Gresham House Energy Storage Fund Plc

(Company registration number 11535957)

Initial Financial Statements

For the period from 24 August 2018 (incorporation date) to 28 February 2019

Contents

Report of the independent auditor to the directors of Gresham House Energy Storage Fund Plc under section 839(5) of the Companies Act 2006

We have examined the initial accounts of Gresham House Energy Storage Fund Plc for the period from 24 August 2018 to 28 February 2019, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the related notes. The initial information has been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the directors are responsible for the preparation of the initial financial information in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

Our responsibility is to report to you our opinion as to whether the initial accounts have been properly prepared within the meaning of section 839(4) of the Companies Act 2006.

Opinion

In our opinion the initial accounts for the period from 24 August 2018 to 28 February 2019 have been properly prepared within the meaning of section 839(4) of the Companies Act 2006.

Use of our report

This report is made solely to the company's directors as a body, in accordance with section 839(5) of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's directors 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 directors as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Marc Reinecke (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street
London
United Kingdom

26 April 2019

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

Statement of comprehensive income

For the period from 24 August 2018 (incorporation date) to 28 February 2019

	Notes	24 August 2018 to 28 February 2019 (£)
Net gain on investments at fair value through the profit and loss	6	2,177,990
Revenue	7	1,085,314
Administrative and other expenses	8	(1,611,408)
Profit before tax		**1,651,896**
Taxation	9	-
Profit after tax and total comprehensive income for the period		**1,651,896**
Profit per share (basic and diluted) – pence per share	10	2.77

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

The notes on pages 8 to 22 form an integral part of these financial statements.

Statement of financial position

As at 28 February 2019

Company number 11535957

	Notes	28 February 2019 (£)
Assets		
Investments at fair value through the profit or loss:		
Investment in subsidiaries	11	60,503,767
		60,503,767
Current assets		
Cash and cash equivalents	12	39,631,869
Trade and other receivables	13	29,475
		39,661,344
Total assets		100,165,111
Current liabilities		
Trade and other payables	14	(503,740)
		(503,740)
Total net assets		99,661,371
Shareholders equity		
Share capital	19	1,000,000
Share premium	19	-
Capital reduction reserve	19	97,009,475
Capital reserves	21	2,177,990
Revenue reserves	21	(526,094)
		99,661,371
Total shareholders equity		99,661,371
Net asset value per share (pence)	18	99.66

The initial financial statements were approved and authorised for issue by the Board of directors and is signed on its behalf by:

Director
Date: 26 April 2019

The notes on pages 8 to 22 form an integral part of these financial statements.

Statement of changes in equity

For the period from 24 August 2018 (incorporation date) to 28 February 2019

	Note	Share capital (£)	Share premium reserve (£)	Capital reduction reserve (£)	Capital reserves (£)	Revenue reserves (£)	Total shareholders equity (£)
As at 24 August 2018		-	-	-	-	-	-
Comprehensive loss for the period		-	-	-	-	-	-
Profit/(loss) for the period		-	-	-	2,177,990	(526,094)	1,651,896
Total comprehensive income for the period		-	-	-	2,177,990	(526,094)	1,651,896
Transactions with owners							
Ordinary shares issued at a premium during the period		1,000,000	99,000,000	-	-	-	100,000,000
Share issue costs		-	(1,990,525)	-	-	-	(1,990,525)
Issue of redeemable preference shares		12,500	-	-	-	-	12,500
Redemption of redeemable preference shares		(12,500)	-	-	-	-	(12,500)
Transfer to capital reduction reserve	19	-	(97,009,475)	97,009,475	-	-	-
As at 28 February 2019		**1,000,000**	**-**	**97,009,475**	**2,177,990**	**(526,094)**	**99,661,371**

The notes on pages 8 to 22 form an integral part of these financial statements.

Statement of cash flow

For the period from 24 August 2018 (incorporation date) to 28 February 2019

	Note	24 August 2018 to 28 February 2019 £
Cash flows used in operating activities		
Profit for the period		1,651,896
Net gain on investments at fair value through the profit and loss		(2,177,990)
Interest income		(1,085,314)
Increase in trade and other payables		503,740
Net cash used in operating activities		**(1,107,668)**
Cash flows used in investing activities		
Loans made to subsidiaries	20	(19,129,517)
Bank interest received		21,315
Net cash used in investing activities		**(19,108,202)**
Cash flows used in financing activities		
Proceeds from issue of ordinary shares at a premium	20	61,838,264
Share issue costs		(1,990,525)
Issue of redeemable preference shares		12,500
Redemption of redeemable preference shares		(12,500)
Net cash inflow from financing activities		**59,847,739**
Net increase in cash and cash equivalents for the period		**39,631,869**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		**39,631,869**

The notes on pages 8 to 22 form an integral part of these financial statements.

Notes to the financial statements

For the period from 24 August 2018 (incorporation date) to 28 February 2019

1. General information

Gresham House Energy Storage Fund Plc (the "Company") was incorporated in England and Wales on 24 August 2018 with company number 11535957 and registered as a public company limited by shares under Section 833 of the Companies Act 2006 and is therefore an Investment Trust Company ('ITC'). The registered office of the Company is 7th Floor, 9 Berkeley Street, London, W1J 8DW. Its share capital is denominated in Pound Sterling (GBP) and currently consists of ordinary shares. The Company's principal activity is to invest in a diversified portfolio of operating utility scale energy storage systems ("ESS Projects"), which utilise batteries and may also utilise generators. The ESS Projects comprising the portfolio are located in diverse locations across Great Britain. These accounts cover the period from incorporation to the 28 February 2019.

2. Basis of preparation

Statement of compliance

The initial financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRSs") and interpretations adopted by the European Union, but certain disclosures have been omitted. The financial statements have been prepared on a historical cost basis except for financial assets and liabilities at fair value through the profit or loss.

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

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

3. Significant accounting judgements, estimates and assumptions

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

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

Assessment as an investment entity

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

a) the Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;
b) the Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
c) the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company meets the criteria as follows:

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

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

3. Significant accounting judgements, estimates and assumptions continued

During the period 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. 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 16 for further details.

4. 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 Group is engaged in a single segment business, being the investment in the United Kingdom in energy storage assets.

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

Net gain or loss on investments at fair value through profit and loss
The Company recognises movements in the fair value of investments in subsidiaries through profit and loss.

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

From 1 April 2015 there is a single corporation tax rate of 19%. Tax is recognised in the statement of comprehensive income except to the extent that it relates to the items recognised as direct movements in equity, in which case it is similarly recognised as a direct movement in equity. Current tax is the expected tax payable on any taxable income for the period, using tax rates enacted or substantively enacted at the end of the relevant period.

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

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

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and Treasury fixed term deposits held with the bank with maturities of up to 3 months which can be readily converted to cash.

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

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

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

4. Summary of significant accounting policies continued

Equity

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

Share Premium

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

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 and gains and losses on the disposal of investments.

Capital Reduction Reserve

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

Financial Instruments

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

Financial assets

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

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

Financial assets measured at amortised cost

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

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

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

a) its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
b) it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
c) it is classified as held for trading (derivative contracts in an asset position).

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

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

Financial liabilities measured at amortised cost

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

4. Summary of significant accounting policies continued

Recognition and derecognition

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

Impairment of financial assets

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

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

Fair value measurement and hierarchy

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

The fair value hierarchy to be applied under IFRS 13 is as follows:
Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

5. Fees and expenses

Accounting, secretarial and directors

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

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

During the period, expenses incurred with JTC (UK) Limited for administrative and secretarial services amounted to £38,794 with £18,589 being outstanding and payable at the period end.

AIFM

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

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

During the period, AIFM fees amounted to £295,762 with the full amount being outstanding and payable at the period end.

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

	24 August 2018 to 28 February 2019 (£)
Net gain on investments at fair value through the profit and loss	2,177,990
	2,177,990

7. Revenue

	24 August 2018 to 28 February 2019 (£)
Bank interest income	50,790
Interest on loans to subsidiaries	1,034,524
	1,085,314

8. Administrative and other expenses

	24 August 2018 to 28 February 2019 (£)
Administration fees	38,794
Audit fees	63,293
Depositary fees	10,775
Directors remuneration	91,584
Legal and professional fees	104,888
Management fees	295,762
Transaction fees	991,906
Sundry expenses	14,406
	1,611,408

9. Taxation

The Company is recognised as an Investment Trust Company ("ITC") for accounting periods and is taxed at the main rate of 19%. To the extent that there is insufficient group tax relief available to eliminate taxable profits, the Company may make interest distributions to reduce taxable profits to nil due to the taxable profits for the period to 28 February 2019 being below the Company's Qualifying Net Interest Income. Therefore, no corporation tax charge has been recognised for the Company for the period to 28 February 2019.

9. Taxation continued

		24 August 2018 to 28 February 2019 (£)
(a) Tax charge in profit or loss		
UK corporation tax		-
(b) Reconciliation of the tax charge for the period		
Profit before tax		1,651,896
Tax at UK main rate of 19%	19.00%	313,860
Tax effect of:		
Net gain on investments at fair value through the profit and loss	(25.12%)	(414,952)
Non-deductible expenses	12.62%	208,391
Subject to group relief/designated as interest distributions	(6.50%)	(107,299)
Tax charge for the period	-%	-

10. Earnings per share

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

	24 August 2018 to 28 February 2019 (£)
Net profit attributable to ordinary shareholders	£1,651,896
Weighted average number of ordinary shares for the period	59,574,468
Profit per share (basic and diluted) – pence per share	2.77

Excluding the period prior to the initial public offering on 8 November 2018, the EPS for the period would be 1.65 pence (based on 100,000,000 shares).

11. Investment in subsidiaries

	Place of business	Percentage ownership	Opening equity (£)	Loans: principal advanced (£)	Loans: Interest accrued (£)	Opening equity and loans (£)	Fair value movement (£)	Closing balance: equity and loans (£)
Noriker Staunch Ltd (“NSL”)	England & Wales	100%	7,150,538	10,484,074	247,299	17,881,911	732,817	**18,614,728**
HC ESS2 Holdco Limited (“HCESS2 Holdco”)	England & Wales	100%	4,634,116	20,157,872	475,486	25,267,474	793,266	**26,060,740**
HC ESS3 Limited (“HCESS3”)	England & Wales	100%	1,648,697	13,215,956	311,739	15,176,392	651,907	**15,828,299**
			13,433,351	43,857,902	1,034,524	58,325,777	2,177,990	**60,503,767**

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

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

11. Investment in subsidiaries continued

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

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

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

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

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

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

12. Cash and cash equivalents

	28 February 2019 (£)
Cash at bank	82,031
Treasury fixed term deposits held at Barclays Bank Plc	39,549,838
	39,631,869

13. Trade and other receivables

	28 February 2019 (£)
Interest receivable on Treasury fixed term deposits	29,475
	29,475

14. Trade and other payables

	28 February 2019 (£)
Administration fees	18,589
AIFM fees	295,762
Audit fees	63,293
Depositary fees	3,000
Directors remuneration	1,425
Accrued IPO costs	14,000
Professional fees	104,888
Other creditors	2,783
	503,740

15. Categories of financial instruments

	28 February 2019 (£)
Financial assets	
Financial assets at amortised cost:	
Cash and cash equivalents	39,631,869
Trade and other receivables	29,475
Fair value through profit or loss:	
Investment in subsidiary	60,503,767
Total financial assets	**100,165,111**
Financial liabilities	
Financial liabilities at amortised cost	
Trade and other payables	503,740
Net financial assets	**99,661,371**

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.

16. Fair Value measurement

Valuation process

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

All of these investments are based in the UK. The directors review and approve these valuations following appropriate challenge and examination. The current portfolio consists of non-market traded investments, and valuations are analysed using forecasted cash flows of the assets and use the discounted cash flow approach for valuation purposes. For year-end and half-year accounts 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 Adviser.

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

The valuation of the Investments assumes that capacity market revenues, across the current portfolio, will be received as originally set-out in the capacity market scheme. However, while the Manager and the directors are confident that there will be a positive outcome from the European Commission's investigation, it is not certain that the scheme will be reinstated on the exactly the same basis as previously contracted. The contribution of capacity market revenues to the valuation is £6.893m.

The valuations have been determined using discounted cash flow methodology, whereby the estimated future cash flows relating to the Company's equity investment in each seed asset (being each asset within the seed portfolio) and attributable to the seed assets have been discounted to 28 February 2019, using discount rates reflecting the risks associated with each seed asset and the time value of money. The valuations are based on the expected future cash flows, using reasonable assumptions and forecasts for revenues, operating costs, macro-level factors and an appropriate discount rate.

16. Fair Value measurement continued

Valuation process continued

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

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

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

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

Valuation approach and methodology

Valuation Input	Range	Weighted average
WACC	n/a	12%
Inflation	3%	3%

Valuation of financial instruments

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

Reconciliation	28 February 2019 (£)
Opening balance	-
Add: purchases during the year (see note 20)	13,433,351
Add: loans advanced (see note 20 for the non-cash portion)	43,857,902
Add: accrued interest on loans	1,034,524
Total fair value movement through the profit or loss	2,177,990
Closing balance	60,503,767

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

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

- **Concentration risk**

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

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

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

- **Credit risk**

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

The Manager regularly assesses its credit exposure and considers the creditworthiness of its customers and counterparties. Cash and bank deposits are held with Barclays Bank Plc, a reputable financial institution with a Moody's credit rating A2.

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

For interest receivables on cash balances, the Company ECL uses a 12 month expected loss allowance for all interest receivables.

17. Financial risk management continued

- **Credit risk** continued

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

- **Liquidity risk**

The objective of liquidity management is to ensure that all commitments which are required to be funded can be met out of readily available and secure sources of funding.

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

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

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

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

As at 28 February 2019	< 1 year (£)	1 to 2 years (£)	2 to 5 years (£)	> 5 years (£)	Total (£)
Financial assets					
Cash and cash equivalents	39,631,869				39,631,869
Trade and other receivables	29,475	-	-	-	29,475
Fair value through profit or loss:					
Investment in subsidiaries	-	-	-	44,892,426*	44,892,426
Total financial assets	**39,661,344**	**-**	**-**	**44,892,426**	**84,553,770**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables	503,740	-	-	-	503,740
Total financial liabilities	**503,740**	**-**	**-**	**-**	**503,740**

*excludes the equity portion of the investment in subsidiaries

- **Market risk**

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

17. Financial risk management continued

- **Market risk** continued

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 28 February 2019, the valuation basis of the Company's investments was valued at market value. This investment is driven by market factors and therefore sensitive to movements in the market.

- **Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is exposed to interest rate risk on its cash balances held with counterparties, bank deposits, 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 2020. The Company may be exposed to changes in variable market rates of interest as this could impact the discount rate and therefore the valuation of the projects as well as the fair value of the loan receivables.

- **Currency risk**

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

- **Capital risk management**

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

- **Other risks**

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

18. Net asset value per share

Basic NAV per 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 share are identical.

	28 February 2019
Net assets per statement of financial position	£ 99,661,371
Ordinary shares in issue as at 30 September 2018	100,000,000
NAV per share – Basic and diluted (pence)	99.66

19. Share capital

	Ordinary shares Number	**Share capital (£)**	**Share premium reserve (£)**	**Capital reduction reserve (£)**	**Total shareholders equity (£)**
Allotted and issued share capital					
Issue of 50,000 redeemable preference shares – one quarter paid up		12,500			12,500
Redemption and cancellation of 50,000 redeemable preference shares		(12,500)	-	-	(12,500)
Issue of ordinary shares of £0.01 and fully paid at £1 – 8 November 2018	100,000,000	1,000,000	99,000,000	-	100,000,000*
	100,000,000	1,000,000	99,000,000	-	100,000,000
Share issue costs	-	-	(1,990,525)	-	(1,990,525)
Transfer to capital reduction reserve	-	-	(97,009,475)	97,009,475	-
As at 28 February 2019	**100,000,000**	**1,000,000**	**-**	**97,009,475**	**98,009,475**

*****Please refer to note 20 for the non-cash flow portion of the share issue.

19. Share capital continued

Share capital and share premium account and capital reduction reserve

On incorporation the Company issued 1 ordinary share of £0.01 which was fully paid up and 50,000 redeemable preference shares of £1 each which were paid up to one quarter of their nominal value. These 50,000 redeemable preference shares were subsequently redeemed.

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

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

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

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.

20. Non-cash flow items

The statement of cash flow for the period excludes the following non-cash items:

	24 August 2018 to 28 February 2019 (£)
Non-cash flows used in investing activities	
Purchase of investments	13,433,351
Loans made to subsidiaries	24,728,385
	38,161,736
Non-cash flows used in financing activities	
Proceeds from issue of ordinary shares at a premium	38,161,736
	38,161,736

21. Reserves

The nature and purpose of each of the reserves included within equity at 28 February 2019 are as follows:

- Capital reduction reserve: represents a distributable reserve created following a Court approved reduction in capital
- Revenue reserves represent cumulative revenue net profits recognized in the statement of comprehensive income.
- Capital reserves represent cumulative net gains and losses on investments recognized in the statement of comprehensive income.

The only movements in these reserves during the period are disclosed in the statement of changes in equity.

22. Transactions with related parties

Following admission of the ordinary shares (refer to note 19), 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.

22. Transactions with related parties continued

Details of related parties are set out below:

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

Key management personnel include the directors. Total directors' remuneration of £91,584 was incurred in respect of the period and includes short-term employee benefits of £6,584. £1,425 of directors' remuneration was outstanding and payable at the period end.

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

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

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

During the period, AIFM fees amounted to £295,762 with the full amount being outstanding and payable at the period end.

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

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

- £10,731,373 due from Noriker Staunch Ltd at the period end, being an outstanding loan amount of £10,484,074 as well as accrued interest receivable of £247,299
- £13,527,695 due from HC ESS3 Limited at the period end, being an outstanding loan amount of £13,215,956 as well as accrued interest receivable of £311,739
- £20,633,358 due from HC ESS2 Limited at the period end, being an outstanding loan amount of £20,157,872 as well as accrued interest receivable of £475,486

22. Capital commitments
As at 28 February 2019 the Company has no significant binding or conditional future capital commitments.

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

24. Post balance sheet events

The Board of directors announced the following on 26 April 2019:

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

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

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

Directors, Advisors and Administration

Directors
Appointed: 24 August 2018
John Leggate - Chairman from 14 October 2018
Duncan Neale – Non-executive from 15 October 2018
David Stevenson - Non-executive from 14 October 2018

Appointed: 1 March 2019
Catherine Pitt

Registered office
7th Floor
9 Berkeley Street
Mayfair
London
W1J 8DW

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

Sole Bookrunner and Financial Adviser
Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London
E14 5RB

Independent Auditor
BDO LLP
55 Baker Street
London
W1U 7EU

Administrator and Secretary
JTC (UK) Limited
7th Floor
9 Berkeley Street
Mayfair
London
W1J 8DW

Registrar and Receiving Agent
Computershare Investor Services Plc
The Pavilions
Bridgewater Road
Bristol
BS13 8AE

Legal Adviser
Eversheds LLP
1 Wood Street
London
EC2V 7WS

Depositary
INDOS Financial Limited
54 Fenchurch Street
London
EC3M 3JY

Ticker: GSF