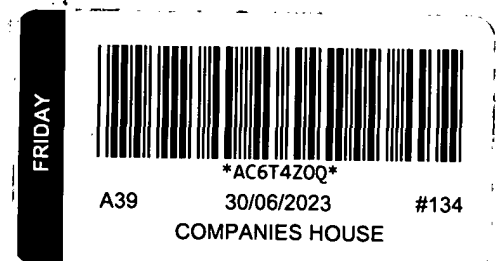


# Gresham House Energy Storage Holdings plc

(Company registration number 12696914)

## Annual Report and Financial Statements

For the year ended 31 December 2022



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## 1. 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 Accounts. This Strategic Report has been prepared in accordance with the requirements of Section 414 of the Companies Act 2006 and best practice. Its purpose is to inform the members of the Company and help them to assess how the Directors have performed their duty to promote the success of the Company, in accordance with Section 172 of the Companies Act 2006.

### Business Review and Future Outlook

The Company was incorporated on 25 June 2020. The purpose of the Company is to hold investments in companies which own Battery Energy Storage Systems (BESS). The company acquired the majority of its investments in October 2020 as part of a re-organisation of its parent company, Gresham House Energy Storage Fund plc (GHESF) and has continued to make acquisitions during 2022. The assets owned by the operating companies are managed by Gresham House Asset Management Limited (GHAM) with the aim of achieving revenue and capital growth.

The Company increased its operational portfolio 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.

The Company also continued to build its exclusive pipeline which now 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 Company generated £191,182,909 of profit in the period ended 31 December 2022 (2021: £62,838,288), including interest receivable from subsidiaries and fair value gains on investments. At the end of the year the fair value of investments in subsidiaries was £851,508,101 (2021: £393,669,449) and a shareholder loan payable of £573,818,087 (2021: £320,222,599) was in place. During the year the Company agreed an amended and restated debt facility for £335mn with a syndicate of banks including Commonwealth Bank of Australia, Lloyds Bank, NatWest, Santander and Canadian Imperial Bank of Commerce.

The underlying performance of the Company's investments performed above expectations in 2022, largely due to attractive revenues earned by the majority of the portfolio from Frequency Response services.

The Directors are of the view the investment strategy, incorporating both additional acquisitions and the asset upgrade programme for the Seed Assets has performed well. The Company has a strong portfolio of investments which are well positioned to take advantage of a growing opportunity. The Directors remain focussed on ensuring an effective and efficient deployment of capital into a portfolio of accretive assets that are in line with the Company's Investment Policy.

The focus of the Company in 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.

### Key Performance Indicators

The Board believes that the key performance indicators, which provide balanced information to assess how the Company is performing, include the net asset value of the company, the value of investments in subsidiaries and also project capacities and battery sizes of the assets owned by the underlying investments.

The total value of investments in subsidiaries as at 31 December 2022 was £851,508,101 (2021: £393,669,449). During the period the Company recorded an increase in investments at fair value through the profit and loss of £201,391,770.

The capacity of the grid connection (in MW) and the capacity of the batteries (in MWh) are also crucial to ensure the underlying investments are able to operate at full capacity: the Investment Manager has ensured grid capacities (both import and export) are

optimised and symmetrical wherever possible. As at 31 December 2022 the total operational capacity of battery storage projects owned by the Company was 550MW.

### Investment Policy

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 per cent 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.

## Dividend policy

The Board does not recommend a dividend and is not expecting to pay dividends in the near term. The Board expects to repay loans due to Gresham House Energy Storage Fund plc from loan repayments received from investments owned by the Company.

## Going Concern Statement

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

As at 31 December 2022, the Company had total assets of £916mn including current assets of £64.6mn and had total liabilities of £602.8mn including a shareholder loan of £573.8mn which is repayable on demand. The Company also has an available debt facility of £335mn which was partially drawn at the year end.

The parent company has provided a letter of support, which confirms that it will not request repayment of the shareholder loan to the detriment of the Company's ability to meet its liabilities as they fall due.

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, committed expenditure for investments, expected dividends and the ongoing administrative costs of the Company and its parent company.

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

- i. 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
- ii. 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 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 the 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.

## Principal and Emerging Risks and Uncertainties

### Risk management approach

The Company continues to recognise that effective risk management is critical to enable it to meet its strategic objectives. The Company has a clear framework for identifying and managing risk, at both an operational and strategic level. Its risk identification and mitigation processes have been designed to respond to the changing environment in which it operates. The impact of emerging risks on the Company's business model are also considered and used to make informed decisions, including as to the delivery and evolution of the Company's strategy. The table below captures those risks that would have the most significant adverse impact on the Company (and the underlying investments), based on their impact and/or likelihood.

### 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.	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	This will remain an issue in the future, although the size and scale of the Company provides the ability to secure key

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	Price increases for components (including forex risks) making investments less attractive and impacting on overall returns.	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.	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 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 Company has taken measures to mitigate timescales 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.
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 (eg utilising thermal plant rather than BESS) may reduce the size/scope of income earning opportunities to the Company's investments and potential impact on valuation; or	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	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.

	<p>(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.</p> <p>Either or both of the above may impact on the revenues available to BESS on the GB grid.</p>	<p>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.</p>	
<p>Operational and performance risk in the underlying investments leading to loss of value.</p> <p>Residual risk: low (2021 FY: low)</p>	<p>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.</p> <p>Performance within the SPVs may not meet planning or safety requirements and result in curtailment of operations and loss of investment value.</p> <p>The portfolio relies on contracts with suppliers to maintain certain key equipment: these suppliers may fail to provide adequate support.</p> <p>Poor market conditions create lower volatility / FFR saturation create lower revenue streams.</p>	<p>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.</p> <p>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.</p> <p>Cyber security risk is managed via secure systems used by optimisation partners.</p> <p>The portfolio has a number of alternative suppliers and optimisers to manage risk.</p> <p>The portfolio relies on multiple income streams to ensure diversification.</p>	<p>The Investment Manager has substantial experience managing BESS assets and works with leading asset optimisers to ensure assets are designed and operated as expected.</p> <p>Health and safety performance is rigorously tested and reviewed.</p>
<p>Geographic risk</p> <p>Residual risk: low (2021 FY: new)</p>	<p>UK assets dominate the portfolio at present: there is a concentration risk and over reliance on the UK market.</p>	<p>Over time the international exposure will be deployed: a number of strategic relationships / opportunities are in place.</p> <p>The Company has advanced plans and potential near term deployment opportunities being actively pursued.</p>	<p>The overall asset balance will evolve: the Company has been careful to ensure market suitability and regulations are clearly understood before capital deployment.</p>
<p>Investment in development and construction projects.</p> <p>Residual risk: low (2021 FY: low)</p>	<p>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,</p>	<p>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</p>	<p>Limited exposure to the Company due to careful vetting and management of project development activities and commercial arrangements with the</p>

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	<p>and the Company incurs financial loss.</p> <p>The Company invests in construction projects as part of its investment portfolio. There is a risk of financial loss or delay of revenue generation.</p> <p>Late delivery of plant items may lead to commissioning delays.</p>	<p>minimum requirements and are expected to be ready to proceed to construction in a relatively short timescale.</p>	<p>Investment Manager to manage construction risk.</p> <p>The Company is usually investing in the advance purchase of equipment which has inherent value and can be used on other projects if needed.</p>
<p>Valuation risk.</p> <p>Residual risk: low (2021 FY: medium)</p>	<p>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.</p> <p>The impact of volatile inflation and interest rates may impact upon these valuations.</p>	<p>The Company's investments are impaired if income streams are not as profitable as expected or costs are higher than expected.</p> <p>Risk adjusted discount rates drive valuation along with the external pricing curves.</p>	<p>The Company utilises a modelling methodology which ensures income streams are discounted using conservative discount rates dependent on the perceived risks.</p> <p>The weighted average discount rates are reviewed regularly and the Company believes the valuations are conservative.</p> <p>A third-party valuer reviews valuations and confirms appropriateness.</p>
<p>Reliance on the Investment Manager.</p> <p>Residual risk: low (2021 FY: low)</p>	<p>The Company relies on the Investment Manager and "key people" as a mission critical supplier.</p>	<p>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.</p>	<p>The Investment Manager remains incentivised to continue to grow the Company and drive value.</p> <p>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.</p>
<p>Tax compliance.</p> <p>Residual risk: low (2021 FY: low)</p>	<p>The Company is registered as an Investment Trust and must comply with certain tests.</p>	<p>The Investment Manager undertakes the relevant tests each quarter and the Company's tax advisers review this regularly.</p>	<p>Under current tax laws there is very little tax compliance risk.</p>
<p>Environmental, Social and Governance: production and recycling of batteries creates risk.</p> <p>Residual risk: low (2021 FY: medium)</p>	<p>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.</p>	<p>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.</p> <p>The Company has undertaken a Phase I review and intends to</p>	<p>Some aspects of this are still evolving over time, especially the end use/recycling of BESS.</p> <p>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</p>



		<p>further mitigate this risk by undertaking further reviews.</p> <p>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.</p>	<p>considering the overall ESG impact of BESS. Work will continue to minimise this over time.</p>
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Emerging risks in detail

Risk area	Gross impact	Mitigation	Net impact
<p>Emerging technology replaces battery energy storage assets.</p> <p>Residual risk: low (2021 FY: low)</p>	<p>The Company invests in battery storage projects: a new or disruptive technology might adversely impact on the Company's investments.</p> <p>Future income streams may be reduced if new entrants have significantly lower marginal costs.</p>	<p>The Company utilises proven technologies with associated Tier 1 supplier warranties and performance guarantees.</p> <p>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.</p>	<p>The Company will also benefit from lower costs and the valuation model assumes continuing cost reductions for replacement assets over time.</p>
<p>Geopolitical risk of potential equipment shortages if China is subject to sanctions.</p> <p>Residual risk: Medium (2021 FY: low)</p>	<p>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.</p>	<p>The Company has relationships with other non-Chinese suppliers, but they are likely to source components from China.</p> <p>The Company ensures payments are protected via Letters of Credit to ensure no financial loss.</p>	<p>The Company ensures it is securing key equipment orders in advance.</p>

## 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
<b>Scope 1 emissions in metric tonnes CO2e</b>		
Gas consumption	9,299	1,596
Diesel consumption	124	64
<b>Total Scope 1</b>	<b>9,423</b>	<b>1,660</b>
<b>Scope 2 emissions in metric tonnes CO2e</b>		
Consumption of electricity **	5,149	2,891
<b>Total Scope 2</b>	<b>5,149</b>	<b>2,891</b>
<b>Scope 3 emissions in metric tonnes CO2e</b>		
Transmission and distribution losses	593	392
<b>Total Scope 3</b>	<b>593</b>	<b>392</b>
<b>UK energy consumption used to calculate emissions (MWh)</b>		
Gas	19,852	8,716
Diesel	173	233
Electricity**	28,985	12,509
<b>Total UK energy consumption</b>	<b>49,010</b>	<b>21,458</b>
<b>Intensity ratio</b>		
CO2 emissions per weighted average battery capacity (Tonnes per MW)	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

## 1. STRATEGIC REPORT (continued)

### 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 in metric tonnes CO<sub>2</sub>e per weighted average MW capacity. This is considered a more appropriate ratio than MWh due to variability in operation of assets and difference service types.

### Measures taken to improve energy efficiency

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

### 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 received significant funding from its shareholder to allow the Company to meet the investment strategy of the Company.

#### *How 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 directors are in regular communication with the board of the shareholder including at quarterly board meetings of the shareholder
- The Company provides loan covenant calculations on a regular basis to its lenders
- The Company discussed an incremental debt facility with the Company's lenders as an amendment to the debt facility and provided financial information in respect of this debt facility

#### *What came out of the engagement*

Through these engagement activities, the Company has successfully carried out a fundraising for an increased pipeline of investments during 2022, whilst also managing the shareholders' expectation on the Company's growth. The Company will continue to engage with shareholders in future as further expansion becomes necessary.

In addition, the Company entered into an amended and restated facility agreement to increase the available debt by £155mn which will enable the Company to manage the debt and equity mix to improve cost of capital and cash-flows for dividends.

### **Engagement with the Investment Manager**

#### ***Who they are?***

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

#### ***Why is it important to engage with the Investment Manager?***

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

#### ***How the Company engages with the Investment Manager***

The Company, supported by its parent, conducts both ongoing reviews and an Annual Review of the Investment Manager's performance and the terms of engagement of the Investment Manager. The Board and the Investment Manager maintain an ongoing open dialogue on key issues facing the Company with a view to ensuring that key decisions such as investment decisions, trading partner performance in the SPVs and the Company's strategy are aligned with achieving long-term shareholder value.

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

#### ***What came out of the engagement***

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

### **Engagement with Communities**

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

### **Engagement with Business Partners and Key Service Providers**

#### ***Who they are?***

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

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

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

#### ***How the Company engages with the key service providers***

The Company, supported by its parent, 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.

This Strategic Report is approved on behalf of the Board by



Stephen Beck

Director

29 June 2023

## 2. DIRECTORS' REPORT

The Directors present the Annual Report and Financial Statements of the Company covering the period from 1 January 2022 to 31 December 2022.

The Directors who served during the period were:

Bozkurt Aydinoglu (appointed 25 June 2020)

Stephen Beck (appointed 25 June 2020)

Benjamin Guest (appointed 25 June 2020)

Gareth Owen (appointed 25 June 2020)

### Company Performance

The Directors have reviewed the performance of the Company throughout the period. Details of the performance of the Company is included in the Strategic Report on page 3.

### 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 23 on page 40.

At the period end, the Company had in issue 50,000 Ordinary Shares. There are no other share classes in issue. All shares have voting rights; each Ordinary Share has one vote. All Ordinary Shares are entitled to receive dividends. The Company is a wholly owned subsidiary of Gresham House Energy Storage Fund plc.

The directors do not recommend the payment of a dividend for the current period.

### Auditor

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

### Insurance cover

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

### Other matters

Information in respect of greenhouse emissions has been disclosed within the Strategic Report on page 11.

The Going Concern Statement is detailed within the Strategic Report on page 5 and the S172 statement is included on page 11.

### Future Developments

Future developments in the Company are detailed in the Strategic Report.

### Post Balance Sheet Events

Post Balance Sheets are disclosed in Note 29 of the Accounts on page 49.

### 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 have elected to prepare the financial statements in accordance with international accounting standards in accordance with the UK adopted international 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 of 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.

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.

**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



Stephen Beck

Director

29 June 2023

### 3. Independent auditor's report to the members of Gresham House Energy Storage Holdings 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 of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gresham House Energy Storage Holdings Limited ("the Company") for the year ended 31 December 2022 which comprise Statement of Profit or Loss and Total Comprehensive Income, Statement of Financial Position, Statement of changes in equity, Statement of cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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.

#### **Independence**

We are 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **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.

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.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Directors 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**

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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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 Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

- We obtained an understanding of the legal and regulatory framework that is applicable to the Company and determined that the relevant laws and regulations related to the elements of the Company Act 2006 and tax legislation, and the 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 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 areas identified for potential fraud or manipulation are around the unquoted investment valuation 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, and:
- 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.

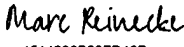
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, 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:

<https://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:  
  
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Marc Reinecke (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK

29 June 2023

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

## 4. FINANCIAL STATEMENTS

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022  
Company number 12696914

		31 December 2022			31 December 2021		
	Notes	Revenue (£)	Capital (£)	Total (£)	Revenue (£)	Capital (£)	Total (£)
Net gain on investments at fair value through the profit and loss	7	25,881,342	201,391,770	227,273,112	18,252,793	70,223,464	88,476,257
Dividend income		-	-	-	30,000	-	30,000
Interest on loans to affiliates of the Investment manager	8	368,078	-	368,078	354,926	-	354,926
<b>Total income</b>		<b>26,249,420</b>	<b>201,391,770</b>	<b>227,641,190</b>	<b>18,637,719</b>	<b>70,223,464</b>	<b>88,861,183</b>
Administrative and other expenses							
Transaction fees		-	(6,021)	(6,021)	-	(303,998)	(303,998)
Legal and professional fees		-	(110,071)	(110,071)	-	(1,373,550)	(1,373,550)
Other administrative expenses	9	(160,325)	-	(160,325)	(67,372)	-	(67,372)
<b>Total administrative and other expenses</b>		<b>(160,325)</b>	<b>(116,092)</b>	<b>(276,417)</b>	<b>(67,372)</b>	<b>(1,677,548)</b>	<b>(1,744,920)</b>
<b>Operating profit</b>		<b>26,089,095</b>	<b>201,275,678</b>	<b>227,364,773</b>	<b>18,570,347</b>	<b>68,545,916</b>	<b>87,116,263</b>
Finance costs	10	(36,841,084)	-	(36,841,084)	(24,277,975)	-	(24,277,975)
Foreign exchange gains/losses		659,220	-	659,220			
<b>(Loss) / profit before tax</b>		<b>(10,092,769)</b>	<b>201,275,678</b>	<b>191,182,909</b>	<b>(5,707,628)</b>	<b>68,545,916</b>	<b>62,838,288</b>
Taxation	11	-	-	-	-	-	-
<b>(Loss) / profit for the period</b>		<b>(10,092,769)</b>	<b>201,275,678</b>	<b>191,182,909</b>	<b>(5,707,628)</b>	<b>68,545,916</b>	<b>62,838,288</b>
<b>Other comprehensive income</b>							
Items that will be reclassified to profit or loss:							
Cash flow hedges	17	660,749	-	660,749	-	-	-
<b>Other comprehensive income net of tax</b>		<b>660,749</b>	<b>-</b>	<b>660,749</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>(9,432,020)</b>	<b>201,275,678</b>	<b>191,843,658</b>	<b>(5,707,628)</b>	<b>68,545,916</b>	<b>62,838,288</b>

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

The Notes on pages 23 to 49 form an integral part of these Financial Statements

# GRESHAM HOUSE ENERGY STORAGE HOLDINGS PLC

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

Company number 12696914

	Notes	31 December 2022 (£)	31 December 2021 (£)
<b>Non-current assets</b>			
Investments in subsidiaries at fair value through profit or loss	12	851,508,101	393,669,449
		851,508,101	393,669,449
<b>Current assets</b>			
Cash and cash equivalents	15	58,986,195	2,628,856
Trade and other receivables	16	767,059	-
Derivative financial asset	17	660,369	-
Loan arrangement fees	13	-	4,706,211
Loans to affiliates of the investment manager	14	4,144,247	7,445,978
		64,557,870	14,781,045
<b>Total assets</b>		<b>916,065,971</b>	<b>408,450,494</b>
<b>Current liabilities</b>			
Interest payable		546,425	-
Trade and other payables	18	28,463,331	19,118,759
Shareholder's loan	19	573,818,087	320,222,599
		602,827,843	339,341,358
<b>Non-current liabilities</b>			
Loan payable	20	52,285,334	-
		52,285,334	-
<b>Total liabilities</b>		<b>655,113,177</b>	<b>339,341,358</b>
<b>Total net assets</b>		<b>260,952,794</b>	<b>69,109,136</b>
<b>Shareholders' equity</b>			
Share capital	25	50,000	50,000
Interest rate swap hedging reserve	26	660,749	-
Capital reserves	26	277,122,800	75,847,122
Revenue reserves	26	(16,880,755)	(6,787,986)
<b>Total shareholders' equity</b>		<b>260,952,794</b>	<b>69,109,136</b>
Net Asset Value per Ordinary Share (pence)	24	5,219.06	1,382.18

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



Stephen Beck

Date: 29 June 2023

The Notes on pages 23 to 49 form an integral part of these Financial Statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Share capital (£)	Capital reserves (£)	Revenue reserves (£)	Interest rate swap hedging reserve (£)	Total shareholders' equity (£)
As at 31 December 2020		50,000	7,301,206	(1,080,358)	-	6,270,848
Profit / (loss) for the period		-	68,545,916	(5,707,628)	-	62,838,288
Total comprehensive income for the period		-	68,545,916	(5,707,628)	-	62,838,288
As at 31 December 2021		50,000	75,847,122	(6,787,986)	-	69,109,136
Profit / (loss) for the year		-	201,275,678	(10,092,769)	-	191,182,909
Cash flow hedge	17	-	-	-	660,749	660,749
Total comprehensive income for the year		-	201,275,678	(10,092,769)	660,749	191,843,658
As at 31 December 2022		50,000	277,122,800	(16,880,755)	660,749	260,952,794

There are no distributable reserves available at 31 December 2022.

The Notes on pages 23 to 49 form an integral part of these Financial Statements.

# GRESHAM HOUSE ENERGY STORAGE HOLDINGS PLC

## STATEMENT OF CASH FLOW

For the year ended 31 December 2022

	Notes	01 January 2022 to 31 December 2022 £	01 January 2021 to 31 December 2021 £
<b>Cash flows used in operating activities</b>			
Profit for the year		191,182,909	62,838,288
Net gain on investments at fair value through the profit and loss	12	(201,391,770)	(70,223,464)
Dividend income		-	(30,000)
Interest revenue		(26,249,420)	(18,607,719)
Interest expense		33,657,500	23,435,982
Amortisation of loan arrangement fees	10	1,120,680	401,857
(Increase) / decrease in trade and other receivables	16	(766,683)	341,834
(Decrease) / increase in trade and other payables	18	(1,128,710)	400,880
<b>Net cash used in operating activities</b>		<b>(3,575,494)</b>	<b>(1,442,342)</b>
<b>Cash flows used in investing activities</b>			
Acquisition of equity in subsidiaries	12	(7,150,173)	(6,501,791)
Dividends received		-	38,000
Loans made to subsidiaries	12	(263,413,868)	(58,909,457)
Repayments received	12	54,398,028	39,125,000
Other loans made		(256,442)	(7,091,052)
Other loan repayments		-	1,951,000
<b>Net cash outflow from investing activities</b>		<b>(216,422,455)</b>	<b>(31,388,300)</b>
<b>Cash flows used in financing activities</b>			
Loan from parent company		220,727,210	55,730,830
Loan repayments to parent company		-	(339,162)
Debt issue costs	13	(4,129,130)	(5,108,068)
Interest paid		(242,792)	(1,118,777)
Proceeds from / (repayment) of debt finance		60,000,000	(14,935,000)
<b>Net cash inflow from financing activities</b>		<b>276,355,288</b>	<b>34,229,823</b>
<b>Net increase in cash and cash equivalents for the year</b>		<b>56,357,339</b>	<b>1,399,181</b>
Cash and cash equivalents at the beginning of the year		2,628,856	1,229,675
<b>Cash and cash equivalents at the end of the year</b>		<b>58,986,195</b>	<b>2,628,856</b>

The Notes on pages 23 to 49 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 Holdings plc (the Company) was incorporated in England and Wales on 25 June 2020 with company number 12696914 as a closed-ended investment company. The registered office of the Company is The Scalpel, 18<sup>th</sup> Floor, 52 Lime Street, London, EC3M 7AF. Its share capital is denominated in Pounds Sterling (GBP or £) and currently consists of Ordinary Shares. The Company's principal activity is to invest in a diversified portfolio of operating utility-scale Energy Storage Systems (BESS), which utilise batteries and may also utilise generators. The BESS projects comprising the portfolio are located in diverse locations across Great Britain. These Annual Financial Statements are for the year ended 31 December 2022, the comparative covers the year ended 31 December 2021.

Gresham House Energy Storage Fund plc (GRID) is the Company's sole shareholder. It is within GRID's investment mandate to raise debt finance at either the Company or Special Purpose Vehicle (SPV) level.

### 2. Basis of preparation

#### Statement of compliance

The Annual Financial Statements have been prepared in accordance with UK adopted international accounting standards (UKIAS). The Financial Statements have been prepared on a historical cost basis except for financial assets at fair value through the 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 Directors report, the Directors confirm they have a reasonable expectation that the Company has adequate resources to continue its operations for at least 12 months from the date of signing these financial statements.

As at 31 December 2022, the Company had cash balances of £58.9 million (2021: £2.6 million) (excluding cash balances within investee companies), which are sufficient to meet current obligations as they fall due. The major cash outflows of the Company are the costs relating to the acquisition of new assets which are discretionary. The Company had drawn £60 million from the £335 million debt facility as at 31 December 2022. Under the terms of the debt facility the Company is required to meet interest cover (3x) and net debt / leverage covenants (3.5x) on a six monthly basis. These covenant tests are based on the interest expense, earnings and net debt of the Company and its subsidiaries. The covenant tests were met at 31 December 2022 and are expected to be met for subsequent periods.

A key risk facing the Company is that investments may not be able to make distributions or pay interest if they are not able to continue to operate the assets or dysfunctional markets affect trading operations. Management have applied sensitivities including a downside scenario when making their assessment.

The parent company has provided a letter of support, which confirms that it will not request repayment of the shareholder loan to the detriment of the Company's ability to meet its liabilities as they fall due.

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

### 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:

- The Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- 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
- The Company measures and evaluates the performance of all of its investments on a fair value basis.

The Company meets the criteria as follows:

- The stated strategy of the Company is to deliver stable returns to shareholders through a mix of battery energy storage investments;
- The Company provides investment management services and has a single investor who pools the funds to gain access to *infrastructure related investment opportunities that the investor would not have had access to individually*. Despite having a single investor, the entity still meets the definition of being an investment entity as it meets the conditions stated in points a, b and c above; and
- The Company has elected to measure and evaluate the performance of all of its investments on a fair value basis. The fair value method is used to represent the Company's performance in its communication to the market, including investor presentations. In addition, the Company reports fair value information internally to Directors, who use fair value as the primary measurement attribute to evaluate performance.
- A key indicator of whether a Company is an investment entity is the existence of a formal exit strategy. Although there is currently no documented exit strategy the assets have a limited life and are not expected to be held indefinitely.
- A further indicator of whether the Company is an investment entity is the expectation they hold more than one asset, which is applied in respect of the Company.

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

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

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 instruments. The instruments comprise of loan receivables which are recognised initially at fair value and subsequently stated at amortised cost less impairment. These are held at amortised cost due to the short-term nature of the loans, these loans are to project companies owned by Gresham House PLC which are included in the exclusivity portfolio. Once these are acquired these will be held at fair value. 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 12 for further details.

### 4. New and revised standards and interpretations

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.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

### 4. New and revised standards and interpretations (continued)

#### 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.

This amendment to IAS 12 does not have any impact on these financial statements of the Company.

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

### 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. Directly attributable acquisition costs of assets are capitalised on purchase of assets. Costs directly relating to the issue of Ordinary Shares are charged to share premium. Where expenses are not directly related to a transaction the AIC SORP allows for two approaches either allocate indirect costs between capital and revenue ("the allocation approach") or to apply the general accounting basis and charge all indirect costs to revenue ("the non-allocation approach"). The Company uses the non-allocation approach.

#### 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

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.

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

#### Financial instruments

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

#### Derivative financial instruments

The Company has elected to adopt the hedge accounting requirements of IFRS 9 Financial Instruments. The Company enters into hedge relationships where the critical terms of the hedging instrument and the hedged item match, therefore, for the prospective assessment of effectiveness a qualitative assessment is performed. Hedge effectiveness is determined at the origination of the hedging relationship. Quantitative effectiveness tests are performed at each period end to determine the continuing effectiveness of the relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the hypothetical derivative method is used to assess effectiveness.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

### 5. Summary of significant accounting policies (continued)

#### Financial assets (continued)

##### *Financial assets measured at amortised cost*

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

##### **Loans receivable to related parties**

Loans receivable are loans to project companies owned by Gresham House plc which are included in the exclusivity portfolio. They are recognised initially at fair value and subsequently stated at amortised cost less impairment. These are held at amortised cost due to the short-term nature of the loans. Once these are acquired these will be held at fair value.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank.

##### **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 and long term loans.

##### **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.

##### **Loans payable and shareholder's loans**

Loans payable and shareholder loans are recognised initially at fair value and subsequently stated at amortised cost.

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

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

- 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
- 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
- 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.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

### 5. Summary of significant accounting policies (continued)

#### Recognition and derecognition

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

#### Impairment of other financial assets

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

#### Dividends

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

#### Borrowing costs and debt arrangement fees

Borrowing costs relate to the interest on bonds and shareholder loans. The costs also comprise of loan commitment fees and amortisation of arrangement fees which relate to the £335mn debt facility secured by the Company in 2021 and amended and restated during the year.

#### 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.

#### 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.

#### Deferred consideration

Deferred consideration is initially recognised as at fair value and subsequently stated at amortised cost with changes during the period recognised 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 takes into account the best and highest value use for that asset.

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

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

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

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

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

### 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 £4,000 annual fee (2021: £4,000) for the provision of Company Secretarial services and a £18,000 (2021: £18,000) annual fee for the provision of fund accounting and administration services.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**6. Fees and expenses (continued)**

During the year, expenses incurred with JTC (UK) Limited for administrative and secretarial services amounted to £39,747 (2021: £43,826) with £17,415 (2021: £11,515) being outstanding and payable at the year end.

**AIFM**

The AIFM, Gresham House Asset Management Limited (the Investment Manager), is entitled to receive a fee in respect of its services provided under the AIFM agreement. The AIFM fees are incurred and paid by Gresham House Energy Storage Fund plc.

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

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

	01 January 2022 to 31 December 2022 (£)	01 January 2021 to 31 December 2021 (£)
Unrealised gain on investments at fair value through the profit and loss (Note 12)	201,391,770	70,223,464
Interest on loan to subsidiaries (Note 12)	25,881,342	18,252,793
	<b>227,273,112</b>	<b>88,476,257</b>

**8. Interest on loans to affiliates of the investment manager**

	01 January 2022 to 31 December 2022 (£)	01 January 2021 to 31 December 2021 (£)
Interest on loans to affiliates of the investment manager	368,078	354,926
	<b>368,078</b>	<b>354,926</b>

**9. Administrative and other expenses**

	01 January 2022 to 31 December 2022 (£)	01 January 2021 to 31 December 2021 (£)
Administration and secretarial fees	39,747	43,826
Fees payable to the Company's auditor for the audit of these financial statements	15,000	15,000
Sundry expenses	105,578	8,546
	<b>160,325</b>	<b>67,372</b>

**10. Finance costs**

	01 January 2022 to 31 December 2022 (£)	01 January 2021 to 31 December 2021 (£)
Interest on bonds	-	964,951
Shareholder loan interest (Note 19)	32,868,277	22,470,837
Loan interest under effective rate method (Note 13 and Note 20)	1,909,903	401,857
Loan commitment fee	2,062,904	440,137
Other interest	-	193
	<b>36,841,084</b>	<b>24,277,975</b>

The inter-Company interest relates to the loan from Gresham House Energy Storage Fund PLC.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**11. Taxation**

The Company is registered in the United Kingdom and is subject to corporation tax at the main tax rate of 19%.

		01 January 2022 to 31 December 2022 (£)	01 January 2021 to 31 December 2021 (£)
(a) Tax charge in profit or loss			
UK corporation tax		-	-
(b) Reconciliation of the tax charge for the year			
Profit before tax		191,182,909	62,838,288
Tax at UK main rate of 19%	19.00%	36,324,752	11,939,275
Tax effect of:			
Unrealised gain on investments at fair value through the profit and loss		(38,264,435)	(13,342,458)
Non-taxable income		-	(5,700)
Non-deductible expenses		1,632,416	318,734
Subject to group relief		307,267	1,090,149
Tax charge for the year		-	-

**12. 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 and there are no restrictions in place in passing monies up the structure.

Refer to Note 19 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 9 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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**12. Investments in subsidiaries at fair value through profit or loss (continued)**

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

As at 31 December 2022	Percentage ownership	Equity (£)	Loans (£)	Closing balance: equity and loans (£)
Noriker Staunch Limited	100%	4,588,693	16,137,180	20,725,873
HC ESS2 Limited	100%	1,665,590	24,584,086	26,249,676
HC ESS3 Limited	100%	5,050,127	15,971,638	21,021,765
West Midlands Grid Storage Limited	100%	657,740	3,991,551	4,649,291
Cleator Battery Storage Limited	100%	4,081,336	8,554,463	12,635,799
Glassenbury Battery Storage Limited	100%	24,250,474	31,322,466	55,572,940
HC ESS4 Limited	100%	28,794,049	21,941,127	50,735,176
Bloxwich Energy Storage Ltd	100%	6,298,106	20,031,571	26,329,677
HC ESS6 Limited	100%	26,463,873	23,208,465	49,672,338
HC ESS7 Limited	100%	31,441,108	20,108,888	51,549,996
Tynemouth Energy Storage Limited	100%	8,649,114	8,627,096	17,276,210
Gridreserve Limited	100%	12,645,878	9,848,769	22,494,647
Nevendon Energy Storage Limited	100%	2,334,999	9,311,849	11,646,848
Port of Tyne Energy Storage Limited	100%	12,169,440	23,109,564	35,279,004
Abroath Limited	100%	13,682,931	18,098,498	31,781,429
Enderby Storage Limited	100%	20,336,417	14,719,919	35,056,336
West Didsbury Storage Limited	100%	19,572,386	12,244,310	31,816,696
Penwortham Storage Limited	100%	19,755,908	10,881,420	30,637,328
Grendon Storage Limited	100%	15,635,973	21,488,724	37,124,697
Melksham East Storage Limited and Melksham West Storage Limited	100%	39,841,823	20,462,084	60,303,907
UK Battery Storage Limited	100%	48,730,107	124,188,820	172,918,927
Stairfoot Generation Limited	100%	16,603,290	15,763,839	32,367,129
GreenGridPower1 Limited	100%	4,062,648	700,443	4,763,091
Gresham House Energy Storage Solutions Limited	100%	-	8,899,321	8,899,321
		367,312,010	484,196,091	851,508,101

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

## 12. Investments in subsidiaries at fair value through profit or loss (continued)

As at 31 December 2021	Percentage ownership	Equity (£)	Loans (£)	Closing balance: equity and loans (£)
Noriker Staunch Limited	100%	1,486,575	15,855,618	17,342,193
HC ESS2 Limited	100%	(2,953,108)	26,834,308	23,881,200
HC ESS3 Limited	100%	1,686,870	18,379,454	20,066,324
West Midlands Grid Storage Two Limited	100%	(263,744)	4,225,353	3,961,609
Cleator Battery Storage Limited	100%	3,581,436	4,031,305	7,612,741
Glassenbury Battery Storage Limited	100%	20,165,700	18,341,579	38,507,279
HC ESS4 Limited	100%	18,128,482	27,990,343	46,118,825
Bloxwich Energy Storage Ltd	100%	2,494,359	22,594,077	25,088,436
HC ESS6 Limited	100%	16,425,976	28,311,508	44,737,484
HC ESS7 Limited	100%	21,317,469	24,737,900	46,055,369
Tynemouth Energy Storage Limited	100%	10,292,918	5,663,189	15,956,107
Gridreserve Limited	100%	6,727,592	12,842,381	19,569,973
Nevendon Energy Storage Limited	100%	1,021,979	4,006,975	5,028,954
Port of Tyne Energy Storage Limited	100%	5,298,863	12,253,018	17,551,881
Enderby Storage Limited	100%	10,251,379	8,938,096	19,189,475
West Didsbury Storage Limited	100%	11,658,945	3,259,026	14,917,971
Penwortham Storage Limited	100%	12,382,343	2,691,447	15,073,790
Grendon Storage Limited	100%	2,914,500	29,099	2,943,599
Melksham East Storage Limited	100%	5,678,250	2,432,387	8,110,637
Melksham West Storage Limited	100%	5	1,955,597	1,955,602
		148,296,789	245,372,660	393,669,449

Reconciliation	31 December 2022 (£)	31 December 2021 (£)
Opening balance	393,669,449	260,391,580
Add: Loans transferred from loans to affiliates during the year	3,926,249	2,051,020
Add: Loans advanced during the year	263,413,868	58,909,457
Add: Acquisition of equity in subsidiaries	17,623,451	23,292,367
Less: Disposals	-	(238,095)
Less: Loan repayments	(54,398,028)	(39,125,000)
Add: Accrued interest on loans (Note 7)	25,881,342	18,252,793
Less: Other movements	-	(88,137)
Add: Total fair value movement through the profit or loss	201,391,770	70,223,464
Closing balance	851,508,101	393,669,449



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**12. Investments in subsidiaries at fair value through profit or loss (continued)**

The net fair value movement comprises the following:

	31 December 2022 (£)	31 December 2021 (£)
Interest on loan to subsidiaries (Note 7)	25,881,342	18,252,793
Net gain on investments (Note 7)	201,391,770	70,223,464
	<u>227,273,112</u>	<u>88,476,257</u>

The loans attract an interest rate of 8% per annum from the date of advance. Interest compounds on 31 December of each period and the loans are unsecured, with the borrowers not able to create any form of security interest over any of its assets without prior written consent of the Company. Unless otherwise agreed, the loan principal and any interest accrued shall be repayable on the earlier of (i) written demand from the Company, or (ii) 31 December 2030.

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

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

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

Refer to Note 22 for valuation disclosures relating to the investments in subsidiaries.

**13. Loan arrangement fees**

The loan arrangement fee relates to the £335mn financing facility secured by the Company in 2021 and amended and restated in 2022. The Company drew £60mn on the facility during the year. The loan arrangement fee accrues on a monthly basis and is payable irrespective of any drawdowns being made on the facility. The loan arrangement fees balance as at 31 December 2022 of £7,714,466 (2021: £4,706,211) has now been reclassified to the loan payable balance of £60mn. Refer to Note 20 for more details on the loan payable.

**14. Loans to affiliates of the investment manager**

At 31 December 2022	Principal advanced (£)	Interest accrued (£)	31 December 2022 (£)
Coupar Limited	3,776,170	368,077	4,144,247
	<u>3,776,170</u>	<u>368,077</u>	<u>4,144,247</u>
At 31 December 2021	Principal advanced (£)	Interest accrued (£)	31 December 2021 (£)
Coupar Limited	3,345,557	174,172	3,519,729
Arbroath Limited*	3,745,495	180,754	3,926,249
	<u>7,091,052</u>	<u>354,926</u>	<u>7,445,978</u>

\*During the year ended 31 December 2022 the Arbroath Limited loan was transferred to Shareholder loans.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**14. Loans to affiliates of the investment manager (continued)**

The above loans relate to funds provided by the Company to finance BESS Projects prior to acquisition of the target companies, so that these companies can acquire equipment and make other payments during construction. These assets were therefore still under development at the date of restructure. Loans outstanding at 31 December 2022 are expected to be converted into shareholder loans during the course of 2023. These loans were classified as current assets on the Statement of Financial Position as at the year end.

The loans attract an interest rate of 8% per annum from the date of advance. The loan principal and any interest accrued shall be repayable on the earlier of (i) written demand from the Company, or (ii) 31 December 2030. Interest compounds on 31 December of each period and the loans are secured over the various assets in these companies. Coupar Limited and Arbroath Limited are owned by Gresham House Devco Limited which is ultimately owned by Gresham House plc.

**15. Cash and cash equivalents**

	31 December 2022 (£)	31 December 2021 (£)
Cash at bank	58,986,195	2,628,856
	58,986,195	2,628,856

**16. Trade and other receivables**

	31 December 2022 (£)	31 December 2021 (£)
Other debtors	143,128	-
Cash held in escrow account	623,931	-
	767,059	-

During the year, the Company pledged an amount of £13mn through an escrow account in order to fulfil the acquisition of the Stairfoot acquisition. As at 31 December 2022 an amount of £623,931 remained in the escrow account.

**17. Derivative financial asset**

The Company raises long-term borrowings at floating rates (SONIA) and swaps at least 75% of the notional amount into fixed rates. The Company designates the interest rate swaps as cash flow hedging instruments.

At 31 December 2022, the Company had interest rate swap agreements in place with a notional amount of £47,500,000 (2021: £Nil) with maturity dates of between 30 June 2027 and 2 November 2028 whereby the Company pays a fixed interest rate of between 2.684% and 3.901%. The swaps are being used to hedge the exposure to changes in the interest rates on its secured loan.

The swaps are held at fair value:

	31 December 2022 (£)	31 December 2021 (£)
Derivative financial asset	660,369	-
	660,369	-

**18. Trade and other payables**

	31 December 2022 (£)	31 December 2021 (£)
Administration and secretarial fees	23,864	19,015
Audit fees	31,568	30,000
Insurance	65,220	-
Legal and professional fees	265,000	339,031
Commitment fees	604,397	440,137
Deferred consideration: *	27,473,282	18,290,576
	28,463,331	19,118,759

\* This relates to the outstanding portion payable for acquisition of the subsidiary at period end if certain performance targets are met. These performance targets are not disclosed as they are commercially sensitive.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

## 19. Shareholder's loans

At 31 December 2022	Opening balance (£)	Loans: principal advanced (£)	Loans: Interest accrued (£)	Closing balance: loans (£)
Gresham House Energy Storage Fund plc	320,222,599	220,727,211	32,868,277	573,818,087
	320,222,599	220,727,211	32,868,277	573,818,087

At 31 December 2021	Opening balance (£)	Loans: principal advanced (£)	Loans: Interest accrued (£)	Closing balance: loans (£)
Gresham House Energy Storage Fund plc	242,678,326	55,073,436	22,470,837	320,222,599
	242,678,326	55,073,436	22,470,837	320,222,599

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

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

## 20. Loan payable

In 2021, the Company entered into a financing facility with a syndicate of banks for £180mn that was amended and restated in 2022 for an additional £155mn incremental facility, taking the total available debt to £335mn. The Company utilised £60mn of the facility during the year. Furthermore, the Company incurred interest expense of £789,223 in relation to the loan, of which £546,427 remains outstanding at the year end and the loan arrangement fees as at 31 December amounting to £7,714,666 (2021: £ 4,706,211) has been netted off against the loan payable balance. Refer to note 13 for more details on the loan arrangement fees for the comparative period.

The Company has complied with all the covenants of the loan agreement during the year.

Security over the loan payable has been granted to the lenders by way of a fixed and floating charge over the assets of the Company.

	31 December 2022 (£)	31 December 2021 (£)
Opening balance	-	-
Reallocation of loan arrangement fees	(4,706,211)	-
Loan addition	60,000,000	-
Loan arrangement fees paid during the year	(4,129,135)	-
Less: Amortisation of loan arrangement fees (Note 10)	1,120,680	-
	52,285,334	-

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**21. Categories of financial instruments**

	31 December 2022 (£)	31 December 2021 (£)
<b>Financial assets</b>		
<i>Financial assets at amortised cost:</i>		
Cash and cash equivalents	58,986,195	2,628,856
Trade and other receivables	767,059	-
Derivative financial instrument designated as hedging instrument	660,369	-
Loan arrangement fees	-	4,706,211
Loans receivable	4,144,247	7,445,978
<i>Fair value through profit or loss:</i>		
Investment in subsidiaries	851,508,101	393,669,449
<b>Total financial assets</b>	<b>916,065,971</b>	<b>408,450,494</b>
<b>Financial liabilities</b>		
<i>Financial liabilities at amortised cost</i>		
Loan payable	(52,285,334)	-
Shareholder's loans	(573,818,087)	(320,222,599)
Loan interest payable	(546,425)	-
Trade and other payables	(28,463,331)	(19,118,759)
<b>Total financial liabilities</b>	<b>(655,113,177)</b>	<b>(339,341,358)</b>
<b>Net financial assets</b>	<b>260,952,794</b>	<b>69,109,136</b>

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.

**22. Fair Value measurement****Valuation approach and methodology**

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

**Valuation process**

The Company 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 these investments are based in the UK. The Directors review and approve the valuations of these assets following appropriate challenge and examination. The current portfolio consists of non-market traded investments, and valuations are analysed using forecasted cash flows of the assets and use the discounted cash flow approach for valuation purposes. For period-end and interim report and Condensed Financial Statements the Company engages external, independent and qualified valuers to determine the fair value of the Company's investments or are produced by the office of the Investment Manager. As at 31 December 2022, the fair value of the portfolio of investments has been determined presented by the Investment Advisor and reviewed by Grant Thornton UK LLP. All other investments are valued by the Investment Advisor.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**22. Fair Value measurement (continued)**

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 under construction but not expected to be completed within 9 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 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, for each underlying project, detailed financial models and the Investment Manager takes into account, amongst other things, in its review of such models, and make amendments where appropriate to:

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

Key valuation input	31 December 2022		31 December 2021	
	Range	Weighted average	Range	Weighted average
WACC	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, either arbitrage on power price volatility or FFR and other similar income streams. Due to the nature of the assets owned by the investments, should one revenue stream be impacted the asset is able to switch to alternative sources of revenue to seek to maintain total revenue targets.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

## 22. Fair Value measurement (continued)

## Sensitivity Analysis

The below table reflects the range of sensitivities in respect of the fair value movements of the Company's investments.

Due to the revenue optimisation strategy, sensitivity on power and price is not meaningful given the mix of revenue streams available to maintain value, we have therefore provided a sensitivity based on percentage changes in revenue overall.

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 Stauch Ltd	Stauch	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,	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)
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)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

## 22. Fair Value measurement (continued)

Investment	Project	Valuation Technique	Significant Inputs Description	Sensitivity	Estimated effect on fair value 31 December 2022 (£)	Estimated effect on fair value 31 December 2021 (£)
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)
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	N/A
			Revenue	+10%	7,108,029	N/A
				-10%	(7,141,352)	N/A
Arbroath Ltd	Arbroath	DCF	Discount rate	+1%	(2,062,233)	N/A
				-1%	2,384,896	N/A
			Revenue	+10%	2,830,840	N/A
				-10%	(2,847,661)	N/A
Grendon Storage Ltd	Grendon	DCF	Discount rate	+1%	(3,434,102)	N/A
				-1%	3,946,188	N/A
			Revenue	+10%	4,975,944	N/A
				-10%	(5,031,805)	N/A
UK Battery Storage Ltd	Elland	DCF	Discount rate	+1%	(3,213,603)	N/A
				-1%	3,625,829	N/A
			Revenue	+10%	4,763,463	N/A
				-10%	(4,831,907)	N/A
UK Battery Storage Ltd	York	DCF	Discount rate	+1%	(2,729,687)	N/A
				-1%	3,083,764	N/A
			Revenue	+10%	4,360,138	N/A
				-10%	(4,401,773)	N/A
UK Battery Storage Ltd	West Bradford	DCF	Discount rate	+1%	(5,480,685)	N/A
				-1%	6,186,530	N/A
			Revenue	+10%	8,220,846	N/A
				-10%	(8,317,154)	N/A

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**22. Fair Value measurement (continued)**

Investment	Project	Valuation Technique	Significant Inputs	Sensitivity	Estimated effect on fair value	Estimated effect on fair value
Stairfoot Generation 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)	

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	-	-	851,508,101
	-	-	851,508,101
31 December 2021	Level 1 (£)	Level 2 (£)	Level 3 (£)
Investment in subsidiaries	-	-	393,669,449
	-	-	393,669,449

**Valuation of financial instruments**

The investment at fair value through profit or loss is a Level 3 in the fair value hierarchy and the reconciliation in the movement of this Level 3 investment is presented in note 12. No transfers between levels took place during the year.

**23. 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 or fail to perform their obligations in the manner anticipated by the Group. Such counterparties may include (but are not limited to) manufacturers who have provided warranties in relation to the supply of any equipment or plant, EPC contractors who have constructed the Company's plants, who may then be engaged to operate assets held by the Company, property owners or tenants who are leasing ground space and/or grid connection to the Company for the locating of the assets, contractual counterparties who acquire services from the Company underpinning revenue generated by each project or the energy suppliers, or demand aggregators, insurance companies who may provide coverage against various risks applicable to the Company's assets (including the risk of terrorism or natural disasters affecting the assets) and other third parties who may owe sums to the Company.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

### 23. Financial risk management (continued)

In the event that such credit risk crystallises, in one or more instances, and the Company is, for example, unable to recover sums owed to it, make claims in relation to any contractual agreements or performance of obligations (e.g., warranty claims) or require the Company to seek alternative counterparties, this may materially adversely impact the investment returns. Further, the projects in which the Company may invest will not always benefit from a turnkey contract with a single contractor and so will be reliant on the performance of several suppliers. Therefore, the key risks during battery installation in connection with such projects are the counterparty risk of the suppliers and successful project integration.

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

#### • Concentration risk

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

The Fund's BESS projects generate revenues primarily from Firm Frequency Response (FFR), Asset Optimisation (Trading), CM and other grid connection-related charges, including TRIADs and Dynamic Containment. Revenues from the portfolio's seed BESS projects are currently skewed to FFR revenues, FFR being the provision to the National Grid of a dynamic response service to maintain the grid's electrical frequency at 50Hz. In 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.

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Interest rate swaps, foreign exchange forward contracts and commodity forward contracts are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. Some derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Company's own non-performance risk. As at 31 December 2022, the mark-to-market value of other derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**23. Financial risk management (continued)**

- Liquidity risk**

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

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

In 2021 the Company entered into an external debt facility for a total of £180mn, which was amended and extended in November 2022 for an additional £155mn, taking the total available facility to £335mn. In addition, it may from time to time use borrowing for short-term liquidity purposes which could be achieved through a loan facility or other types of collateralised borrowing instruments. The Company is permitted to provide security to lenders in order to borrow money, which may be by way of mortgages, charges or other security interests or by way of outright transfer of title to the Company's assets. The Directors will restrict borrowing to an amount not exceeding 50% of the Company's Net Asset Value at the time of drawdown. There will be no cross collateralisation between the Projects.

As at 31 December 2022, the Company had drawn down £60mn from the facility.

The Company's financial liabilities are long term loan payable and shareholder's loans, and short term participation loans and 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.

	< 1 year (£)	1 to 2 years (£)	2 to 5 years (£)	> 5 years (£)	Total (£)
<b>As at 31 December 2022</b>					
<b>Financial assets</b>					
Cash and cash equivalents (Note 15)	58,986,195	-	-	-	58,986,195
Loans receivable (Note 14)	4,144,247**	-	-	-	4,144,247
Trade and other receivables (Note 16)	1,427,428	-	-	-	1,427,428
<i>Fair value through profit or loss:</i>					
Investment in subsidiaries (Note 12)	-	-	-	484,196,091*	484,196,091
<b>Total financial assets</b>	<b>64,557,870</b>	<b>-</b>	<b>-</b>	<b>484,196,091</b>	<b>548,753,961</b>
<b>Financial liabilities</b>					
<i>Financial liabilities at amortised cost</i>					
Shareholder's loans (Note 19)	-	-	-	573,818,087	573,818,087
Trade and other payables (Note 18)	28,463,331	-	-	-	28,463,331
Loan payable	-	-	60,000,000	-	60,000,000
Loan interest payable	546,425	-	-	-	546,425
<b>Total financial liabilities</b>	<b>29,009,756</b>	<b>-</b>	<b>60,000,000</b>	<b>573,818,087</b>	<b>662,827,843</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**23. Financial risk management (continued)**

	< 1 year (£)	1 to 2 years (£)	2 to 5 years (£)	> 5 years (£)	Total (£)
<b>As at 31 December 2021</b>					
<b>Financial assets</b>					
Cash and cash equivalents (see Note 15)	2,628,856	-	-	-	2,628,856
Loans receivable (Note 14)	7,445,978**	-	-	-	7,445,978
<i>Fair value through profit or loss:</i>					
Investment in subsidiaries (Note 12)	-	-	-	245,372,660*	245,372,660
<b>Total financial assets</b>	<b>10,074,834</b>	<b>-</b>	<b>-</b>	<b>245,372,660</b>	<b>255,447,494</b>
<b>Financial liabilities</b>					
<i>Financial liabilities at amortised cost</i>					
Shareholder's loans (Note 19)	-	-	-	320,222,599	320,222,599
Trade and other payables (see Note 18)	19,118,759	-	-	-	19,118,759
<b>Total financial liabilities</b>	<b>19,118,759</b>	<b>-</b>	<b>-</b>	<b>320,222,599</b>	<b>339,341,358</b>

\*excludes the equity portion of the investment in subsidiaries

\*\*calculated maturity amount

The following table sets out the contractual maturities of financial liabilities

	< 1 year (£)	1 to 2 years (£)	2 to 5 years (£)	> 5 years (£)	Total (£)
<b>As at 31 December 2022</b>					
Shareholder's loans	-	-	-	1,062,098,367*	1,062,098,367
Trade and other payables (see note 18)	28,463,331	-	-	-	28,463,331
Loan payable	-	-	60,000,000	-	60,000,000
Loan interest payable	546,425	-	-	-	546,425
<b>Total financial liabilities</b>	<b>29,009,756</b>	<b>-</b>	<b>60,000,000</b>	<b>1,062,098,367</b>	<b>1,151,108,123</b>

	< 1 year (£)	1 to 2 years (£)	2 to 5 years (£)	> 5 years (£)	Total (£)
<b>As at 31 December 2021</b>					
Shareholder's loans	-	-	-	640,126,457*	640,126,457
Trade and other payables (Note 18)	19,118,759	-	-	-	19,118,759
<b>Total financial liabilities</b>	<b>19,118,759</b>	<b>-</b>	<b>-</b>	<b>640,126,457</b>	<b>659,245,216</b>

\*Contractual maturity amounts include interest until end of the loan term.

- 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**

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, refer to the investment manager report for assessing the impact of the market risk on the valuation of the investments. The Company relies on market knowledge of the Investment Manager, the valuation expertise of the third-party valuer Grant Thornton and the use of third-party market forecast information to provide comfort with regard to fair market values of investments reflected in the Financial Statements. Refer to Note 22 for trading revenue sensitivities.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

## 23. Financial risk management (continued)

### • Interest rate risk

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

The Company is also exposed to interest rate risk on the external loan payable, which carries a variable interest rate but it is the company policy that it uses interest rate swaps to limit the exposure to variable interest rates.

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.

For derivative financial asset designated as hedging instruments, the company recognises that there is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity, payment and reset dates). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Company uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- Different interest rate curve applied to discount the hedged item and hedging instrument
- Differences in timing of cash flows of the hedged item and hedging instrument
- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item

### • Interest rate sensitivity

The Company may be exposed to changes in variable market rates of interest as this could impact the discount rate and therefore the valuation of the projects as well as the fair value of the loan receivables.

However, after the impact of hedge accounting and with all other variables held constant, the hedging sensitivity analysis has not been disclosed as it is not expected to have a material impact on the Company's profit before tax.

### • Currency risks

The Company manages its foreign currency risk by hedging transactions that are expected to occur within a maximum 12-month period for hedges of forecasted sales and purchases and 24-month period for net investment hedges. The Company does not hold any financial instruments at period end which are not denominated in Pounds Sterling other than cash balances which are held in both USD and EUR and are subject to fluctuations in exchange rates: at the end of the year the company held cash balances denominated in USD amounting to £16.0m and EUR balances of £14.7m. The sensitivity of a strengthening and weakening of the USD and EUR by 5% has been included below:

	Increase / decrease in exchange rate	Effect on profit before tax (£)
USD	+/-5%	839,878 / (759,890)
EUR	+/-5%	775,823 / (701,935)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**23. Financial risk management (continued)**

- Capital risk management**

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

	31 December 2022	31 December 2021
	£	£
Loan payable	60,000,000	-
Loan interest payable	546,425	-
Trade and other payables	28,463,331	19,118,759
Total debt	89,009,756	19,118,759
Equity	260,952,794	69,109,136
Debt to equity ratio	34%	28%

There have been no breaches of the financial covenants of any interest-bearing loans in the current period. The Company did not provide additional information on its debt covenants because the likelihood of the breach occurring is remote.

- Other risks**

The Company is exposed to other risks. Refer to other risks disclosed in the Prospectus dated 10 November 2020.

**24. Net Asset Value per Ordinary Share**

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

	31 December 2022	31 December 2021
	(£)	(£)
Net assets per statement of financial position	260,952,794	69,109,136
Ordinary Shares in issue as at 31 December	50,000	50,000
NAV per Ordinary Share - Basic and diluted (£)	5,219.06	1,382.18

**25. Share capital**

	Ordinary Shares Number	Share capital (£)	Total shareholders' equity (£)
<b>Allotted and issued share capital</b>			
As at 25 June 2020			
Issue of Ordinary Shares of £1 and fully paid at £1 – 25 June 2020	50,000	50,000	50,000
<b>As at 31 December 2021</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>
<b>As at 31 December 2022</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>

On incorporation the Company issued 50,000 Ordinary Shares of £1 which was fully paid up. The Ordinary Shares have attached to them full voting rights, dividend and capital distribution (including on winding up) rights, they do not confer any rights of redemption.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

### 25. Share capital (continued)

#### Dividends

No dividends were declared during the year.

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.

### 26. Reserves

The nature and purpose of each of the reserves included within equity at 31 December 2022 are as follows:

- Revenue reserves represent cumulative revenue net losses recognised in the Statement of Comprehensive Income
- Capital reserves represent cumulative net gains and losses on investments recognised in the Statement of Comprehensive Income
- During the year, the Company entered into an interest rate hedge swap to hedge its interest rate risks, the Interest rate swap hedging reserve captures all the gains and loss on the swap.

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

### 27. Transactions with related parties

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

All Directors are employees of the Company and are not remunerated separately for their directorship.

Key management personnel include the Directors.

#### AIFM

The AIFM, Gresham House Asset Management Limited (the Investment Manager), is entitled to receive a fee in respect of its services provided under the AIFM agreement. The AIFM fees are incurred and paid by Gresham House Energy Storage Fund., during the period the fees amounted to £6,245,057 (2021: £4,052,716).

The Investment Manager is a wholly owned subsidiary of Gresham House plc, a significant shareholder in Gresham House Energy Storage Fund, the parent.

#### Loans to related parties

At 31 December 2022, loans receivable represent amounts due to the Company from its direct subsidiary undertakings as follows:

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**27. Transactions with related parties (continued)**

**31 December 2022**

Subsidiary	Outstanding loan (£)	Interest receivable (£)	Total (£)
Noriker Staunch Limited	14,905,618	1,231,562	16,137,180
HC ESS 2 Limited	22,559,309	2,024,777	24,584,086
HC ESS 3 Limited	14,604,454	1,367,184	15,971,638
West Midlands Grid Storage Two Limited	3,675,353	316,198	3,991,551
Cleator Battery Storage Limited	8,103,773	450,690	8,554,463
Glassenbury Battery Storage Limited	29,425,605	1,896,861	31,322,466
HC ESS 4 Limited	19,940,343	2,000,784	21,941,127
Bloxwich Energy Storage Limited	18,253,500	1,778,071	20,031,571
HC ESS 6 Limited	21,186,508	2,021,957	23,208,465
HC ESS 7 Limited	18,337,900	1,770,988	20,108,888
Tynemouth Energy Storage Limited	8,105,687	521,409	8,627,096
Gridreserve Limited	8,942,381	906,388	9,848,769
Nevendon Energy Storage Limited	8,909,916	401,933	9,311,849
Port of Tyne Energy Storage Limited	22,013,734	1,095,830	23,109,564
Arbroath Limited	17,468,950	629,548	18,098,498
Enderby Storage Limited	13,818,340	901,579	14,719,919
West Didsbury Storage Limited	11,537,148	707,162	12,244,310
Penwortham Storage Limited	10,256,592	624,828	10,881,420
Grendon Storage Limited	20,787,639	701,085	21,488,724
Melksham East Storage Limited and Melksham West Storage Limited	19,347,315	1,114,769	20,462,084
UK Battery Storage Limited	121,077,267	3,111,553	124,188,820
Stairfoot Generation Limited	15,571,350	192,489	15,763,839
GreenGridPower1 Limited	691,558	8,885	700,443
Gresham House Energy Storage Solutions Limited	8,794,509	104,812	8,899,321
	<b>458,314,749</b>	<b>25,881,342</b>	<b>484,196,091</b>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2022

**27. Transactions with related parties (continued)****31 December 2021**

Subsidiary	Outstanding loan (£)	Interest receivable (£)	Total (£)
Noriker Staunch Limited	14,627,937	1,227,681	15,855,618
HC ESS 2 Limited	24,687,135	2,147,173	26,834,308
HC ESS 3 Limited	16,929,632	1,449,823	18,379,455
West Midlands Grid Storage Two Limited	3,896,164	329,189	4,225,353
Cleator Battery Storage Limited	3,700,224	331,081	4,031,305
Glassenbury Battery Storage Limited	16,906,905	1,434,675	18,341,580
HC ESS 4 Limited	25,663,925	2,326,418	27,990,343
Bloxwich Energy Storage Limited	20,917,856	1,676,220	22,594,076
HC ESS 6 Limited	25,916,531	2,394,977	28,311,508
HC ESS 7 Limited	22,622,256	2,115,643	24,737,899
Tynemouth Energy Storage Limited	5,184,292	478,897	5,663,189
Gridreserve Limited	12,166,461	675,920	12,842,381
Nevendon Energy Storage Limited	3,812,859	194,116	4,006,975
Port of Tyne Energy Storage Limited	11,653,013	600,005	12,253,018
Enderby Storage Limited	8,799,369	138,727	8,938,096
West Didsbury Storage Limited	3,185,440	73,586	3,259,026
Penwortham Storage Limited	2,653,036	38,411	2,691,447
Grendon Storage Limited	29,035	64	29,099
Melksham East Storage Limited	2,396,082	36,305	2,432,387
Melksham West Storage Limited	1,925,483	30,114	1,955,597
	<b>227,673,635</b>	<b>17,699,025</b>	<b>245,372,660</b>

**Loans receivable**

At 31 December 2022, loans receivable represents amounts due to the Company from its affiliated party, Coupar Limited, as follows:

At 31 December 2022	Principal advanced (£)	Interest accrued (£)	31 December 2022 (£)
Coupar Limited	3,776,170	368,077	4,144,247
	<b>3,776,170</b>	<b>368,077</b>	<b>4,144,247</b>



## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

### 27. Transactions with related parties (continued)

At 31 December 2021	Principal advanced (£)	Interest accrued (£)	31 December 2021 (£)
Coupar Limited	3,345,557	174,172	3,519,729
Arbroath Limited*	3,745,495	180,754	3,926,249
	7,091,052	354,926	7,445,978

\*During the year the Arbroath Limited loan was transferred to Shareholder loans.

### 28. Capital commitments and charges

As at 31 December 2022 there are no other significant binding or conditional future capital commitments (2021: none).

### 29. Post balance sheet events

The board approved the following:

- On 14 February 2023 the Company made an additional utilisation from the debt facility of £50mn.
- On 14 February 2023 the Company completed the acquisition of Coupar Ltd for £2.7mn and on 3 March 2023 the Company acquired Roc Noir Ltd for £5.3mn.

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

## 5. COMPANY INFORMATION

### Directors

Benjamin Guest  
Gareth Owen  
Stephen Beck  
Bozkurt Aydinoglu

### Registered office

The Scalpel  
18<sup>th</sup> Floor  
52 Lime Street  
London  
EC3M 7AF

### Investment Manager and AIFM

Gresham House Asset Management Limited  
5 New Street Square  
London  
EC4A 3TW

### Independent Auditor

BDO LLP  
55 Baker Street  
London  
W1U 7EU

### Administrator and Secretary

JTC (UK) Limited  
The Scalpel  
18<sup>th</sup> Floor  
52 Lime Street  
London  
EC3M 7AF

### Registrar and Receiving Agent

Eversheds Sutherland (International) LLP  
Eversheds House  
70 Great Bridgewater Street  
Manchester  
United Kingdom  
M1 5ES

### Legal Adviser

Eversheds LLP  
1 Wood Street  
London  
EC2V 7WS

## 6. GLOSSARY

### Asset Optimisation

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

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

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

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

### Black start

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

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

### Capacity Market (CM)

The income received by generators to ensure generation capacity is available to meet short falls.

### Curtailement

Large wind farms are connected to the UK's high-voltage network and National Grid balances electricity supply and demand. As demand rises and falls during the day, electricity supply mirrors these peaks and troughs.

National Grid accepts bids and offers from electricity generators to increase or decrease electricity generation as and when required. As such it may mean that there are times when generators are paid to curtail their output (constraint payments).

<https://www.nationalgrideso.com/news/grounds-constraint>

## 6. GLOSSARY (continued)

### Load factors

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

### NAV

Net Asset Value being the total Net Assets in the Company divided by the total number of Ordinary Shares in issue as at 31 December 2022.

### Ongoing Charges Figure

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

### Ordinary Share

Share in the Company with a nominal value of 1p.

### Symmetrical

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

### System inertia

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

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

### TRIADs

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

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

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

### VRLA

Valve-Regulated Lead-Acid