery, symmetrical	Target COD: H2 2024
31	Walpole	Cambridgeshire	100	200	Battery, symmetrical	Target COD: 2026
Total portfolio owned by the Company			**1,267**	**1,677**		

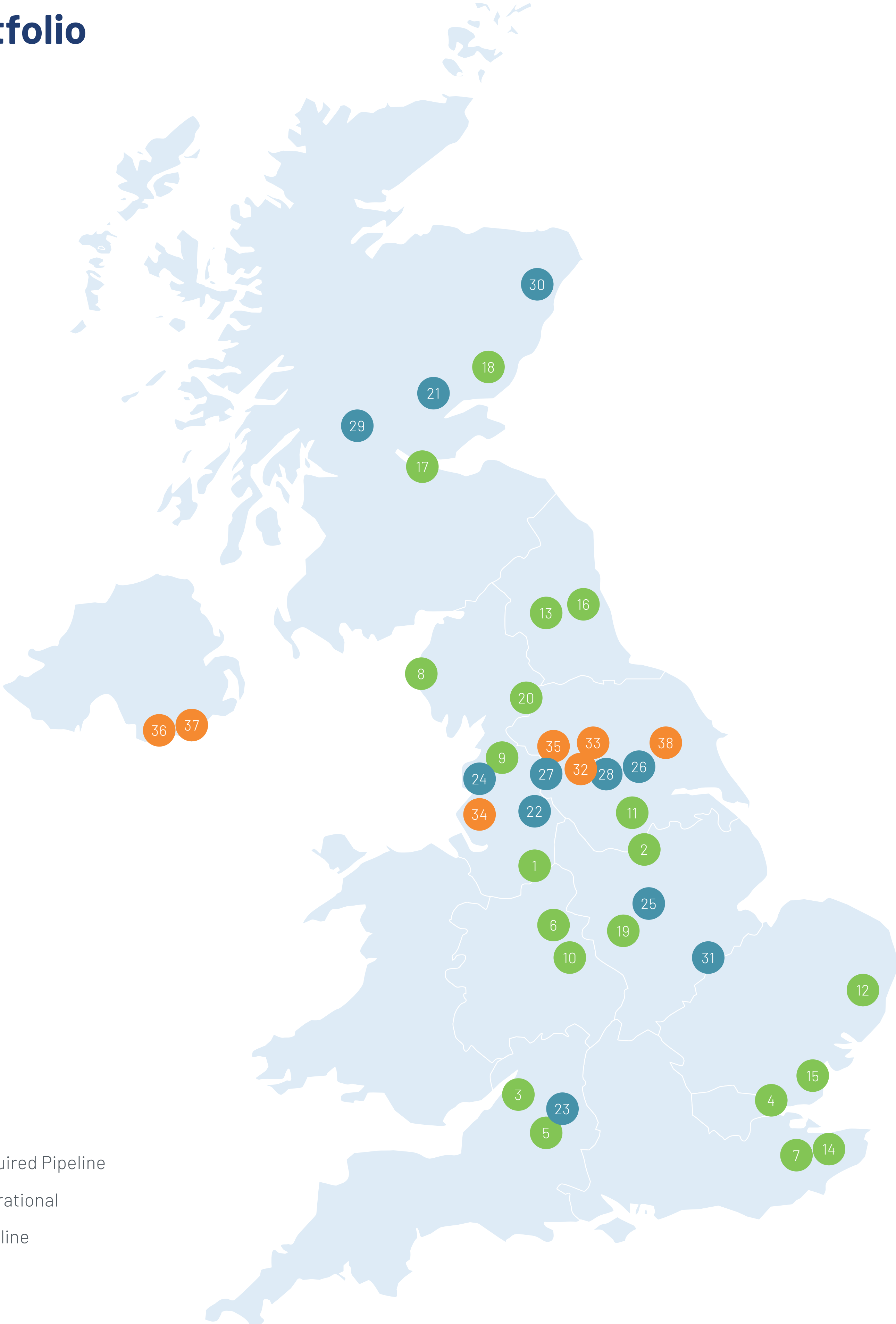
**Acquired subject to satisfaction of conditions.

*** The commissioning date reflects the 50MW Grendon 1 Project, with a further 50MW known as Grendon 2 anticipated to begin construction in due course. Grendon 2 has been delayed versus original expectations for various reasons and is not being prioritised by the Manager until it is fully ready to build.

Table 2 – Pipeline summary

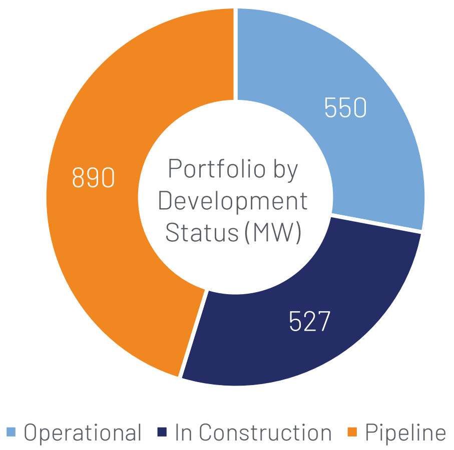
Map ref.	Pipeline projects	Location	Capacity (MW)	Battery size (MWh)	Commissioning/ Completion status	Operational status 31 December 2022
32	Elland 2	West Yorkshire	100	200	Battery, symmetrical	Target COD: Q2 2024
33	Monet's Garden	North Yorkshire	50	50	Battery, symmetrical	Target COD: H2 2024
34	Lister Drive	Merseyside	50	50	Battery, symmetrical	Target COD: H1 2024
35	Bradford West 2	West Yorkshire	100	200	Battery, symmetrical	Target COD: H1 2025
36	Monvalet	Rep. of Ireland	180	180	Battery, symmetrical	Target COD: H2 2024
37	Monvalet 2	Rep. of Ireland	120	120	Battery, symmetrical	Target COD: 2025
38	Project SK	Yorkshire	100	100	Battery, symmetrical	Target COD: 2024
Total pipeline not owned by the Company			**700**	**900**		
Total portfolio and pipeline			**1,967**	**2,577**		

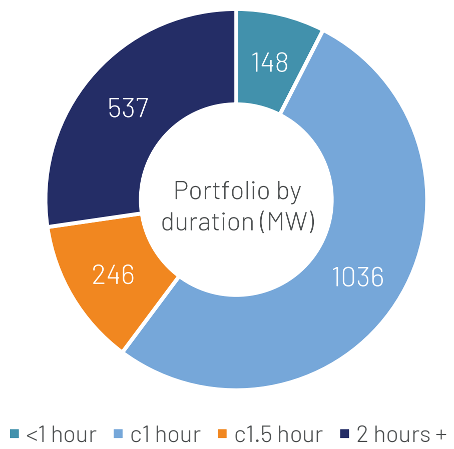
Portfolio

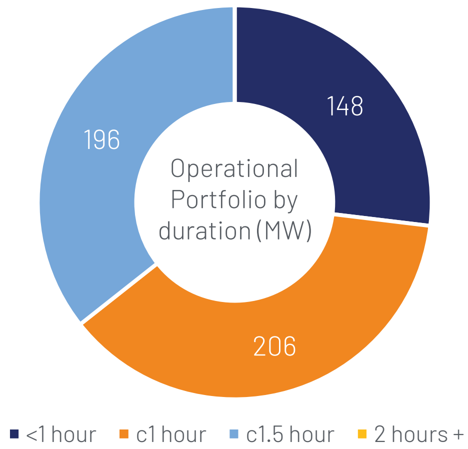


Key

- Acquired Pipeline
- Operational
- Pipeline







Fund and portfolio performance

The Fund continues to perform well, with the underlying investment portfolio yielding its highest revenues to date at £143k per MW, up 13% on 2021. This has driven the investment portfolio to generate EBITDA of £48.8mn for the year, resulting in Operational Dividend Cover of 1.28x[7] of the 7.0 pence dividend paid (2021: 1.32 pence and 7.0 pence dividend).

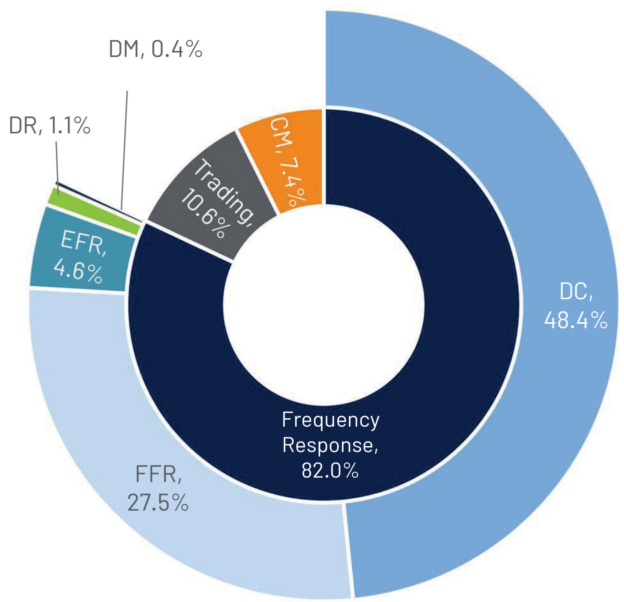
We are pleased to confirm that the £150mn equity raised in May 2022 has now been fully deployed and as of the year-end we had begun drawing down on our available debt facilities to fund the remainder of the pipeline. £60mn has been drawn down as of the year end, with a further £50mn following in the first quarter of 2023. The Company through its wholly owned subsidiary, Gresham House Energy Storage Holdings, has a combined debt facility of £335mn. This will allow the Company to drive equity returns in the future.

The Company's share price has continued to outperform equity markets with a Share Price Total Return for the year to 31 December 2022 of 29.6%. This was underpinned by NAV Total Return of 39.1%, compared with 0.3% for the FTSE All Share Index. This was supported by historic and anticipated NAV growth as pipeline sites are acquired and commissioned.

With the appreciation of NAV, AIFM fees continue to fall as a percentage of NAV due to the tiered fee structure (fees on incremental amounts are lower above certain thresholds), helping to keep costs down. Annualised ongoing charges in the period were 1.18% based on the weighted average NAV for the year to 31 December 2022 (FY 2021: 1.23%, FY 2020: 1.26%). Based on publicly available information, we believe these are amongst the lowest compared to other listed funds in the sector.

7. Alternative Performance Measures are defined and calculated on page 114

Portfolio performance



As noted above, the Company's underlying investment portfolio generated EBITDA of £48.8mn, an increase of 15% from £42.5mn in 2021. This growth in earnings was largely driven by exceptional revenues in Dynamic Containment (DC) in the summer, with a small increase due to new projects commissioning in Q4 2022 and contributing towards the portfolio's earnings.

Revenue from underlying assets for the year was £62.7mn (£63.3mn including Liquidated Damages on late commissioning projects), up 21.9% on 2021 (£51.4mn).

Revenues peaked at a high level in June on the back of increased demand for frequency response services from the Electricity System Operator (ESO), primarily DC, whilst operational capacity in the market lagged expectations due to industry-wide commissioning delays. This led to peak prices during July of £105/MWh in DC, although this was short lived with the market eventually becoming saturated from Q3 2022 as expected - see the market update section for further details.

With frequency response services remaining undersupplied for the majority of the year through to September 2022, it is unsurprising that frequency response services overall made up the bulk of revenues at 82.0%. Out of these services, DC was the largest single revenue stream with 48.4% of revenues while Dynamic Moderation (DM) and Dynamic Regulation (DR), which are much smaller capacity services, represented just 1.5% of revenues.

All Enhanced Frequency Response (EFR) contracts ended in 2022, with Port of Tyne being the last to finish in the service in July 2022. In total, 4.6% of revenues for the year came from EFR. Each of the former EFR sites is now fully tested for all services and have also been trading in the year.

Firm Frequency Response (FFR), being the monthly frequency service, remained a large part of the revenue base at 27.5% despite a declining number of MWs being procured. This, at times, presented good opportunities, particularly as the DC market became saturated towards the end of 2022.

Whilst trading represented a lower overall percentage of the underlying investment portfolio's revenues at 10.6%, versus 11.5% in 2021, this does not tell the whole story. We saw trading opportunities throughout the year however, the exceptionally high frequency response markets during the spring and summer proved to be more profitable pricing opportunities and the focus of the portfolio was on capturing those prices.

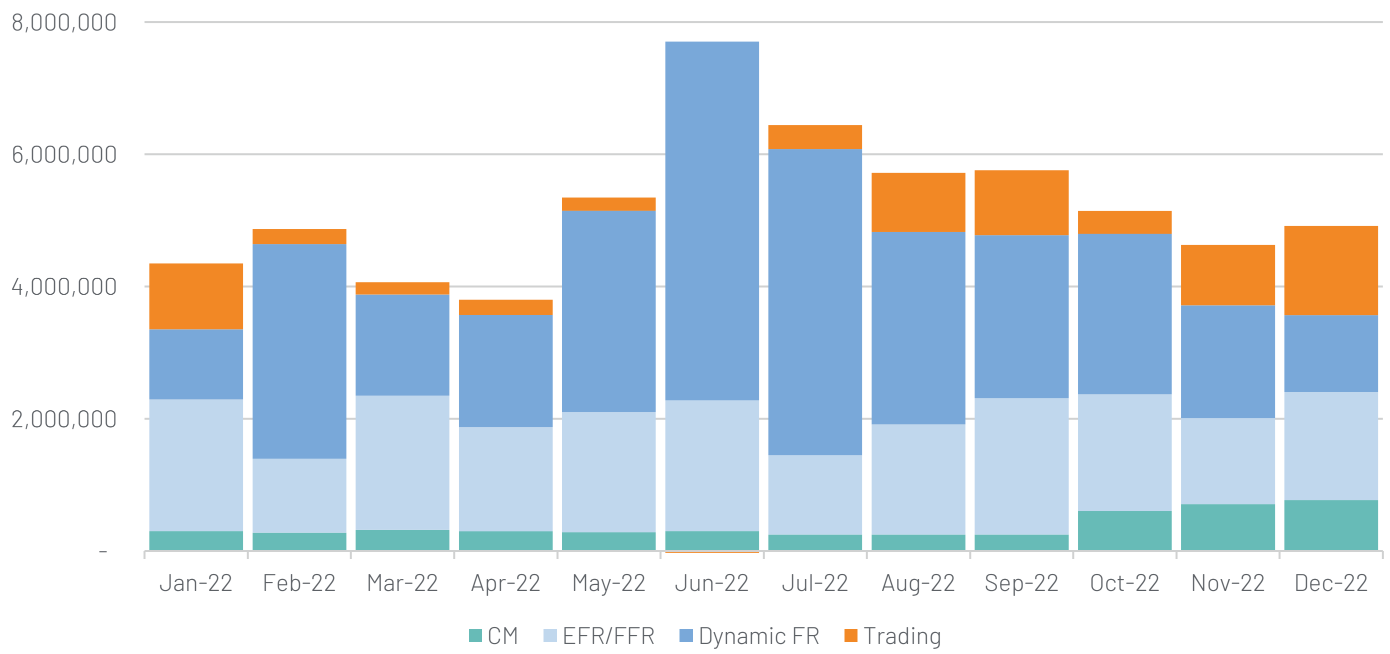
During H2 however, allocation towards trading revenues increased as the frequency response markets became saturated, with trading in December making up 27.5% of revenues. The focus is now very much on the trading opportunity.

Capacity Market (CM) revenues increased from October 2022 as the portfolio started earning on the record high 1-year contracts awarded in February 2022. Subsequent pipeline will earn revenue from their CM contracts once they are operational and so further growth in CM is anticipated over the coming months. In total, CM revenues made up 7.4% of revenues over 2022 and reached 15.7% of revenues in December 2022.

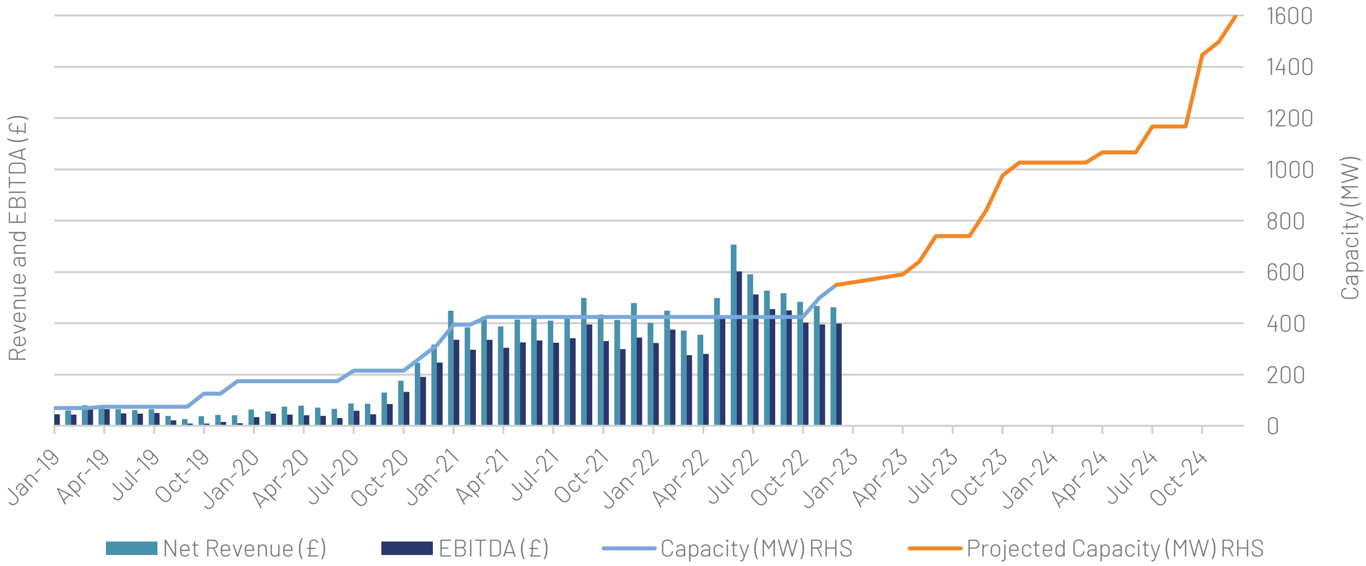
As recently announced in the trading update on 13 March 2023, the Company's underlying portfolio assets were awarded additional CM contracts (T-1 and T-4) in the latest auctions in February 2023, with the 15-year T-4 auction clearing at a record high of £63k per derated MW per year. These new contracts are expected to contribute an additional £36mn[8] of contracted revenues over their lifetime. This should see CM maintain an increasingly larger percentage of total revenues, particularly from October 2023 to September 2024. In line with the valuation policy, these contracts are not included in the year end valuations as they were not held at the valuation date. The value of these contracts is c.4.2 pence per share, based on shares outstanding at 31 December 2022, with the impact expected to come through in future quarters, either at the next valuation date or when an asset is acquired and revalued based on future cash flows.

8. Gresham House estimate assuming CPI of 2% p.a. applied to revenues through to the end of the T-4 contracts

Portfolio revenue split by month



Monthly net revenue and EBITDA per MW



Source: Underlying investment accounts and Management commissioning forecasts

Whilst revenues rose in 2022, we are yet to see potential cost decreases come through as anticipated. For example, insurance costs remain higher than expected due to a lack of competition in the insurance market. We are working on ways to utilise the scale of the portfolio to reduce such costs going forward. In addition to this, we have seen increases in business rates across a number of our sites and are anticipating potential further increases from April 2023, as new rateable values are applied, reflecting inflation on material costs. There is little we can do with rates, but where we can we are feeding this back into site designs. These increases have been factored into the forecasts.

In the meantime, the Manager's in-house O&M team has increased its MW under management, which is leading to a reduction in O&M costs for the portfolio. We anticipate further reductions across the portfolio as more assets are included under this lower cost option. The move to in-house O&M also means greater control over O&M activities for the Company's portfolio, allowing more optimal management of the sites and aligning works with commercial opportunities to minimise outage costs and maximise uptime.

Market update

The following section provides insights from the Manager on the recent performance and outlook for the end markets the Fund participates in, rather than a report on its own performance.

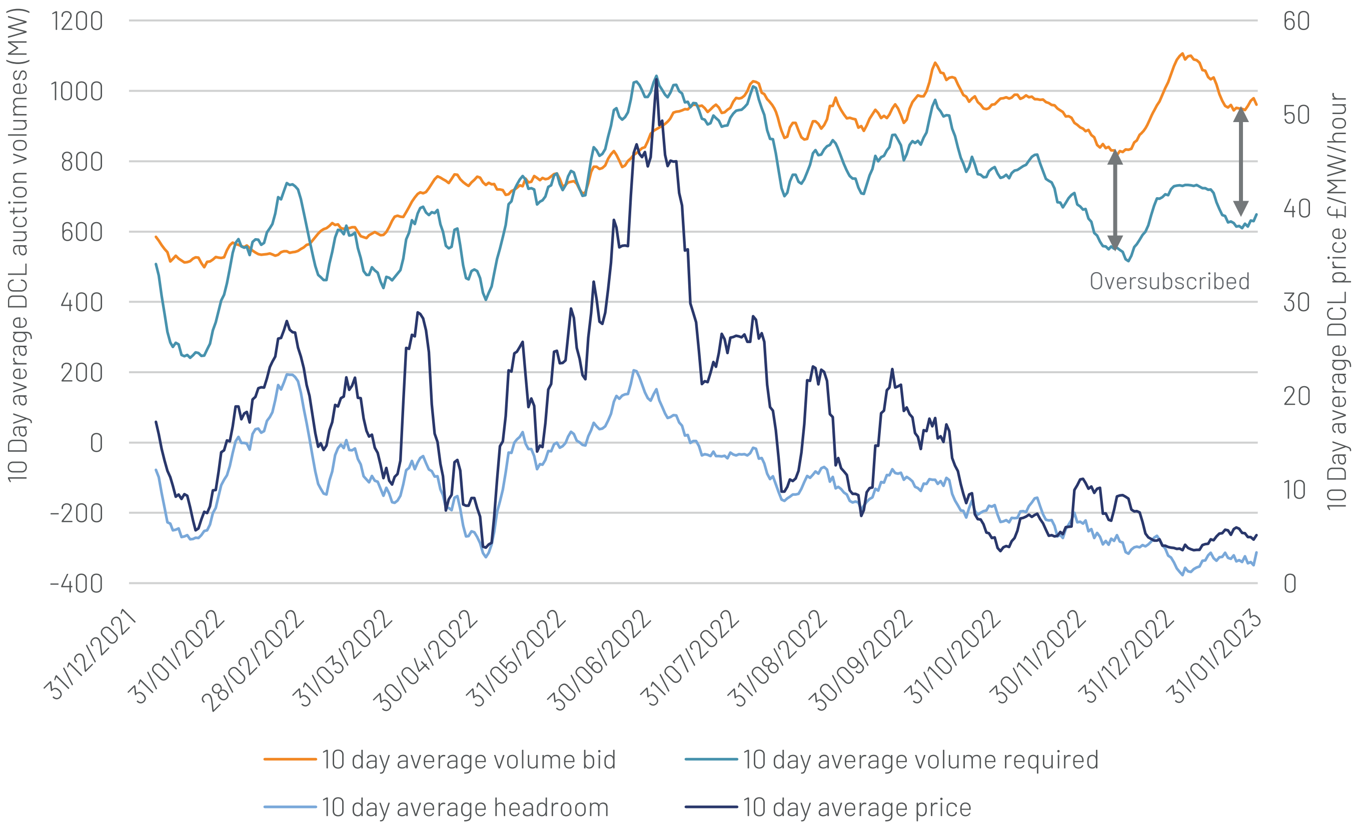
i) Frequency Response services

There has been much change in the make-up of Frequency Response products during the past year, the first being the end of the National Grid Electricity System Operator's (ESO) first Frequency Response service adopted by BESS with all 4-year EFR contracts coming to an end in the year. The first of our contracts to end was in January 2022, with the final contract ending in July 2022. During 2022, all five of our previous EFR assets have entered the latest suite of services alongside wholesale trading.

The next oldest remaining service, Firm Frequency Response (FFR) has seen volume requirements reduced through the year with the ESO still planning to phase out the service and replace it with the new dynamic suite of frequency response products. Despite the reducing volume requirement, the service has proven valuable throughout the year, with Q4 in particular demonstrating greater value than Dynamic Containment (DC) due to a lag in falling prices to hit FFR. Now prices have reduced to levels aligned with DC and, as procured volume continues to reduce over the next year, it is anticipated that FFR will make up a smaller part of the revenue mix in future.

Finally, Dynamic Frequency Response through Dynamic Containment (DC), Dynamic Moderation (DM) and Dynamic Regulation (DR) are now the priority services for the ESO, with the bulk of volume coming from these services. DM and DR are still relatively low volume today, at typically 100MW each, but they are expected to take over from FFR as the latter is phased out.

Dynamic Containment Low - 10 day rolling average volume required headroom versus price



Source: National Grid ESO

DC, and in particular, the low (export-only) service, has been the main revenue driver for the whole market through 2022, as this is usually where the most volume is procured. DC reached record levels in June 2022 on the back of increased volume requirements, exceeding forecasts made at the start of the year by the ESO. This, coupled with a delay in new assets coming online across the market, led to a period of undersupply at a time when requirements increased. As can be seen from the chart above, since August 2022, this has changed and we have been in a period of regular oversupply which has driven DC prices down. This decline was not unforeseen, and had actually been expected to occur sooner in the year, but it is now clear that high prices for frequency response revenues have come to an end.

The investment case for all our assets is underpinned by trading potential and therefore not reliant on frequency response to meet our return levels. However, it is likely that there will remain some element of frequency response revenues for the near term, where frequency response prices outweigh the trading opportunity on certain days.

As requirements for these services are linked to the volume of renewable power on the system, it is likely that overall volume requirements will grow slightly, although the growth in BESS capacity in Great Britain is expected to continue exceeding this.

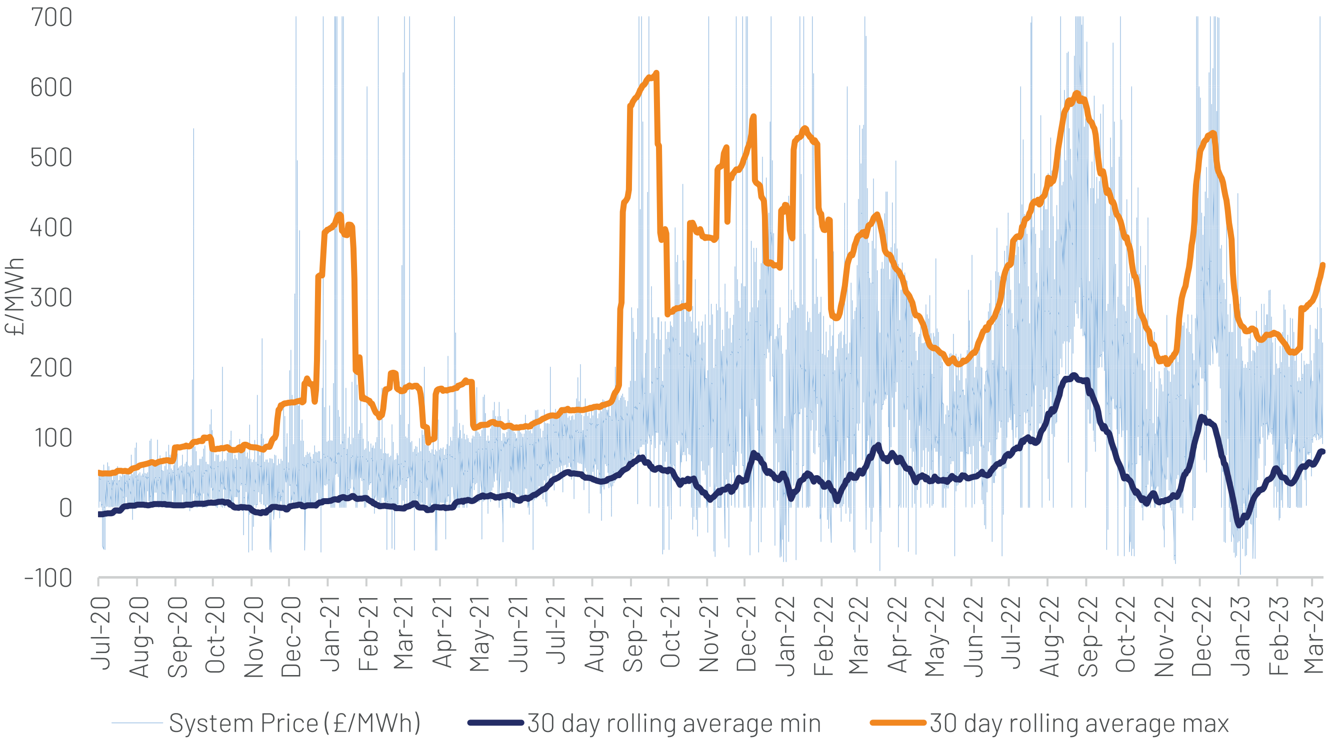
There is also a degree of seasonality which should see higher volume requirements during the summer months, as seen in 2022, which could present opportunities on occasion going forward.

ii) Trading/Merchant markets

While revenues for the portfolio during 2022 were dominated by Frequency Response, the trading market continued to offer additional value. As noted in the Interim Report, significant outages across the French nuclear fleet from April 2022 resulted in Great Britain seeing its first month as a net exporter of electricity since 2017, something which continued for eight straight months. With the gradual return of French nuclear power, the interconnectors have returned to mostly importing to Great Britain since December, which has reduced some of the volatility seen earlier in 2022.

Peak gas prices in August further exacerbated the challenging backdrop, resulting in consistently higher electricity prices over this period as gas tended to set the price, which meant that the minimum daily price in the Nordpool day ahead auction over a 25-day period did not fall below £200/MWh. A combination of strong LNG (Liquefied Natural Gas) imports, increased gas production from Norway, mild weather and lower gas consumption have meant gas prices have fallen consistently since this peak.

Half-hourly power prices and average spread since July 2020



Source: Elexon

Average system price spreads have remained strong throughout 2022 and in to 2023, leaving a positive backdrop for trading revenues. The system price is set by the actions taken by the ESO in the Balancing Market (BM), this should indicate the opportunities available for batteries in the BM. However, we have found that BESS assets are often not being taken despite being lower cost (the metric for tracking this is often referred to as the skip rate) which has to date restricted some of the trading revenues, this is something we are focussed heavily on to ensure the BM is run efficiently and BESS are rightly recognised for the value they bring to the system.

As a result of energy scarcity concerns globally, significant preparations were made in the lead up to Winter 2022/23 to ensure security of supply. Firstly, National Grid ESO delayed the closures of several coal plants. Secondly, some examples of domestic demand destruction were seen through incentives to consumers to reduce demand during peak periods (while sharply higher prices for consumers drove many customers to reduce demand). Finally, the EU passed new rules requiring operators of gas storage sites to reach a minimum 80% storage level by 1 November 2022, ensuring adequate reserve supply should there be a prolonged period of low renewable generation.

The combination of these actions reduced gas prices which, combined with above-average seasonal temperatures, meant the energy markets have not seen the consistent high power price volatility through the winter of 2022/23 that were seen in Winter 2021/22. In a break from the year's trend of warmer temperatures, a cold snap coupled with lower wind output in the first two weeks of December did bring a brief period of exceptional trading returns, along with a record £2,586/MWh day ahead wholesale electricity price on 12 December 2022. The investment portfolio was ready to trade this opportunity with the bulk of revenues able to be earned in the day ahead market.

The actions taken by National Grid to increase reserve capacity and reduce electricity prices have had an impact on trading opportunity in the short term, however we do not see this as likely to continue in the long term, with the bulk of actions over the current winter being to increase generation capacity from fossil fuels, something the ESO, the UK Government and the EU have made clear they wish to move away from. We are confident therefore that volatility will return as greater reliance is placed on renewable energy and the demise of fossil-fuel powered generation.

iii) New revenue opportunities

As the Fund begins to expand internationally, we are progressing the diversification of our revenue base driving growth in BESS across wider geographies. Our international investment decisions are based on the same market fundamentals as the UK, namely growth in renewable energy and increasing electricity price volatility driving an ongoing trading opportunity.

We also look forward to demonstrating the value BESS assets can provide when it comes to meeting the objectives of the ESO's new System Operability Framework[9] - see the Regulatory Update section on page 22. As BESS assets are already capable of contributing to each of the seven categories, we hope this will result in a greater utilisation of our assets by the ESO and leads to higher revenues.

9. The seven categories of the framework are: Stability, Voltage,Thermal, Restoration, Frequency, Within-day Flexibility, Adequacy

Valuations and NAV

NAV per share[10] has risen from 116.86 pence per Ordinary Share at 31 December 2021 to 155.51 pence per Ordinary Share at 31 December 2022. This equates to an NAV Total Return of 39.1% for the year.

The largest increase in NAV came from revaluing new investments (16.86 pence), including assets under construction. Projects at, or near, commissioning, as well as a significant pipeline of future projects, present growth opportunities for future quarters. Stairfoot and Enderby (both operational in Q4 2022) as well as Coupar Angus (operational in Q1 2023) are the next assets expected to contribute further revaluation growth at the Q1 2023 stage, as they start to be valued using operational discount rates.

10. Alternate performance measures are defined and calculated on page 114 of the Annual Report

Valuation basis	Discount rate approach	MW (31 Dec 2021)	MW (30 Jun 2022)	MW (31 Dec 2022)
Operational DCF	Contract cash flows e.g. CM contract revenues: 5.5% (5% at HY22 and FY21) Merchant/uncontracted revenues: 10.85% (no change)	425	425	460
Commissioning DCF (energised)	Cash flows of projects in commissioning phase: 50bps premium to Operational discount rates above (n/a in prior periods) Applies until satisfactory completion of commissioning	–	–	40*
Construction DCF (energised)	Cash flows of projects in construction phase – energised project but not achieved PAC at valuation date: 75bps construction premium to Operational discount rates above (50bps premium at HY22 and FY21)	–	–	50**
Total MWs in operational portfolio		**425**	**425**	**550**
Construction DCF	Cashflows of projects in construction phase: 75bps construction premium to Operational discount rates above (50bps premium at HY22 and FY22)	150	487	437
Cost incurred to date	Held at cost	225	115	230
Total portfolio MWs included in valuations		**800**	**1,027**	**1,217**

* Stairfoot (40MW) achieved both energisation and PAC by 31 December 2022 and is therefore operational. This has been valued with a 50bps "commissioning premium" above the operational DCF until it has successfully completed a 60-day proving period post PAC. After this 60 day proving period Stairfoot will be valued on an operational DCF basis with no premium.

** Enderby (50MW) was energised before the year end but did not achieve PAC until after 31 December 2022. It is therefore valued with a 75bps "construction premium" until PAC when the construction premium will expire and be replaced by a 50bps commissioning premium. After PAC a proving period of 30 days will apply (2022: 60 days) and after this period has expired Enderby will be valued on an operational DCF basis with no premium.

A net increase in third party revenue forecasts, predominantly in the short term, on the back of increased volatility driven by concerns over security of supply and higher gas costs, contributed the next largest increase at 11.23 pence. This was further boosted by increasing inflation rates in the short-term, reflecting Office for Budget Responsibility (OBR) data. In later years inflation has been reduced versus the prior year assumptions, reflecting Bank of England target rates.

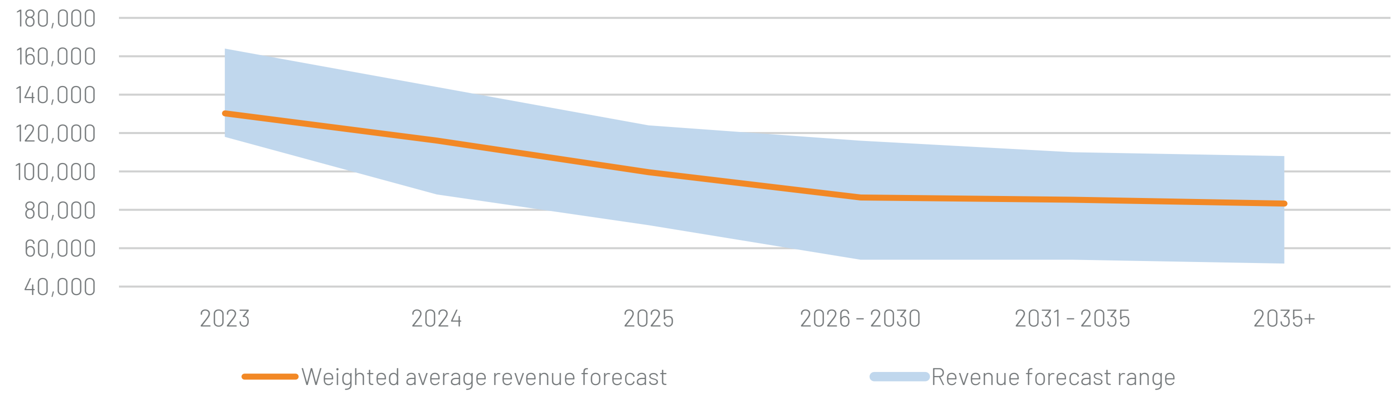
The Company uses third-party curves for forecasting revenues for each site. Due to the variety of durations and locations of the portfolio, the Company has multiple versions of curves in order to closely model the relevant opportunity for each site. The revenue inputs range from a frequency response only curve through to a 2-hour trading curve in Great Britain. To illustrate the revenue assumptions used across the portfolio for the purpose of valuing the Company's assets, we have summarised the range of inputs applicable to its assets as well as the weighted average revenue assumption used in the DCF valued portfolio below.

Following a review of discount rates by the Company's independent valuer, the Company has increased its discount rate for contracted revenues by 50bps to 5.5%.

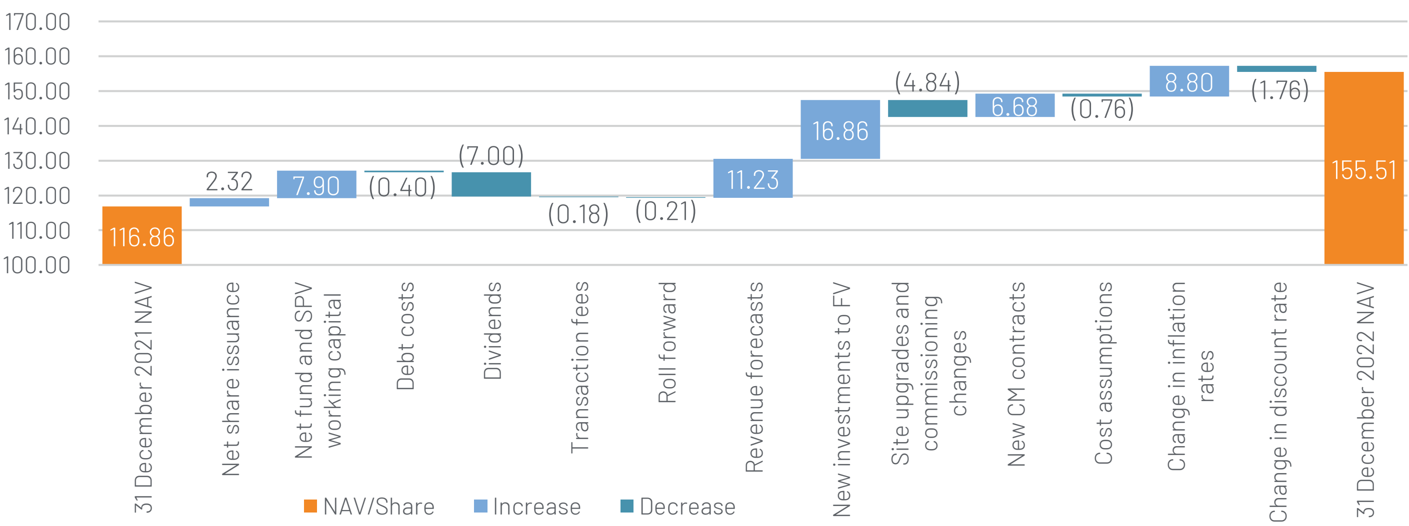
A lengthening track record of the portfolio delivering against forecasts, as well as the securing of a significant debt facility (£335mn) against a merchant business model, demonstrate the increasing maturity of the sector and of our portfolio. All other factors being equal, this would have driven a reduction of discount rates. However, the Company has decided to hold the discount rate for non-contracted revenues at 10.85%, with the higher interest rate environment offsetting what might have otherwise justified a reduction in this discount rate.

A construction premium is added to discount rates for assets under construction. This premium has been increased by 0.25% in the period to account for the increased risks and delays faced through 2022. This results in a premium of 0.75% for assets in construction. The additional 0.25% is removed once an asset is commissioned and begins its 60-day proving period to demonstrate operations and revenue generation, referred to as the "in commissioning" period.

Modelled revenue inputs £/MW/Yr



NAV (pence/share) bridge from 31 December 21 to 31 December 22



Therefore, during this "proving period" the premium on the discount rate is 0.5%. Once demonstrated successful operations and revenue generation the discount rate premium is removed, and valuations are on the basis of operational discount rates.

As a result of the above changes, the weighted average discount rate has increased to 10.9% at 31 December 2022 (2021: 10.8%). The net impact of the increase in discount rates has been a small reduction in value of 1.76 pence per share in Q4 2022.

A modification was made to the valuation policy after the year end. Based on the maturing nature of the operating portfolio and experience of commissioning assets, the "proving period", or commissioning phase for operational assets, was reduced from 60 to 30 days. A project may therefore be revalued on an operational basis slightly earlier in future, subject to successfully completing commissioning.

This also reflects the change in revenue streams since the original policy was set with 60 days originally representing a 2-month cycle from bidding into and performing FFR. With Dynamic Frequency Response services being day ahead auctions and trading being available to commissioned assets immediately, the Board has determined this reduction in the operational proving period to 30 days was appropriate. There was no valuation impact from this change in 2022.

As noted earlier in the report, there have been a series of delays and cost increases in commissioning new projects. This has reduced valuations by 4.84 pence per share during the year. The Manager has updated forecasts using more conservative commissioning dates and valued them using an increased premium on discount rates. We thereby hope to limit any future reductions as a result of delays.

In addition to this, increases in operating costs, largely from business rates, has resulted in a reduction of 0.76 pence per share across the portfolio.

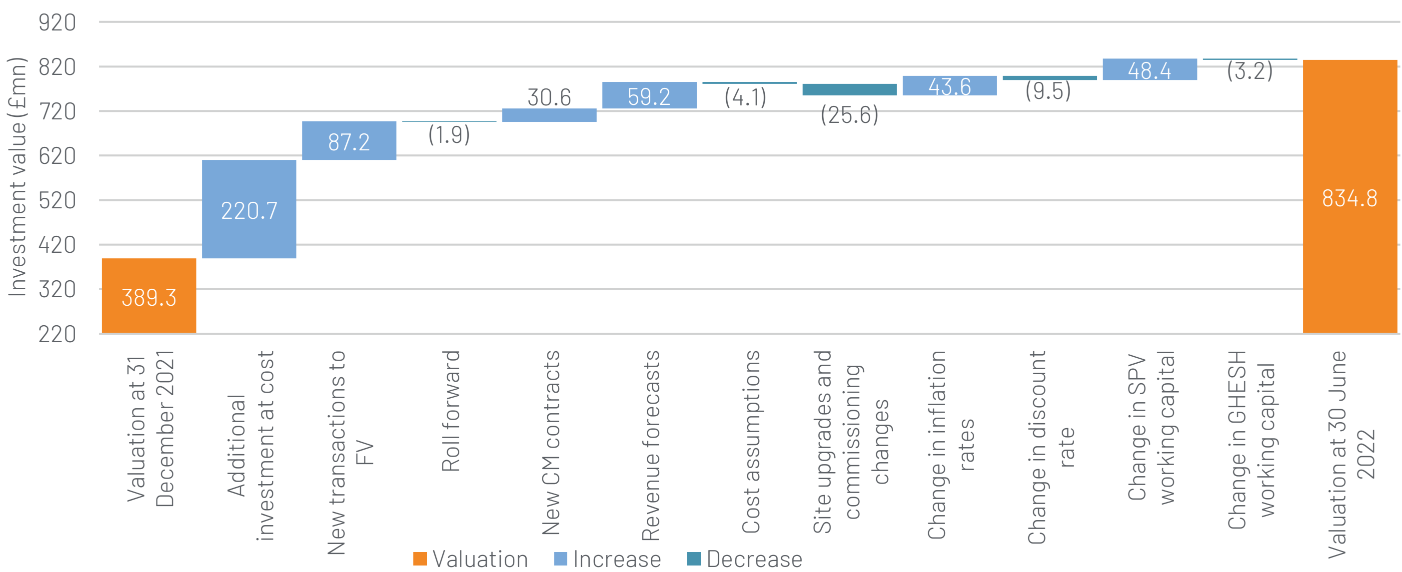
The large operational portfolio enabled the Fund to maintain strong dividend coverage, leading to a net increase in NAV (+0.55 pence) as a result of cash generation by the portfolio exceeding fund costs (+7.9 pence), debt costs (-0.4 pence) and dividends (-7.0 pence). We are pleased to demonstrate again to investors the robust capital management by the Manager, which has kept the effect of cash drag as small as possible, whilst our focus on sustainable dividends has helped enhance the value of the Company.

The issuance of shares priced at a premium to NAV at the significantly oversubscribed fundraising in May 2022 generated an additional 2.32 pence of value for shareholders.

The remainder of the NAV movements came from new CM contracts awarded in February 2022 being modelled (+6.68 pence), transaction fees (-0.18 pence) and the roll-forward effect of the model (-0.21 pence). Subsequent CM contracts awarded post year end in February 2023 are not included in the valuation assumptions. The Manager anticipates further value growth from the portfolio once these are included from Q1 2023.

Aside from the NAV movements noted above, the main factor driving growth in investment value of the Company was the further investment of £220.7mn into Gresham House Energy Storage Holdings for investment into projects under construction. Most of these funds were used for the building of the pipeline sites listed above, including some small amounts used to future-proof the new sites built to a 1-hour duration but prepared for duration extensions in due course.

Change in investment value from December 2021 to December 2022 (£mn)



Regulatory update

We continue to engage with all parties leading the Review of Electricity Market Arrangements (REMA) consultation, released on 18 July 2022. This started with submitting consultation responses in October and has continued through regular discussion with Government, National Grid ESO and supporting consultants. The key areas of focus for BESS are wholesale market arrangements, Capacity Market reforms and review of Contracts for Difference (CfD). Since our Interim Report, we have fed back further on each of these topics, but the largest focus has been on proposed changes to wholesale markets.

Locational Marginal Pricing (LMP) (also known as 'nodal pricing') appears to be considered more seriously given there are already examples of this being in use abroad. Whilst we can see some merit in this approach, we do not believe these changes alone necessarily fix the issues faced in a net zero energy system.

We continue to engage with Government departments on this topic and are also part of a third-party industry study into the possible impact of such changes and what such a market could look like, which will be fed back through future REMA consultations.

Other topics being considered for change to the wholesale markets are the potential decoupling of electricity from fossil fuels and changes to the design of the Balancing Mechanism (BM). Neither of these topics are sufficiently fleshed out at this stage. Rather, we have emphasised the need for a reduction in skip rates of batteries in the BM and pointed towards previous successful trials such as BM reserve from storage back in 2020, which demonstrate what is already possible. In summary, we believe National Grid should focus on making better use of batteries which are currently not fully utilised, rather than looking at less effective reforms.

Away from REMA, National Grid ESO have updated their System Operability Framework[11] for 2023. The framework aims to combine insight from their Future Energy Scenarios with technical assessments to identify operability requirements over a medium to long term.

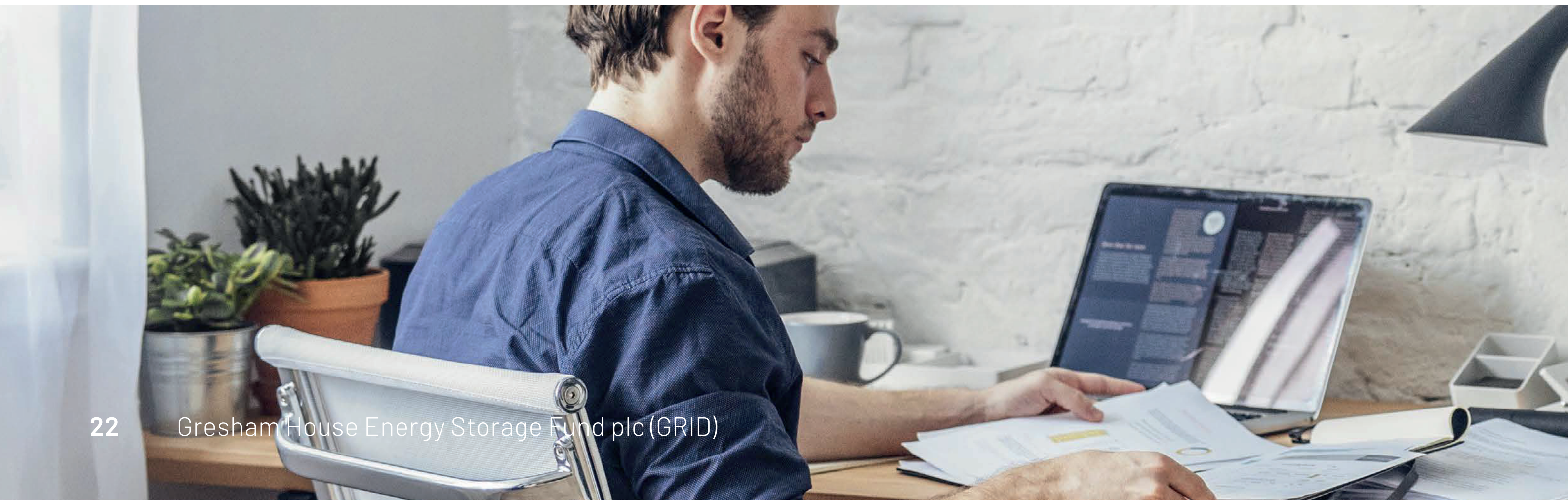
11. nationalgrideso.com/research-publications/system-operability-framework-sof

National GRID ESO System Operability Framework

Stability: System Inertia	**Frequency:** System Inertia
Voltage: Reactive Power	**Within-day Flexibility:** Demand shifting
Thermal: Constraint Management	**Adequacy:** Long duration events
Restoration: Network restarts	

The new framework is broken down into seven elements across two broad categories of 'Reliable Network' and 'Balancing the system' (as shown above). BESS assets can deliver all these operability needs but to date have only really been used for Frequency and Stability.

Change is needed at the ESO in order to achieve the full potential of BESS and maximise the value they can bring in the move to a net zero energy system. Today, fossil fuel generation is often used to deliver many of these system needs. There is no reason why BESS cannot already replace these legacy arrangements. With the significant growth in operational BESS anticipated over the next few years, there will soon be the scale of MWs available to challenge existing technologies on each of these operability fronts, delivering on targets for reduced emissions in the energy system and reducing costs to end consumers.



Outlook

The focus of the Manager through 2023 will be to increase the operational capacity of the portfolio through commissioning new projects totalling 477MW in incremental capacity, which is the greatest driver of earnings and shareholder value. The Manager is also focused on increasing revenues from existing sources by pushing the use case of BESS across all aspects of National Grid ESO's System Operability Framework, and by working on new sources of revenue which we believe are achievable. The Company is also targeting putting a further c.500MW into construction by the end of 2023 while continuing to develop the significant incremental pipeline behind this.

Growing the operational capacity via the acquisition and construction of well-priced projects drives NAV growth for GRID, as well as the scale and revenue earning capacity supporting our Operational Dividend Cover.

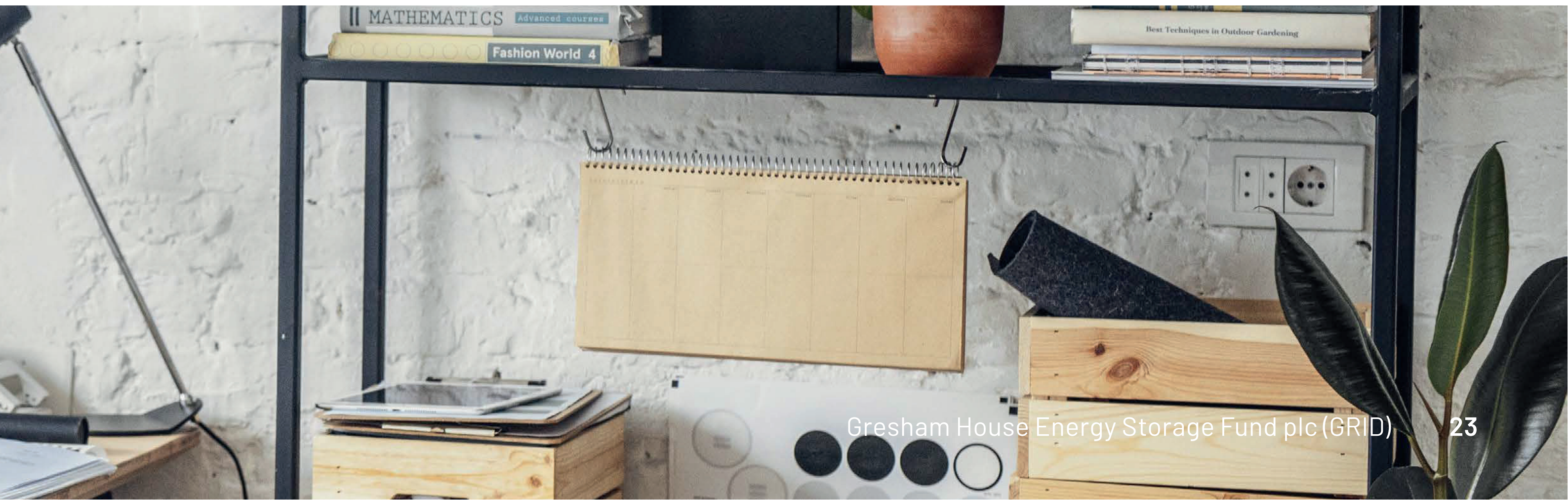
In particular, in 2023, all MW under construction will be completed using debt funding, driving the potential for higher EBITDA per share.

With the falling away of Frequency Response markets in recent months, 2023 is expected to be the year where the value in tradable BESS assets is demonstrated. Our experience tells us that upgrading of legacy sites is a complex area and takes time to get right.

This is the reason our new projects are being built from the outset with the potential to be upgraded to a longer duration at short notice and minimal cost. The Fund intends to diversify its revenue base in international markets whilst playing to its strengths and know-how to leverage the same fundamental market drivers which have seen continued excellent performance for BESS assets in Great Britain.

We believe the UK Government and National Grid ESO remain supportive of BESS infrastructure and see its essential contribution in moving to a net zero electricity system. We look forward to ongoing engagement with both parties to ensure full use of BESS to meet their aims under REMA and the ESOs System Operability Framework and in doing so benefit end consumers. We are confident in the opportunity for BESS in the UK and similarly see significant opportunities overseas for the Company to capitalise on similar market drivers and growth trajectories.

The Manager remains excited about the opportunity ahead and is confident in its ability to continue to deliver target returns in a market increasingly focused on trading, while also exploiting new opportunities.



Sustainability Report

This Sustainability Report describes the integration and enhancement of sustainability in the Company's investment processes and asset operations.

As mentioned in the Chair's statement, the Company's approach to sustainability is inherent in its business – by increasing operational BESS capacity, the Company is supporting the decarbonisation and electrification of energy systems to help address climate change. The Board is therefore focusing on several key indicators to monitor and report the sustainability of its business: operational BESS capacity in MW and MWh; carbon emissions; and carbon emissions avoided. The Company's sustainability approach is exercised in the context of policies and processes of the Manager, a unit of GH. Sustainability policies, processes and activities of the Manager and GH are described here.

The Board recognises that laws and reporting standards are improving with the ratification of the Environment Act in the UK and the establishment of reporting standards such as the EU Sustainable Finance Disclosure Regulation (SFDR) and Taskforce for Climate-related Financial Disclosures (TCFD). Although neither of these two standards are compulsory for GRID at this time, the Board has adopted them to demonstrate its commitment to understanding and addressing climate-related risks and opportunities and to aid consistency and comparability for stakeholders.

The SFDR is an EU regulation which aims to improve transparency and standardise disclosures in the market of sustainable investments. The Company promotes environmental and social characteristics in accordance with Article 8 of the SFDR. Further information is provided on the Company's website. In addition to this, information on sustainable investments is provided as part of the Company's SFDR periodic disclosure in Appendix 1 of the Annual Report.

The TCFD report is provided after this Sustainability Report on page 30. Each of the TCFD and SFDR reports are written to be understood on a stand-alone basis, so there may be some overlap in topics discussed.

This Sustainability Report is designed to cover the key topics relevant to the Fund and as such focusses on the following areas:

- The Company's core sustainability objective
- Sustainability-related activities undertaken by the Manager in 2022
- Sustainable investment processes and commitments applied by the Manager on behalf of the Company

Core sustainability focus

The central sustainability focus of the Company is investing in and increasing Battery Energy Storage System (BESS) capacity to support the decarbonisation and electrification of energy systems. BESS play a fundamental role in supporting the decarbonisation of energy systems and consequently the broader economy. In this way, the Company, aims to contribute very positively to climate change mitigation and net zero strategies.

Through its provision of investment in, and development of new BESS capacity, the Company demonstrates additionality. "Additionality" is a term used by impact investors that demonstrates the meaningful contribution that an entity has in addressing environmental or social challenges through the deployment of capital and management expertise that enables the creation of solutions that would otherwise not exist.

The Company aims to monitor and report on four key metrics that demonstrate its additionality and contribution to climate change mitigation going forward. These metrics show the direction of travel and are most important in demonstrating the positive sustainability outcomes of the Fund.

More detail on why these metrics have been selected is given below. These metrics are:

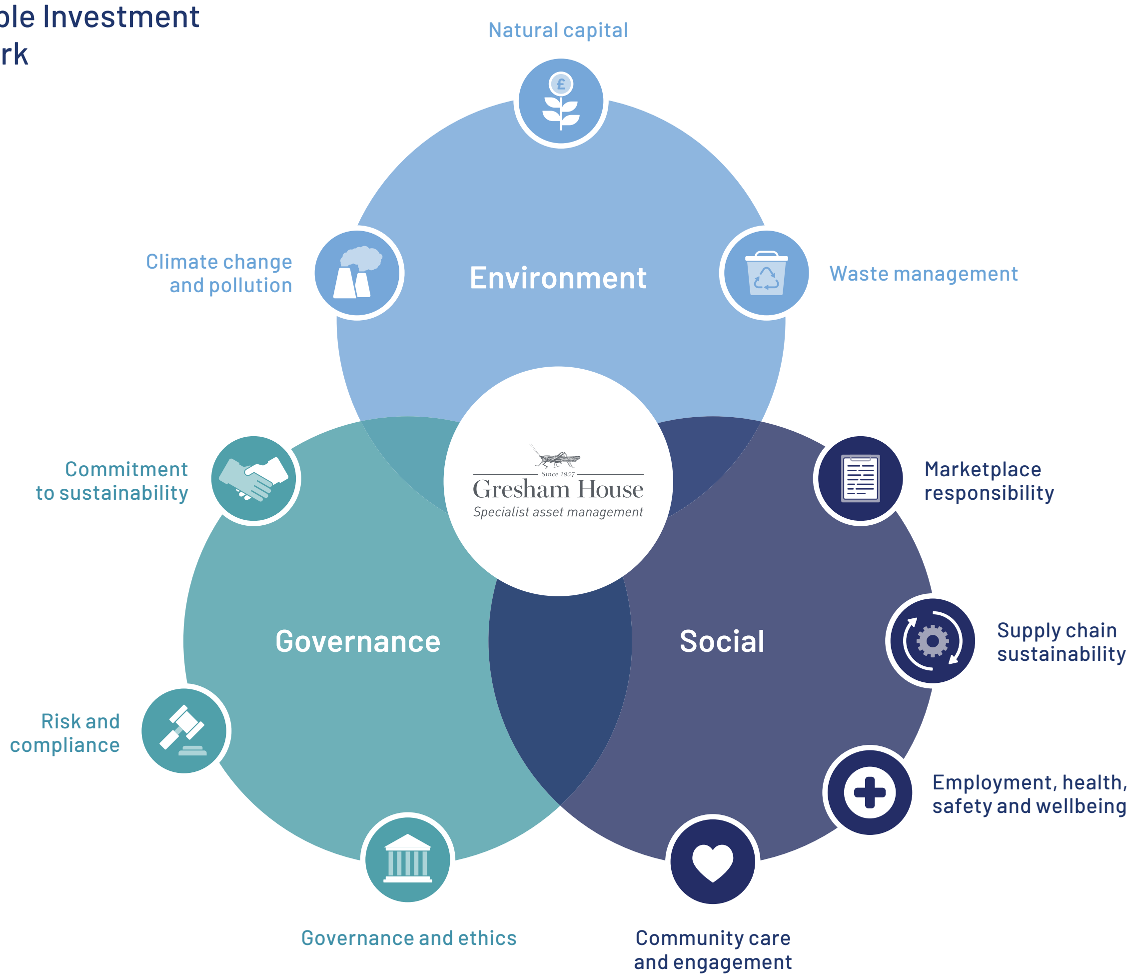
	31 Dec 2022	31 Dec 2021*
Operational BESS connection Capacity (MW)	550MW	425MW
Operational BESS Battery Capacity (MWh)	598MWh	473MWh
Carbon emissions (tCO_2)		
Scope 1	9,423	1,660
Scope 2	5,149	2,891
Scope 3 (Transportation and Distribution losses)	593	392
Carbon emissions avoided (tCO_2) *	510,291	n/a

* Carbon emissions calculation methodology has been updated from a UK government (BEIS) approach in 2021 to application of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry in 2022. In addition, granularity has been increased from annual net metered volumes to half-hourly metered volumes and carbon intensity in 2022. Whilst the methodologies applied in each year are similar, they are not an exact match. Some information was not available from the 2021 calculations to provide a consistent comparison.

As reliance on renewable power grows globally there will be an increased need for energy storage to stabilise energy networks and ensure supply and demand are balanced in a cost effective and environmentally beneficial manner. Therefore, operational BESS capacity (MW and MWh) is the biggest indicator of the Fund's impact on enabling the transition to a net zero electricity system and will be a key focus for the Manager.

Being able to reliably calculate the carbon emissions of our operations is important to understanding the role of BESS in decarbonising the power grid. The Company aims to maintain as accurate a calculation of carbon emissions as possible. In this report we have included emissions as well as emissions avoided through the operations of the BESS calculated by an independent third-party consultant. We are also working on factoring in all aspects of the batteries' life cycle contribution for future reporting. Calculating the carbon dioxide emission avoidance via the various roles that BESS play within the energy system can be challenging. The Metrics & Targets section of the TCFD Report provides more context on carbon avoidance, detail of the current methodology applied and limitations in the current methodology.

Sustainable Investment Framework



Sustainability-related activities

The Company's work in managing long-term risks and creating value from long-term opportunities linked to sustainability factors comprises the following actions during 2022 and plans for further progress in 2023:

Environmental objectives

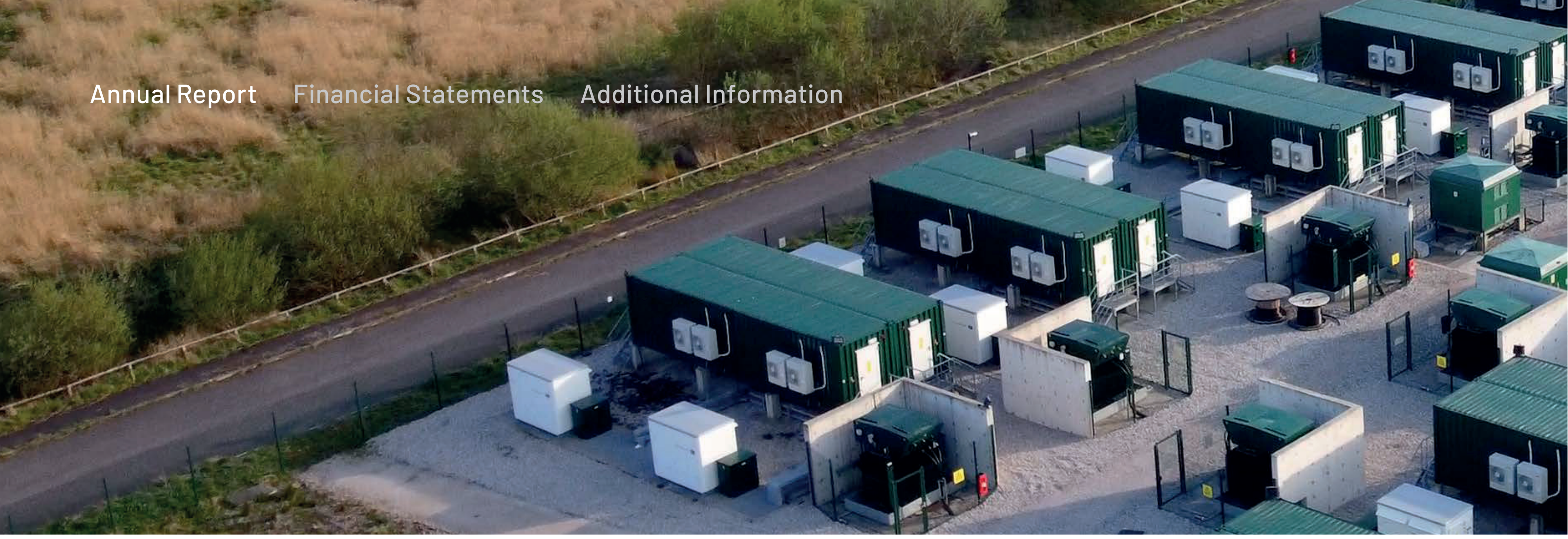
Objective	2022 Update	2023 plans
Commitment to sustainability: Increase capacity under management to increase GRID's contribution to the decarbonisation of the UK's electricity network and a reliable, low-cost energy system.	Operational MW increased by 29% to 550MW at the year end.	The Company is committed to the development of new BESS capacity in the UK and overseas.
Climate change and pollution: Report annual carbon footprint to stakeholders. Set targets and actions to reduce operational carbon emissions. Apply TCFD guidance and report in line with recommendations.	Carbon footprint and avoided emissions data calculated with support from a third-party carbon consultant. Carbon data provided as part of KPIs above and reported in the Director's Report. TCFD Report published see page 30.	Carbon footprint will be maintained as a KPI and further carbon and climate-related information will be disclosed under TCFD. Undertake to improve the Carbon Avoided methodology and to estimate the lifecycle carbon impact. Carbon intensity reduces as the build-out of renewables progresses. BESS are vital to accommodate the growth in renewable generation (such as by avoiding curtailment) and will therefore contribute to the reduction in carbon intensity.
Natural capital: Measure and report on key natural capital impacts and dependencies. Enhance policies and processes to reduce, restore and enhance biodiversity and other key ecosystem services at asset sites.	Consideration of the ecological and biodiversity impact of all new assets is embedded into the investment process through inclusion in the ESG decision tool used for each investment.	Monitor the final Biodiversity Regulation (expected in 2023) and ensure Biodiversity Net Gain requirements are met by all assets. Biodiversity remains an important aspect of our site designs however, we plan to report only on exceptions or particularly interesting examples going forward.
Waste management: Work with contractors to incorporate full lifecycle analysis into BESS design to maximise asset life, reduce the overall carbon footprint of constructing and operating projects, and consider end-of-life use to reduce negative environmental and social impacts of battery production and the battery components including raw materials. Engage with contractors/suppliers on their end-of-life process development and technology.	Waste reduction during the construction phase has been a key area of focus, this has been incorporated into the planning and site design phase to ensure efficient use of resources. We have been in discussion with battery manufacturers to ensure effective end of life disposal and recycling plans are in place.	Plan in 2023 and beyond is to understand options relating to BESS end-of-life use and next steps. Many batteries could have a second life before needing to be recycled so we are looking at both recycling and second use options which may be available when required in future.

Social objectives

Objective	2022 Update	2023 plans
Supply chain management: Update the supply chain policy to fully reflect best practice in the market and the commitments of the Investment Manager. Develop a comprehensive supply chain monitoring and management process in place to assess ESG risks in the supply chain and to ensure the compliance of suppliers with the Supply Chain Policy. Include sustainability criteria into supplier contract renewal and supplier selection decisions. Engage with key suppliers to enhance their sustainability processes and reduce the Fund's ESG risk exposure.	During the year, a supply chain audit was carried out on a major battery supplier. Please see case study below for further details on the review.	Based on findings from the Supply Chain Audit results, update the Supply Chain Policy and supply chain management processes.

Governance objectives

Objective	2022 Update	2023 plans
Governance & ethics: engaged and active ownership Identify and work with key industry bodies to drive positive industry outcomes linked to sustainability topics. Track and report on engagement activities and key outcomes. Increase community engagement, where applicable, continuing to educate the public on the role of BESS in the UK's decarbonisation ambitions. Solicit, where practical, feedback from key stakeholders who are in a position to contribute.	GRID shareholder questionnaire sent to top 15 investors to better understand shareholder sustainability requirements. The findings contributed to the selection of priority metrics and the reporting framework adopted by the Company. The Manager contributed to a Green Finance Initiative workshop to provide insights for a sector report on how to increase battery financing to support decarbonisation of industry and solutions to improve the sustainability of batteries. The Manager provided feedback to the REMA consultation on net-zero energy systems.	The Manager intends to contribute to industry projects to improve understanding of the role of BESS in decarbonising the energy system. This includes projects with governement departments and ESO.
Marketplace responsibility: processes, policies and education Assess all assets against our Sustainable Infrastructure Framework using the ESG Decision Tool and establish plans to rectify any material risks to create and protect value for shareholders. Ensure the ESG Decision Tool remains up to date to reflect any enhancements to the sustainable investment processes and sustainability related policies. Finalise ESG KPIs to monitor and measure sustainability performance of the Fund and report these regularly to stakeholders.	The ESG Decision Tool continues to be applied for each asset prior to investment and remains a helpful way to identify the key ESG risks and opportunities associated with investments. The Tool was updated to include more specific climate-related factors and to explicitly address net gains in biodiversity. KPIs were finalised and documented above, the focus being on growth in operational capacity and accurate measurement of carbon emissions. The team is also undertaking an exercise to determine the availability of additional sustainability data that might be gathered to complement the priority metrics.	Finalise "Red, Amber, Green" (RAG) rating of additional sustainability data availability and finalise fuller list of KPIs to be measured and monitored on an ongoing basis. Develop a system or platform to improve the efficiency of data measurement and monitoring.



Other sustainability-related activities conducted in 2022

In addition to the core focus of the business and the updates provided above, the Manager has also been working on some other areas related to sustainability, demonstrating the wider activity around the Company's underlying investments.

Battery supply chain audit

In 2022, the Manager engaged RCS to conduct a review of the Manager's Supply Chain policy and an audit of CATL, the team's primary supplier of batteries. The purpose of the audit was to better understand CATL's approach towards, and policies for, managing its supply chain, particularly in the key risk areas of labour and the environment. A key component (cathode) supplier was also audited in this process.

CATL's policies were comprehensively reviewed and found to be satisfactory. However, the audit of a key component supplier highlighted that CATL may face challenges ensuring its supply chain policies are implemented by its supply chain. The audit verified that CATL had a framework in place to manage ESG risks, providing comfort to the Board that its main supplier is committed to responsible business practices and has comprehensive policies in place.

Whilst the information did not impact on the team's construction or asset management decisions, useful feedback was obtained that will lead to an update of the Gresham House New Energy's Supply Chain Policy.

Follow up actions include updating the Manager's Supply Chain Policy and assessing whether and how the Manager, as a key customer, can influence BESS suppliers' promotion of their policies further down the supply chain.

REMA/Industry consultation

The Government released its consultation document on REMA in July 2022. REMA is a major review into the GB electricity market design, with the aim to ensure cost benefits to customers whilst constructing a long-term net-zero energy network. The consultation document outlined many ideas including changing the wholesale market to Locational Marginal Pricing (LMP) (also known as 'Nodal pricing'), reforms to the Capacity Market and a review of Contracts for Difference (CfD). These plans are key to the potential success of any net-zero plans and as key infrastructure in enabling that plan the role of BESS is a high priority.

Gresham House has taken an active role in the consultation and has responded on all points raised. The New Energy team continues to be involved (directly and through industry networks) with government departments and the ESO to ensure a sensible and effective solution is found whilst protecting the returns case for renewable and storage assets, highlighted as a priority in the consultation document.

The review is expected to take several years, however the team remains involved, through taking part in market studies into the effects of various plans outlined and will continue to communicate with the new Department for Energy Security and Net Zero and the ESO to protect the investment case.

Security (Physical and Cyber)

Without a safe and secure energy infrastructure, all the other social and environmental benefits we aspire to will amount to nothing. Whilst often overlooked in the context of sustainability, thus the instability of national power systems arising during the energy crisis has reinforced the need and societal benefits of having a reliable national power grid. BESS are a fundamental and critical component to the transition to a net zero electricity system. Ensuring that our sites are available to the electricity network when needed and are not at increased risk from cyber or physical attack is vitally important.

Every major outfit connected to the nation's grid has an incredibly important role to play in guaranteeing the security of that network from hostile intruders. The Company and Manager takes the security of its investments seriously and so appointed an expert cyber security company in the year to test the security of its assets through three different tests:

- Penetration test: to simulate a cyber-attack on the BESS assets;
- Network security: if gained access how vulnerable different parts of the site equipment would be to hacker influence;
- Physical security: Simulating a break-in of sites.

The penetration test was concluded in December 2022 with strong results with few issues detected. The Network and Physical security tests are ongoing, with some initial feedback already implemented across the portfolio prior to tests being concluded. We look forward to finding out the results of these tests and implementing any further recommendations to ensure our sites remain as secure as they need to be.

The Manager's Sustainable Investment policies, processes and commitments

The Manager's work for the Company is part of its commitment to be a leader in sustainable investment as set out in the GH 2025 Strategy. The Manager recognises the importance of environmental, social and governance considerations and incorporating them into the investment process to deliver long term, sustainable growth and consistent positive outcomes across local and national communities.

To support this ambition, as well as its commitment to responsible investment as a signatory to the Principles for Responsible Investment (PRI), the Manager has established an approach to sustainable investment that is based on three core components:

- its Sustainable Investment Framework;
- commitments and committees;
- policies and processes.

These three core components drive a common approach across all the Manager's investments and ensure the Manager's investment activities reflect its public sustainable investment commitments.

These commitments are applied by the Manager in respect of the investment processes and asset management approach of the Company. The Manager has developed and published a New Energy Sustainable Investment Policy which is specific to the Company's sector. This policy describes the Manager's approach to sustainable investment for the New Energy division and highlights the commitments to investing sustainably which apply to the Company.

The Manager has also integrated sustainability into the investment process for all divisions which starts with the completion of a proprietary ESG Decision Tool. The ESG Decision Tool (the Tool), first applied by the Manager in 2020, supports the identification of potential, material ESG risks that need to be managed and mitigated and which helps shape the due diligence process prior to investment into a new battery site. The Tool aims to provide a rational and replicable assessment of key ESG risks which should be considered prior to an investment decision being made. The Tool continues to be applied for all new investments prior to acquisition.

More information on the Manager's sustainable investment activities can be found on its website and in its annual Sustainable Investment Reports.

Task Force on Climate-related Financial Disclosures (TCFD)

The recommendations of the Task Force on Climate-Related Financial Disclosures provide a reporting framework based on a set of consistent disclosure recommendations. This framework provides a level of comparability and transparency around climate-related risk exposures and approaches.

Whilst the Company is not required to comply with TCFD, the Company supports the disclosure recommendations and has therefore voluntarily adopted the recommendations. The 2021 Annual Report provided a preliminary assessment against all eleven of the TCFD recommendations. In this 2022 Annual Report, the Company builds on that preliminary assessment and includes climate-related financial disclosures which aim to be consistent with the TCFD recommendations and recommended disclosures. In relation to the disclosure of GHG scope 3 emissions, the Company is engaging with third-party providers to establish suitable methodologies and data gathering has commenced. The Company has provided scope 3 transportation and distribution losses in this report and aims to provide further scope 3 emissions data in its subsequent annual reports.

Governance

1 Describe the Board's oversight of climate-related risks and opportunities.

The Board has overall responsibility for the Company's sustainability risks, opportunities and compliance, which include those related to climate change. The Board meets at least once per quarter and in those meetings discusses the Company's approach to ESG considerations and risks, which include the potential impact of the physical consequences of climate change and changes to the business outlook for BESS as a result of governmental policy and the increased penetration of renewables.

Climate change risks are also captured by the Company's Risk Management Framework. A risk matrix is maintained by the Investment Manager which is subject to review by the Board and is discussed at its quarterly meetings and updated accordingly.

The outcome of discussions around ESG considerations and climate-related risks and opportunities are reflected in the Company's strategy, including the intention to continue to expand the portfolio to capture opportunities arising from the decarbonisation of energy use and the increased penetration of renewable energy.

In relation to ESG and climate considerations, the Company follows the Gresham House New Energy Sustainable Investment Policy.

Climate change and environmental pollution is a key topic within the Sustainable Investment Framework which is used to structure analysis, monitoring and reporting of ESG issues and opportunities within the lifecycle of our investments.

The Board reviews all aspects of the Investment Manager's performance annually, including their adherence to the Company policies. The Board's Audit Committee considers the Company's climate-related disclosures.

2 Describe management's role in assessing and managing climate-related risks and opportunities.

Whilst ESG considerations and risks are discussed formally with the Board on a quarterly basis, the day-to-day management of ESG and climate matters is the responsibility of the Investment Manager. The Investment Manager has positioned the investment portfolio to benefit from the increasing penetration of renewable energy generation and monitors climate-related risks through the risk matrix, utilising knowledge gained by its experience in operating the investment portfolio, information gathered through due diligence processes entered into when acquiring new investments and by engaging with third parties as appropriate.

The Investment Manager's Sustainable Investment team monitors the evolving climate-related government policy and participates in industry forums and discussions to influence sustainable investment-related policy developments that may include climate change mitigation and adaptation. In April 2022, Gresham House released its second Sustainable Investment Report highlighting the Manager's increasing focus on ESG and climate change related matters as part of its 2025 Corporate Sustainability Strategy (CSS).

The Manager published a third Sustainable Investment Report in April 2023 which will include updates on climate-related activities across the group in the past year. This will be available on the Gresham House website: greshamhouse.com/sustainable-investing/

The Gresham House New Energy Sustainable Investment Policy, which includes climate change considerations, applies when making new investments and running of the Company's existing investments.

The Manager also ensures that climate change-related risks are considered for individual investment projects.

The CSS and Sustainable Investment Policy inform the application of the Company's strategy and assessment of the risks faced by the Company. This is complemented by sustainable investment objectives that have been established for the New Energy division and align to the Investment Manager's CSS. The New Energy division's sustainable investment objectives include Climate Change & Pollution as a priority topic with an objective by 2025 to "Demonstrate the role of New Energy in the energy transition and understand the carbon footprint of the full lifecycle of assets with the intention of reducing it".

The Investment Manager has also engaged with the Company's largest shareholders to better understand the investor community's perspective on sustainability-related issues, including climate-related strategy, disclosure, and metrics.

Strategy

3 Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.

The Company is committed to investing in and developing Battery Energy Storage Systems (BESS) to contribute to the decarbonisation of energy systems. The Manager and the Board support this commitment, and this guides the Company's activities. The portfolio is currently geographically limited to Great Britain although the Company has ambitions to develop internationally.

The Company's investments in BESS are well positioned to benefit from climate-related opportunities over the short, medium and long-term by participating in the opportunities arising in the UK and overseas from the decarbonisation of energy usage and the increased penetration of renewable energy.

The Company is already benefitting from climate-related opportunities arising from the transition to renewable energy technologies which are inherently intermittent, creating additional requirements for ancillary services to support the transmission network balancing mechanism and presenting wholesale trading opportunities.

Timeframe	Opportunity	Risks
Short-term & medium-term	▪ The continuing rollout of renewable generation, encouraged by governments, increases demand for BESS to balance the energy system ▪ Increased government and public support for decarbonisation increases the volume of sustainable and impact investing ▪ Implementation of carbon pricing may lead to increased investment in companies that enable renewable deployment	▪ Co-located batteries on renewable generation sites may reduce the need for standalone BESS ▪ Lower power prices due to over-deployment of renewables may affect ability to earn revenues from wholesale trading activities ▪ Saturated market for ancillary services, driven by significant capacity increases in BESS, may lead to low pricing for those services ▪ Increased competition for investment opportunities will increase project costs and lead to a reduction in financial returns ▪ Increased focus on BESS as a key enabler of renewable deployment may lead to greater regulation and associated costs
Long-term	▪ As economies continue to move away from fossil fuels, demand for electricity will increase and could increase power prices ▪ Advances in battery technology may lower cost of ownership and provide new opportunities to increase participation in energy markets	▪ Physical risks arising from extreme weather events including flooding and storm damage ▪ Extreme temperatures can affect the performance of battery technologies ▪ Development of alternative energy storage systems to support the roll-out of renewable power generation may lead to early obsolescence of BESS causing asset write-downs ▪ Advances in battery technology may lead to lower cost of production leading to a reduction in financial returns for existing projects

The Board and Investment Manager also recognise that there are certain climate-related risks that could have an impact on the Company in relation to changes in the business environment and physical risks caused by extreme weather events.

As described above, the Manager maintains a risk matrix, which includes climate-related risks, and this is subject to regular discussion with the Board. As part of this risk management process the Board and Investment Manager have identified what they consider to be the principal risks facing the Company and this includes climate-related risks. The table below sets out the key climate-related risks and opportunities identified by the Board and Investment Manager over the short, medium and long-term, and include their potential impact on the financial performance of the Company. Climate-related risks and opportunities are embedded in the Company's strategy.

4 Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Investment portfolio

Opportunities

The Company's operational BESS investments participate in the market opportunities identified above and benefit from governmental and societal support for deployment of renewable technologies. These operational entities have already benefitted from high levels of volatility and power prices, in part caused by increased renewables penetration and a relative lack of BESS capacity.

The Company has also developed a significant future portfolio by investing in projects which have been constructing BESS assets. Large parts of this pipeline have recently been commissioned or are expected to be commissioned shortly and will benefit from market opportunities once operational.

Risks

The Company's portfolio is focussed exclusively on BESS and as such are exposed to the physical, technological and market risks identified above. However, the investment portfolio is geographically spread in the UK, and given the nature of BESS technology, are not generally adversely affected by weather patterns. Consideration is given to potential physical risks such as flooding during the planning phase and the geographic spread provides resilience against localised issues.

Strategy

Opportunities

Increasing awareness and attention to climate change has spurred increased deployment of renewable energy worldwide. The Board and the Manager believe that this will continue, providing significant opportunities for BESS in the short, medium and long-term. The Company is a leading provider of BESS in the UK and has a significant future pipeline of investments in different stages of development in the UK and overseas.

This awareness has spurred high levels of investor interest and support for the Company, enabling it to raise equity funds. This investor support has provided the Company with the necessary capital to continue to invest in BESS portfolio projects. The Company's development is part of a growing industry as BESS is rolled out by peers in the UK and overseas.

Risks

Development of BESS capacity by the Company's portfolio investments and competitors is leading to the saturation of the market for BESS ancillary services in the UK. The Manager has anticipated this for some time and sees exposure to the wholesale trading market increasing in pursuit of profits which may result in greater volatility of returns.

High levels of investment in BESS, and wider awareness of the market opportunities, is leading to increased competition for project rights and key equipment and consequently increases in prices of those project rights and the equipment required, which results in higher costs to develop projects and may lead to a reduction in returns.

Financial planning

Opportunities

Strong investor demand for organisations with strong ESG credentials that are addressing environmental and social challenges, and on the back of attractive revenue opportunities for BESS, is providing the Company with capital to continue to grow its investment portfolio and the potential for increases in the asset value of the portfolio.

The importance of BESS in supporting the further deployment of renewable energy generation, and the resulting strong investment case underpinning BESS, is also opening up access to further sources of funding, such as bank debt, further enabling the Company to grow its portfolio.

Volatility of wholesale power prices, driven by volatility in the availability of renewable energy generation, may provide significant opportunities for trading energy as renewables become an increasing proportion of the energy mix. As high energy prices are typically driven by fossil fuel generation and low prices driven by high renewable generation, any increase in carbon pricing is likely to extend spreads with fossil fuel generation having to increase pricing to cover the cost of running. This means there is an opportunity for increased revenues resulting from increasing carbon prices.

Risks

As noted above, future cash flows of the portfolio investments are likely to be significantly affected by wholesale power prices as the market for BESS ancillary services becomes saturated. During periods of high renewable energy generation, the revenue opportunities will be diminished. Over time this could lead to the reduction in value of asset values.

Increased input prices linked to carbon-related raw material costs may increase construction costs of pipeline assets and therefore reduce returns available to the Company.

The emergence of new energy storage technologies may require the Company to invest in research and development, thereby impacting on returns.

5 Describe the resilience of the organisation's strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario.

Physical risks

Given the geographic spread of the Company's investment portfolio within the UK and the nature of BESS technologies the Board and Investment Manager do not consider that there are likely to be significant physical risks to the current investment portfolio arising from various climate scenarios. Potential physical risks that could exist, such as flooding in an extreme weather event, are considered as part of design specifications and increased infrastructure costs to cope with potential physical risks are not anticipated to be material. Flood defences are already considered in the investment portfolio with a number of projects having key equipment elevated above the ground to reduce risk of damage in the event of a flood. The geographic spread provides resilience against localised issues.

Transition risks

As previously noted, the portfolio investment companies' principal sources of revenue in the future are expected to be focussed more towards the wholesale energy market rather than the provision of ancillary services.

It is likely that wholesale energy markets will be significantly impacted by a number of climate-related factors. Some of the most important factors include:

- government policy (including carbon cost regimes and mandated plant closure);
- penetration of renewables;
- development in future technologies designed to deal with climate-related matters (e.g. a move to a hydrogen-based energy system); and
- changing patterns of demand (including the impact of electric vehicles, heat pumps and increased use of air conditioning).

The Company uses the services of third-party experts to estimate the impact of those factors in energy prices over the short, medium and long-term to create low, high and central case scenarios. These scenarios, which factor in Government Net Zero commitments, a view on the likelihood of their implementation, and expected carbon prices, are then embedded within financial modelling. Although the scenarios are used within the Company's financial modelling, the precise effect on power price of any of the identified factors, and their timing, is highly uncertain.

The ability of BESS to participate flexibly within the wholesale market, or to provide ancillary services, provides revenue opportunities even in low case scenarios.

6 Describe the organisation's processes for identifying and assessing climate-related risk.

Climate-related risks which may affect the Company or its investment portfolio are identified and assessed by the Investment Manager as part of the risk management process described above. These risks are included within the Company's risk register which is maintained by the Investment Manager and discussed and reviewed with members of the Board including at its formal quarterly meetings where strategic decisions are taken. When preparing the risk matrix the Investment Manager draws upon its experience of operating the investment portfolio and its knowledge of developments that are taking place within the BESS sector and wider energy industry gained through its membership of relevant industry bodies and discussions with key suppliers and National Grid. Identified risks are included in the risk matrix and quantified with consideration given to likelihood and impact and ranked accordingly.

Potential risks may also be identified as part of the due diligence process that is carried out by the Investment Manager and independent experts prior to acquiring new portfolio companies. The Investment Manager has created a detailed ESG Decision Tool which is completed prior to making acquisitions of portfolio companies.

This decision tool includes consideration of numerous ESG and climate factors including environmental assessment, potential flooding / drainage and the suitability of construction contractors to adequately deal with environmental or climate-related mitigation actions. During investment appraisal, consideration is given to available climate mitigation and the costs of putting this in place are factored into the investment proposal which is reviewed by the Board before such acquisitions are made.

Principal and emerging risks, which may include climate-related risks, are disclosed within the Company's Annual Financial Statements.

The Company will continue to refine its climate risk assessment approach in line with the evolving nature of climate factors and emergence of climate-related tools and data.

7 Describe the organisation's processes for managing climate-related risks.

Discussions between the Board and the Investment Manager are focussed on the most significant risks facing the Company, as determined and quantified in the risk matrix.

Physical risks

As previously stated, the Investment Manager and the Board do not consider that there are likely to be significant physical climate-related risks to the investment portfolio. Potential physical risk factors that are identified as part of the initial acquisition process, or identified subsequently via design reviews, site inspections or during routine maintenance, may be mitigated via design changes. Such design changes include the cooling systems used, and heating where it may be required, as well as having containers raised on plinths which can reduce flood risks where applicable. The geographical spread of the investment portfolio mitigates against local environmental factors such as flooding. Flood risk assessments, based on Environment Agency data, are undertaken and will determine a flood zoning and a probabilistic analysis of flooding, including effects of climate change. BESS assets have temperature managements (such as air conditioning or liquid cooling), further mitigations of physical risks are considered at the planning stage and are often required to be considered as part of planning approval.

Transition risk

The anticipated growth of renewable energy generation, which is likely to lead to increased volatility of wholesale power prices, is considered to be an opportunity for the investment portfolio rather than a risk. However, shifts in power demand or supply and their effect on power market pricing will impact the ability of the portfolio companies to generate revenue which may impact the Company's ability to meet its dividend target.

The Investment Manager regularly updates the portfolio cash flow model to reflect future net revenue yield curves.

The Manager is engaged in the Review of Electricity Market Arrangements (REMA) consultation with National Grid ESO and UK Government departments, having submitted initial consultation responses in October 2022 and holding several meetings during this time on proposals put forward. The Manager is also an active participant in industry bodies. The Manager is currently involved in an industry study looking into the possible effects of some of the proposed changes such as locational pricing. The results of these studies will be discussed with the ESO and the UK Government to ensure an effective market design is agreed on.

The Investment Manager keeps abreast of developments in battery and storage technologies which may affect the Company's market opportunities in the future.

8 Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

As noted above, climate-related risks are integrated into the Company's risk management framework through the investment process and through the regular review of the Company's risks carried out by the Investment Manager and are included in the risk matrix which is reported quarterly to the Board. The Board considers the completeness of the risks recognised and the proposed mitigations.

Metrics

9 Disclose the metrics used by the organisation to assess climate-related risks and opportunities.

The Company's investments in BESS play an important role in facilitating the continued deployment of renewable energy generation. Renewable energy generation through wind and solar is inherently intermittent and the increased penetration of renewable energy generation therefore increases the challenges facing energy system operators to ensure a stable supply of energy.

BESS has the ability to help deal with some of those challenges by providing ancillary services that support the transmission network balancing system and by storing energy from the electricity grid during period of high supply / low demand and releasing energy to the Grid during periods of low supply / high demand.

To date, the roll-out of BESS has lagged behind the deployment of renewable energy. The Company has been targeting rapid growth of its investments in BESS to help close the gap and support the future increase in renewable generating capacity and thereby reduce dependency on fossil fuels.

The Board and Investment Manager consider that the most important climate-related metrics for the Company relate to the scale, availability and efficiency of the Company's BESS investments, measured as:

- Total operational BESS capacity at the year-end (MW and MWh)
- Weighted average BESS capacity for the year (MW)
- Carbon emissions avoided (tCO_2e)

In addition, the Investment Manager will monitor carbon emissions and carbon intensity metrics in line with TCFD recommendations for the financial industry, including:

- GHG emissions - scope 1,2 & 3 carbon emissions (tCO_2e)
- Weighted average carbon intensity (WACI) (scope 1+2 emissions/£mn revenue)

The methodology used to calculate the average carbon intensity and carbon emissions is documented in sections 10 and 11 of this report respectively.

10 Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions, and the related risks.

The Company reports emissions using the Greenhouse Gas (GHG) Protocol which is the most widely used framework for reporting on carbon emissions and this framework separates emissions into the following categories:

- Scope 1: Direct emissions from owned or controlled sources
- Scope 2: Indirect emissions from the generation of purchased energy
- Scope 3: Indirect emissions that occur in the value chain

The Company has calculated Scope 1, Scope 2 and Scope 3 (Transmission and distribution losses) CO_2 emissions for the year ended 31 December 2022. The calculations were supported with input from third-party carbon consultant, Carbon Trust, and apply the Partnership for Carbon Accounting Financials' (PCAF) "The Global GHG Accounting & Reporting Standard for the Financial Industry" (Nov,2020). UK Government conversion factors and EEIO emissions factors have been utilised to facilitate the calculations.

Metric	2022	2021*
Scope 1 emissions (tCO_2e)	9,423	1,660
Scope 2 emissions (tCO_2e)	5,149	2,891
Scope 3 (Transmission and distribution losses) emissions (tCO_2e)	593	392
WACI (tCO_2e/£mn revenue in portfolio)	178	n/a

*Carbon emissions calculation methodology has been updated from a UK government (BEIS) approach in 2021 to application of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry in 2022. In addition, granularity has been increased from annual net metered volumes to half-hourly metered volumes and carbon intensity in 2022. Whilst the methodologies applied in each year are similar, they are not an exact match. Some information was not available from the 2021 calculations to provide a consistent comparison.

Carbon emissions methodology

All carbon emissions are calculated in line with PCAF guidance for project finance. Scope 1, 2 and 3 emissions are calculated using the following formula:

$$Financed\ Emissions = \sum \frac{Outstanding\ Amount_c}{Total\ Equity\ and\ Debt_c} \times Company\ Emissions_c$$

Emissions reported currently encompass only operational assets and do not yet account for construction assets. The Company intends to expand reporting to cover construction assets in 2023 reporting.

More information on Scope 1, 2 and 3 emissions

Scope 1 emissions for the Company reflect diesel and gas fuel consumed by certain assets. Only one of the Company's portfolio companies uses significant amounts of gas or diesel, with the bulk of generation coming from gas at that site. Further, one other asset used a small amount of Diesel for testing under its Capacity Market contract obligations and did not represent a material trading return. Scope 2 emissions reflect greenhouse gas emissions released from indirect consumption of energy. For battery assets, the presumed energy consumption of an asset is calculated by deducting energy exported from energy imported (kWh) by the asset. Half-hourly UK electricity grid carbon emissions factors are then applied to estimate the carbon footprint associated with this energy consumption.

Scope 3 emissions in this reporting only include Transmission & distribution losses. T&D losses reflect emissions associated with loss during transmission and distribution of energy consumed by the BESS assets.

The Company intends to expand its metrics for Scope 3 emissions, which will give clarity on emissions within its value chain and will enable the Company to engage with suppliers to take action to reduce such emissions. The Investment Manager is engaging with third-party providers to establish suitable mechanisms to calculate the Company's Scope 3 emissions and data gathering to support these estimates has commenced. For this report the Company has stated Scope 3 Transmission and distribution losses only and plans to extend further in subsequent reporting periods.

It is likely that the Company's Scope 3 emissions will represent the majority of its carbon footprint.

Weighted-average carbon intensity methodology and metric

The Company's weighted average carbon intensity reflects a portfolio's exposure to carbon-intensive assets, expressed in tCO_2e/£mn revenue. It is calculated, as per TCFD guidance for Financial Institutions, using the following formula:

$$\sum_{n}^{i}\left(\frac{\textit{current value of investment}_i}{\textit{current portfolio value}} \times \frac{\textit{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\textit{issuer's \$M revenue}_i}\right)$$

Note that "issuer" in the case of the Company refers to its battery assets.

11 Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

BESS capacity

BESS capacity supports multiples of renewable generation capacity and therefore incremental BESS deployment is a key measure.

The Investment Manager continues to develop a pipeline of BESS investments and the Company has made good progress in expanding operational capacity despite COVID-related construction and supply chain challenges. The operational capacity and pipeline reported by the Company, measured in MW capacity, has grown as follows:

	Operational capacity	Total pipeline capacity
31 December 2020	315MW	1,227MW
31 December 2021	425MW	1,557MW
31 December 2022	550MW	1,967MW

GHG emissions avoided

As BESS generally store energy during periods of high renewable energy generation / low demand and release energy during periods of low renewable energy generation / high demand, there is an inherent carbon benefit to using BESS within the electricity grid. However, BESS also displaces fossil fuel-based energy generation as a backup system and it therefore enables the avoidance of emissions greatly in excess of the differential between the carbon associated with the energy imports and exports.

More detail on the methodology applied for this is found below.

It should be noted that at this stage the carbon avoided methodology only accounts for operational assets and does not account for lifecycle carbon impact, i.e., carbon emissions associated with the supply chain and production of the assets.

On this measure, the carbon avoided by the Company's BESS investments is calculated by a third-party consultant (Carbon Trust) as follows:

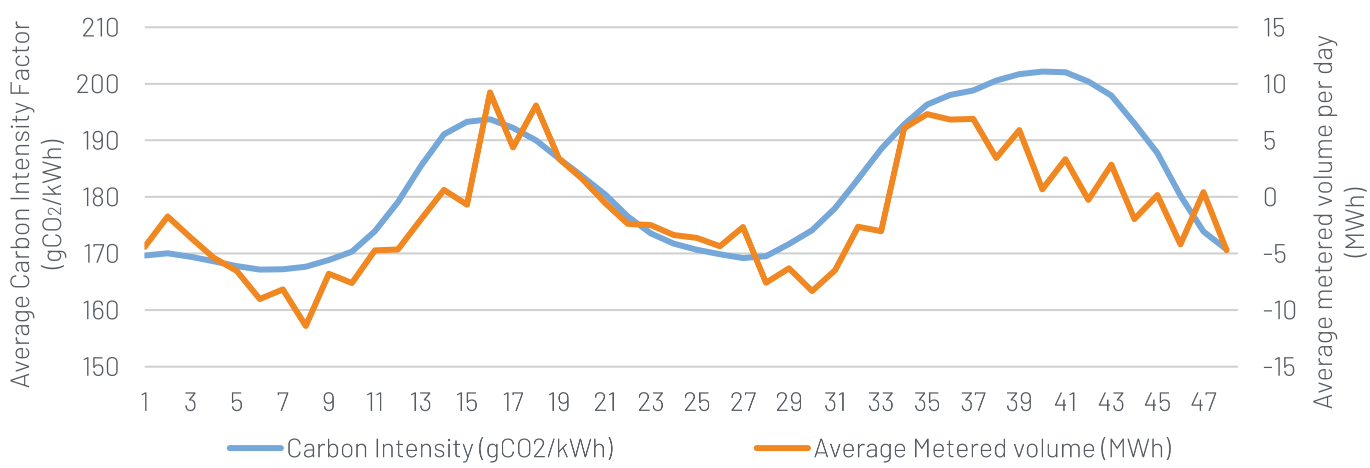
YE 31 December 2022: 510,291 tCO_2

Carbon emissions avoided methodology

Scope 2 emissions show the net carbon emissions impact of assets operations through energy consumption. This methodology for BESS assets is such that the net metering, i.e. import and exports of energy by each battery, are assumed to be consumed/avoided at the average intensity of the national grid for each half hour.

This calculation demonstrates the operational carbon emissions of the assets but does not reflect the important role of BESS assets when it comes to broader grid carbon emissions and their role in supporting increased penetration of renewables and decreased use of carbon-intensive energy generation.

Average metered volume against carbon intensity by settlement period in 2022



The scope 2 methodology omits two key aspects of the broader role of BESS that should be factored into carbon avoidance methodologies:

1 no value is attributed to BESS services offered such as Frequency Response and the renewable generation this allows on the system; and
2 whilst trading, the battery exports would replace the next marginal asset that would otherwise be called upon, which would be a higher carbon intensity technology such as gas or even coal, than the average intensity on the grid. Therefore, the emissions avoided should reflect the marginal unit carbon cost and not the average intensity.

As shown in the chart on the previous page, imports are typically carried out during half-hourly periods when carbon intensity is lower, whilst exports are typically delivered during higher carbon intensity periods on the grid.

Low prices are typically driven by high output from cheap renewables, leading to lower grid carbon intensity, whilst high prices are typically driven by periods of lower renewables output and instead power is delivered by higher carbon-intensive and more expensive power technologies such as gas or even coal.

The average carbon intensity of the grid currently does not change too significantly due to a general high prevalence of gas today. Therefore, the difference between high and low carbon intensity is often relatively small particularly in a single day. The scope 2 emissions methodology of a battery will therefore typically result in net consumption of energy as a result of its round-trip losses, i.e. it imports a greater volume of energy than exported with a resulting "carbon consumption". Unless consideration is given to the wider carbon emission benefits that BESS assets enable, i.e. frequency response enabling greater reliance on renewables, the carbon emissions impact of these assets will be miscalculated.

Therefore, we have worked and continue to work with Carbon Trust to use an updated methodology which also factors in the benefit from assets providing frequency response services.

The avoided emissions are calculated by comparing calculated emissions against a baseline emission if these assets were not available to the grid and the grid had continued to operate as usual. The baseline can vary depending on the strategy adopted by a BESS asset.

The baseline for an asset performing frequency response services is assumed to be a plant at the operating margin. It is assumed a BESS asset would maintain headroom in the battery in order to deliver upwards and downwards actions, for simplicity, Carbon Trust assume the state of charge of a battery is 50% in this scenario.

When comparing against the baseline it is therefore assumed only half of the nominal battery capacity is used, this is multiplied against the number of hours operational in the service and then multiplied against the average operational margin grid carbon intensity in the location. The baseline calculation is therefore summarised as:

Grid stability baseline emissions = 50% BESS capacity x No. hours in service x grid operational margin

This baseline is then compared to the actual calculated emissions to calculate the emissions avoided. The approach taken is a conservative estimation of the avoided baseline emissions and today only factors in the emissions avoided during periods of frequency response services.

Whilst we view this methodology as an improvement over our previous calculations, the calculation still assumes that exports, when batteries are trading, avoid only the average carbon intensity on the system and not the marginal asset intensity. We are working with Carbon Trust as well as other data consultants to keep iterating the calculation and derive a more detailed analysis of the carbon emissions avoided both in frequency response services and whilst trading, we hope to share further updates in future reports.

Under the current methodology the estimated carbon emissions avoided from our portfolio for 2022 was 510,291 tCO_2.

Target for GHG emissions avoided

The Investment Manager is considering the setting of a Science Based Target (SBT) for its Financed Emissions, that is the emissions associated with investments managed by the Investment Manager. As part of this process, the Company is considering the potential implications of setting a SBT.

Strategic Report

The Directors present their Strategic Report for the period ended 31 December 2022. Details of the Directors who held office during the period and as at the date of this report are given on page 50 of the Annual Report and Financial Statements. This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006 and best practice. Its purpose is to inform the members of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

Business review and outlook

A detailed discussion of individual asset performance and a review of the business in the period together with outlook are covered in the Investment Manager's Report on page 10.

The Directors are of the view that the investment strategy, incorporating both additional acquisitions and the existing portfolio, is performing well. The Company has a strong portfolio of diversified investments, which are well positioned to take advantage of a growing opportunity set. The equity fundraising during Q2 of 2022 demonstrates strong investor support for the Company's growth strategy and the resilience of the Company's income. One of the Board's key objectives for 2023 is to grow the operational portfolio and pipeline by continuing to ensure an effective and efficient deployment of the capital raised by the Company, augmented by a drawdown of the debt facility, into a portfolio of accretive assets that are in line with the Company's Investment Policy.

The Company has generated £217.1mn of profit in the year ended 31 December 2022, including interest receivable from subsidiaries. Total dividends paid in respect of 2022 were £36.1mn (including the dividend paid on 27 March 2023). The Board maintains a focus on operating profit and Operational Dividend Cover to ensure underlying profits from the Company's investments are available to cover dividends. As the capital raised is fully deployed and underlying assets upgraded, the Board will continue to ensure this is monitored closely.

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

Key Performance Indicators

The Board believes that the key performance indicators detailed in the Highlights section on page 4 and the Investment Manager's Report, which include profit, projected revenues, dividend, NAV, total return, project capacities and battery sizes, provide shareholders with balanced information to assess how the Company is performing against its investment objectives. The Board monitors these key metrics on a routine basis and is encouraged by performance in the year: the capacity of the batteries has increased; the pipeline of new batteries is substantial; and the revenue earning opportunities for these batteries are continually developing in line with expectations. Further discussion of the KPIs and results are included in the Chair's Statement on page 6 and in the Investment Manager's Report on page 10.

Investment Policy: diversification of assets and revenues

The Company invests in a diversified portfolio of utility-scale energy storage systems, which utilise batteries. The BESS Projects comprising the Portfolio will be located in diverse locations across Great Britain and the Overseas Jurisdictions.

Individual ESS Projects will be held within special purpose vehicles into which the Company invests through equity and/or debt instruments. It is intended that each BESS Project Company will hold one BESS Project but a BESS Project Company may own more than one BESS Project.

The Company will typically seek legal control through direct or indirect stakes of up to 100% in such BESS Project Companies, but may participate in joint ventures or co-investments, including, without limitation with other investors or entities managed, operated or advised by the Gresham House plc group where this approach enables the Company to gain exposure to assets within the Company's investment policy. In such circumstances the Company will seek to secure its shareholder rights through protective provisions in shareholders' agreements, co-investment agreements and other transactional documents.

Asset type and diversification

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

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

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

First, diversification will be sought by geographical location of the BESS Projects in which the Company invests across Great Britain and the Overseas Jurisdictions, provided that no more than 30% of Gross Asset Value (calculated at the time of investment) may be invested in the Overseas Jurisdictions.

Second, it is the Company's intention that at the point at which any new investment is made, no single project (or interest in any project) will have an acquisition price (or, if an additional interest in an existing investment is being acquired, the combined value of the Company's existing investment and the additional interest acquired shall not be) greater than 20% of Gross Asset Value (calculated at the time of investment). However, in order to retain flexibility, the Company will be permitted to invest in a single project (or interest in a project) that has an acquisition price of up to a maximum of 30% of Gross Asset Value (calculated at the time of acquisition).

The Company will also target a diversified exposure with the aim of holding interests in not less than five separate projects at any one time.

Third, the Company intends to achieve diversification by securing multiple and varied revenue sources across the Portfolio by investing in BESS Projects which can benefit from a number of different income streams with different contract lengths and return profiles. The Company intends that the BESS Projects in which it invests will primarily generate revenue from in front of meter services, but may also provide behind-the-meter services. The Company may invest in changes to its equipment, technical configurations and technology in order to access revenue streams as they become available, noting that revenue streams and revenue stacking continues to evolve not only in Great Britain but also in the Overseas Jurisdictions as the energy storage market matures.

BESS Projects in which the Company invests may diversify their revenue sources further by collaborating with renewable generators or large users of power in close proximity to a BESS Project, or providing availability-based services to restore electric power stations or part of electric grids to operation. The Company may also invest in BESS Projects with Co-Location Arrangements in the Overseas Jurisdictions and may purchase solar panels for use at such co-located BESS Projects in the Overseas Jurisdictions provided that the proportion of an investment spent on purchases of solar panels does not exceed 6% of Gross Asset Value (calculated at the time of such purchase).

Fourth, the Company aims to achieve diversification across the Portfolio through the use of a range of third-party providers, in so far as appropriate, in respect of each energy storage project such as developers, Engineering, procurement and construction (EPC) contractors, battery manufacturers and landlords.

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

Other investment restrictions

The Company will generally seek to acquire BESS Projects where construction is substantially complete and where BESS Projects are capable of commercial operations (Operational Projects).

Operational Projects will need to have in place sufficient land rights, either in the form of a freehold interest or substantially similar interest in the Overseas Jurisdictions or a completed lease on satisfactory terms in relation to the land where that BESS Project is situated, a grid connection agreement or grid sharing or such other rights to import or export from the relevant network as are market standard, and completion of relevant commissioning tests confirming commissioning completion.

The Company may also acquire BESS Projects or rights to acquire BESS Projects which are considered "shovel ready" that as a minimum have in place sufficient land rights either in the form of a freehold interest or substantially similar interest in the Overseas Jurisdictions or a completed lease, lease option, or agreement for lease, on satisfactory terms in relation to the land where that BESS Project is situated, full planning permission enabling the construction of a suitable BESS Project on that land, and a grid connection offer or grid sharing or such other rights to import or export from the relevant network as are market standard prior to connection works being completed (Ready to Build Projects).

The Company may invest in Ready to Build Projects provided that no more than 10% of Gross Asset Value (calculated at the time consideration is paid for such acquisition) may be exposed in aggregate to such Ready to Build Projects. If the Company wishes to acquire other Ready to Build Projects in excess of the 10% of Gross Asset Value restriction, it may acquire such Ready to Build Projects for a nominal upfront consideration provided that (i) any remaining consideration is paid by the Company only where construction is substantially complete and where such BESS Projects are capable of commercial operations and (ii) the Company has a put option to transfer back the Ready to Build Project to the seller in certain circumstances.

The Company may provide loan finance to BESS Project Companies before they hold Operational Projects so that the BESS Project Companies can acquire equipment or make payments in connection with the BESS Projects' construction or delivery, provided that no more than 25% of Gross Asset Value (calculated at the time that finance is provided based on the latest available valuations) may be exposed in aggregate to any such loans.

Once an Operational Project is acquired, or after a Ready to Build Project becomes an Operational Project, the Company may invest in upgrades by loans or otherwise and enter into new lease arrangements to increase the size of the site, new planning permissions enabling construction of an increased capacity BESS Project on that land, a new and/or amended grid connection which provides for increased capacity or altered technical parameters, and/or an EPC contract, Enginerring procurement and construction management (EPCm) contract suite or other construction contracts to undertake construction of the relevant upgrades.

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

Investment in Developers

The Company may invest in one or more Developers of BESS Projects through equity issued by the relevant Developer, provided that investment in Developers (calculated at the time of investment) shall be capped at £1mn in aggregate.

Cash management

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

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

Leverage and derivatives

The Company may raise debt and introduce leverage (at the Company level and/or the level of one or more of its subsidiaries, such leverage to be introduced directly or through one or more subsidiaries) 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 Group 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 Group's assets.

The Directors will restrict borrowing to an amount not exceeding 50% of the Company's Net Asset Value at the time of drawdown. There will be no cross collateralisation between the BESS Projects.

Derivatives may be used for currency, interest rate and power price hedging purposes as set out below and for efficient portfolio management. The MidCo has entered into interest rate swap agreements in relation to its debt facility to fix the interest rate and has also entered into Forward Contract Share Purchase Agreements in relation to certain pipeline assets.

However, apart from those contracts the Directors do not anticipate that extensive use of derivatives will be necessary.

Efficient portfolio management

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

Amendment to and compliance with investment policy

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

In the event of any material breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Manager through a Regulatory Information Service.

Bribery and Corruption Policy

The Investment Manager has an Anti-Bribery and Corruption Policy. The Company has considered whether it needs to have an Anti-Bribery and Corruption Policy that are separate from the Manager and its other service providers and has concluded that separate policies are not required.

Dividend policy

The Board expects that dividends will constitute the principal element of the return to the holders of Ordinary Shares. On the basis of current market conditions, the Company will target dividend payments of 7.35 pence per Ordinary Share in the financial year ending 31 December 2023 and in financial periods thereafter[12].

It is intended that dividends on the shares will be payable quarterly for the quarters ending in March, June, September, and December, all in the form of interim dividends (the Company does not intend to pay any final dividends).

The Board reserves the right to retain, within a revenue reserve, a proportion of the Company's net income in any financial year, such reserve then being available at the Board's absolute discretion for subsequent distribution to shareholders, subject to the distribution requirements of the Investment Trust Regulations.

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

Share buybacks

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

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

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

At the date of this Annual Report, the Company does not hold any shares in treasury and has no intention to buy back shares at the present time.

Continuation votes

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

12. This is a target only and is based on current market conditions as at the date of this document and is not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distributions at all. This target should not be taken as an indication of the Company's expected or actual current or future results. The Company's actual return will depend upon a number of factors, including the Company's net income and the Company's ongoing charges figure. Accordingly, investors should not place any reliance on these targets in deciding whether to invest or assume that the Company will make any distributions at all.

Going concern and viability

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

The key risks facing the Company include, but are not limited to, the risks mentioned on page 44. The Board notes that it is difficult to foresee the viability of any business over the long term given the inherent uncertainty involved and that the risks associated with investments within the infrastructure sector could result in a material adverse effect on the Company's performance.

Going concern

As at 31 December 2022, the Company had net current assets of £6.9mn (excluding cash balances within investee companies) and no debt. The Company is a guarantor to the £305mn debt facility (£150mn capex facility, £155mn incremental facility) and £30mn revolving credit facility entered into by the MidCo in September 2021 and amended and restated in November 2022 which was partially drawn at the year end. It is anticipated that the capex and incremental facilities will be further utilised during 2023 to make acquisitions, purchase equipment and make construction related payments for pipeline projects.

The Company will hold a continuation vote in 2023 in line with the Company's Articles of Association and it is anticipated that the shareholders will vote to continue on the basis of the growth seen since IPO and future opportunities available to the Company.

Current shareholder interaction has not indicated any concerns around the continuation vote.

Financial models have been prepared for the going concern period which consider liquidity at the start of the period and key financial assumptions at the Company level as well as at the operational project level.

These financial assumptions include expected cash generated by the portfolio companies, available to be distributed to the Company. Financial assumptions also include inflows and outflows in relation to the external debt and interest payments expected within the MidCo, committed expenditure for investments, expected dividends and the ongoing administrative costs of the Company. It is also assumed that there is no vote to terminate the Company in 2023.

The Directors have applied two scenarios to their going concern assessment:

1. A base case assessment to consider the Company's ability to continue in operation under the current planned strategy to fund and acquire the currently committed Exclusivity Pipeline; and
2. A severe but plausible downside case scenario which assumes a reduction in underlying portfolio EBITDA of 33% to the base case. This would negatively impact on cash-flow available to the Company and its ability to service shareholder dividends and the ability of the MidCo to service interest payments. The downside case also takes account of the availability of mitigating actions available to the directors, such as reducing discretionary spend and pausing the roll-out of projects.

Both the conservative base case and the downside case show that the Company is expected to have sufficient cash available to meet current obligations and commitments as they fall due and that the debt covenants of MidCo's debt facility, which include interest cover and leverage tests, are expected to be met.

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

Viability statement

The Directors have assessed the prospects of the Company for the period to October 2026. Although the Company maintains cash flow models which extend well beyond this period, there is less certainty over the later cash flows as the profitability of the underlying investment portfolio (and therefore available dividends to the Fund) is driven by future pricing volatility in the electricity market. We therefore limit the review to three and a half years to reduce this uncertainty in forecasting.

This also reflects the current investment strategy and cash deployment plan. The Company's MidCo includes a financing facility which expires in October 2028, the viability statement assumes this is refinanced by October 2026.

As noted in the going concern assessment, an uncertainty in the Company's viability is the continuation vote which will be held later this year in line with the Company's Articles of Association.

We believe the Company will continue on the basis of the growth seen since IPO and the future opportunities to drive valuation growth. As shown in the equity raise in May 2022, the Company has experienced strong demand for its shares.

As with the going concern period, financial models have been prepared for the viability period which consider liquidity at the start of the period and key financial assumptions at the Company level as well as at the operational project level.

These financial assumptions include expected cash, generated and distributed by the portfolio companies, available to be distributed to the Company, inflows and outflows in relation to the external debt and interest payments expected within the MidCo, committed expenditure for investments and expected dividends as well as the ongoing administrative costs of the Company.

It is also assumed that there is no vote to terminate the Company in 2023. Sensitivities similar to those undertaken in the going concern period have been applied to the viability period. The Company is expected to continue to have sufficient cash available to meet its obligations and is not expecting to need to utilise all of the debt facilities available.

The principal risks are set out on page 44 and management have considered the mitigation to those risks when setting the downside case scenario, which, given the revenue opportunities available to the portfolio companies, the critical nature of the services provided by the portfolio companies to the National Grid and the continued volatility of power prices, is considered unlikely.

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

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

Based on the assessment of the Company's financial position, after assessing the risks and significant assumptions together with forecasts of the Company's future performance under the various scenarios, the Board has a reasonable expectation that the Company is well positioned to continue to operate and meet its liabilities as they fall due over the period to October 2026.

Principal Risks and Uncertainties

Risk management approach

The Company continues to recognise that effective risk management is critical to enable it to meet its strategic objectives. The Company has established a clear framework with the Investment Manager for identifying and managing risk, at both an operational and strategic level through a detailed risk matrix and quarterly risk reviews.

Its risk identification and mitigation processes have been designed to respond to the changing environment in which it operates. The impact of emerging risks on the Company's business model are also considered and used to make informed decisions, including as to the delivery and evolution of the Company's strategy. The table below captures those risks that would have the most significant adverse impact on the Company (and the underlying investments), based on their impact and/or likelihood.

Existing risks in detail

Risk area	Gross impact	Mitigation	Net impact
Availability and cost of batteries and other critical components. Residual risk: high (2021 FY: high)	Inability of the Company to deploy capital raised into investments due to incomplete or lengthening project timescales. Price increases for components (including forex risks) making investments less attractive and impacting on overall returns.	The Company's investments are within SPVs and these are subject to a battery order with a Tier 1 supplier which has been secured. Due to the size of this order, advantageous terms have been secured. Demand for High Voltage equipment is increasing due to destruction of Ukrainian grid assets: discussions are ongoing between the Company and key suppliers to ensure continuing availability.	This will remain an issue in the future, although the size and scale of the Company provides the ability to secure key components at preferential rates.
Performance and availability of grid connections and their impact on project commissioning dates causing delay to investment revenues and earnings. Residual risk: high (2021 FY: N/A)	Grid Connections performance affecting project commissioning timescales. Shortage of skilled industry staff increasing issues. This affects the ability of the Company's portfolio to generate project revenues to deliver earnings to pay dividends on the timescales expected by the markets.	Expertise bought into the Manager via external consultants to ensure GRID applications are high quality. Future EPC(m) team delivering investments will have more resources to ensure DNO / ESO are constantly reviewed for their performance. The existing pipeline has grid connection certainty.	This issue will remain a constraint across the whole industry: the Manager has taken measures to mitigate delays as much as possible.
Financing risk of existing investments and availability of future growth capital. Residual risk: medium (2021 FY: low)	Equity or debt financing is not available due to macroeconomic issues and the Company is unable to fund its pipeline of assets. The Company's investments are subject to banking covenants which could be breached if the Company's investments do not perform as expected. Higher interest rates will increase the Company's cost of debt.	The Company does not enter into unfunded commitments: all committed pipeline can be funded from existing equity finance or the existing debt facility. The banking covenants have been carefully modelled by the Investment Manager to ensure they are achievable and are monitored on at least a monthly basis.	Limited overall impact on deployment of pipeline. As the Company's investments draw down more debt this risk will tend to increase. As debt is drawn the Company enters into interest rate hedging instruments to manage this risk.

Risk area	Gross impact	Mitigation	Net impact
GB located assets are based on a business model which relies on certain revenue streams sourced from National Grid mechanisms and resulting from overall roll-out of intermittent renewables. Residual risk: medium (2021 FY: high)	Adverse changes by National Grid in relation to services contracted caused by either: A. National Grid moving away from their "Net Zero" ambition (e.g. utilising thermal plant rather than BESS) may reduce the size/scope of income earning opportunities to the Company's investments and have potential impact on valuation; or B. HM Government Energy Strategy moves away from intermittent renewable assets which create revenue opportunities for BESS and instead move to other strategies which impact on BESS future growth. Either or both of the above may impact on the revenues available to BESS on the GB grid.	The Company's investments enjoy several different income streams ranging from BM, Capacity Payments, FFR, TRIADs, and DC as contracted services to National Grid; the Company's investments are able to change which income streams are contracted and ascertain the most advantageous on any given time period: this is continuously monitored by the Investment Manager and optimisation partners. Due to the progressive decommissioning of other carbon intensive options available to National Grid for managing these services, and the need to support the security of this critical national infrastructure, BESS is expected to form an integral part of transforming the electricity sector in the UK.	Battery energy storage is a versatile asset, and it can perform a variety of roles to manage risk. There is also the potential to "revenue stack" and gain multiple revenue streams from different services. The income stream opportunities and usage of battery energy storage systems has and is expected to continue to evolve over time. The risk is reducing due to the lower reliance on National Grid services and the move into other jurisdictions.
Operational and performance risk in the underlying investments leading to loss of value. Residual risk: low (2021 FY: low)	The BESS investments do not perform in the manner expected (i.e. degradation in performance) or are not optimised in the best commercial manner to capture revenue streams leading to reduction in valuations. Performance within the SPVs may not meet planning or safety requirements and result in curtailment of operations and loss of investment value. The portfolio relies on contracts with suppliers to maintain certain key equipment: these suppliers may fail to provide adequate support. Poor market conditions create lower volatility/FFR saturation create lower revenue streams.	The Company underwent a programme of upgrades to the seed assets to optimise these assets and has ensured that the new assets being invested into are designed in a flexible manner. The battery duration for the new investments is also considered to ensure fullest flexibility for future operation. Design and commissioning testing takes place in each investment to ensure all relevant planning and HSE conditions are met. Fire risk, in particular, is carefully assessed and sites are designed and operated to ensure this risk is as low as practicable. Cyber security risk is managed via secure systems used by optimisation partners. The portfolio has a number of alternative suppliers and optimisers to manage risk. The portfolio relies on multiple income streams to ensure diversification.	The Investment Manager has substantial experience managing BESS assets and works with leading asset optimisers to ensure assets are designed and operated as expected. Health and safety performance is rigorously tested and reviewed.

Risk area	Gross impact	Mitigation	Net impact
Geographic risk. Residual risk: low (2021 FY: new)	UK assets dominate the portfolio at present: there is a concentration risk and over reliance on the UK market. Following investment objective changes to increase exposure to other jurisdictions, this risk is new.	Over time, the international exposure will be deployed: a number of strategic relationships/ opportunities are in place. The Company has advanced plans and potential near term deployment opportunities being actively pursued.	The overall asset balance will evolve: the Company has been careful to ensure market suitability and regulations are clearly understood before capital deployment.
Investment in development and construction projects. Residual risk: low (2021 FY: low)	The Company invests in projects via loans before and after the projects are owned by the Company. There is a risk that the project does not complete, and the Company incurs financial loss. The Company invests in construction projects as part of its investment portfolio. There is a risk of financial loss or delay of revenue generation. Late delivery of plant items may lead to commissioning delays.	The Company does not invest in speculative project development. Any investments in projects are carefully assessed and vetted by the Investment Manager: they will have secured certain minimum requirements and are expected to be ready to proceed to construction in a relatively short timescale.	Limited exposure to the Company due to careful vetting and management of project development activities and commercial arrangements with the Investment Manager to manage construction risk. The Company is usually investing in the advance purchase of equipment which has inherent value and can be used on other projects if needed.
Valuation risk. Residual risk: low (2021 FY: medium)	The Company's investments are valued using discounted cash flows and assessment of future income streams: these valuations may be materially incorrect or not held at fair value. The impact of volatile inflation and interest rates may impact upon these valuations. Compared to market peers the risk is deemed to low when discount rates are considered.	The Company's investments are impaired if income streams are not as profitable as expected or costs are higher than expected. Risk adjusted discount rates drive valuation along with the external pricing curves.	The Company utilises a modelling methodology which ensures income streams are discounted using appropriate discount rates dependent on the perceived risks. The weighted average discount rates are reviewed regularly and the Company believes the valuations are conservative. A third-party valuer reviews valuations and confirms appropriateness.
Reliance on the Investment Manager. Residual risk: low (2021 FY: low)	The Company relies on the Investment Manager and "key persons" as a mission critical supplier.	The Company has long-term contractual arrangements in place with the Investment Manager, and the Investment Manager has confirmed to the Company that the growth of the Company is a key focus area of the Investment Manager.	The Investment Manager remains incentivised to continue to grow the Company and drive value. The growth in scale and associated activity supplied by the Investment Manager on the one hand, will tend to increase this risk. On the other hand, the Investment Manager has built out a large team of experts which reduces "key people" risks.

Risk area	Gross impact	Mitigation	Net impact
Tax compliance. Residual risk: low (2021 FY: low)	The Company is registered as an Investment Trust and must comply with certain tests.	The Investment Manager undertakes the relevant tests each quarter and the Company's tax advisers review this regularly.	Under current tax laws there is very little tax compliance risk.
Environmental, Social and Governance: production and recycling of batteries creates risk. Residual risk: low (2021 FY: medium)	BESS are manufactured, installed, and operated with the intention of driving the transformation to a low carbon energy supply in the UK. However, the lifecycle ESG impact of the batteries needs to be considered and minimised.	The supply for battery manufacture relies on high quality global partners who ensure their supply chain does not involve the use of illegally or unethically sourced "rare earth" materials or inadequate labour standards. The Company has undertaken a Supply Chain review (see page 28). The recycling of the BESS systems is subject to constant development and research; the importer of these batteries (not the Company or SPV companies) is responsible for their disposal, but the Company will facilitate this to ensure low environmental impact. This is an industry wide focus, and the residual value of materials remains high and therefore likely to be value from recycling of materials in future.	Some aspects of this are still evolving over time, especially the end use/ recycling of BESS. The ability of the BESS market to drive a low carbon electricity system needs to be considered versus the other, mainly fossil fuelled, options when considering the overall ESG impact of BESS. Work will continue to minimise this over time.

Emerging risks

Risk area	Gross impact	Mitigation	Net impact
Emerging technology replaces battery energy storage assets. Residual risk: low (2021 FY: low)	The Company invests in battery storage projects: a new or disruptive technology might adversely impact on the Company's investments. Future income streams may be reduced if new entrants have significantly lower marginal costs.	The Company utilises proven technologies with associated Tier 1 supplier warranties and performance guarantees. The Company continues to review available technologies. It is currently viewed as unlikely that a completely new reliable and cost competitive technology will appear during the lifetime of these batteries and impact on the lifecycle of these batteries.	The Company will also benefit from lower costs and the valuation model assumes continuing cost reductions for replacement assets over time.
Geopolitical risk of potential equipment shortages if China is subject to sanctions. Residual risk: Medium (2021 FY: low)	If China invades Taiwan or takes other hostile measures which cause sanctions (i.e. supply of weapons to Russia) the supply chain of crucial equipment would be disrupted.	The Manager has relationships with other non-Chinese suppliers, but they are likely to source sub-components from China. The Company ensures payments are protected via Letters of Credit to ensure no financial loss.	The Company ensures it is securing key equipment orders in advance.

Stakeholder Engagement and Statement under Section 172

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

The Company has identified the following key stakeholders:

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

Engagement with shareholders and lenders

Who they are?

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

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

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

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

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

- Interim and full year accounts
- The Company's corporate brokers and Investment Manager are in regular communication with shareholders and shareholder views are reported to the Board on at least a quarterly basis
- Company's corporate brokers set up direct call between investors the Board members
- At the request of shareholders, the Chair and the Board members have made themselves available to engage in discussions around governance
- One-to-one meetings with the Investment Manager
- Regular news and quarterly NAV updates
- A webinar and Q&A session with the Chair and the Investment Manager

What came out of the engagement?

Through these engagement activities, the Company has developed a strong and diversified list of shareholders who support the Company in its ambitions, including the changes in investment policy. These shareholders were instrumental in the successful equity raise in 2022.

In addition, the Company secured a £155mn incremental term debt facility, in additional to the debt facility secured in 2021. This will support the Company's commitment to continue to scale up its portfolio.

The Company also entered into Capacity Market contracts, these offered valuable government backed contracts and had a positive NAV uplift. This supported the UK Government and the Company's shareholders.

The Company also secured several new projects throughout 2022 and diversified its portfolio. The Company added the York, Elland, West Bradford, Stairfoot, Shilton Lane and Arbroath projects.

The Company tested investor's priorities re ESG, including Board composition and diversity.

Engagement with the Investment Manager

Who they are?

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

Why is it important to engage with the Investment Manager?

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

How does the Company engage with the Investment Manager?

The Company, supported by its Management Engagement Committee, conducts both ongoing reviews and an annual review of the Investment Manager's performance and the terms of engagement of the Investment Manager.

The Board and the Investment Manager maintain an ongoing open dialogue on key issues facing the Company with a view to ensuring that key decisions such as investment decisions, IM's capabilities and resourcing, trading partner performance in the SPVs and the Company's strategy are aligned with achieving long-term shareholder value.

This open dialogue takes the form of a number of ad hoc Board meetings, as discussed in the Corporate Governance Report, and more informal contact, as appropriate to the subject matter.

What came out of the engagement?

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

Through this engagement the Company has been able to carry out an additional equity raise during the year for an increased pipeline of investments.

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

Engagement with communities

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

Engagement with business partners and key service providers

Who they are?

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

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

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

How does the Company engage with the key service providers?

The Company, supported by its Management Engagement Committee, reviews all key service providers to the Company and the terms of their engagement.

During the period, the Company conducted a review of the terms of all service provider engagements along with their fee levels to ensure appropriate levels of support to the Company during the period. The Company seeks two-way engagement between the Board and key service providers on service delivery expectations and feedback on important issues experienced by service providers during the period. The intention of the Company is to maintain long-term and high-quality business partnerships to ensure stability while the Company pursues its growth strategy.

What came out of the engagement?

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

Key strategic decisions during 2022

The Company continued its growth phase in the period ended 31 December 2022.

Key strategic decisions included:

- Investment in future asset pipeline
- Fund-raising decisions to align the investment programme with available funds (including securing an addition to the debt facility)
- Continuing to further broaden the depth of the Investment Manager's team to match the increasing scale of the portfolio
- Setting the level of dividends to meet expectations

In relation to these key decisions, stakeholders, such as key contractors, were involved to ensure asset pipeline was available to the Company on the timescales required. As noted above, shareholder discussions were held to ensure clear communication was made in relation to progress and market interest for expansion of the Company. Finally, the Company worked with the Investment Manager to ensure the Company's dividend target of 7.0p per Ordinary Share for 2022 was delivered.

This Strategic Report is approved on behalf of the Board by:

John S Leggate CBE, FREng
Chair

John S. Leggate

5 April 2023

Board of Directors

The Company has a Board of five Independent Non-Executive Directors. The Board has 40% female and 20% ethnic minority representation. The Board has also adopted a formal diversity policy and considers diversity on the Company's Board as an important part of it's existing skills, experience and knowledge.

All appointments to the Board are, and will continue to be, subject to a formal, rigorous and transparent procedure as required by the AIC Code. The Board's requirements for vacancies on the Board are set with reference to objective criteria and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Further, the Board reviews, at least annually, its effectiveness and its combination of skills, experience and knowledge. The Board will conduct an externally facilitated effectiveness evaluation every three years. Its first such evaluation took place during 2021.

The Board's Nomination Committee reviews the requirement for succession planning on an annual basis and during 2022 considered there to be no immediate succession requirements. Additional detail can be found in the Nomination Committee Report on page 76.

John Leggate CBE, FREng

Chair and Independent Non-Executive Director

John was appointed to the Board on 24 August 2018.

Catherine Pitt

Chair of the Nomination Committee and Chair of the Management Engagement Committee and Independent Non-Executive Director

Catherine was appointed to the Board on 1 March 2019.

Isabel Liu

Independent Non-Executive Director

Isabel was appointed to the Board on 1 October 2022.

David Stevenson

Chair of the Remuneration Committee and Independent Non-Executive Director

David was appointed to the Board on 24 August 2018.

Duncan Neale

Audit Committee Chair and Independent Non-Executive Director

Duncan was appointed to the Board on 24 August 2018.

John Leggate CBE, FREng

John Leggate CBE, FREng - John is highly experienced as an energy sector executive and is a venture investor in the "clean tech" and digital technologies. John has significant Board experience and is currently on the Board of cyber security firm Global Integrity in Washington DC and is a senior advisor in the energy sector to "blue chip" international consultants and senior advisor to Dial Partners LLP/ Clairfield International. John was appointed to the Board on 24 August 2018.

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

Isabel Liu

Isabel Liu - Isabel has over 25 years global experience investing equity in infrastructure, including the AIG Asian Infrastructure Fund, the ABN AMRO Global Infrastructure Fund and was managing director of the Asia Pacific investment business of John Laing plc. Isabel served as a non-executive director of Pensions Infrastructure Platform, backed by UK pension schemes to invest in UK infrastructure. She has been a board member of Transport Focus, the consumer watchdog for public transport and England's highways, and Heathrow Airport's Consumer Challenge Board. Isabel was appointed to the Board on 1 October 2022.

Significant interests: Isabel is a Director of Schroder Oriental Income Fund Limited and Utilico Emerging Markets Trust plc.

Duncan Neale

Duncan Neale - 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.

Catherine Pitt

Catherine Pitt - Cathy is a legal adviser who has specialised in the investment company and asset management sectors for over 20 years, specialising in governance, regulation and capital markets. Cathy was appointed to the Board on 1 March 2019.

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

David Stevenson

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

Significant interests: David is a Director of Castelnau Group Limited and the Secured Income Fund plc and Aurora Investment Trust plc.

John, Duncan, David and Cathy were re-appointed as Directors at the Company's AGM in 2022. As is the Company's policy, all of the Directors will all stand for re-election at the Company's AGM every year. Isabel will stand for election at the AGM in 2023.

Investment Team

Ben Guest
Managing Director, New Energy

Bozkurt Aydinoglu
Investment Director, New Energy

Charlie Von Schmeider
Investment Director, New Energy

Fernando Casas Garcia
Head of Operations and Asset Manager, New Energy

Paul George
Health and Safety Manager, New Energy

Nick Vest
Finance Director, New Energy

James Bustin
Investment Manager, New Energy

Gareth Owen
Investment Director, New Energy

Lefteris Strakosias
Investment Director, New Energy

Ana Segizbayeva
Associate Director, project Delivery, New Energy

Stephen Beck
Finance Director, Real Assets

Rupert Robinson
Managing Director, Gresham House Asset Management Limited

Ben Guest

Ben was the founder and managing partner of Hazel Capital which was acquired by Gresham House in 2017. He has 28 years of investment experience. Ben's expertise spans the investment spectrum, across infrastructure, public equities and venture capital. Today, Ben is Managing Director of Gresham House's New Energy division, and the Lead Manager of the Company. He is responsible for the origination and execution of investment opportunities and is responsible for the overall strategy and ongoing portfolio management of the Fund. Ben started his fund management career at Lazard Asset Management in 1994 before going on to co-found Cantillon Capital and later founded Hazel Capital in 2007. Ben currently serves as a Director of many project companies.

James Bustin

James has nine years of experience across investments, finance and accounting and joined the team in 2019 having previously worked on public equities and venture capital in the Gresham House Ventures team. James' role in the New Energy team covers fund and portfolio management as well as new investments.

James joined Gresham House in 2018 as part of the acquisition of Livingbridge VC where he had been working as an analyst since 2016. Prior to Livingbridge, James worked in TMT audit at EY for three years, qualifying as a Chartered Accountant.

Gareth Owen

Gareth was a Partner at Hazel Capital (now Gresham House New Energy) and has over 20 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.

Bozkurt Aydinoglu

Bozkurt joined Gresham House in 2017 as Investment Director having previously been at Hazel Capital and has 29 years' investment, advisory and businesses building experience.

Bozkurt's primary focus is on procurement, contracting, delivery and evaluation of new energy storage opportunities, in addition Bozkurt also manages the Gresham House New Energy VCTs containing a portfolio of solar and wind assets.

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 cofounded and built New Energy Finance (NEF), which became the leading provider of data, research and analysis to investors in the global cleantech industry.

Charlie von Schmieder

Charlie has over 20 years' experience having started his career as a commercial solicitor before moving to Investment Management for the past nine years.

Charlie has extensive experience in the development, funding and asset management of distributed energy infrastructure projects and has worked on a wide range of technologies including solar PV, hydroelectric, anaerobic digestion, thermal heat networks, gas peaking and battery energy storage.

Charlie's current role began in February 2021, following a year in the team as a contractor. He is responsible for executing investments in energy storage systems, whether acquired before construction or when already operational.

Lefteris Strakosias

Lefteris joined Gresham House in March 2023 and has over 15 years of experience in infrastructure and energy transition investments including solar PV, onshore and offshore wind, anaerobic digestion, and hydroelectric power. He has held principal investment and advisory roles with large institutions such as Columbia Threadneedle Investments, National Pension Service of South Korea (NPS), Macquarie, and Société Générale, as well as corporate and business development roles with Libra Group and Maple Power.

Lefteris holds a MSc in Finance from Imperial College London and a BSc in Management Science from Athens University of Economics and Business.

Ana Segizbayeva

Ana joined Gresham House in September 2022 and is responsible for implementing the EPCM structure and delivering the New Energy team's project pipeline.

Ana is a multi-skilled professional with 12 years of experience delivering innovative, award-winning renewable energy projects in the UK.

Previously, Ana helped to establish quality management, project delivery, and commercial project functions at GRIDSERVE Sustainable Energy. She also successfully delivered the UK's first Electric Forecourt and subsidy-free solar and battery storage hybrid projects with bi-facial panels and tracking technology. Prior to that, Ana was part of the BELECTRIC projects team building utility-scale solar farms.

Fernando Casas Garcia

Fernando has 15 years' experience in the renewable energy sector, mostly in solar PV. Since joining the team in May 2021, Fernando has been focused on the design, development and deployment of processes and procedures that allow the growth in MWs under management and improvement in operational performance.

Prior to Gresham House Fernando was Global Head of Technical for a 2.2GW solar PV portfolio at WiseEnergy focused on the operation of their solar PV assets and increasing overall revenues.

Paul George

Paul is responsible for building risk management capabilities, systems, processes and culture to support the management of health and safety risks and opportunities in the New Energy team.

Paul has ten years' experience in health and safety risk management in the construction sector as well as a degree in occupational health and safety management.

Prior to Gresham House Paul worked at HS2 Ltd in their infrastructure integrated project team and prior to that, Paul worked at Network Rail.

Stephen Beck

Stephen has 26 years of industry experience and is a law graduate and Barrister called to the Bar in 1996. He is also a Fellow of the Institute of Chartered Accountants of England and Wales and qualified with PricewaterhouseCoopers.

He leads an in-house finance team managing New Energy, Renewables, Commercial Forestry and Housing sectors.

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

Nick Vest

Nick joined Gresham House in January 2021. He has over 20 years' accounting and finance experience and is a Chartered Accountant and Chartered Tax Advisor.

Prior to Gresham House, Nick worked as Finance Director for an internationally focused property investment group and before that, Nick was an Associate Director of Tax at Temenos Group SA in Switzerland.

Rupert Robinson

Rupert Robinson has been the Managing Director of Gresham House Asset Management Ltd since September 2015. Before joining Gresham House, Rupert was CEO and CIO of Schroders (UK) Private Bank for 11 years and prior to that spent 17 years at Rothschild where he was latterly Head of Private Clients at Rothschild Asset Management.

Rupert has a proven track record of delivering significant value to shareholders.

He has over 30 years of experience in asset management, private banking and wealth management, focusing on product innovation, investment management, business development, banking and wealth structuring. He is a member of the Gresham House Group Management and Investment Committees.

Directors Report

The Directors present the Annual Report and Financial Statements of the Company for the period ended 31 December 2022. The Company has no employees. The Directors during the period, including their appointment dates, are set out in the Nomination Committee Report on page 76.

The Corporate Governance Report on page 65 forms part of this report.

Company performance

The Directors have reviewed the performance of the Company throughout the period. Details of the performance of each investment owned by the Company are included in the Investment Manager's Report on page 10 and the Chair's Statement on page 6.

Financial risk management

Details in relation to the Company's use of financial instruments, financial risk management objectives and policies, including policies for hedging each major type of forecasted transaction for which hedge accounting is used; the Company's exposure to price, credit, liquidity, or cash flow risk can be found under Note 18 on page 107.

Share capital

At the period end, the Company had in issue 541,290,353 Ordinary Shares. There are no other share classes in issue and the Company does not own any of its own shares.

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

Dividends

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

Dividends are not recognised in the financial statements of the Company until paid, and therefore the dividend in respect of the final period, from 1 October to 31 December 2022 is not recognised in the period to 31 December 2022.

On 10 February 2023, the Company announced its interim dividend for Q4 2022 of 1.75 pence per Ordinary Share successfully meeting its dividend target for the 2022 financial year of 7.0 pence per Ordinary Share (2021: 7.0 pence per Ordinary Share). Further, the Board confirmed its commitment to targeting a 7.35 pence per Ordinary Share dividend for 2023.

Substantial interests

As at 31 December 2022, and the date of this report, the Company had been notified of the following beneficial interests exceeding 3% of the issued share capital, being 541,290,353 Ordinary Shares (see table on page 57).

Period in relation to which dividend was paid	Announcement date	Ex-dividend date	Payment date	Amount per Ordinary Share	Total amount
1 January to 31 March 2022	4 May 2022	12 May 2022	27 May 2022	1.75 pence	£7,662,236
1 April to 30 June 2022	27 September 2022	6 October 2022	28 October 2022	1.75 pence	£9,472,581
1 July to 30 September 2022	31 October 2022	24 November 2022	16 December 2022	1.75 pence	£9,472,581
1 October to 31 December 2022	10 February 2023	2 March 2023	27 March 2023	1.75 pence	£9,472,581

Shareholder	Number of Ordinary Shares as at 31 Dec 2022	Percentage of Issued Share Capital as at 31 Dec 2022
BlackRock Investment Mgt - Index (London)	43,199,825	7.98%
Sarasin & Partners	32,990,777	6.09%
Gresham House plc	28,928,388	5.34%
Border to Coast Pensions Partnership (Leeds)	26,083,839	4.82%
Schroder Investment Management	25,388,334	4.69%
Gravis Capital Management	24,492,210	4.52%
Close Asset Management Limited	23,758,366	4.39%
JM Finn & Co (London)	19,585,753	3.62%
Newton Investment Management	19,056,919	3.52%

As at the date of this report the Company has not been notified of, or made aware of, any changes to the holding in voting rights in the Company.

The Directors' interests in the ordinary share capital of the Company are disclosed in the Directors' Remuneration Report on page 61.

Annual General Meeting (AGM)

The Company's AGM was held on 30 June 2022. All resolutions proposed to the Company's shareholders at this AGM were duly passed on a poll vote.

The Company's next AGM is expected to be held in May/ June 2023. The Notice of the AGM and Form of Proxy will be circulated to all shareholders in advance of this meeting.

Auditor

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

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements and have elected to prepare the Company financial statements in accordance with UK adopted international accounting standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Website publication

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

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

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

Insurance cover

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

Corporate governance

The Company's corporate governance statement and compliance with the 2019 AIC Code of Corporate Governance which has been endorsed by the Financial Reporting Council (www.frc.org.uk) is shown on page 65.

Streamlined energy and carbon reporting: quantification and reporting methodology

Associated greenhouse gases have been calculated in accordance with the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry, using National Grid ESO half-hourly carbon intensity data and where applicable 2022 conversion factors published by the Department for Business, Energy & Industrial Strategy.

Boundaries

We have used the equity share approach.

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

These have been included in our emissions disclosures. The energy used and produced by the companies is fully metered and carefully monitored.

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

Energy used:	2022	2021*
Scope 1 emissions in metric tonnes CO_2e		
Gas consumption	9,299	1,596
Diesel consumption	124	64
Total Scope 1	**9,423**	**1,660**
Scope 2 emissions in metric tonnes CO_2e		
Consumption of electricity**	5,149	2,891
Total Scope 2	**5,149**	**2,891**
Scope 3 emissions in metric tonnes CO_2e		
Transmission and distribution losses	593	392
Total Scope 3	**593**	**392**
UK energy consumption used to calculate emissions (MWh)*		
Gas	19,852	8,716
Diesel	173	233
Electricity**	28,985	12,509
Total UK energy consumption	**49,010**	**21,458**
Weighted Average Carbon Intensity ratio CO_2 emissions per £mn revenue in underlying portfolio companies	178	N/A*

*Carbon emissions calculation methodology has been updated from a UK Government (BEIS) approach in 2021 to application of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry in 2022. In addition, granularity has been increased from annual net metered volumes to half-hourly metered volumes and carbon intensity in 2022. Whilst the methodologies applied in each year are similar, they are not an exact match. Some information was not available from the 2021 calculations to provide a consistent comparison.

** The figures shown are the net import/(export) of electricity from the grid

Scope 3 emissions

We have identified the following as Scope 3 emissions which have been partially quantified:

- Carbon emissions from distribution system losses
- End-to-end manufacturing, transport, and installation at battery energy storage systems (not quantified)
- Investment Manager emissions (i.e. office buildings) (not quantified)

Intensity measurement

The chosen intensity measurement ratio is gross emissions per £mn revenue in the underlying investment portfolio.

This is considered a more appropriate ratio than MWh due to variability in operation of assets and different service types.

Measures taken to improve energy efficiency

The usage of diesel generators within the operational portfolio has been significantly reduced since IPO. Diesel generators are in place to meet CM contract requirements and TRIAD operations on three of the sites but are also available for trading activities. One of the seed portfolio sites also uses gas-fired generation, this is predominantly used for trading and to support the grid in periods of higher demand. The use of gas has remained consistent but represents an ever-decreasing percentage of the overall portfolio. The Company is not currently making new investments in projects which require either diesel or gas generators.

Going concern

The going concern statement is detailed on page 42 of this Annual Report.

Future developments

Future developments in the Company are detailed in the Chair's Statement on page 6.

Engagement with stakeholders

Further information on the Directors' engagement with the Company's stakeholders can be found on page 48.

Post balance sheet events

Post Balance Sheet events are disclosed in Note 24 of the Accounts on page 113.

Statement as to disclosure of information to the Auditor

The Directors in office at the date of the report have confirmed, as far as they are aware, that there is no relevant audit information of which the Auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

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

John S. Leggate

John Leggate CBE, FREng
Chair

5 April 2023

Directors Remuneration Report

The Board presents the Directors' Remuneration Report for the period to 31 December 2022 which has been prepared in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) and the Companies Act 2006.

Under the requirements of Section 497 of the Companies Act 2006, the Company's Auditor is required to audit certain disclosures contained within the report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in their report on page 80.

The Annual Remuneration Statement

The Chair of the Remuneration Committee has summarised the major decisions on Directors' remuneration, including the discretion which has been exercised in the award of Directors' remuneration, the changes relating to Directors' remuneration made during the year and the context in which those changes occurred, and decisions have been taken in the report from the Remuneration Committee on page 74.

Remuneration Policy

The remuneration of Non-Executive Directors should be determined with due regard to the experience of the Board as a whole, the time commitment required and to be fair and comparable to that of other Non-Executive Directors of similar companies. The Company may also periodically choose to benchmark Directors' fees with an independent review, to ensure they remain competitive, fair, and reasonable. The Non-Executive Directors are entitled to an annual increase in remuneration, effective from the first date of each financial year, at the rate of the UK Consumer Price Inflation as at December each year.

This policy will be put to shareholders for approval at least every three years and will be tabled for approval at the Company's AGM in 2023.

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

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

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

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

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

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

John Leggate and David Stevenson signed letter of appointments with the Company dated 14 October 2018. Duncan Neale signed a letter of appointment with the Company dated 15 October 2018. Catherine Pitt signed a letter of appointment with the Company dated 28 February 2019. Isabel Liu signed a letter of appointment with the Company dated 26 September 2022. These agreements are available for inspection at the Company's registered office and at the AGM. The agreements are terminable on three months' notice by either side. The Directors are not entitled to any variable consideration or any other taxable benefits under these agreements.

The Annual Remuneration Report

The Remuneration Committee considers any change in the Directors' remuneration policy. The report from the Remuneration Committee is set out on page 74.

Directors' remuneration and interests (audited)

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

2022	Fixed salary and fees Period from 01/01/22 to 31/12/22 £	Total variable remuneration Period from 01/01/22 to 31/12/22 £	Total remuneration (fixed and variable) Period from 01/01/22 to 31/12/22 £
John Leggate	84,080	-	84,080
Duncan Neale	65,687	-	65,687
Catherine Pitt	47,295	-	47,295
David Stevenson	47,295	-	47,295
Isabel Liu	11,824	-	11,824
Total fixed remuneration	**256,181**	**-**	**256,181**

2021	Fixed salary and fees Period from 01/01/21 to 31/12/21 £	Total variable remuneration Period from 01/01/21 to 31/12/21 £	Total remuneration Period from 01/01/21 to 31/12/21 £
John Leggate	80,000	-	80,000
Duncan Neale	62,500	-	62,500
Catherine Pitt	45,000	-	45,000
David Stevenson	45,000	-	45,000
Total fixed remuneration	**232,500**	**-**	**232,500**

2022 (unaudited)	Percentage increase from 31 December 2019 to 31 December 2020 on salary annual fees	Percentage increase from 31 December 2020 to 31 December 2021 on salary annual fees	Percentage increase from 31 December 2021 to 31 December 2022 on salary and annual fees
John Leggate	0%	23.0%	5.1%
Duncan Neale	0%	38.8%	5.1%
Catherine Pitt	0%	12.5%	5.1%
David Stevenson	0%	12.5%	5.1%

The Directors of the Company had the following beneficial interests in the issued Ordinary Shares as at 31 December 2022 and at the date of this report:

Directors	As at the date of this report 5 April 2023	As at 31 Dec 2022
John Leggate	133,170	133,170
Duncan Neale	23,575	23,575
Catherine Pitt	36,858	36,858
David Stevenson	22,330	22,330
Isabel Liu	9,385	5,958

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

2022/2023 remuneration

Subject to a further review, the remuneration levels for the forthcoming year for the Directors are expected to be at the annual fee level, as shown in the table above. In line with the Remuneration policy described above, the Directors' remuneration increased at the rate of the UK Consumer Price Inflation as at December 2022, which was set at 10.5%. The Board reviews Directors' remuneration at least annually to ensure that it is in line with market rates.

Consideration of shareholders' views

An ordinary resolution to approve the Remuneration Report will be put to shareholders at the Company's 2023 AGM and shareholders will have the opportunity to express their views and raise any queries in respect of the Remuneration Policy at this meeting.

Statement of voting at the 2022 Annual General Meeting

The Directors' Remuneration Report was subject to an advisory vote at the 2022 AGM. The voting outcome is shown in the table below:

Resolution to approve Directors' Remuneration Report	Votes	%
Votes for*	321,900,359	96.93
Votes against	10,212,213	3.07
Total votes validly cast	332,112,572	
Total votes cast as % of issued share capital		61.36
Votes withheld**	34,281	

* Includes discretionary votes

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

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

Payments to past Directors or for loss of office

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

Performance graph

The graph below represents the Company's performance during the period since the Company's Ordinary Shares were first admitted to trading on the London Stock Exchange on 13 November 2018 and shows Ordinary Share price total return and NAV total return performance on a dividends reinvested basis. Both series are rebased to 13 November 2018, being the date the Company's Ordinary Shares were listed.

This graph has been chosen as a comparison as it is a publicly available broad equity index which focuses on smaller companies and is therefore more relevant than most other publicly available indices.

Relative importance of spend on pay

The difference in actual spend between 31 December 2021 and 31 December 2022 on Directors' remuneration in comparison to distributions (dividends and share buybacks) and other significant spending are set out in the table below.

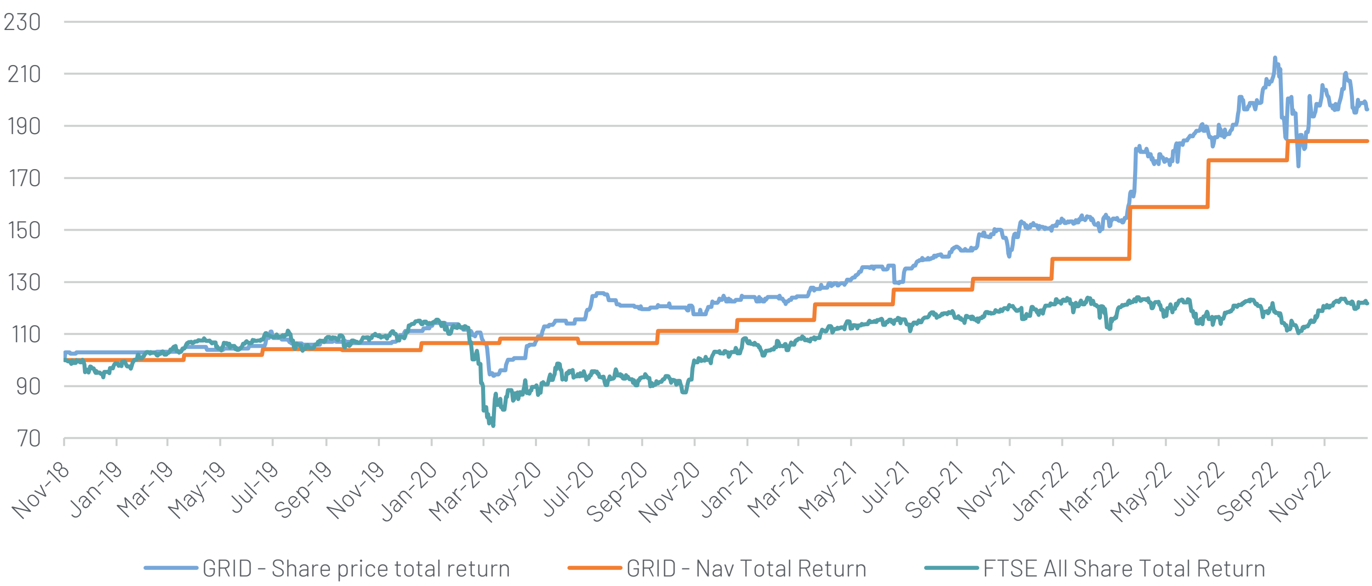
	Payments made during the year ended 31 December 2022 £	Payments made during the year ended 31 December 2021 £
Remuneration to Directors	256,181	232,500
Dividends paid to shareholders	34,269,634	25,961,445
Buy-back of Ordinary Shares	-	-
Total	**34,525,815**	**26,193,945**

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

David Stevenson
Chair of the Remuneration Committee

5 April 2023

GRID vs FTSE All Share Total Return



Corporate Governance Report

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

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

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

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

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

Capital structure and voting rights

Information about the Company's capital structure and voting rights are set out in Note 20 of the Financial Statements on page 111.

On 13 May 2022, the Directors were authorised at a General Meeting of the Company to allot new ordinary shares and/or C-Shares up to an aggregate nominal value of £4,000,000. Further, on 25 May 2022, the Company published a prospectus relating to its Placing and Share Issuance Programme of Ordinary Shares. Under the authority granted at the General Meeting and pursuant to the Placing and Share Issuance Programme, the Company raised gross new proceeds of £150mn through the issue of 103,448,275 ordinary shares.

The Directors were granted the authority at the 2022 AGM to issue new ordinary shares, on a non-pre-emptive basis, of up to up to an aggregate nominal value of £541,290.35, representing approximately 10% of the issued ordinary share capital as at June 2022. Further, the Directors were also granted the authority to make market purchases of its own ordinary shares from time to time of up to 81,139,424 of its ordinary shares, or, if less, 14.99% of the Company's issued ordinary share capital. No new share issues or market purchased of the Company's own ordinary shares were conducted under these authorities.

Further, these authorities expire or the earlier of 29 September 2023 or at the Company's next AGM.

Board leadership and purpose

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

The Board seeks to establish a culture of openness and engagement. The Board considers this culture aligned with the strategic purpose of the Company through its growth phase. The Board met frequently with the Investment Manager throughout the period in an effort to sustain continuous dialogue on key issues.

During the year ended 31 December 2022, the Board supported the Investment Manager with further deployment of the available funds and in further fundraising by way of both debt and equity.

As set out in the section on Stakeholder Engagement and Statement under Section 172, page 48, the Board seeks to understand the views of the Company's key stakeholders and to consider these views in Board discussions and decision-making.

The Board assesses and monitors its own culture, including its policies, practices, and behaviour to ensure it is aligned with the Company's purpose, values, and strategy.

The Board remains committed to diversity and further detail on the Company's Diversity Policy and approach to diversity is set out in the Nomination Committee Report on page 76.

Chair

The Chair, John Leggate, is responsible for the leadership of the Board and ensuring its effectiveness. Further, the Chair, supported by the Investment Manager and key advisors, including the Broker and Company Secretary, ensures that the Board, as a whole, has a clear understanding of the views of the Company's stakeholders, including shareholders. The Board conducts an annual review of the Company's stakeholders and their interests.

Composition and succession

The Board was pleased to welcome Isabel Liu as a Non-Executive Director in October 2022. Isabel's appointment has brought further knowledge in investment management and international experience in infrastructure investment. Further details on Isabel's recruitment process are included in the Nomination Committee Report on page 76.

The Board has now reached 40% female representation and Isabel's appointment has also resulted in the Board having a member from a minority ethnic background (as defined in the Listing Rules). The Board has adopted a formal diversity policy and strongly believes that diversity in all its forms (whether of skills, background or characteristic) is an important contributor to strong decision-making and intends to prioritise diversity in its ongoing succession planning.

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 sex, social and ethnic backgrounds, cognitive and personal strengths.

Division of responsibilities

Matters reserved to the Board

Full Board meetings take place quarterly and the Board meets or communicates more regularly to address specific issues. The Board has a formal schedule of matters specifically reserved for its decision which includes, but is not limited to, considering proposals from the Investment Manager; making decisions concerning the acquisition or disposal of investments; and reviewing, annually, the terms of engagement of all third-party advisers (including the Investment Manager) and the appointment and removal of the Company Secretary.

The Board has also established procedures whereby Directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary provides the Board with full information on the Company's assets and liabilities and other relevant information requested by the Chair, in advance of each Board meeting.

There is a clear division of responsibilities between the Board and the Investment Manager. Under the AIFM Agreement, the Investment Manager acts as discretionary investment manager and AIFM to the Company within the strategic guidelines set out in the Investment Policy and subject to the overall supervision of the Board. The asset management role encompasses the oversight of all operational and financial management, the placing and managing of all operational contracts, management of all health and safety operational risks, advising the Board on the monthly and quarterly asset/portfolio performance, management of power price/market exposure, progress with the asset pipeline and reporting to the Board, identifying any circumstances in which the manager should refer to the board for approval before undertaking transactions and reporting to the Board.

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

- sources, due diligences and acquires pipeline on a speculative basis exclusively for the Company to ensure the Company's ability to grow in a burgeoning market with few operational projects;
- manages these projects through construction;
- sells projects to the Company; and
- takes development risk on behalf of the Company, where the Company's investment mandate prevents taking this risk.

The Management Engagement Committee, on an annual basis, reviews the Investment Manager's performance during the year along with its adherence to the terms of the AIFM Agreement. Further details are contained in the Management Engagement Committee Report on page 78.

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

Board committees

The Board has four committees: the Audit Committee, Remuneration Committee, Nomination Committee, and the Management Engagement Committee (MEC).

All the Directors of the Company are Non-Executive Independent Directors and served on all committees. Isabel Liu was appointed to each of the Committees with effect from 9 December 2022.

Board and committee meetings

The table on page 69 sets out the Directors' attendance at the Board and committee meetings during the period.

During the period the Board held a number of additional ad hoc Board meetings outside of the regular quarterly Board meetings. These Board meetings were mainly to discuss the progress of investments proposed by the Company and completion of such investments and further fundraising completed by the Company during the period. Typically, there was attendance by the full Board at these ad hoc meetings and attendance was in line with the requirements of the AIC Code.

The primary focus at regular Board meetings is a review of investment performance, asset allocation, marketing and investor relations, peer group information and industry issues.

At the Company's quarterly Board meetings, the Board typically considers the following business:

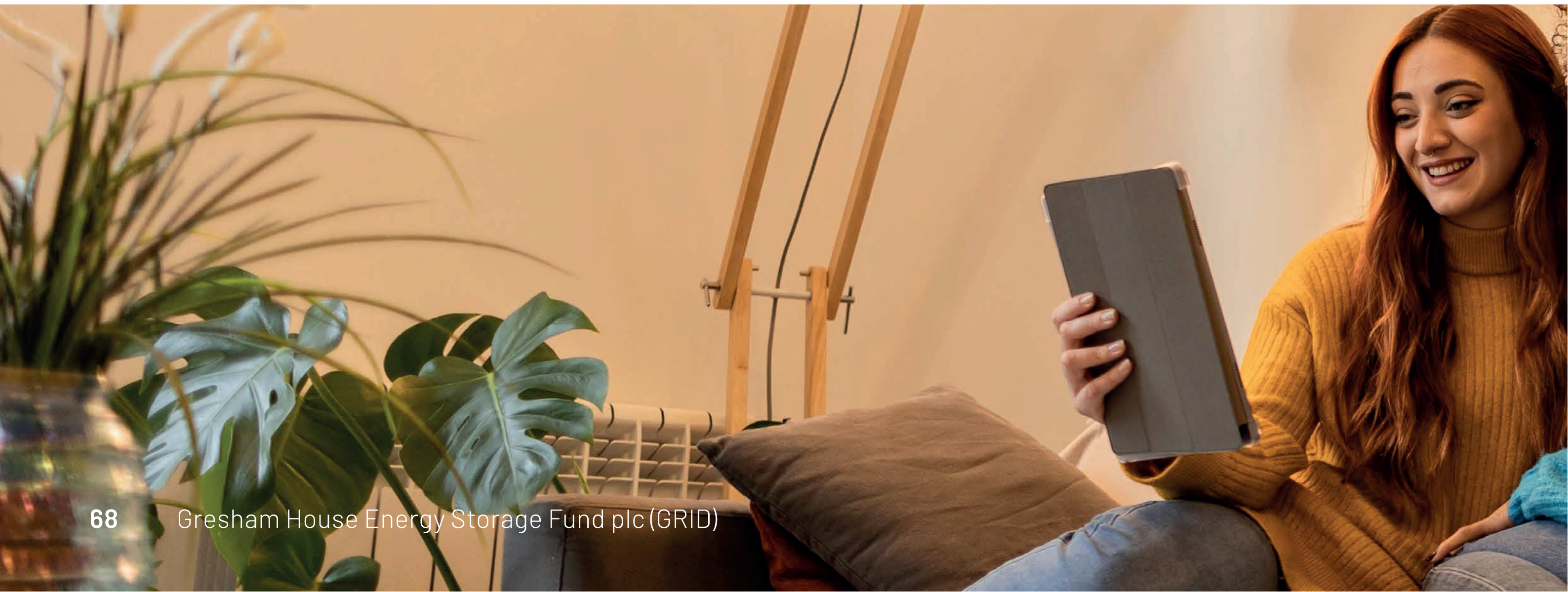
- Update from the Investment Manager, including:
  - Investment portfolio commentary
  - Health & Safety commentary
  - Trading data and investment performance, by month
  - Analysis of the Company's financial model, including and updates to key assumptions
  - Risk management and risk mitigation, including climate change and ESG risks
  - Review of any recommendations made by the Investment Manager
- Update from the Company's Broker; including;
  - Market commentary
  - Share price performance against the Company's peers
  - Sales and trading commentary
- Report from the Company's Depositary
- Report from the Administrator and Company Secretary, including;
  - Compliance monitoring
  - Regulatory and governance updates

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

Relations with shareholders

Shareholders have the opportunity to meet the Board at the AGM. The Board is also happy to respond to any written queries made by shareholders to the Company or its broker during the course of the period, or to meet with major shareholders if so requested. The Board and Investment Manager welcomed a number of shareholders at the Company's AGM and had constructive discussions on the Company's strategy. The Board was pleased with the level of engagement with shareholders and is looking forward to the Company's AGM in 2023.

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



	Quarterly Board meetings	Audit Committee	MEC	Nomination Committee	Remuneration Committee
	(4 held)	(4 held)	(1 held)	(2 held)	(1 held)
John Leggate	4	4	1	2	1
Duncan Neale	3	4	0	2	1
Catherine Pitt	4	4	1	2	1
David Stevenson	4	4	1	2	1
Isabel Liu*	1	2	0	1	1

*Isabel Liu was appointed on 1 October 2022 and has attended each QBM & Committee meeting during her tenure

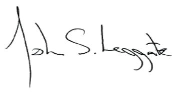
In addition to the formal business of the AGM, representatives of the Investment Manager and the Board are available to answer any questions a shareholder may have. If shareholders are not able to attend the AGM in person, shareholders will be given the opportunity to ask questions in advance of the AGM, with answers to any questions received published on the Company's website.

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

Remuneration

The Board is committed to implementing remuneration policies and practices that are designed to support strategy and promote long-term sustainable success. This policy is set on in the Directors Remuneration Report on page 61.

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



John Leggate, CBE, FREng

Chair

5 April 2023

Audit Committee Report

During the year and since, the Committee has played an integral role in reviewing and challenging the Company's financial modelling, financial reporting, key financial controls, and other risk management topics.

Building on its work during 2021, the Committee continued to work with the Investment Manager and key service providers in 2022, to ensure that the Company can rely on robust internal financial controls and clear risk management procedures.

Audit Committee composition

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

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

Given the size of the Board and the diverse range of experience and skills possessed by the Directors, the Board has considered it appropriate to have all Directors serve on this Committee. The Board has also considered it appropriate for the Chair of the Board to serve on the Committee in order to allow the Chair to directly contribute to the Committee's work and provide input on the Company's reporting obligations.

Terms of reference

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

Principal responsibilities

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

1. to monitor the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance;
2. reviewing the Company's internal financial controls and internal control and risk management systems, unless expressly addressed by a separate Board risk committee composed of independent Non-Executive Directors, or by the Board itself;
3. conducting the tender process and making recommendations to the Board, about the appointment, reappointment, and removal of the external Auditor, and approving the remuneration and terms of engagement of the external Auditor;
4. reviewing the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
5. to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process; and
6. to develop and implement policy on the engagement of the Auditor to supply non-audit services and considering relevant guidance regarding the provision of non-audit services by the Auditor.

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

Financial reporting

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

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

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

As a result of the work performed by the Audit Committee, the Board is able to conclude that the Annual Report and Financial Statements for the period ended 31 December 2022, taken as a whole, is fair, balanced, and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Committee also reviews the significant financial reporting issues and judgements made in connection with the preparation of the Company's Financial Statements and considers whether the accounting policies adopted are appropriate.

The Committee has worked with the Investment Manager to improve the Company's impact on Sustainability and Environmental, Social and Governance. As a result, the Company has voluntarily adopted the Task Force on Climate-related Financial Disclosures in the 2022 Annual Accounts.

Going concern and viability

The Committee considered the Going Concern Statement and Viability Statement on page 42. The Committee was satisfied that the Company remained a going concern and was expected to remain well positioned to continue to operate and meet its liabilities over the short term and the outlook period.

Key accounting judgements and estimates

The key accounting judgement reviewed by the Audit Committee is the high level of judgement involved in determining the unquoted investment valuations. The Investment Manager's fee is based on the value of the net assets of the Company. The Investment Manager is responsible for preparing the valuation of investments which are reviewed by the Audit Committee and approved by the Board.

During the period, the valuation of the Company's investments has been a focus point for the Audit Committee and the Board. The Chair of the Audit Committee has worked closely with the Investment Manager to understand how the Company's investment valuations are calculated and this has been reported to the Board.

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

The Audit Committee has also taken additional comfort from the opinion of an external independent valuation assessment prepared by Grant Thornton, which concluded that the Investment Manager's calculation of valuation is fair and reasonable on a fair value basis.

Following the detailed and ongoing assessment of investment valuations, the Audit Committee and the Board are able to conclude that the Company's investments are valued fairly and reasonably.

Auditor independence, objectivity and effectiveness

BDO has formally confirmed its independence as part of the annual reporting process, and the Audit Committee considered and agreed that BDO, the engagement team and other partners and Directors conducting the audit had complied with relevant ethical requirements including the FRC's Ethical Standard and were considered independent of the Company.

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

Marc Reinecke has been BDO's lead audit partner for the Company since IPO in 2018. This is Mr Reinecke's fourth annual audit for the Company. In line with best practice, the Company would under normal circumstances seek a rotation of the lead audit partner every five years, with an audit firm tender process every ten years and a mandatory audit firm rotation after 20 years. BDO confirmed that Mr Reinecke would be rotated out in 2024.

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

Internal controls and risk management systems

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

1 review the reports on the internal controls of the Company's service providers which identify the risk management systems in place for assessing, managing, and monitoring risks applicable to such service providers;

2 establish a process for identifying, assessing, managing, and monitoring the risks which may have a financial impact on the Company;

3 review reports on the conclusions of any testing carried out by the Auditors;

4 carry out at least annually a robust assessment of the emerging and principal risks facing the Company; and

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

The Audit Committee reviews the Company's internal controls on an annual basis with the last review being conducted in November 2022. The Audit Committee obtains evidence of the internal control frameworks of both the Administrator and Investment Manager to review. Further, the Company Secretary reports to the Board quarterly on any potential internal control failures.

The Audit Committee confirms that it has completed its assessment of the Company's emerging and principal risks and the details of this assessment are set out in emerging risks, principal risks, and uncertainties assessment, and going concern assessment on page 42.

The Audit Committee considers the Company's risk matrix on an annual basis with regular risk reporting being presented to the Board by the Investment Manager on a quarterly basis.

The Audit Committee Chair has engaged with the Investment Manager during the year to improve the risk reporting to the Board on an ongoing basis and this improved reporting is expected to enhance the Board's oversight of principal risks. The Audit Committee was satisfied with the Investment Manager's overall assessment of principal risks.

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

Whistleblowing

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

There were no instances of whistleblowing during the period.

External audit

The Audit Committee also makes recommendations to the Board in relation to the appointment of the external Auditors and to ensure the independence of the external Auditor.

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

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

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

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

Internal audit

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

Financial reporting

The Directors' responsibilities statement for preparing the accounts is set out in the Report of the Directors on page 56 and a statement by the Auditor about their reporting responsibilities is set out in the Independent Auditor's Report on page 80.

Statement on Investment Manager's risk management and internal controls

During the period the Audit Committee has reviewed and has received appropriate evidence of the Investment Manager's risk management and internal control systems. The Audit Committee is satisfied that this framework is fit for purpose and appropriately designed to safeguard the shareholder's investment and the Company's assets. The Board and the Audit Committee will continue to review the Investment Manager's risk management and internal control systems on a quarterly basis.

Audit Committee evaluation

An evaluation of the Audit Committee was undertaken as part of the overall Board evaluation in 2022. The evaluation concluded that the Audit Committee was found to be working well and the skills and experience of the members was found to be appropriate.

The Audit Committee will continue to concentrate on development and training of committee members, as the regulatory focus on audit and audit committees increases.

Isabel Liu's appointment in December 2022 was welcomed by the members as it brought further diversification of skills and experience to the Committee.

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

DJ Neale

Duncan Neale
Chair of the Audit Committee

5 April 2023

Remuneration Committee Report

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

Remuneration Committee composition

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

The Remuneration Committee meets at least once a year and operates within clearly defined terms of reference. The Remuneration Committee met once during the period. The Remuneration Committee's meeting was also attended by representatives of the Company Secretary (JTC (UK) Limited) and the Company's Investment manager (Gresham House Asset Management Limited).

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

Terms of reference

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

Principal responsibilities

The main role and responsibilities of the Remuneration Committee include:

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

Review of Directors' remuneration

The Remuneration Committee considered that the appointment of an external remuneration consultant was not required for 2022. During the year, the Remuneration Committee considered the appropriate level of increases to the Directors' fees for 2023.

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

In 2021, the Remuneration Committee decided to increase the Directors' remuneration in line with Consumer Price Inflation (CPI) each year to ensure that Directors fees remain competitive and in line with inflation.

Director	2022 Fee	2023 Fee
John Leggate	£84,080	£92,908
Duncan Neale	£65,687	£72,585
Cathy Pitt	£47,295	£52,261
David Stevenson	£47,295	£52,261
Isabel Liu	£47,295	£52,261

The Remuneration Committee considers the increases in Directors' fees to be in line with the Company's Remuneration Policy approved by the Company's shareholders at the Company's 2020 AGM. The Remuneration Committee has delegated authority to set the remuneration of the Non-Executive Directors, including the remuneration of the Chair of the Board, under its terms of reference. David does not receive additional remuneration for his role as Senior Independent Director (SID).

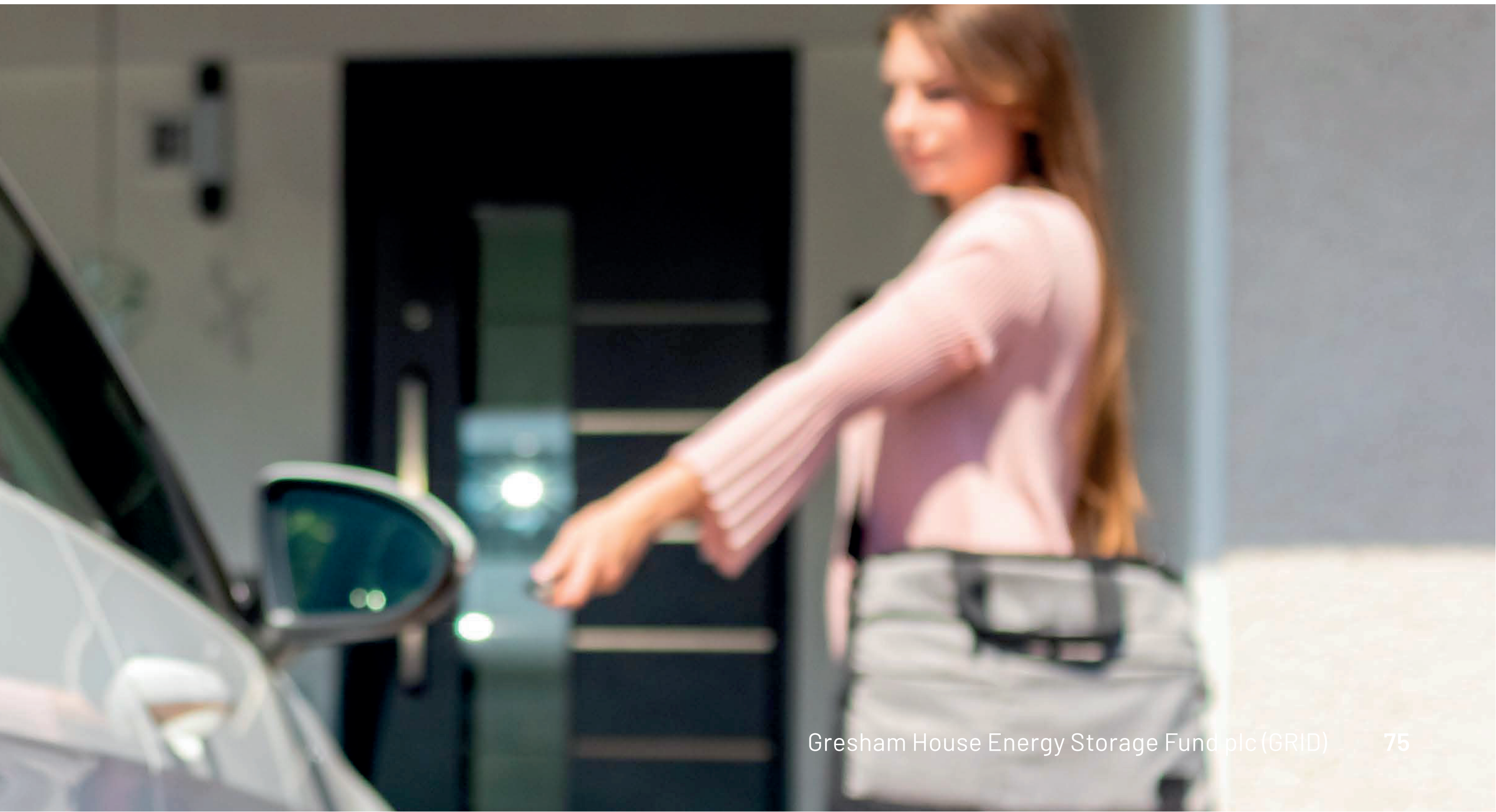
Committee evaluation

An evaluation of the Remuneration Committee was undertaken as part of the overall Board evaluation in 2022. The evaluation concluded that there was a good balance of skills between the five Directors to support the work of the Remuneration Committee.

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

David Stevenson
Chair of the Remuneration Committee

5 April 2023



Nomination Committee Report

During the period, the Board, mindful of the requirements of the AIC Code and the Company's objective of maintaining high governance standards, constituted the Nomination Committee during 2022.

Nomination Committee composition

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

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

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

Terms of reference

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

Principal responsibilities

The Nomination Committee's principal responsibilities are:

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

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

Composition, succession and evaluation

Composition

The Company has a Board comprising five Non-Executive Directors, with the Chair being John Leggate.

All of the Directors are independent from the Investment Manager as defined in the AIC Code and no circumstances have been identified that are likely to impair, or could appear to impair, a Non-Executive Director's independence. Further, all Directors' significant interests, have been reviewed and no conflicts of interest with the interests of the Company have been identified. The Board does not consider these interests to have any significant impact on the Directors' ability to discharge their duties to the Company.

Biographical details of all Board members (including significant other commitments) are shown on page 50.

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

The Nomination Committee reviewed the size and composition of the Board having regard to the skills of each Director and the commitment involved in service on the Board. The Committee procured the services of an external recruitment consultant, Trust Associates, to identify candidates for a fifth Non-Executive Director. Trust Associates has no other connection to the Company or other Directors of the Board. The Chair identified a short list of potential candidates for the Committee members to interview and through careful consideration, the Committee recommended to the Board the appointment of Isabel Liu as the fifth Non-Executive Director to the Board. Further, Isabel Liu was appointed to each of the Company's committees on 9 December 2022.

The Nomination Committee also considered the opportunity for scholarship initiatives and Board apprenticeship programmes.

The Nomination Committee considered that access to experience would be valuable for disadvantaged individuals and for the Nomination Committee to support the wider community. The Nomination Committee resolved to pursue initiatives to support scholarship initiatives and Board apprenticeship programmes during 2023.

Board evaluation

During the period, the Board, supported by the Company Secretary undertook an internal Board evaluation. The evaluation involved the completion of board surveys prepared by the Company Secretary and completed by the Directors. The evaluation was a comprehensive internal review, by the Committee as a whole, of the effectiveness of the Board, individual Directors, the Chair and each of the Board's Committees. The evaluation concluded there was generally a good balance of skills on the Board and external communication with shareholders required improvement. Improving engagement with the Company's shareholders remains a focus from the Board evaluation and the Board intends to continue to make improvements on this during 2023. While the Committee concluded that there was good balance of skills and experience on the Board, the Committee would seek opportunities to refresh the composition of the Board and to further support the Board's diversity.

Re-election and succession

John Leggate, David Stevenson and Duncan Neale were appointed to the Board on 24 August 2018 and re-elected by the shareholders at the 2022 AGM. Catherine Pitt was appointed to the Board on 1 March 2019 and duly elected by the shareholders at the 2022 AGM. Isabel Liu was appointed to the Board on 1 October 2022 and will be eligible for election by the Company's shareholders at the Company's 2023 AGM.

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

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

Diversity

The Company recognises the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining an effective Board. The Company has adopted a formal Diversity Policy, which sets out the Company's approach to and commitment to diversity. The policy was reviewed by the Nomination Committee during 2022.

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

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

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

Cathy Pitt
Chair of the Nomination Committee

5 April 2023

Management Engagement Committee Report

Building on its work during 2022, the Management Engagement Committee continued to work with the Investment Manager and key service providers to ensure that the Company had a robust system of internal financial controls and a clear risk management procedure.

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

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

Management Engagement Committee composition

The Management Engagement Committee is chaired by Cathy Pitt. The Chair of the Management Engagement Committee is supported by the other four independent Non-Executive Directors.

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

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

Terms of reference

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

Principal responsibilities

The Management Engagement Committee's principal responsibilities include:

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

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

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

Performance of the Investment Manager

The Management Engagement Committee reviewed the performance of the Investment Manager and the Management Engagement Committee was generally satisfied that the Investment Manager had performed well during the period, with the Company completing a number of acquisitions during the period, driving the performance of the operating assets, successfully deploying the capital raised during 2021 and conducting a further successful fundraising during 2022.

The Management Engagement Committee continues to collaborate with the Investment Manager to improve reporting and information flow to the Board and its committees.

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

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

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

Performance of key service providers

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

The Management Engagement Committee specifically discussed the performance of JTC (UK) Limited appointed by the Company both as Administrator and as Company Secretary and concluded that the performance as Administrator and Company Secretary remained satisfactory. The Company is responsible for the appointment or removal of the Company Secretary.

Committee evaluation

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

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

Cathy Pitt

Chair of the Management Engagement Committee during the reporting period

5 April 2023

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2022 and its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards ; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gresham House Energy Storage Fund plc (the 'Company') for the year ended 31 December 2022 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors in December 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is four years, covering the years ending 31 December 2019 to 31 December 2022. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

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

- assessing the reasonableness of the Company's cash flow forecast by comparing the expected cash flows to contractual obligations and that these are covered by the available cash reserves for the period of 12 months from the date of approval of the financial statements;
- considering the appropriateness of the approach and model used by the Directors;
- assessing the reasonableness of the Directors judgement on the impact of the continuation vote;
- assessing the reasonableness of the stress test performed by the Directors which assumed that there would be a 33% reduction in inflows and a reduction in dividends of 33% and all existing funding obligations towards the investments would still be met over the next 12 months;

- assessing the covenants which are relevant to the debt facility, which the Company is party to as Guarantor and the ability to meet these covenants even under the stress test scenario; and
- reviewing the adequacy and consistency of the disclosure in line with the Directors' assessment.

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

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

Overview

		2022	2021
Key audit matters	Valuation of unquoted investments		
Materiality	Financial statements as a whole £12.6mn (2021: £7.6mn) based on 1.5% of net assets Specific materiality £1.3mn (2021: £870k) based on 5% of profit before tax less fair value gains		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

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

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

Refer to note 11 on page 98 and note 17 on page 102 of the financial statements.</td><td>As detailed in Note 11, the Company owns an investment portfolio of unquoted equity and loan investments, which as described in the accounting policies in Note 5 are held at fair value in the Company Financial Statements.

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

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

The fair value was determined through the use of a discounted cash flow model. The valuation involved significant judgements and estimates from management including, but not limited to discount rates, changes in net revenue yield and changes in energy production. Changes to the estimates and/or judgements can result, either on an individual or aggregate basis, in a material change to the valuation of unquoted investments and therefore we considered this to be a key audit matter.</td><td>Our procedures in relation to management's valuation of the unquoted investments include:
- We assessed the competency, qualification, independence and objectivity of the external valuer engaged by the Company and reviewed the terms of their engagement for any unusual arrangements or limitation on the scope of their work.
- With the assistance of our internal valuation experts, we challenged the appropriateness of the selection and application of key estimates in the discounted cash flow model including discount rate, net energy yield, annual generation, inflation rate, underlying costs and asset life by benchmarking to available industry data and actual results in the year.
- Agreed net energy yield and annual generation used in the discounted cash flow model to independent third party pricing curve report. We held discussions with them to understand the model assumptions and how the models are produced.
- For new investments, we obtained and reviewed the sale and purchase agreements and loan contracts and checked if they were accurately reflected in the valuation model.
- For new investments which were either acquired or committed we challenged the appropriate valuation through consideration of the stage of construction of the underlying battery storage project and our understanding of the associated risks.
- For investments where the battery asset is under construction, we have challenged the policy applied to fair value these investments through obtaining an understanding of the status of each project and the risks of the projects. For the construction risk premium applied, we benchmarked this against other companies and considered the risks in the projects. We discussed the premium with management's independent external valuer and involved our internal valuations experts in assessing the appropriateness of the premium.
- Agreed period end working capital adjustments in determining the fair value of the portfolio companies to the working capital recognised in the management accounts of the portfolio companies as well as bank statements, invoices and VAT returns.</td></tr>
<tr><td></td><td></td><td>- Agreed the movements in loans provided to the portfolio companies including interest rates to underlying loan agreements, vouched cash movements to bank statements and re-performed the calculation of interest.

Key observations:

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Company financial statements	
	2022 £	2021 £
Materiality	£12,600,000	£7,600,000
Basis for determining materiality	1.5% net assets	
Rationale for the benchmark applied	We consider that net assets is the most relevant performance measure for users of the financial statements.	
Performance materiality	£8,750,000	£5,110,000
Basis for determining performance materiality	70% of materiality based on consideration of factors including the level of historical errors and nature of activities, which resulted in an increase in the performance materiality benchmark.	

Specific materiality

We also determined that for transactions and balances that impact on the Company's return other than the valuation of the unlisted investment portfolio, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based to be £1.26mn (2021: £0.87mn) based on 5% of profit before tax less fair value gains.

We further applied a performance materiality level of 70% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £63,000 (2021: £43,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory framework that is applicable to the Company and determined that the relevant laws and regulations related to the elements of the Company Act 2006 and tax legislation, the financial reporting framework, the supervisory requirements of LSE Listing and Disclosure Rules, Financial Conduct Rule 'FCA' Listing rules, and the Association of Investment Companies 'AIC' SORP.

- We understood how the Company is complying with these laws and regulations by making enquiries of management and those responsible for legal and compliance matters. We reviewed correspondence between the Company and regulated bodies and reviewed minutes of meetings and gained an understanding of the Company's approach to governance.
- We assessed the susceptibility of the financial statements to material misstatement, including fraud and made enquiries of the Investment Manager, the management service provider and the Board of Directors of any known or suspected instances of fraud. The key area for fraud and manipulation is around the unquoted investment valuation (see related key audit matter) and management override of controls.
- Obtaining an understanding of management's internal controls that are relevant to preventing and detecting irregularities including fraud.
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to valuation of unquoted investments (see related key audit matters).
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, journals posted by the investment manager and journals posted and reviewed by the same individual by agreeing to supporting documentation.
- Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Use of our report

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

DocuSigned by:

Marc Reinecke

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Marc Reinecke (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom

5 April 2023

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

Statement of Comprehensive Income

For the year ended 31 December 2022
Company number 11535957

For the year ended 31 December 2022	Note	Revenue (£)	Capital (£)	Total (£)
Net return on investments at fair value through profit and loss	7	32,868,283	191,828,651	224,696,934
Other income		747,218	-	747,218
Total income		**33,615,501**	**191,828,651**	**225,444,152**
Administrative and other expenses:				
Legal and professional fees		(713,709)	-	(713,709)
Other administrative expenses	8	(7,592,943)	-	(7,592,943)
Total administrative and other expenses		**(8,306,652)**	**-**	**(8,306,652)**
Profit before tax		**25,308,849**	**191,828,651**	**217,137,500**
Taxation	9	-	-	-
Profit and total comprehensive income for the year		**25,308,849**	**191,828,651**	**217,137,500**
Earnings per share (basic and diluted) - pence	10	5.07	38.46	43.53

For the year ended 31 December 2021	Notes	Revenue (£)	Capital (£)	Total (£)
Net gain on investments at fair value through profit and loss	7	22,470,837	63,058,528	85,529,365
Other income		298,500	-	298,500
Total income		**22,769,337**	**63,058,528**	**85,827,865**
Administrative and other expenses:				
Transaction fees		-	56,539	56,539
Legal and professional fees		-	(560,589)	(560,589)
Other administrative expenses	8	(4,932,056)	-	(4,932,056)
Total administrative and other expenses		**(4,932,056)**	**(504,050)**	**(5,436,106)**
Profit before tax		**17,837,281**	**62,554,478**	**80,391,759**
Taxation	9	-	-	-
Profit and total comprehensive income for the year		**17,837,281**	**62,554,478**	**80,391,759**
Earnings per share (basic and diluted) - pence	10	4.57	16.02	20.59

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

All results are derived from continuing operations. The notes starting on page 90 form an integral part of these Financial Statements.

Statement of Financial Position

As at the year ended 31 December 2022
Company number 11535957

	Note	31 December 2022 (£)	31 December 2021 (£)
Non-current assets			
Investments in subsidiaries at fair value through profit or loss	11	834,771,492	389,346,748
Current assets			
Cash and cash equivalents	13	7,327,492	122,175,081
Trade and other receivables	14	217,698	359,467
		7,545,190	122,534,548
Total assets		**842,316,682**	**511,881,296**
Current liabilities			
Trade and other payables	15	(571,020)	(210,255)
Total net assets		**841,745,662**	**511,671,041**
Shareholders' equity			
Share capital	20	5,412,904	4,378,421
Share premium	20	495,230,993	349,058,720
Merger relief reserve	20	13,299,017	13,299,017
Capital reduction reserve	20	3,892,537	38,162,172
Capital reserves	20	267,250,491	75,421,840
Revenue reserves	20	56,659,720	31,350,871
Total shareholders' equity		**841,745,662**	**511,671,041**
Net Asset Value per Ordinary Share (pence)	19	155.51	116.86

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

John Leggate CBE, FREng

Chair

Date: 5 April 2023

The notes starting on page 90 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Share capital (£)	Share premium (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Capital reserves (£)	Revenue reserves (£)	Total shareholders' equity (£)
Shareholders' equity at 1 January 2022		4,378,421	349,058,720	13,299,017	38,162,172	75,421,840	31,350,871	511,671,041
Profit for the year		-	-	-	-	191,828,651	25,308,849	217,137,500
Total comprehensive income for the year		-	-	-	-	191,828,651	25,308,849	217,137,500
Transactions with owners:								
Ordinary Shares issued at a premium during the year	20	1,034,483	148,965,516	-	-	-	-	149,999,999
Share issue costs	20	-	(2,793,243)	-	-	-	-	(2,793,243)
Dividends paid	20	-	-	-	(34,269,635)	-	-	(34,269,635)
Shareholders' equity at 31 December 2022		**5,412,904**	**495,230,993**	**13,299,017**	**3,892,537**	**267,250,491**	**56,659,720**	**841,745,662**

	Note	Share capital (£)	Share premium (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Capital reserves (£)	Revenue reserves (£)	Total shareholders' equity (£)
Shareholders' equity at 1 January 2021		3,485,564	251,601,260	13,299,017	64,123,617	12,867,362	13,513,590	358,890,410
Profit for the year		-	-	-	-	62,554,478	17,837,281	80,391,759
Total comprehensive income for the year		-	-	-	-	62,554,478	17,837,281	80,391,759
Transactions with owners:								
Ordinary Shares issued at a premium during the year	20	892,857	99,107,143	-	-	-	-	100,000,000
Share issue costs	20	-	(1,649,683)	-	-	-	-	(1,649,683)
Dividends paid	20	-	-	-	(25,961,445)	-	-	(25,961,445)
Shareholders' equity at 31 December 2021		**4,378,421**	**349,058,720**	**13,299,017**	**38,162,172**	**75,421,840**	**31,350,871**	**511,671,041**

The total distributable reserves available at 31 December 2022 are £60,552,257 (2021: £69,513,043). Distributable reserves consist of the capital reduction reserve and revenue reserve.

The notes starting on page 90 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 December 2022

	Note	31 December 2022 (£)	31 December 2021 (£)
Cash flows used in operating activities			
Profit for the year		217,137,500	80,391,759
Net gain on investments at fair value through profit and loss	7	(224,696,934)	(85,529,365)
Interest income		(312,217)	-
Decrease/(increase) in trade and other receivables		141,769	(85,040)
Increase/(decrease) in trade and other payables		360,765	(74,431)
Net cash used in operating activities		**(7,369,117)**	**(5,297,077)**
Cash flows used in investing activities			
Deferred consideration paid		-	(1,030,530)
Disposal of investments		-	458,331
Loans made to subsidiaries		(220,727,811)	(55,730,831)
Loans repaid by investments		-	419,291
Bank interest received		312,218	-
Net cash used in investing activities		**(220,415,593)**	**(55,883,739)**
Cash flows used in financing activities			
Proceeds from issue of Ordinary Shares at a premium	20	149,999,999	100,000,000
Share issue costs	20	(2,793,243)	(1,649,683)
Dividends paid	20	(34,269,635)	(25,961,445)
Net cash inflow from financing activities		**112,937,121**	**72,388,872**
Net (decrease)/increase in cash and cash equivalents for the year		**(114,847,589)**	**11,208,056**
Cash and cash equivalents at the beginning of the year		122,175,081	110,967,025
Cash and cash equivalents at the end of the year		**7,327,492**	**122,175,081**

The notes starting on page 90 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 December 2022

1 General information

Gresham House Energy Storage Fund plc (the Company) is a company limited by shares and is listed on the special fund Segment of the London Stock Exchange. The Company was incorporated in England and Wales on 24 August 2018 with Company number 11535957 as a closed-ended investment company. The Company's business is as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010. The registered office of the Company is The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF. Its share capital is denominated in Pounds Sterling (GBP or £) and currently consists of Ordinary Shares. Through its subsidiaries, the Company's principal activity is to invest in SPVs which operate a diversified portfolio of operating utility-scale Battery Energy Storage Systems (BESS), which utilise batteries and may also utilise generators. The BESS projects comprising the investment portfolio are located in diverse locations across Great Britain.

These Annual Financial Statements cover the year ended 31 December 2022 with comparatives for the year ended 31 December 2021 and comprise only the results of the Company as all its subsidiaries are measured at fair value.

2 Basis of preparation

Statement of Compliance

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

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

Functional and presentation currency

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

Going Concern

As noted in the Strategic Report, as at 31 December 2022, the Company had net current assets of £6.9mn including cash balances of £7.3mn (excluding cash balances within investee companies), which are sufficient to meet the cashflows for a period of not less than 12 months from the date of signing the financial statements. The major cash outflows of the Company are the costs relating to the acquisition of new assets and payment of dividends, both of which are discretionary (other than committed transactions). These acquisitions are funded through drawdowns under the debt facility within MidCo which had available capacity of £275mn at year end. All committed acquisitions at the end of the year and subsequent to year end are sufficiently covered through current cash reserves and available debt facilities, in MidCo, already in place.

The Company had no outstanding debt owing as at 31 December 2022. The Company is a guarantor of the debt facility entered into by the MidCo in 2021, of which £60mn was drawn as at 31 December 2022.

Having performed the assessment of going concern, the Directors have adopted the going concern basis in preparing the Annual Report and Financial Statements.

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

3 Significant accounting judgements, estimates and assumptions

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

During the year the Directors considered the following significant judgements:

Assessment as an investment entity

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

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

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

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

The Company meets the criteria as follows:

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

Based on the above factors the Directors are of the opinion that the Company meets the characteristics of an investment entity and meets the definition in the standard. The Directors will reassess this conclusion on an annual basis.

Assessment of the MidCo as an investment entity

The MidCo (see Note 11) is not consolidated as the MidCo is also considered to be an investment entity. The Board of the MidCo has considered the requirements of IFRS 10 as per above and confirm the MidCo meets these criteria. If the MidCo were not considered to meet the definition of an investment entity, then the Company would be required to consolidate the entity. The net assets of the MidCo have been set out in Note 11. The impact of consolidating the MidCo would be to increase the investment value to £855,652,343 (2021: £401,115,427) and recognise a reduction in net working capital of £20,880,856 (2021: additional net working capital of £11,768,679)).

Note 11 includes an overview of the balances within the MidCo and what would be included in the accounts of the Company if the Company were required to consolidate the entity.

Investment Manager not a related party:

The AIFM is not disclosed as key management personnel in the financial statements. To meet the key management personnel definition the AIFM would need to have authority and responsibility for planning, directing, and controlling the activities of the entity. The Directors are of the opinion that the AIFM does not meet these criteria as the Board has to approve key decisions. The AIFM are restricted to the delivery of the investment policy.

During the year the Directors considered the following significant estimates:

Valuation of investments in subsidiaries

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

4 New standards, amendments and interpretations published but not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions hence they have not been presented in detail in these financial statements.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of the amendments.

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company.

5 Summary of significant accounting policies

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

Segmental information

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

Income and expenses (excluding investments)

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

Net gain or loss on investments at fair value through profit and loss

The Company recognises movements in the fair value of investments in subsidiaries through profit and loss.

Other income

Other income consists of bank interest and management fee income which are accounted for on an accruals basis.

Taxation

The Company is approved as an Investment Trust Company (ITC) under sections 1158 and 1159 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 Statutory Instrument 2011/2999 for accounting periods commencing on or after 25 May 2018. The approval is subject to the Company continuing to meet the eligibility conditions of the Corporations Tax Act 2010 and the Statutory Instrument 2011/2999. The Company intends to ensure that it complies with the ITC regulations on an ongoing basis and regularly monitors the conditions required to maintain ITC status.

From 1 April 2015 there was a single corporation tax rate of 19%. This rate is increasing to 25% from 1 April 2023. Tax is recognised in the profit and loss except to the extent that it relates to the items recognised as direct movements in equity, in which case it is similarly recognised as a direct movement in equity. Current tax is the expected tax payable on any taxable income for the period, using tax rates enacted or substantively enacted at the end of the relevant period. The Company may use taxable losses from within the Group to relieve taxable profits in the Company and also income streams part of the dividends paid into interest payments to achieve tax efficiency for the Company. The increase in the headline rate of corporation tax does impact on the valuation of the Company's investments.

Investment in subsidiaries

Investments in subsidiaries are held at fair value through profit and loss.

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary entity and has the ability to affect those returns through its power over the subsidiary entity. In accordance with the exemption under IFRS 10 Consolidated Financial Statements, the Company is an investment entity and only consolidates subsidiaries that provide investment management services and which are not themselves investment entities. As a result, the Company does not consolidate any of its subsidiaries.

Financial instruments

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of amortised cost or fair value through profit or loss.

Financial assets

The Company classifies its financial assets at amortised cost or fair value through profit or loss on the basis of both:

- the entity's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company includes in this category short-term non-financing receivables which include cash and trade and other receivables.

Cash and cash equivalents

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

Trade and other receivables

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

Financial liabilities measured at amortised cost

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

Trade and other payables

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

Deferred consideration

Deferred consideration relates to consideration payable in terms of the purchase price stated in the Share Purchase Agreement (SPA) and are recognised initially at fair value and reassessed at the end of each reporting period.

Financial asset measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

a its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or

b it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or

c it is classified as held for trading (derivative contracts in an asset position).

The Company's investment in subsidiaries (which comprises both debt and equity) is held at fair value through profit or loss under IFRS 9 as the equity portion of the investment does not meet the SPPI test nor will the Company elect to designate the investments at fair value through other comprehensive income. The debt investment forms part of a group of assets that are managed, and the performance evaluated on a fair value basis.

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

Recognition and derecognition

Financial assets are derecognised on the date on which the Company commits to purchase or sell an asset. A financial asset is derecognised where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled, or expired.

Impairment of other financial assets

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

Dividends

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

Equity

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

Fair value measurement and hierarchy

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

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

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

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

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

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

6 Fees and expenses

Accounting, secretarial and Directors

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

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

During the year, expenses incurred with JTC (UK) Limited for administrative and secretarial services amounted to £409,798 (2021: £235,934) with £192,258 (2021: £29,210) being outstanding and payable at the year end.

AIFM

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

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

There were no changes in the AIFM agreement during the year and remains consistent with the prior year.

During the year Investment Manager fees amounted to £6,245,057 (2021: £4,052,956) with no outstanding payables at the year-end (2021: nil).

The Investment Manager is a wholly owned subsidiary of Gresham House plc, a significant shareholder in the Company holding 5.34% (2021: 6.05%) of total issued Ordinary Shares. Ben Guest (a Director of the Investment Manager), holds 2.66% (2021: 3.29%) of total issued Ordinary Shares, including direct and indirect holdings.

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

	31 December 2022 (£)	31 December 2021 (£)
Unrealised gain on investments at fair value through the profit and loss	191,828,651	62,838,290
Realised gain on investments at fair value through the profit and loss	-	220,238
Interest on loans to subsidiaries	32,868,283	22,470,837
	224,696,934	**85,529,365**

8 Administrative and other expenses

	31 December 2022 (£)	31 December 2021 (£)
Administration and secretarial fees	409,798	235,934
Remuneration received by the Company's Auditor for the audit of these financial statements	263,800	144,400
Remuneration received by the Company's Auditor for the audit of the prior year financial statements	-	34,400
Remuneration received by the Company's Auditor for the audit of the subsidiary accounts (recognised in underlying investments financial statements)	17,200	15,600
Depositary fees	77,079	54,949
Directors' remuneration salary	256,181	232,500
Directors' remuneration social security contributions and similar taxes	31,285	23,209
Investment Manager fee	6,245,057	4,052,956
Sundry expenses	292,543	138,108
	7,592,943	**4,932,056**

9 Taxation

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

For the year ended 31 December 2022, the Company may utilise group relief or make interest distributions to reduce taxable profits to nil. There is no corporation tax charge for the year (2021: Nil).

		31 December 2022 (£)	31 December 2021 (£)
(a) Tax charge in profit or loss			
Current tax on profits for the year		-	-
Adjustments for current tax of prior periods		-	-
		-	-
(b) Reconciliation of the tax charge for the year			
Profit before tax		217,137,500	80,391,759
Tax at UK main rate of 19%	19.00%	41,256,125	15,274,434
Tax effect of:			
Non-taxable income		(36,447,444)	(11,981,120)
Non-deductible expenses		-	31,350
Subject to group relief/designated as interest distributions		(4,808,681)	(3,324,664)
Tax charge for the year		-	-

10 Earnings per Ordinary Share

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

	Revenue	Capital	31 December 2022 Total
Net profit attributable to ordinary shareholders (£)	25,308,849	191,828,651	217,137,500
Weighted average number of Ordinary Shares for the year	498,777,363	498,777,363	498,777,363
Profit per share (basic and diluted) - pence	**5.07**	**38.46**	**43.53**

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

11 Investments in subsidiaries at fair value through profit or loss

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

	Immediate parent	Projects	Place of business	Registered office	Percentage ownership
Gresham House Energy Storage Holdings plc	The Company	"MidCo"	The Scalpel, 18th Floor, 52 Lime Street, London, EC3M 7AF	Gresham House Asset Management Limited, 5 New Street Square, London, England, EC4A 3TW	100%

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

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

When acquiring new investments, the Company will recognise value as these investments are effectively derisked. If under construction but not expected to be completed within nine months, the project will be held at cost. After this date, during construction and once certain key milestones which reduce risk are met, the project will be fair valued. However, a construction premium of 0.75% (increased from 0.50% in 2021) will be added to the discount rate. When the investment reaches "PAC" a project will be fair valued with a reduced construction premium for 60 days as a Proving Period. After 60 days the project will be fair valued without a construction premium. From 2023 onwards this Proving Period will be reduced to 30 days.

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

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

Reconciliation	31 December 2022 (£)	31 December 2021 (£)
Opening balance	389,346,748	248,964,175
Less: disposals during the year	–	(238,095)
Add: loans advanced	220,727,810	55,730,831
Less: loan repayments	–	(419,290)
Add: accrued interest on loans	32,868,283	22,470,837
Total fair value movement through the profit or loss	191,828,651	62,838,290
Closing balance	**834,771,492**	**389,346,748**

	31 December 2022 (£)	31 December 2021 (£)
Equity	260,952,789	69,124,138
Loans	573,818,703	320,222,610
Total equity and loans	**834,771,492**	**389,346,748**

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

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

Further analysis

The Company owns 100% of the Ordinary Shares in Gresham House Energy Storage Holdings plc (the MidCo) which itself holds a number of 100% owned subsidiaries. The investment in the MidCo of £834,771,492 (2021: £389,346,748) comprises underlying investments as follows:

	Percentage ownership		Total Investment	
	31 December 2022	31 December 2021	31 December 2022 (£)	31 December 2021 (£)
Noriker Staunch Ltd	100%	100%	20,725,873	17,342,193
HC ESS2 Ltd	100%	100%	26,249,676	23,881,200
HC ESS3 Ltd	100%	100%	21,021,765	20,066,324
West Midlands Grid Storage Ltd	100%	100%	4,649,291	3,961,609
Cleator Battery Storage Ltd	100%	100%	12,635,799	7,612,741
Glassenbury Battery Storage Ltd	100%	100%	55,572,940	38,507,279
HC ESS4 Ltd	100%	100%	50,735,176	46,118,825
Bloxwich Energy Storage Ltd	100%	100%	26,329,677	25,088,436
HC ESS6 Ltd	100%	100%	49,672,338	44,737,484
HC ESS7 Ltd	100%	100%	51,549,996	46,055,369
Tynemouth Energy Storage Ltd	100%	100%	17,276,210	15,956,108
Gridreserve Ltd	100%	100%	22,494,647	19,569,973
Nevendon Energy Storage Ltd	100%	100%	11,646,848	5,028,954
Port of Tyne Energy Storage Ltd	100%	100%	35,279,004	17,551,881
Enderby Storage Ltd	100%	100%	35,056,336	19,189,475
West Didsbury Storage Ltd	100%	100%	31,816,696	14,917,971
Penwortham Storage Ltd	100%	100%	30,637,328	15,073,790
Grendon Storage Ltd	100%	100%	37,124,697	2,943,599
Melksham East Storage Ltd and Melksham West Storage Ltd	100%	100%	60,303,907	10,066,239
UK Battery Storage Ltd	100%	-	172,918,927	-
Stairfoot Generation Ltd	100%	-	32,367,129	-
GreenGridPower1 Ltd	100%	-	4,763,091	-
Gresham House Energy Storage Solutions Ltd	100%	-	8,899,321	-
Arbroath Ltd	100%	-	31,781,429	-
Investments in subsidiaries - subtotal			**851,508,101**	**393,669,450**
Loans to affiliated entities of the Investment Manager - Arbroath Ltd (prior to acquisition)	-	-	-	3,926,248
Coupar Ltd	-	-	4,144,247	3,519,729
Total investments			855,652,348	401,115,427
Working capital in MidCo			(20,880,856)	(11,768,679)
Total investment in MidCo			**834,771,492**	**389,346,748**

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

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

12 Loans receivable

The only loans receivable at 31 December 2022 are loans to the MidCo, which are accounted for as investments in subsidiaries – see Note 11.

13 Cash and cash equivalents

	31 December 2022 (£)	31 December 2021 (£)
Cash at bank	7,327,492	122,175,081
	7,327,492	**122,175,081**

14 Trade and other receivables

	31 December 2022 (£)	31 December 2021 (£)
Prepayments	59,479	88,666
Accrued income	147,302	41,397
VAT receivable	10,917	229,404
	217,698	**359,467**

15 Trade and other payables

	31 December 2022 (£)	31 December 2021 (£)
Administration and secretarial fees	192,258	29,210
Audit fee accrual	166,468	95,804
Other accruals	212,294	85,241
	571,020	**210,255**

16 Categories of financial instruments

	31 December 2022 (£)	31 December 2021 (£)
Financial assets		
Financial assets at amortised cost:		
Cash and cash equivalents	7,327,492	122,175,081
Trade and other receivables	147,302	130,063
Fair value through profit or loss:		
Investment in subsidiaries	834,771,492	389,346,748
Total financial assets	842,246,286	511,651,892
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	(571,020)	(210,255)
Net financial assets	841,675,266	511,441,637

As at 31 December 2022, the Company had an outstanding charge with Santander UK plc in respect of its position as guarantor to the debt facility, held against all the assets and undertakings of the Company.

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

Valuation process

The Company, via the MidCo, held a portfolio of energy storage investments with a capacity of 550 Megawatt (MW) operational and 507MW in construction (together the investments). The investments comprise 29 projects held in 25 special project vehicles.

All of the investments are based in the UK. The Directors review and approve the valuations of these assets following appropriate challenge and examination. The current portfolio consists of non-market traded investments, and valuations are analysed using forecasted cash flows of the assets and use the discounted cash flow approach for valuation purposes. The Company engages external, independent, and qualified valuers to determine the fair value of the Company's investments or valuations are produced by the Investment Manager. As at 31 December 2022, the fair value of the portfolio of investments has been determined by the Investment Manager and reviewed by Grant Thornton UK LLP.

The valuations have been determined using discounted cash flow methodology, whereby the estimated future cash flows relating to the Company's equity investment in each project have been discounted to 31 December 2022, 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.

When acquiring new investments, the Company will recognise value as these investments are effectively derisked. If projects are under construction but not expected to be completed within nine months the project will be held at cost. After this date, during construction and once certain key milestones which reduce risk are met the project will be fair valued. However, a construction premium of 0.75% (increased from 0.50% in 2021) will be added to the discount rate. When the investment reaches "PAC" a project will be fair valued with a reduced construction premium for 60 days as a Proving Period. After 60 days the project will be fair valued without a construction premium. From 2023 onwards this Proving Period will be reduced to 30 days. Conditional acquisitions, where the price of an acquisition has been agreed but shares have not been transferred, result in the recognition of a derivative at fair value.

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

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

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

b changes in power market forecasts from leading market forecasters;

c changes in the economic, legal, taxation or regulatory environment, including changes in retail price index expectations;

d technical performance based on evidence derived from project performance to date;

e the terms of any power purchase agreement arrangements;

f accounting policies;

g the terms of any debt financing at project level;

h claims or other disputes or contractual uncertainties; and

i changes to revenue, cost, or other key assumptions (may include an assessment of future cost trends, as appropriate).

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

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

	31 December 2022		31 December 2021	
Key valuation input	**Range**	**Weighted average**	**Range**	**Weighted average**
WACC/WADR	9.7 - 11.6%	10.9%	9.9 - 11.4%	10.8%
RPI	2.7 – 3.1%	2.7%	2.8 – 2.9%	2.8%

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

Sensitivity analysis

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

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

Investment	Project	Valuation technique	Significant inputs description	Sensitivity	Estimated effect on fair value 31 December 2022 (£)	Estimated effect on fair value 31 December 2021 (£)
Noriker Staunch Ltd	Staunch	DCF	Discount rate	+1%	(1,267,783)	(1,188,112)
				-1%	1,424,331	1,346,462
			Revenue	+10%	1,754,827	1,307,467
				-10%	(1,767,537)	(1,321,450)
HC ESS2 Ltd	Rufford, Lockleaze, Littlebrook	DCF	Discount rate	+1%	(1,490,168)	(1,622,287)
				-1%	1,672,160	1,844,065
			Revenue	+10%	2,065,501	1,594,147
				-10%	(2,163,631)	(1,947,003)
HC ESS3 Ltd	Roundponds	DCF	Discount rate	+1%	(1,347,472)	(1,504,951)
				-1%	1,547,308	1,744,638
			Revenue	+10%	1,603,570	1,475,139
				-10%	(1,599,661)	(1,505,125)
West Midlands Grid Storage Two Ltd	Wolverhampton	DCF	Discount rate	+1%	(240,241)	(271,807)
				-1%	269,205	308,750
			Revenue	+10%	435,117	399,734
				-10%	(440,407)	(435,547)
Cleator Battery Storage Ltd	Cleator	DCF	Discount rate	+1%	(432,857)	(743,633)
				-1%	486,654	851,165
			Revenue	+10%	649,849	883,206
				-10%	(650,364)	(886,715)
Glassenbury Battery Storage Ltd	Glassenbury A and B	DCF	Discount rate	+1%	(2,410,337)	(3,576,483)
				-1%	2,715,542	4,092,515
			Revenue	+10%	3,363,710	4,201,276
				-10%	(3,366,223)	(4,216,089)
HC ESS4 Ltd	Red Scar	DCF	Discount rate	+1%	(3,510,236)	(3,751,022)
				-1%	4,091,406	4,416,962
			Revenue	+10%	4,670,803	4,393,203
				-10%	(4,670,761)	(4,420,195)

Investment	Project	Valuation technique	Significant inputs description	Sensitivity	Estimated effect on fair value 31 December 2022 (£)	Estimated effect on fair value 31 December 2021 (£)
Bloxwich Energy Storage Ltd	Bloxwich	DCF	Discount rate	+1%	(1,497,684)	(1,822,905)
				-1%	1,687,936	2,074,137
			Revenue	+10%	2,838,453	2,690,591
				-10%	(2,843,308)	(2,719,548)
HC ESS7 Ltd	Thurcroft	DCF	Discount rate	+1%	(3,460,667)	(3,605,403)
				-1%	3,996,481	4,203,128
			Revenue	+10%	4,981,152	4,234,266
				-10%	(4,925,842)	(4,284,189)
HC ESS6 Ltd	Wickham	DCF	Discount rate	+1%	(3,025,000)	(3,207,419)
				-1%	3,440,682	3,680,717
			Revenue	+10%	4,373,582	4,004,174
				-10%	(4,332,843)	(4,060,406)
Tynemouth Battery Storage Ltd	Tynemouth	DCF	Discount rate	+1%	(862,114)	(1,661,999)
				-1%	1,000,169	1,956,686
			Revenue	+10%	1,605,779	2,037,818
				-10%	(1,606,256)	(2,044,741)
Gridreserve Ltd	Byers Brae	DCF	Discount rate	+1%	(1,343,939)	(1,436,577)
				-1%	1,516,214	1,638,084
			Revenue	+10%	2,262,625	2,013,383
				-10%	(2,264,247)	(2,048,092)
Nevendon Energy Storage Ltd	Nevendon	DCF	Discount rate	+1%	(764,076)	(646,090)
				-1%	849,082	729,222
			Revenue	+10%	1,439,471	1,097,594
				-10%	(1,450,232)	(1,104,807)
Port of Tyne Energy Storage Ltd	Port of Tyne	DCF	Discount rate	+1%	(830,756)	(1,377,801)
				-1%	897,888	1,510,192
			Revenue	+10%	1,779,700	2,248,320
				-10%	(1,783,821)	(2,243,005)
Enderby Storage Ltd	Enderby	DCF	Discount rate	+1%	(2,603,101)	(2,598,696)
				-1%	2,980,365	3,026,012
			Revenue	+10%	3,779,732	3,466,831
				-10%	(3,801,665)	(3,516,511)
West Didsbury Storage Ltd	West Didsbury	DCF	Discount rate	+1%	(2,599,789)	(2,605,119)
				-1%	2,977,481	3,035,333
			Revenue	+10%	3,662,585	3,426,385
				-10%	(3,682,752)	(3,472,099)

Investment	Project	Valuation technique	Significant inputs description	Sensitivity	Estimated effect on fair value 31 December 2022 (£)	Estimated effect on fair value 31 December 2021 (£)
Penwortham Storage Ltd	Penwortham	DCF	Discount rate	+1%	(2,353,004)	(2,640,548)
				-1%	2,662,278	3,079,486
			Revenue	+10%	3,523,047	3,361,519
				-10%	(3,539,812)	(3,402,072)
Melksham East Ltd and Melksham West Ltd	Melksham	DCF	Discount rate	+1%	(5,240,274)	N/A
				-1%	6,016,075	
			Revenue	+10%	7,108,029	N/A
				-10%	7,141,352)	
Arbroath Ltd	Arbroath	DCF	Discount rate	+1%	(2,062,233)	N/A
				-1%	2,384,896	
			Revenue	+10%	2,830,840	N/A
				-10%	(2,847,661)	
Grendon Ltd	Grendon	DCF	Discount rate	+1%	(3,434,102)	N/A
				-1%	3,946,188	
			Revenue	+10%	4,975,944	N/A
				-10%	(5,031,805)	
UK Battery Storage Ltd	Elland	DCF	Discount rate	+1%	(3,213,603)	N/A
				-1%	3,625,829	
			Revenue	+10%	4,763,463	N/A
				-10%	(4,831,907)	
UK Battery Storage Ltd	York	DCF	Discount rate	+1%	(2,729,687)	N/A
				-1%	3,083,764	
			Revenue	+10%	4,360,138	N/A
				-10%	(4,401,773)	
UK Battery Storage Ltd	West Bradford	DCF	Discount rate	+1%	(5,480,685)	N/A
				-1%	6,186,530	
			Revenue	+10%	8,220,846	N/A
				-10%	(8,317,154)	
Stairfoot Ltd	Stairfoot	DCF	Discount rate	+1%	(2,105,812)	N/A
				-1%	2,416,662	
			Revenue	+10%	3,118,903	N/A
				-10%	(3,142,585)	

All other projects are held at cost.

Portfolio Sensitivity of RPI	Sensitivity	Estimated effect on fair value 31 December 2022 (£)	Estimated effect on fair value 31 December 2021 (£)
Inflation	+0.25%	15,848,661	9,733,718
	-0.25%	(15,370,105)	(9,417,405)

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

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

31 December 2022	Level 1 (£)	Level 2 (£)	Level 3 (£)
Investment in subsidiaries	-	-	834,771,492
	-	**-**	**834,771,492**

31 December 2021	Level 1 (£)	Level 2 (£)	Level 3 (£)
Investment in subsidiaries	-	-	389,346,748
	-	**-**	**389,346,748**

Valuation of financial instruments

The investment at fair value through profit or loss is a Level 3 in the fair value hierarchy and the reconciliation in the movement of this Level 3 investment is presented in Note 11. No transfers between levels took place during the period.

18 Financial risk management

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

Counterparty risk

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

Management has completed a high-level analysis which considers both historical and forward-looking qualitative and quantitative information, to assess the credit risk of these exposures and has determined that the credit risk as at 31 December 2022 is low due to the financial position of these counterparties.

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

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

Concentration risk

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

The Fund's BESS projects generate revenues primarily from Firm Frequency Response (FFR), Asset Optimisation, Capacity Market (CM) and other grid connection-related charges, including TRIADs and Dynamic Containment. Revenues from the portfolio's seed BESS projects have historically been skewed to FFR revenues, FFR being the provision to the National Grid of a dynamic response service to maintain the grid's electrical frequency at 50Hz. In H2 2022, operations were increasingly targeted towards Asset Optimisation, as this becomes the more profitable business activity. There are several additional revenue opportunities emerging for the portfolio as a series of regulatory changes are implemented.

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

Credit risk

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

The Investment Manager regularly assesses its credit exposure and considers the creditworthiness of its customers and counterparties. Cash and bank deposits are held with Barclays Bank plc, a reputable financial institution with a Moody's credit rating Baa2.

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

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

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

Liquidity risk

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

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

In 2021, the Company assessed its ability to raise debt and the MidCo entered into a debt facility for £180mn, which was subsequently amended and restated in 2022 for a total of £335mn. 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 Company is a guarantor to the Midco debt facility - should there be a default by the Midco the Company may be liable to repay all debt drawn. The total amount drawn at year end was £60mn. The Directors will restrict borrowing to an amount not exceeding 50% of the Company's NAV at the time of drawdown. As at 31 December 2022, Midco had drawn down £60mn on the facility. The Company is required to provide semi-annual covenant compliance certificates to the bank, as at the year end the Company was in compliance with all the covenants disclosed in the loan agreement and had also filed the required covenant certificates.

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

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

As at 31 December 2022	< 1 year (£)	1 to 2 years (£)	2 to 5 years (£)	>5 years (£)	Total (£)
Financial assets					
Cash and cash equivalents (Note 13)	7,327,492	-	-	-	7,327,492
Trade and other receivables (Note 14)*	147,302	-	-	-	147,302
Fair value through profit or loss:					
Investment in subsidiaries*	-	-	-	834,771,492	834,771,492
Total financial assets	**7,474,794**			**834,771,492**	**842,246,286**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables (Note 15)	571,020	-	-	-	571,020
Total financial liabilities	**571,020**	**-**	**-**	**-**	**571,020**

As at 31 December 2021	< 1 year (£)	1 to 2 years (£)	2 to 5 years (£)	>5 years (£)	Total (£)
Financial assets					
Cash and cash equivalents (Note 13)	122,175,081	-	-	-	122,175,081
Trade and other receivables (Note 14)**	41,397	-	-	-	41,397
Fair value through profit or loss:	-	-	-	389,346,748	389,346,748
Investment in subsidiaries*					
Total financial assets	**122,216,478**	**-**	**-**	**389,346,748**	**511,563,226**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables (Note 15)	210,255	-	-	-	210,255
Total financial liabilities	**210,255**	**-**	**-**	**-**	**210,255**

* excludes prepayments and VAT

Market risk

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

Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. At 31 December 2022, the valuation basis of the Company's investments was valued at market value. This investment is driven by market factors and is therefore sensitive to movements in the market. The Company relies on market knowledge of the Investment Manager, the valuation expertise of the third-party valuer and the use of third-party market forecast information to provide comfort with regard to fair market values of investments reflected in the Financial Statements. Refer to Note 17 for trading revenue sensitivities.

Interest rate risk

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

Currency risk

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

Capital risk management

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

19 Net Asset Value (NAV) per Ordinary Share

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

	31 December 2022	31 December 2021
Net assets per statement of financial position (£)	841,745,662	511,671,041
Ordinary Shares in issue	541,290,353	437,842,078
NAV per Ordinary Share - Basic and diluted (pence)	155.51	116.86

20 Share capital

	Ordinary Shares number	Share capital (£)	Share premium reserve (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Total (£)
Allotted and issued share capital						
As at 31 December 2021	437,842,078	4,378,421	349,058,720	13,299,017	38,162,172	404,898,330
Issue of Ordinary Shares of £0.01	103,448,275	1,034,483	148,965,516	-	-	149,999,999
	541,290,353	**5,412,904**	**498,024,236**	**13,299,017**	**38,162,172**	**554,898,329**
Share issue costs	-	-	(2,793,243)	-	-	(2,793,243)
Dividends paid	-	-	-	-	(34,269,635)	(34,269,635)
As at 31 December 2022	**541,290,353**	**5,412,904**	**495,230,993**	**13,299,017**	**3,892,537**	**517,835,451**

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

Share capital

The Company's capital is represented by the Ordinary Shares.

Share premium

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

Merger relief reserve

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

Revenue reserves

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

Capital reserves

The Capital reserve comprises of increases and decreases in the fair value of investments held at the period end, gains and losses on the disposal of investments, transaction, and legal fees. The capital reserves are not distributable.

Capital reduction reserve

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

Share capital, Share premium account and Capital reduction reserve

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

On 27 May 2022, the Company announced and published the successful raise of gross proceeds of £150mn through the issue of 103,448,275 new Ordinary Shares at an issue price of 145 pence per Ordinary Share.

Dividends

For the year ending 31 December 2022

Period in relation to which dividend was paid	Announcement date	Ex-dividend date	Payment date	Amount per Ordinary Share	Total amount
1 January to 31 March 2022	4 May 2022	12 May 2022	27 May 2022	1.75 pence	£7,662,236
1 April to 30 June 2022	27 September 2022	6 October 2022	28 October 2022	1.75 pence	£9,472,581
1 July to 30 September 2022	31 October 2022	24 November 2022	16 December 2022	1.75 pence	£9,472,581
1 October to 31 December 2022	10 February 2023	2 March 2023	27 March 2023	1.75 pence	£9,472,581

For the year ending 31 December 2021

Period in relation to which dividend was paid	Announcement date	Ex-dividend date	Payment date	Amount per Ordinary Share	Total amount
1 January to 31 March 2021	28 April 2021	13 May 2021	4 June 2021	1.75 pence	£6,099,736
1 April to 30 June 2021	1 July 2021	8 July 2021	30 July 2021	1.75 pence	£6,099,736
1 July to 30 September 2021	15 November 2021	25 November 2021	17 December 2021	1.75 pence	£7,662,236
1 October to 31 December 2021	14 February 2022	3 March 2022	25 March 2022	1.75 pence	£7,662,236

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

21 Cash and non-cash flow items

The non-cash movements for the year ended 31 December 2022 predominantly relate to movement in the investments. These non-cash movements are reconciled and discussed in Note 11.

22 Transactions with related parties and other significant contracts

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

	31 December 2022 (£)	31 December 2021 (£)
Directors' remuneration	256,181	232,500
Employers' NI	31,285	23,209
Total key management personnel	**287,466**	**255,709**

All directors' remuneration is short term salary.

The remuneration arrangements of Directors are disclosed in the Director's Remuneration Report on page 61.

Dividends paid by the Company to the Directors are disclosed in the Director's Remuneration Report on page 61. No dividend amounts were payable as at 31 December 2022 (2021: none).

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

Loans to related parties

Loans receivable represent amounts due to the Company from its subsidiary and are disclosed in Note 11.

	31 December 2022 (£)	31 December 2021 (£)
Principal advanced	540,950,420	297,751,773
Interest accrued	32,868,283	22,470,837
Total loans	**573,818,703**	**320,222,610**

23 Capital commitments

As at 31 December 2022, there are no other significant binding or conditional future capital commitments (2021: none).

24 Post balance sheet events

On 9 February 2023, the Board approved the payment of an interim dividend in respect of Q4 2022 of 1.75 pence per Ordinary Share. It was proposed that the Dividend would be paid on 27 March 2023 to the members whose names appeared on the Company's register of members on 3 March 2023, with an ex-dividend date of 2 March 2023.

On 14 February 2023, MidCo made a further draw down of £50mn on the Santander loan facility.

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

Alternative Performance Measures

For the period from 1 January 2022 to 31 December 2022

1 Dividend per Ordinary Share

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

Dividend period: 12 months to 31 December 2022	Dividend paid per share (£)	Number of shares on dividend payment date	Total dividend paid (£)
Q1 2022 (declared 4 May 2022)	0.0175	437,842,078	7,662,236
Q2 2022 (declared 27 September 2022)	0.0175	541,290,353	9,472,581
Q3 2022 (declared 31 October 2022)	0.0175	541,290,353	9,472,581
Q4 2022 (declared 10 February 2023)	0.0175	541,290,353	9,472,581
	0.0700		**36,079,979**

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

2 Ordinary Share price total return

Ordinary Share price total return is a measure of the return that could have been obtained by holding a share since initial public offering.

	31 December 2022 (pence)	31 December 2021 (pence)
Share price at end of the year	161.50	130.50
Dividends paid from inception to end of the year	23.75	16.75
Dividend reinvestment impact	11.10	4.26
Share price at initial public offering	(100.00)	(100.00)
Ordinary Share price total return since inception	**96.35**	**51.51**
Ordinary Share price total return since inception %	**96.4%**	**51.5%**

3 Net asset value (NAV) per Ordinary Share

	31 December 2022	31 December 2021
NAV at end of the year	£841,745,662	£511,671,041
Ordinary Shares in issue	541,290,353	437,842,078
NAV per share (pence) – Basic and diluted	**155.51**	**116.86**

4 NAV per Ordinary Share total return for the period

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

	31 December 2022 (pence)	31 December 2021 (pence)
NAV per Ordinary Share at end of the year	155.51	116.86
Dividends paid from inception to end of the year	23.75	16.75
Dividend reinvestment impact	10.03	2.51
NAV per Ordinary Share at end of the year including dividend reinvestment	189.29	136.12
NAV per Ordinary Share at beginning of the year including dividend reinvestment	(136.12)	(113.13)
NAV Total Return for the year	**53.17**	**22.99**
NAV per Ordinary Share total return for the year	**39.1%**	**20.3%**

5 Gross asset value (GAV)

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

	31 December 2022 (£'000)	31 December 2021 (£'000)
Total assets reported in the Company at end of period	842,317	511,881
Debt held by intermediate holding company (A)	60,000	–
GAV (B)	902,317	511,881
Gearing as defined by the Company (A / B)	7%	0%

6 Ongoing charges figure (OCF)

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

	31 December 2022 (£'000)	31 December 2021 (£'000)
Fees to Investment Manager	6,245	4,053
Legal and professional fees	714	561
Other transaction fees	–	(57)
Administration fees	558	312
Directors' remuneration	287	256
Audit fees	264	194
Other ongoing expenses	239	117
Total expenses	8,307	5,436
Non-recurring expenses not in OCF calculation	(23)	(165)
Total ongoing expenses	**8,284**	**5,271**
Average NAV for the year	704,188	429,192
Ongoing charges for the year	**1.18%**	**1.23%**

7 Operational Dividend Cover

Operational Dividend Cover is a measure to demonstrate the Company's ability to pay dividends from the earnings of its underlying investments, including interest earned on construction capital deployed to non-operational SPVs, and after accounting for external interest costs and administrative costs of the Company but excluding transaction costs and debt arrangement fees.

	31 December 2022 (£'000)	31 December 2021 (£'000)
EBITDA of underlying group companies	48,788	42,522
Interest income on construction capital deployed to SPVs	8,173	405
Bank interest received	312	-
Ongoing costs in the Company	(8,284)	(5,271)
External interest costs	(2,852)	(1,405)
Net earnings for Operational Dividend Cover	**46,137**	**36,251**
Dividends declared by the Company for the year	**36,080**	**27,524**
Operational Dividend Cover	**1.28x**	**1.32x**

8 Dividend yield

	31 December 2022	31 December 2021
Dividend per share declared in respect of the period (pence)	7.00	7.00
Share price at end of period (pence)	161.50	130.50
Dividend yield for the period	**4.3%**	**5.4%**

Company Information

Non-Executive Directors

John Leggate - Chair
Isabel Liu
Duncan Neale
Catherine Pitt
David Stevenson

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Ticker: GRID

Glossary

Asset Optimisation (Trading)

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

Asymmetric

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

AUM

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

Balancing Mechanism (BM)

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

Balancing services

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

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

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.

nationalgrideso.com/balancing-services/system-security-services/black-start/

Capacity Market (CM)

The income received by generators to ensure generation capacity is available to meet short falls.

Combined Cycle Gas Turbine (CCGT)

Energy generation technology that combines a gas-fired turbine with a steam turbine. The design uses a gas turbine to create electricity and then captures the resulting waste heat to create steam, which in turn drives a steam turbine.

Curtailment

Large wind farms are connected to the UK's high-voltage network and National Grid balances electricity supply and demand. As demand rises and falls during the day, electricity supply mirrors these peaks and troughs.

National Grid accepts bids and offers from electricity generators to increase or decrease electricity generation as and when required. As such it may mean that there are times when generators are paid to curtail their output (constraint payments).

nationalgrideso.com/news/grounds-constraint

Dividend Yield

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

EBITDA of underlying group companies

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

This is important to measure the underlying performance of the investments and ensure cash earnings are available to payment of costs in the Company and dividends to shareholders.

Electricity System Operator (ESO)

Refers to National Grid ESO. The ESO is responsible for ensuring Great Britain has the essential energy it needs so that supply meets demand on the electricity system every second of every day.

nationalgrideso.com/

Frequency Response services (FR)

A subset of Balancing Services which relate to services performed by batteries to manage the frequency on the electricity system. This includes the following services:

- Dynamic Containment (DC)
- Dynamic Moderation (DM)
- Dynamic Regulation (DR)
- Enhanced Frequency Response (EFR)
- Firm Frequency Response (FFR)
- Optional Downward Flexibility Management (ODFM)

nationalgrideso.com/balancing-services

Gross Asset Value (GAV)

Gross Asset Value is the total value of the investments and cash under the management of the Company including debt held by the MidCo.

International Financial Reporting Standards (IFRS)

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

Liquidated Damages (LD)

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

Liquidated damages are often included in specific contract clauses to cover circumstances where a party faces a loss from an asset.

The Company typically uses these in EPC arrangements to protect earnings from an asset in the result of delays to construction but are also common in other contracts such as for O&M arrangements.

Load Factors

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

Locked box income

On some acquisitions the Company agrees a date at which the benefit of any subsequent earnings then flow to the acquirer. This date agreed is referred to as the Locked box date. Earnings flowing to the acquirer are referred to as the Locked box income. This mechanism is often used by the Company and aims to prevent the Company losing out on value as a result of delays to transactions completing. The period to which Locked box income is earnt varies between transactions.

Net Asset Value (NAV) per Ordinary Share

The total net assets in the Company divided by the total number of Ordinary Shares in issue. This is an important measure to understand the capital return to shareholders.

NAV Total Return

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

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

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

Ongoing Charges Figure (OCF)

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

Operational Dividend Cover

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

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

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

Ordinary Share

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

Ordinary Share price total return

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

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

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

Proving Period

A period of 60 days after a project has achieved PAC. During this time, the project is fair valued subject to a premium added to the base discount rates of 50 bps to capture risk during the commissioning of the project.

Atter this period (being reduced to 30 days in 2023), the project is fair valued without any additional premium. Applying a proving period of 30 days instead of 60 days as at the year-end would have had no impact on valuations due to no assets being between 30 and 60 days since PAC as at 31 December 2022.

Seed Assets

The assets acquired at IPO known as Staunch, Littlebrook, Lockleaze, Rufford and Roundponds.

Skip rates

In the Balancing Mechanism, a skip is broadly defined as when an action is taken by the control room even though there is a cheaper alternative to achieving the same outcome - so the cheaper action is 'skipped'.

Site uptime

Calculation for the average level of availability in the portfolio or for an asset in Frequency Response Services. This is calculated by taking the average MWs available in each period as a percentage of total capacity contracted.

Symmetrical

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

System inertia

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

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

TRIADs

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

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

nationalgrideso.com/news/triads-why-three-magic-number

Sustainable Finance Disclosures Regulation (SFDR)

Under the EU SFDR, the Company is required to provide periodic disclosure as referenced in Article 8 of Regulation (EU) 2019/2088. The following section provides required disclosures as per Annex IV.

Product name: Gresham House Energy Storage Fund PLC
Legal entity identifier: 213800MSJXKH25C23D82

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
☐ Yes	☒ No
☒ It made **sustainable investments with an environmental objective:** ___%	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:**_________%	☒ It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The environmental characteristic promoted by the Gresham House Energy Storage Fund plc (the "Company") is its commitment to investing in and increasing Battery Energy Storage System (BESS) capacity to support the decarbonisation and electrification of energy systems. BESS play an essential role in supporting the decarbonisation of energy systems and consequently the broader economy. In this way, the Company aims to contribute positively to climate change mitigation and net zero strategies.

The Company retains its commitment to invest in and increase BESS capacity to support the decarbonisation of energy systems. In the last reporting year, the Fund invested £[221]mn into BESS assets and successfully completed the development of 125MW of new operational capacity.

The increased adoption of BESS contributes, through enabling increased penetration of renewables, to the decarbonisation of the UK energy system where the Company has historically focused its investment activity.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

How did the sustainability indicators perform?

The Manager uses the following sustainability indicators to assess the adherence of the Company to the environmental characteristics:

- Total operational battery energy storage capacity (megawatts (MW) and megawatt hours (MWh))
- Total battery energy storage capacity under construction (megawatts (MW) and megawatt hours (MWh))

As identified in pre-contractual and website SFDR disclosures, the Company intended to measure, monitor, and report on carbon emissions avoided (tCO_2e) as a result of the operation of BESS and increase in BESS capacity. Since previous disclosures, the Manager has determined an interim methodology to estimate the carbon emissions avoided through the increased adoption of BESS in energy systems. This is reported below for 2022.

The table below shows the performance of the Company against its sustainability indicators for 2022 and 2021. The indicators show an increase in the total operational battery energy storage capacity and an increase in capacity under construction. This demonstrates that the Company is continuing to contribute to supporting the decarbonisation of energy systems.

Indicator	2021	2022
Total operational BESS capacity (MW)	425	550
Total operational BESS capacity (MWh)	473	598
Total BESS capacity under construction (MW)	375	477
Total BESS capacity under construction (MWh)	425	689
Total carbon emissions avoided [from operations] (tCO_2)	n/a	510,291

**Carbon emissions calculation methodology has been updated to align with the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry in 2022. In addition, the calculation has been performed at a half-hourly granularity across the portfolio for 2022 versus annually in 2021. No comparable figure under a consistent methodology for emissions avoided is available for 2021.*

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: **1 January to 31 December 2022**

Largest investments	Sector	% of portfolio by value at 31 December 2022	Country
West Bradford*	BESS	6.74%	United Kingdom
Glassenbury	BESS	6.49%	United Kingdom
Thurcroft	BESS	6.02%	United Kingdom
Red Scar	BESS	5.93%	United Kingdom
Wickham	BESS	5.81%	United Kingdom
Elland 2*	BESS	5.33%	United Kingdom
Grendon	BESS	4.34%	United Kingdom
Port of Tyne	BESS	4.12%	United Kingdom
Elland*	BESS	4.11%	United Kingdom
Enderby	BESS	4.10%	United Kingdom

*West Bradford, Elland and Elland 2 projects along with a further project, York, are held under one SPV (UK Battery Storage Ltd).

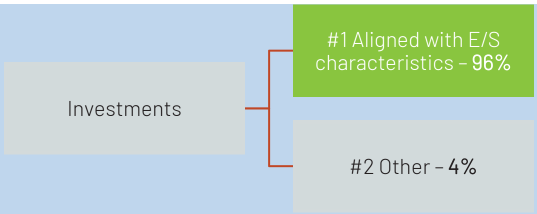
What was the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?

All assets invested in by the Company were battery energy storage system assets.

c96% of the Company's investments, based on connection capacity (MWs), are aligned with the environmental and/or social characteristics of the Company.The remaining 4% of the Company's investments qualified as "#2 Other" investments. The Company did not make any sustainable investments.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

In which economic sectors were the investments made?

All assets invested in by the Company (100%) were in the energy sector, more specifically the investments in the year were into battery energy storage system assets.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

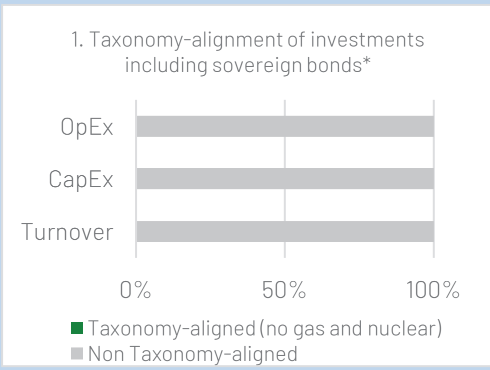
Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?

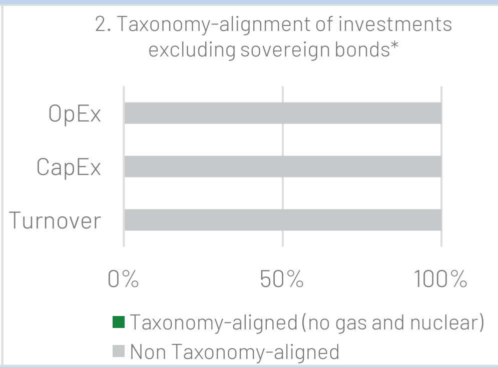
☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*





* *For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of investments made in transitional and enabling activities?

The Company did not make any Taxonomy-aligned investments, including investments in transitional and enabling activities. The share was therefore 0%.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

The Company did not make any sustainable investments, including sustainable investments with an environmental objective not aligned with the EU Taxonomy. The share was therefore 0%.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

"Other" category investments include a legacy asset that uses mostly gas engine technology to provide power to the grid although it does have a small amount of BESS (used as primary energy source before gas takes over) and a small amount of diesel generator capacity across three sites (primarily used as back up for Capacity Market Obligations). The Company no longer makes, and is not able to make under its investment policy, new investments in assets using fossil fuels.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

As discussed above, the Company continued to invest in and build out BESS Capacity during the period. In addition, the Manager worked to improve carbon emissions data measurement and quality, and to develop a methodology to estimate carbon emissions avoided through the Company's BESS assets.

The Manager continues to work to gather more carbon-related data at construction stage and across the lifecycle of BESS components to understanded the lifecycle carbon emissions impact.

In addition, the Manager continues to engage with relevant government and industry stakeholders to drive forward initiatives to support the decarbonisation of energy systems and understanding of the mechanisms required to support greater renewables penetration in the future. A key example of this has been the Manager taking part in the Review of Electricity Market Arrangements (REMA) consultation through 2022 and ongoing through meetings with BEIS and the ESO. As a result of this consultation the Manager has combined with other energy market leaders to form part of an industry study into the possible impact and design of a wholesale market using locational pricing.

Since 1857

Gresham House

Specialist asset management