Since 1857

Gresham House

Specialist asset management

Powering the renewable energy transition

Gresham House Energy Storage Fund plc (GRID)

Interim Report and Accounts as at 30 June 2023

Contents

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

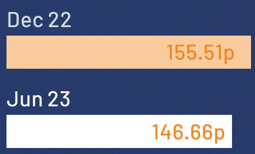
Gresham House Energy Storage Fund plc (GRID, the Fund or Company) invests in a portfolio of utility-scale operational Battery Energy Storage Systems (BESS) in Great Britain and beyond.

Highlights

Company financial highlights

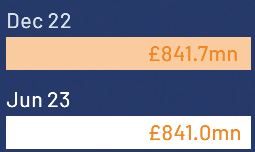
NAV per share
(as of 30 June 2023)

146.66p



NAV
(as of 30 June 2023)

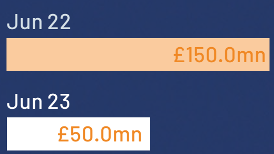
£841.0mn



Total gross equity funds raised
(for the six months to 30 June 2023)

£50.0mn

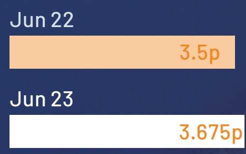
raised to focus on US expansion



Alternative performance measures[1]

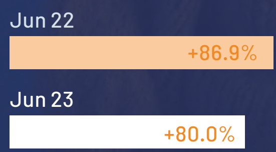
Dividend per Ordinary Share
(for the six months to 30 June 2023)

3.675p



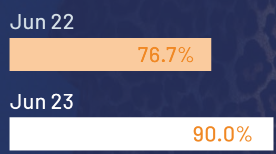
Ordinary Share Price Total Return since IPO
(for the period from IPO to 30 June 2023)

+80.0%



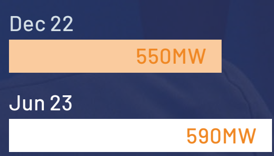
NAV per Ordinary Share Total Return since IPO
(for the period from IPO to 30 June 2023)

90.0%



Operational portfolio reached (for the six months to 30 June 2023)

590MW



1. Alternative Performance Measures are defined and calculated on page 69

Performance highlights

- Net Asset Value (NAV) as of 30 June 2023 was £841.0mn or 146.66 pence per share (FY 2022: 155.51 pence per share, HY 2022: 145.11 pence per share) and equates to a NAV total return since IPO of 90.0%.
- Decrease in NAV in H1 2023 was driven by lower revenue forecasts from independent consultants and more than reverse the increases seen in 2022.
- Dividends declared in respect of H1 2023 are 3.675 pence, a 5% increase on H1 2022, and equate to an annualised 5.1% dividend yield based on the closing share price of 144.80 pence on 30 June 2023.
- In May 2023, the Company successfully raised £50mn in equity through a placing. The funds are earmarked for GRID's first international project in California. In addition, a further £50mn was drawn from existing debt facilities, with the total debt drawn as of 30 June 2023 standing at £110mn of the total £335mn available.
- Operational Dividend Cover[1] in 2021 (1.32x) and 2022 (1.28x) declined to 0.63x in H1 2023. This is driven by lower trading revenues, which are expected to recover as discussed in the Investment Manager's report.

Operational highlights

- Operational Capacity of the portfolio continues to grow. It reached 590MW as of 30 June 2023 following the commissioning of Coupar Angus (40MW/40MWh). It increased further to 640MW in July with the commissioning of Grendon (50MW/100MWh), our largest asset to date.
- Construction of the remaining projects in the 2023 target portfolio continues to progress with all 387MW of further projects now completed "inside the fence" (taking capacity to 1,027MW) and which are waiting for connection works to complete. It is currently expected that up to 150MW of this capacity may not be energised until early 2024 due to ongoing challenges in the industry[2], so this delayed capacity is expected to be energised in the first half of 2024.
- The Company is aiming to start construction of its solar plus BESS (160MW/640MWh) development in California in early 2024. Due diligence is largely complete and signing is subject to final due diligence and negotiations.
- The Company is targeting a c.1.3GW/2.5GWh portfolio (fourfold increase in MWh capacity compared to 31 December 2022) by mid-2025, before potential disposals, without further equity funding.

2. At least two Independent Connection Providers (ICPs), licensed contractors who work on the connecting infrastructure between projects and networks, have gone into administration in H1 2023. This has created delays at projects exposed to these contractors and tight conditions in this segment of the market. GRID was exposed to one of these ICPs at three projects but has already moved swiftly to new contractors to minimise delays.

Chair's Statement

On behalf of the Board, I am pleased to present the Interim Report and Accounts of Gresham House Energy Storage Fund plc ("GRID", the "Fund" or the "Company") for the half year period ending 30 June 2023.

Strategy update

Our investment strategy is aligned with the Government's Net Zero ambitions, as Battery Energy Storage Systems (BESS) enable a cost-effective energy transition to a renewables based energy economy. It is worth re-emphasising this as the public debate can often suggest alternatives which might sound promising, but which are fundamentally more expensive and often unproven at scale.

The Company faces a more challenging general economic and electricity market backdrop in 2023, however, the Manager's focus on execution (see next section) and the Company's leading market position in Great Britain BESS, along with the strategic review undertaken in H1 2023, position the Company solidly to take advantage of the market's recovery.

Regarding the strategic review, the Manager re-evaluated all opportunities available to the Company in recent months and, with the Board, has a clear set of initiatives, discussed below, to maximise growth and shareholder value over the next two years without needing further equity. The result is a target portfolio of at least 1.3GW and 2.5GWh by the middle of 2025 (before any potential disposals, also discussed below).

The key elements to this strategy are as follows:

Firstly, the Company will continue to focus on optimising revenue from existing operational assets.

The Manager continues to work on further Great Britain and international pipelines, with a focus on larger project opportunities, and we look forward to announcing more details in due course.

Secondly, the Company will build out the rest of the 2023 target portfolio and at least two additional 2-hour projects - Shilton Lane (40MW) and at least one other 50MW or larger 2-hour duration project from our pipeline - which will see the Company grow its Great Britain portfolio to 1,117MW/1,467MWh, up from just 550MW/598MWh at 31 December 2022.

Thirdly, we will carry out project duration extensions by adding c.350MWh to the existing projects, taking many of our projects to a 2-hour duration. This is a quicker route to revenues as these projects are already prepared for extensions and do not require new grid connections (which are prone to delays), and also require less additional capital. Setting the majority of the portfolio's projects at this longer duration is also expected to maximise trading revenues over the longer term. These extensions also unlock the potential for additional revenues from T-1 CM contracts from October 2024.

Fourthly, we will expand into the US with Project Iliad, our c.160MW solar plus 640MWh BESS opportunity in California. The two underlying projects have undergone extensive due diligence. Now, subject to final due diligence and negotiations, we expect to acquire the project rights this year and commence construction in 2024, having reached financial close. We are excited by the diversification this investment offers in this very credible end market.

Finally, the Manager may dispose of some smaller operational projects to create operational efficiencies as the Company looks to develop a pipeline with much larger projects; our ten smallest projects represent 45% of the operational portfolio by number but just 23% of our total operational MW capacity. Such a transaction would be a useful reference to the validity of our NAV calculations.

Portfolio, transactions, and pipeline

The Company commissioned Coupar Angus (40MW/40MWh) in February 2023, increasing operational capacity to 590MW, up from 550MW as at 31 December 2022.

With the commissioning of Grendon (50MW/100MWh) in July 2023, the operational portfolio stands at 640MW/738MWh. A further 387MW of projects, which are all complete, have been expected to commission in H2 2023 however, due to grid connection work delays, we currently expect up to 150MW to slip into 2024.

As mentioned above, the Company will extend durations, adding c.350MWh to existing BESS portfolio assets. These extensions offer a comparable return on investment as new projects and, in taking less time, enable the portfolio to generate earnings sooner. The Manager is aiming to extend durations on up to 375MW of projects to up to two hours. Works will begin in 2023 and completion of the rolling programme is expected in 2024.

Project Iliad, the 160MW/640Mwh solar plus BESS collocation opportunity in Southern California announced in May, has seen due diligence substantially completed. Subject to final due diligence and successful negotiations, ground-breaking is expected in H1 2024 with commercial operations targeted for 2025. Project Iliad offers an attractive opportunity to diversify internationally whilst capitalising on similar market dynamics as in Great Britain, albeit with a higher degree of contracted revenues including from solar power generation. The Manager has carried out extensive due diligence with an additional focus on:

- California market commercials
- Permitting and grid connection contracts
- Investment Tax Credits (ITC) arrangements available, which requires analysis of IRA (Inflation Reduction Act) legislation and how it has impacted the ITC regulations and import duties
- Debt financing options

Longer-term, the Manager continues to work on further Great Britain and international pipelines, with a focus on larger project opportunities. We look forward to announcing more details in due course.

Given the challenging capital markets environment, we are pleased to have created the potential for significant growth using funds already available to the Company, driving the potential for both capital (i.e. NAV per share) and income growth.

Discount rate update

We have increased the discount rate for contracted revenues, which applies to government backed Capacity Market contracts by 100bps to 6.5% (5.5% as at 31 December 2022) and it now sits c.200bps above SONIA swap rates at the maturity of our CM contracts. The merchant discount rate is unchanged.

The result is a weighted average discount rate of 10.9% as at June 2023 (10.9% at 31 December 2022) which remains higher than our listed peers.

The Company values only fully funded projects and does so on a discounted cash flow basis only when they are within nine months of commissioning. For projects under construction we apply an additional 75bps premium to the discount rate applied to operational project cash flows.

All debt drawn to date from the facility has been hedged and has therefore reduced exposure to high current interest rates resulting in an unrealised gain in the interest rate swap position of £6.3mn as at 30 June 2023.

Performance update

The Company's NAV reduced to £841.0mn as at 30 June 2023, down 0.1% from £841.7mn as at 31 December 2022. In pence per share terms, the NAV at 30 June 2023 is 146.66 pence, down from 155.51 pence as at 31 December 2022, a reduction of 5.7%. The NAV per share performance in 2023 has been driven by a reduction in the revenue forecasts from our third-party consultants, more than reversing the higher forecasts seen in 2022 when gas and electricity prices were at record highs. Further commentary is included in the Investment Manager's report.

The underlying operational investments owned by the Company generated EBITDA of £13.8mn, down 39% versus the same period in 2022. Revenues from frequency response declined, as anticipated, on the back of this segment of the market reaching saturation and weaker trading. The opportunity in trading, which is enormous, has been impacted in the short-term by a market downturn and, in particular, delays at National Grid ESO who are modernising their systems to be able to use BESS effectively. National Grid ESO have publicly announced the launch of their new trading platform in December 2023, and we therefore expect these issues to be relatively short-term.

National Grid ESO is holding a key industry event in London on 16 October at which they will go into significant detail around work streams and associated time frames.

The short-term technical challenges at National Grid ESO mean that BESS utilisation in the Balancing Mechanism is significantly short of potential with some commentators pointing to BESS being "skipped" over 90% of the time they are competitive on price. Not being able to use BESS means National Grid ESO continues to use gas fired generation to balance the market (see full commentary in the Investment Manager's report) driving up consumer bills and CO^2 emissions.

The market has also seen less volatility, caused by reduced demand as consumers face higher energy bills while renewables generation has continued to grow throwing supply and demand out of balance in the short-term. We expect fluctuations in supply and demand to normalise in due course and so expect volatility to rebound.

Capital structure

The Company completed a successful £50mn equity raise in May 2023 in a challenging economic backdrop and it was pleasing to see both new and existing shareholders supported the raise.

The higher interest rate environment has seen capital allocated away from infrastructure funds during the period and impacted share prices, including those of Energy Storage funds; the Company's share price stood at a slight discount to NAV at the interim date. We remain confident in the long-term opportunity for BESS assets both in Great Britain and internationally and the potential for income and capital growth.

The Company's wholly owned subsidiary, Gresham House Energy Storage Holdings plc (MidCo) has drawn a further £50mn from its £335mn debt facility available, taking total drawdowns to date to £110mn. The MidCo has hedged its interest rate exposure on debt drawn and holds a positive hedge value at the interim date.

Dividends

The Company increased its dividends in H1 2023 to 3.675 pence per share, up 5% on 2022, and is on track to pay 7.35 pence per share for 2023 on the back of two years of sector-leading Operational Dividend Cover at 1.32x in 2021 and 1.28x in 2022.

Operational dividend cover fell to 0.63x for the six months to 30 June 2023 and the Company now expects that the dividend will not be fully covered in 2023. However, cover is expected to rise to a run-rate of approximately 1x as operational capacity increases as the 2023 pipeline is commissioned. Additional deployment in 2024, described above, will further underpin cover. A recovery in the electricity market for trading and better utilisation of BESS in the BM is expected to see dividend cover rise further into our usual and well covered position.

Sustainability

The Company remains focussed on increasing BESS capacity to support the decarbonisation of energy supply to help address climate change. The Manager continues to work with environmental experts to improve on its carbon reporting and is hopeful of further recognition of the impact of batteries in carbon avoidance methodology. Further updates are provided in the sustainability report on page 26.

Outlook

We look ahead to the Company's fifth anniversary and reflect on the Company's tremendous progress since IPO and the expected important milestone of reaching 1GW in operational capacity once the 2023 pipeline has been commissioned at the end of 2023 or shortly thereafter, before accounting for any disposals of certain non-strategic operational portfolio assets in late 2023 or early 2024.

The Company's key goal now is to execute against the strategy detailed above, which combined with any expected seasonal and cyclical upturns, a better functioning BM, thanks to National Grid ESO's anticipated system upgrades, and the layering in of additional revenues over time, are expected to drive NAV, earnings and dividend cover growth.

Looking to the mid and longer term, the Board and the Manager clearly believe that BESS are a strategic cornerstone globally to the transformation of the energy sector towards carbon neutrality. Renewables are the cheapest form of incremental energy generation and batteries the cheapest and most efficient way of addressing intermittency. These are two fundamental pillars to ensure the world can deliver a zero carbon energy future.

John Leggate CBE, FREng
Chair

Date: 26 September 2023

Investment Manager's Report

Gresham House Asset Management Limited (GHAM) is wholly owned by Gresham House plc, an AIM-quoted specialist alternative asset manager[3]. Gresham House plc provides funds, direct investments and tailored investment solutions, including co-investment, across a range of highly differentiated alternative strategies. GHAM's expertise includes strategic public equity, private equity, forestry, housing, new energy and infrastructure.

Portfolio and pipeline overview

The Company increased its operational portfolio to 590MW in the period with the commissioning of Coupar Angus (40MW) in February 2023. In July 2023, the Company commissioned its first 2-hour project and largest operational asset to date, Grendon (50MW/100MWh) taking the operational portfolio to 640MW/738MWh. The Company is committed to adding larger, longer duration assets to the portfolio.

A further 387MW of projects that were in construction at the start of the year have all been completed and are completing connection works ahead of commissioning. Up to 150MW of this capacity may now see connection delayed into 2024.

In May 2023, the Company raised £50mn in equity, primarily to fund expansion into the US. Final due diligence and negotiations are underway for Project Iliad, our 160MW project opportunity in California. Subject to a successful conclusion, we are targeting signing this year and construction in 2024 followed by operations in 2025.

Review of portfolio and strategy

In the last few months we have explored ways to maximise growth and value creation in a challenging fundraising environment, including the deployment of capital as efficiently and quickly as possible in a slow grid connection environment so that we come out of the current downturn in the strongest possible shape to capture the upside.

The resulting strategy is set out below and results in a 1.3GW/2.5GWh target portfolio by mid-2025, before potential disposals. This represents 130% growth in MW and c.310% growth in MWh compared with 31 December 2022 levels, and is achievable without further equity fundraising:

- Complete construction of GRID's fully funded 1027MW 2023 target portfolio. Due to ongoing issues in the industry[4], GRID has seen a further delay on up to 150MW which may slip into H1 2024 for energisation.
- Build at least two new 2-hour projects in Great Britain: Shilton Lane (40MW), which is due to commission in April 2024 (construction has been underway for several months), and at least one other 50MW or larger, 2-hour duration project in Great Britain (the project is to be selected from our pipeline in the near future).
- Focus on MWh: instead of growing the Great Britain portfolio faster in MW terms in the near term[5], the Company will focus on adding c.350MWh to extend the duration to up to 2 hours on up to 375MW of existing projects, providing a quicker route to revenues. Projects being extended are already prepared for extensions, do not require new grid connections and require less additional capital.
- Acquire and build Project Iliad, our 160MW/640MWh solar plus BESS opportunity in California: as mentioned above, this is now subject to final due diligence and negotiations. If concluded successfully the deal is expected to be signed in 2023 and construction to commence in H1 2024.

3. As announced by the Company on 17 July 2023, Gresham House plc, the parent company of the Investment Manager, announced that it had reached an agreement on the terms of a recommended cash offer for the entire issued share capital of Gresham House plc, to be acquired by an entity formed by funds advised by Searchlight Capital Partners, L.P. and its affiliates. The acquisition remains subject to various conditions as set out in Gresham House plc's announcement on 17 July 2023.

4. At least two Independent Connection Providers (ICPs), licensed contractors who work on the connecting infrastructure between projects and networks, have gone into administration in H1 2023. This has created delays at projects exposed to these contractors and tight conditions in this segment of the market. GRID was exposed to one of these ICPs at three projects but has already moved swiftly to new contractors to minimise delays.

5. The greatest bottlenecks in the industry are with ICPs (see above), HV equipment lead times, DNOs and National Grid, so there is a logic to driving revenues via project duration upgrades as there are no significant bottlenecks associated with these projects as they do not require new grid connection works.

The Manager has carried out extensive due diligence with an additional focus on:

- California market commercials and grid connection contracts
- The Investment Tax Credit and challenges associated with the current trade backdrop in the US given certain reliance on Chinese equipment
- Exploring the different approaches to debt financing available in the US

- Exploring the potential to dispose of certain smaller operational projects which would raise capital for accretive investments and increase operational efficiencies.

Resulting Pipeline & Portfolio outlook

The revised portfolio is shown in the table below.

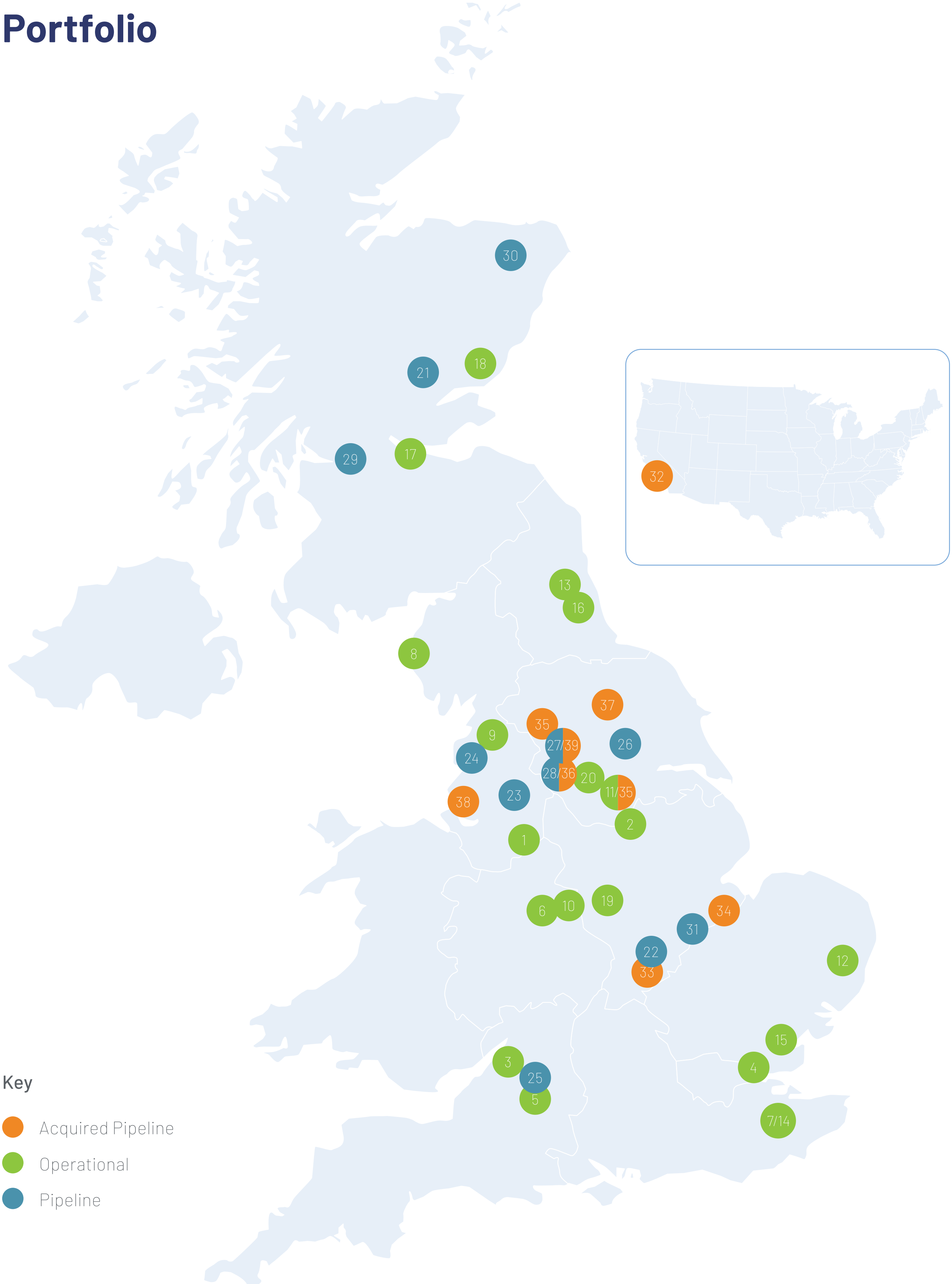
Table 1 - Company portfolio (operational, in-construction & pre-construction projects) & Exclusive Pipeline

Map ref.	Existing assets	Capacity (MW)	Battery size (MWh)	Operational Status at 30 June 2023	Ownership %
1	Staunch	20	3	Operational	100%
2	Rufford	7	10	Operational	100%
3	Lockleaze	15	22	Operational	100%
4	Littlebrook	8	6	Operational	100%
5	Roundponds	20	26	Operational	100%
6	Wolves	5	8	Operational	100%
7	Glassenbury	40	28	Operational	100%
8	Cleator	10	7	Operational	100%
9	Red Scar	49	74	Operational	100%
10	Bloxwich	41	47	Operational	100%
11	Thurcroft	50	75	Operational	100%
12	Wickham	50	74	Operational	100%
13	Tynemouth	25	17	Operational	100%
14	Glassenbury Ext.	10	10	Operational	100%
15	Nevendon	10	7	Operational	100%
16	Port of Tyne	35	28	Operational	100%
17	Byers Brae	30	31	Operational	100%
18	Arbroath	35	35	Operational	100%
19	Enderby	50	50	Operational	100%
20	Stairfoot	40	40	Operational	100%
21	Couper Angus	40	40	Operational	100%
Operational portfolio at 30 June 2023		**590**	**638**		
22	Grendon 1	50	100	Commissioned: July 2023	100%
Current operational portfolio		**640**	**738**		

Table 1 - Company portfolio (operational, in-construction & pre-construction projects) continued

Map ref.	Existing assets	Capacity (MW)	Battery size (MWh)	Operational Status at 30 June 2023	Ownership %
23	West Didsbury	50	50	Target energisation: October 2023	100%
24	Penwortham	50	50	Target energisation: November 2023	100%
25	Melksham	100	100	Target energisation: December 2023	100%
26	York	50	75	Target energisation: November 2023	100%
27	Bradford West	87	174	Target energisation: Q1 2024	100%
28	Elland 1	50	100	Target energisation: Q1 2024	100%
Previous 2023 target portfolio		**1,027**	**1,287**		
29	Shilton Lane	40	80	Target energisation: April 2024	100%
30	Rothienorman	50	100	Target energisation: H2 2024	Exclusive pipeline
31	Duration upgrades	-	c.350	2024	100%
32	Project Iliad	160	640	H1 2025	Exclusive pipeline
Target portfolio before potential disposals		**1,277**	**c.2,457**		
33	Grendon 2	50	100	TBC	Exclusive pipeline
34	Walpole	100	200	Target energisation: 2026	100%
35	Thurcroft 2	85	170	Target energisation: 2026	Exclusive pipeline
36	Elland 2	100	200	Target energisation: 2025	Exclusive pipeline
37	Monets Garden	50	100	Target energisation: 2025	Exclusive pipeline
38	Lister Drive	50	100	Target energisation: 2025	Exclusive pipeline
39	Bradford West 2	100	200	Target energisation: 2025	Exclusive pipeline
Total portfolio including pipeline (before potential disposals)		**c.1,812**	**c.3,527**		

Portfolio



Key

- Acquired Pipeline
- Operational
- Pipeline

Fund performance

As we approach our fifth anniversary since our IPO in November 2018, we are delighted to have delivered, through 30 June 2023, a NAV Total Return of 90.0%.

We have seen a slight decrease in the NAV Total Return in H1 2023 of -3.5%, driven by falling third party forecasts impacting project valuations and to a lesser extent weak revenues over the period. We do not expect further significant declines in NAV per share or NAV Total Return even if the trading environment remains weak in the short term.

In revenue terms, underlying portfolio revenues per MW have declined in 2023, following strong revenues in 2021 and 2022. This is on the back of cyclically lower trading revenues, driven by a decline in power price volatility, explained above, and in particular due to the challenges at National Grid ESO in being able to use our batteries efficiently.

As a result, EBITDA generated by the Company's operational portfolio fell to £13.8mn and led to dividend cover falling to 0.63x down from 1.28x for the full year to 31 December 2022.

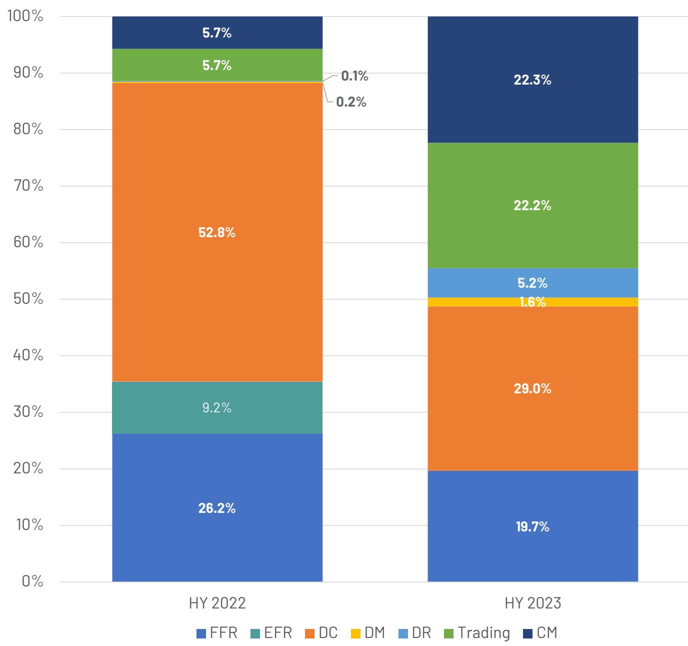
Whilst trading has grown its share in the revenue mix, taking share from frequency response, the headwinds to trading and the near-term challenges relating to National Grid ESO's operation of the Balancing Mechanism, mentioned in more detail further below, have delayed a greater shift in revenue mix (see portfolio performance below).

Dividends are now not expected to be fully covered in 2023, however, we expect to see full cover on a run rate basis once the 2023 pipeline projects are commissioned. Further upside in cover is expected as the market backdrop normalises and as National Grid ESO's new systems, publicly announced as launching on 15 December 2023, drive better utilisation of BESS in the BM.

In the period the Company raised a further £100mn: £50mn through further debt drawdowns in the MidCo and £50mn through an equity raise in May 2023. We are being cautious in our incremental use of debt while interest rates are high and revenues temporarily constrained. We continue to work closely with our lenders to ensure that the Company achieves the best arrangements possible.

As mentioned above, we have seen reduced forecasts from third party providers during the period. Over the last six months we have seen some market forecasters move from their highest forecasts to date in Q4 2022 to their lowest to date in Q2 2023. This was unexpected and has resulted in our revenue forecasts being the lowest since the Company's IPO in 2018.

Revenue stack HY 2022 versus HY 2023



Portfolio performance

Revenues from underlying assets for the six months to 30 June 2023 were £20.5mn, down 31.9% on HY 2022 (£30.1mn). From data available to the Manager, our projects have performed well compared to peers in the industry.

Revenues from Firm Frequency Response (FFR) decreased from £7.7mn in H1 2022 to £4.0mn in H1 2023 as National Grid ESO has begun to phase out this service (it is being replaced by the Dynamic suite of services), so as procurement levels have decreased we have seen a steady decrease in clearing prices. National Grid ESO have confirmed that by November 2023 the service will be discontinued.

Dynamic Containment revenues decreased from £15.9mn in HY 2022 to £6.0mn in H1 2023 as more batteries energised in the UK, driving down pricing of the ancillary services market. In contrast, revenues from the smaller Dynamic Moderation and Dynamic Regulation services, which were introduced in March 2022, increased as the services established themselves and procurement expanded.

Trading revenues increased from £1.8mn to £4.6mn as portfolio strategy moved away from ancillary services. Low price volatility and low utilisation in the BM reduced the trading opportunity in H1 2023, resulting in lower trading revenues than expected. These factors are mentioned above and are discussed further in the section below.

Capacity market revenues rose from £1.8mn to £4.6mn due to a large number of high value T-1 contracts beginning in October 2022. It is expected that capacity market revenues will continue to increase as new sites are brought online with capacity market contracts already in place.

Market update

The following section provides an outlook for the end markets in which the Fund's portfolio participates.

i) Frequency Response services

Frequency Response markets have commoditised over recent quarters, as expected, having reached saturation at the end of 2022.

Firm Frequency Response (FFR) specifically has seen volume requirements reduced through the year with National Grid ESO announcing an end to the service by November 2023. This has been expected as the Dynamic suite of services can now accommodate all of National Grid ESO's frequency response requirements. Despite reducing the volume requirement, the service has proven valuable in the period, particularly in the first quarter of the year.

Dynamic Frequency Response services (referred to here as Dx) including Dynamic Containment (DC), Dynamic Moderation (DM) and Dynamic Regulation (DR) are now the priority services used by National Grid ESO. Procurement for DM and DR has increased in the period and is expected to increase a little more as FFR is phased out. However, we do not expect an increase in procurement of Frequency Response services overall.

As shown in the chart below, DC, the largest volume service, has seen prices falling and they have remained low throughout the first half of 2023. This was anticipated as BESS volume now exceeds 2.5GW with typical Dx demand currently at c.1.5GW. Higher volume requirements and higher pricing opportunities are now occasionally driven by low inertia on the network which typically occurs when renewable generation is high. This was evident in July as Dx services saw increased demand on the back of unusually high winds in the month.

ii) Trading

Trading has been impacted by two key factors:

Cyclically lower volatility in Great Britain in 2023 to date:

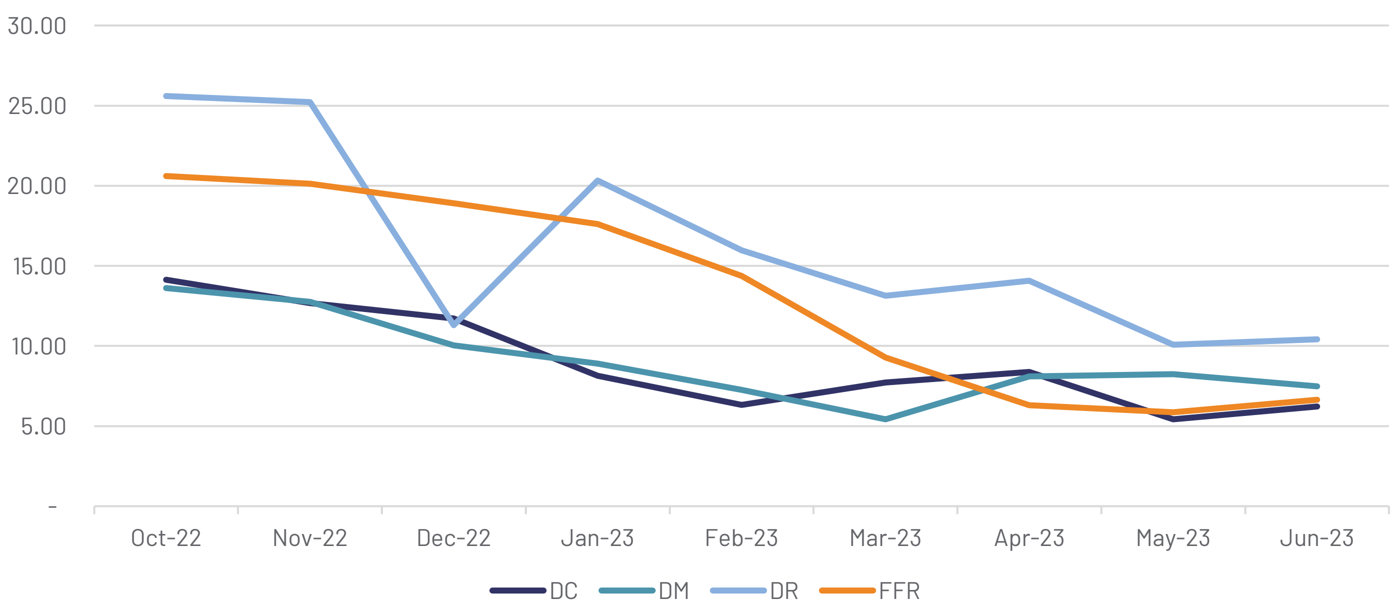
Energy price volatility is, and will continue to be, cyclical over the years to come. Energy price volatility, which drives our revenues, is affected by the overall supply of power relative to demand, gas prices and the level of renewable generation. Low demand will typically result in marginal power demand being met by lower cost generation.

An extreme example of this was seen during the lockdowns of 2020, when demand for electricity collapsed and peak prices were very low.

In H1 2023, there has been lower power demand in Great Britain as consumers have suffered higher energy bills following 2022's geopolitical events resulting in supply consistently outweighing demand and an unusually 'flat' (i.e., lower volatility) power market, especially when compared with the power price spikes seen in 2022. This, coupled with falling gas prices, which have fallen significantly from a peak in August 2022, has meant power price peaks being set at comparatively low levels.

We do not expect these conditions to endure. Consumers are starting to see lower energy bills, which is starting to drive demand back up across Europe and this is against an overall backdrop of increased electrification of energy demand, led by the increasing adoption of electronic vehicles (EVs).

Combined high and low average service prices per month (£/MW/h)



Inefficiencies in the Balancing Mechanism

Over the last couple of years, the main trading opportunity came from the trading described in the section above; locking in a spread between high prices often at the day ahead stage, and buying power overnight at low prices. Recent reduced volatility, outlined above, has made this less attractive in the short term.

BESS can also trade in the Balancing Mechanism (BM), which is operated by National Grid ESO, if registered as a Balancing Mechanism Unit (BMU). Registered BMUs all need to be dispatchable and include wind projects (which can be curtailed), gas fired generation, pumped hydro, and BESS. These BMUs enter Bids and Offers in the BM so that National Grid ESO can trade this capacity to balance the system increasing demand/decreasing supply or decreasing demand/increasing supply as required. The BM is an attractive market today but for the near term systems issues.

BESS assets offer capacity to National Grid ESO very competitively and we would expect it to generate a substantial share of trading revenues.

We expect to see considerable upside from the promised modernisation of National Grid ESO's systems in the BM as BESS are currently highly under-utilised.

This has been highlighted by several commentators, including Modo Energy, who reported that battery projects are being skipped (i.e., not seeing a bid or offer accepted despite being priced competitively) 91% of the time.[6]

6. platform.modo.energy/phase/article/9752/balancing-mechanism-battery-energy-storage-skip-rate-quick-take

Reasons for under-utilisation include:

a) Procedural issues and lack of digitalisation preventing dispatch of BESS assets

This speaks to time constraints as control room engineers have to manually instruct BMUs. Given the choice between multiple BESS or other small assets compared with a large CCGT, the control room almost always chooses a CCGT.

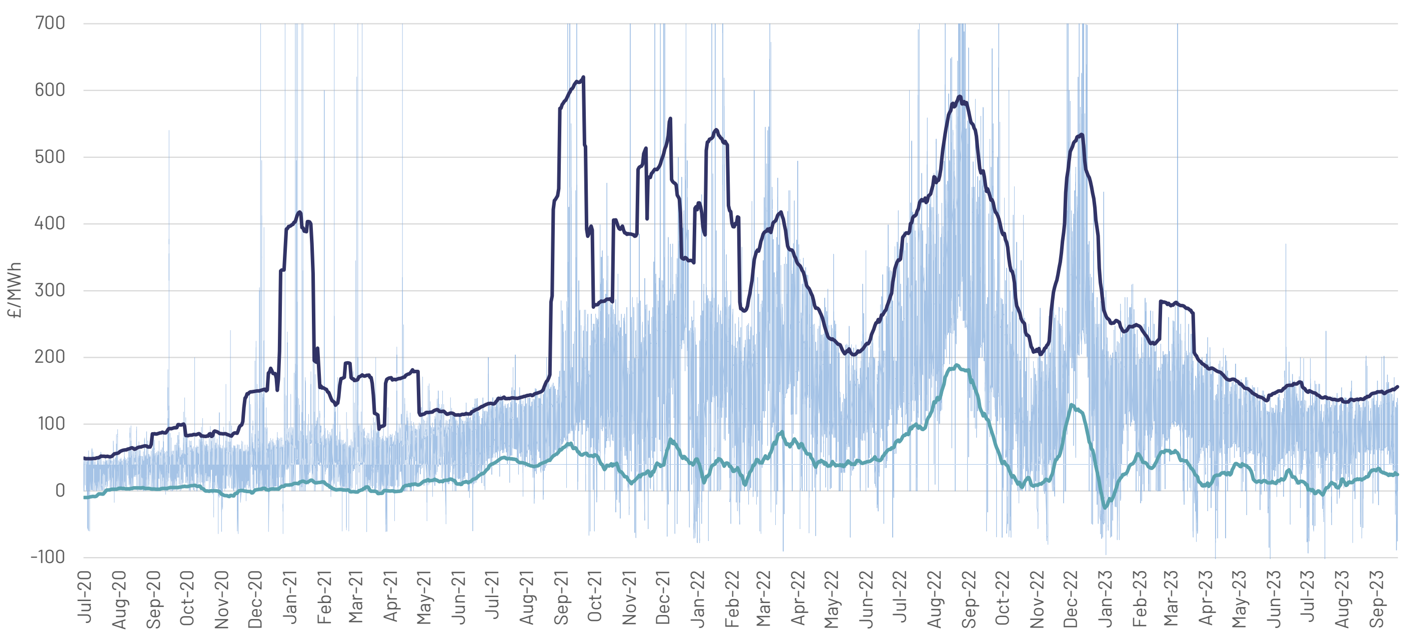
National Grid ESO's new "Operational Balancing (trading) Platform" (OBP) along with their "Bulk Dispatch Optimiser" (BDO) announced for launch on 15 December 2023 should eliminate these constraints and see more efficient asset selection, increasing the acceptance rates for BESS.

b) Inadequate parameters creating an uneven playing field

A compounding issue is the fact that CCGTs are currently required to be used for a minimum of six hours at a time, while batteries can only display capacity for up to 15 minutes, irrespective of their available capacity.

The six hours granted to thermal assets is known as the "Minimum Non-Zero Time" (MNZT). However, it is commonly understood that CCGTs, which are awarded the overwhelming majority of instructions in the BM, could be run for much shorter periods. The consequence of the current situation is that, once instructed, CCGTs can crowd out BESS for six hours.

Half-hourly power prices and average spread since July 2020



Source: Elexon

We have previously reported that in May, July and September 2020 a National Grid ESO-led trial demonstrated the efficiency of batteries vs CCGTs. Unfortunately, National Grid ESO have taken until this year to announce any changes resulting from this trial that are expected to make BESS truly usable in the BM.

Until June this year the industry has understood that real improvements had already been made to National Grid ESO's skip rate measurement system. However, it has since been revealed that National Grid ESO's published skip rates presented a rosier picture than the underlying reality experienced by BESS operators.

It is worth adding that reliance on gas generation for flexibility results in higher carbon emissions and substantially higher costs of balancing the market, which adds to the problem of fuel poverty in the UK. We therefore look forward to the necessary changes coming through in a timely manner.

iii) New revenue opportunities

We have previously spoken about a trial in which a new way of generating revenues from BESS is explored.

Results have been promising and we have moved to a new phase, evolving our business model for this opportunity to reflect learnings from our trial. Today, we are excited that the opportunity we expected is indeed worth pursuing.

We are embarking on a new phase of modelling and risk assessment before carrying a further set of trials in the coming months. A full scale launch of this opportunity will take several quarters due to certain regulatory requirements to be put in place.

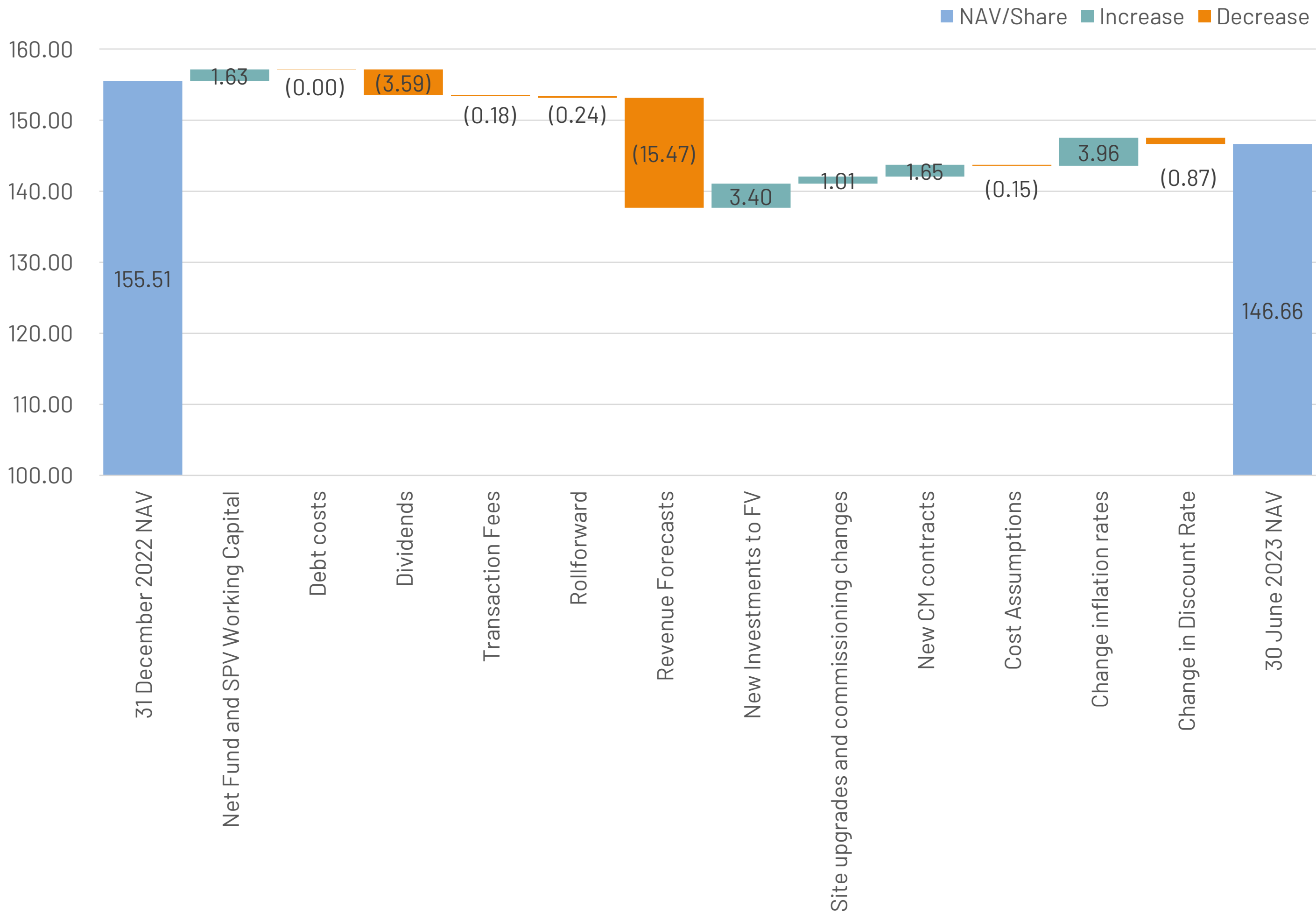
We look forward to reporting further in coming months as the opportunity becomes more certain.

Valuations and NAV

NAV per share[7] has fallen to 146.66 pence per Ordinary Share at 30 June 2023 (from 155.51 pence per share at 31 December 2022). This is largely driven from a significant reduction in third party revenue forecasts.

7. Alternate performance measures are defined and calculated on page 69 of the Interim Report

NAV (pence/share) bridge from 31 December 2022 to 30 June 2023



A summary of the assets included in the valuation is set out below:

Valuation basis	Discount rate approach	MW (30 June 2022)	MW (31 December 2022)	MW (30 June 2023)
Operational DCF	Contract cash flows e.g. CM contract revenues: 6.5% (5.5% at FY22, 5% at HY22) Merchant/uncontracted revenues: 10.85% (no change)	425	460	590
Commissioning DCF (energised)	Cash flows of projects in commissioning phase – energised project subject to 30 day proving period: 50bps commissioning premium to Operational discount rates (50bps at FY 22, n/a in earlier periods) Applies until satisfactory completion of commissioning	–	40	–
Construction DCF (energised)	Cash flows of projects in construction phase – energised project but not achieved PAC at valuation date: 75bps construction premium to Operational discount rates (75bps at FY22 and 50bps at HY22)	–	50	–
Total MW in Operational Portfolio		**425**	**550**	**590**
Construction DCF	Cash flows of projects in construction phase: 75bps construction premium to Operational discount rates (75bps at FY22 and 50bps at HY22)	487	437	437
Cost incurred to date	n/a	115	230	190
Total Portfolio MW included in valuations		**1,027**	**1,217**	**1,217**

Based on the maturing nature of the operating portfolio and experience of commissioning assets, from the end of 2022 the "proving period", or commissioning phase for operational assets, was reduced from 60 to 30 days.

In the period Stairfoot (40MW) completed an initial proving period and therefore the 50bps premium to discount rates used in December 2022 has been removed. Enderby, which had an additional premium of 75bps at 31 December 2022, has also been revalued at 30 June 2023 without a premium having completed commissioning and a 30-day proving period.

Coupar Angus commissioned and completed a 30-day proving period in the Interim period and therefore has been revalued at 30 June 2023 on an operational basis without a premium.

A decrease in third party revenue forecasts contributed the largest decrease to NAV per share at 15.47 pence. Third party forecasts over the course of 6 months have reduced from their highest levels in December 2022 to their lowest at 30 June 2023. The latest revenue forecasts used in our valuations are shown in the chart below, with the low end of the range representing forecasts for sub-1hr projects focused on frequency response and the upper end representing 2-hour projects.

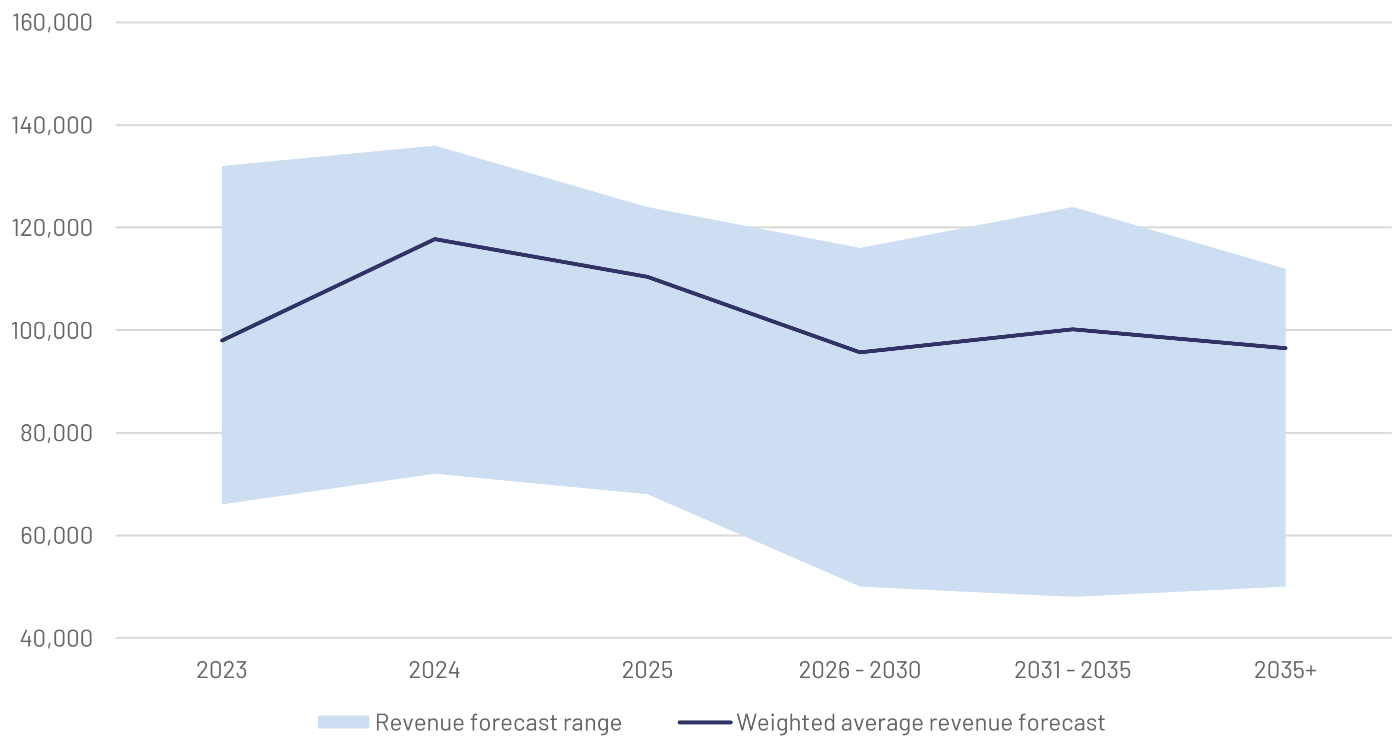
The line represents the weighted average for the portfolio today.

We are advised by the consultants who provide our revenue forecasts, that these forecasts have reduced on the back of lower gas prices for the most part. The chart below shows that it is near-term forecasts which have reduced the most (2023 in particular) although longer term forecasts have also reduced. As such, we are now applying the lowest forecasts since our IPO. From the Manager's perspective, the opportunity is not diminished compared to our IPO and so we simply consider assumptions to be more conservative than in the past.

Discount rates were again reviewed in response to increasing interest rates, with Capacity Market discount rates being increased by 100bps to 6.5%. This drove a 0.87 pence decrease in NAV per share.

The overall weighted average discount rate (WADR) was 10.9% as at 30 June. This is consistent with the year-end despite a 100bps increase in the non-merchant discount rate due to the impact of additional CM contracts and more assets being operational (and therefore valued without additional discount rate premiums).

Modelled revenue inputs (£/MW/Yr)



Operational assets had an average discount rate of 10.5% while assets in construction had an average discount rate of 11.3%.

The discount rates applied in our valuations remain among the highest in the sector and there is upside potential to NAV per share if interest rates fall.

Inflation assumptions are shown in the table below with reductions towards the Bank of England target rates being delayed from previous period expectations and instead now assuming a gradual reduction back to 2.25% by 2026. This has resulted in a NAV increase in the period of 3.96 pence per share.

		2023	2024	2025	2026	2027+
Inflation assumptions at 30 June 2023	RPI	6.0%	4.5%	2.75%	2.5%	2.5%
	CPI	5.5%	4.0%	2.5%	2.25%	2.25%
Inflation assumptions at 31 Dec 2022	RPI	8.0%	2.0%	1.5%	1.5%	2.25%
	CPI	6.5%	1.5%	1.0%	1.0%	2.0%

The decision to utilise equipment already purchased in project duration extensions, rather than later pipeline, contributed an increase of 1.83 pence per share in the period demonstrating the value added from longer duration assets. This was offset slightly by delays to expected commissioning dates on the construction portfolio resulting in a net 1.01 pence per share impact from the two.

Working capital gains (+1.63 pence) reflect the underlying earnings from the portfolio in the period after deducting fund costs but prior to transaction and debt costs. Earnings are down in H1 2023 for reasons explained above.

The impact of newly won T-4 and T-1 capacity market contracts has resulted in an increase of 1.65 pence per share. Contracts were also secured for the development sites of Shilton Lane and Rothienorman which will result in a further increase in NAV once these sites become operational.

Outlook

As highlighted by the Chair, the Manager is fully focused on commissioning our existing pipeline in construction; project extensions; exploring a streamlining of our portfolio through the sale of a modest portion of our portfolio; and on new horizons as we hopefully acquire and start construction on Project Iliad. A much-improved supply chain backdrop (BESS and solar panel pricing are close to all-time lows) bodes well for this project and other projects yet to enter construction.

Our ability to drive a more than tripling of our capacity through H1 2025, with no requirement for further equity funding, is expected to drive upside to our dividend cover from the latest period's 0.63x level to 1.0x on a run rate basis once we commission the 2023 target portfolio (reaching over 1GW) and then much higher levels once the trading environment improves and National Grid ESO address their issues.

How the Manager adds value and generates returns

The Company has experienced i) a weaker trading environment and ii) lower revenue forecasts in the first half of 2023 and this has impacted share price performance following our trading update three weeks ago.

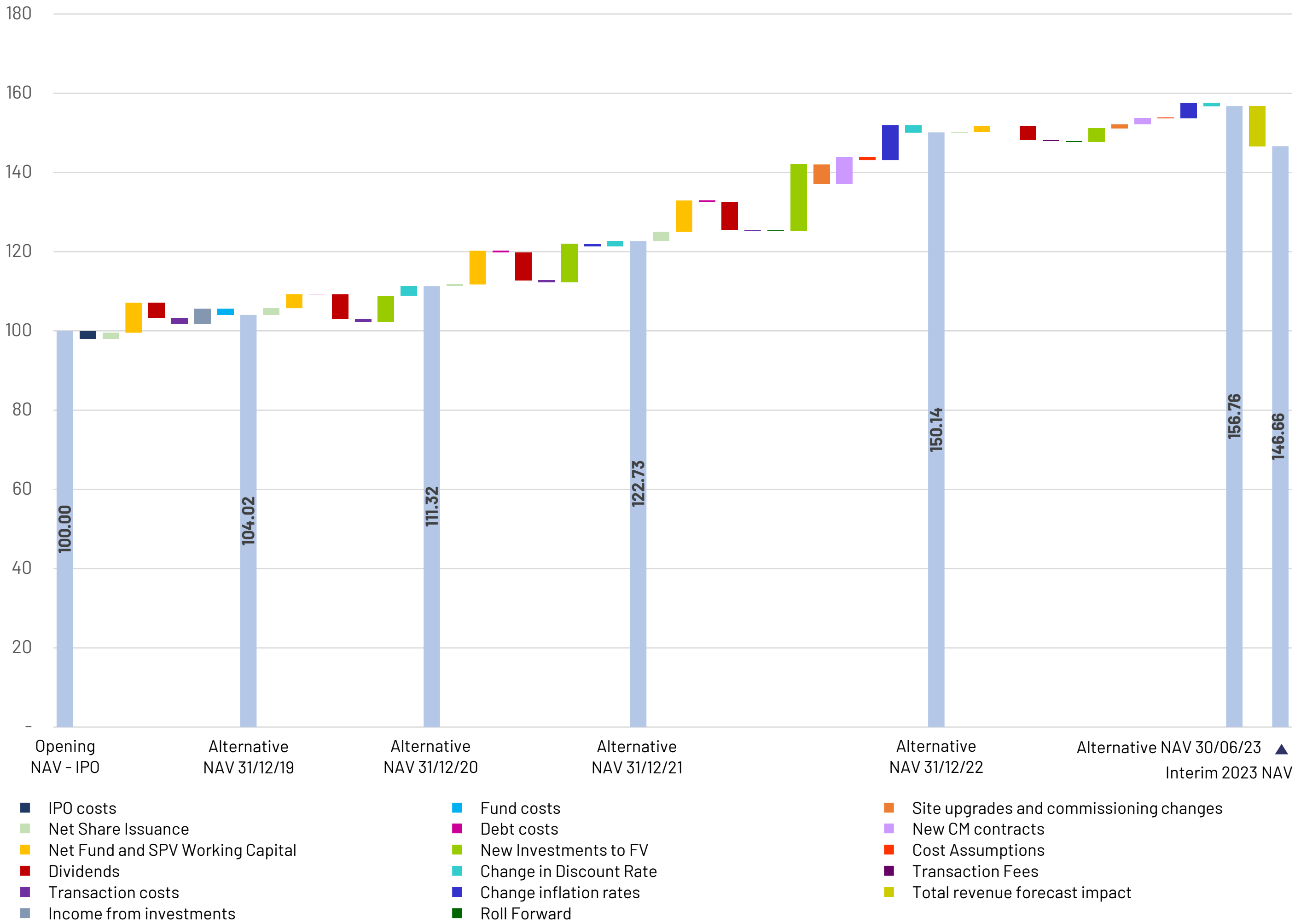
It is important to note that these are factors beyond the Manager's control. However, we can and do focus on building scale, on making investments that generate returns above our cost of capital and on managing live operations optimally.

To illustrate the value this delivers, we have created the chart below which shows an alternative NAV bridge since IPO. It strips out revenue forecast changes which we cannot control as they are sourced from independent consultants and which can disguise the underlying value-add of the Manager.

The net effect of revenue forecast changes is shown as a single bar on the far right of the chart.

> We can and do focus on building scale, on making investments that generate returns above our cost of capital and on managing live operations optimally.

Alternative NAV Bridge: Stripping out third party revenue forecasts



There are two noteworthy observations. Firstly, the Manager has delivered total NAV per share return of 46.7% over almost five years, excluding the impact of dividends, leading to a NAV Total Return (which includes dividend distributions) of 90.0%. Secondly, NAV per share has increased every year. The biggest driver to this has been our investment in projects with IRRs significantly greater than our weighted average discount rate (WADR). With the significant deployment coming over the next 18 months, we believe we can continue to drive up the NAV Total Return for the foreseeable future. The net effect of revenue forecast impact over the period since IPO is now negative, meaning that revenue forecasts used in project valuations are now more cautious than at any time since IPO.

Revenues are cyclical, not broken, and earnings power continues to grow

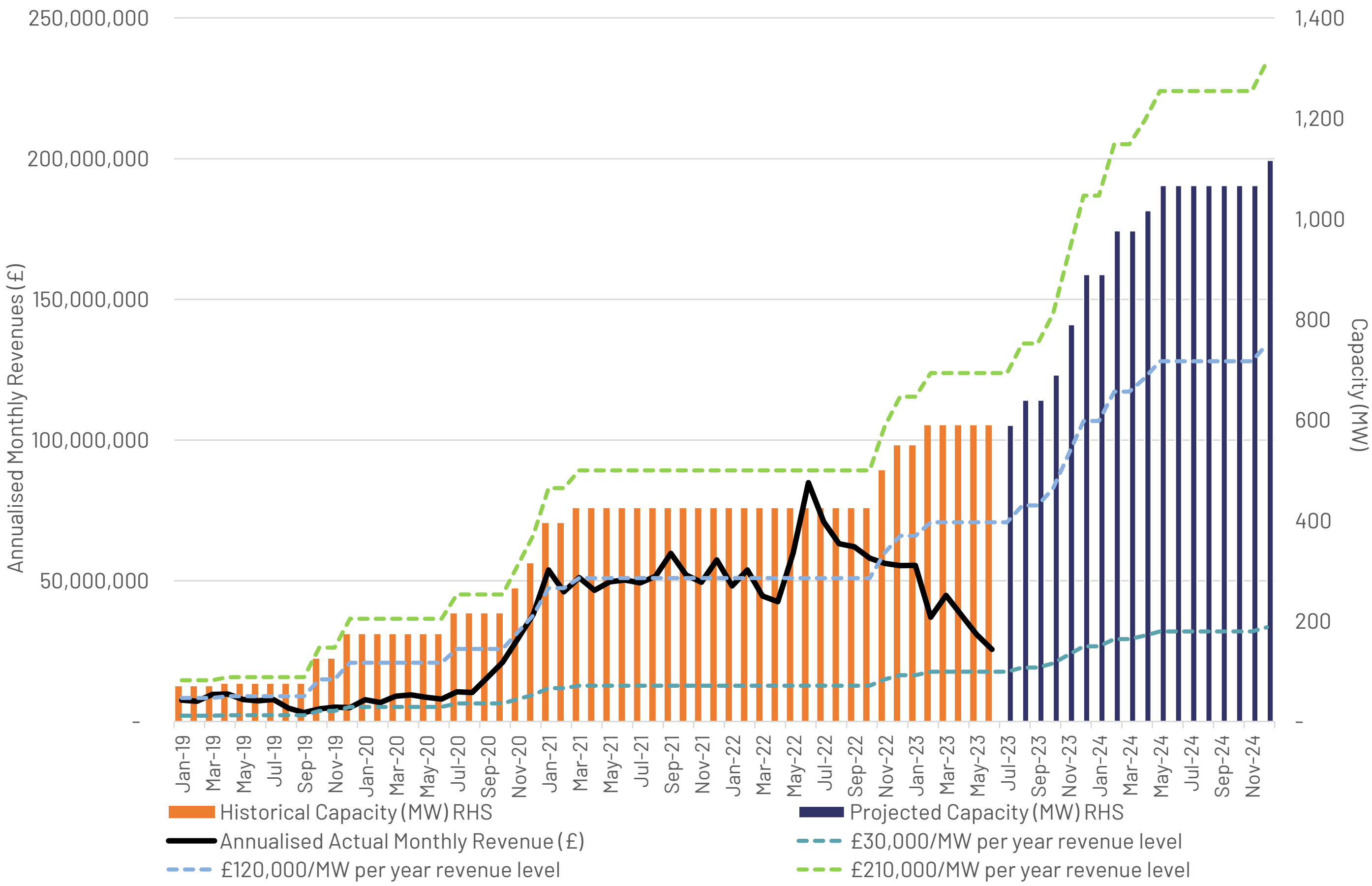
We are fortunate to have an almost 5-year trading track record to analyse. We have lived through extraordinary times since IPO: as the chart below shows, depressed revenues in 2020 reflected low volatility as demand collapsed during lockdowns, while the highs of last year echo events in Ukraine as well as outages in the French nuclear fleet caused by delays to maintenance during the pandemic.

During the lows in 2020, and now in H1 2023, we have relied on trading activities (as opposed to frequency response) and we are confident better times will return, as explained elsewhere in this report but essentially because supply and demand will come back into balance, and we are confident National Grid ESO will deliver on their promises to modernise their systems by year end.

In anticipation of this we continue to build capacity. The chart below shows a range of possible revenue outcomes if our projects generate revenues within the range of what has been achieved in the past (set by the upper and lower dotted lines which show the highest and lower annualised monthly revenues per MW achieved since IPO, respectively).

> “
> **With the significant deployment coming over the next 18 months, we believe we can continue to drive up the NAV Total Return for the foreseeable future.**

Where revenues may be heading
Revenues (actual), revenue ranges vs Capacity



As the portfolio's MWh are growing more quickly than MW (i.e. duration or MWh per MW of the portfolio is increasing) the potential revenue per MW also increases, supporting future revenue performance from the portfolio.

It is worth noting that average daily revenues since the period end have not gone lower than the level seen in June.

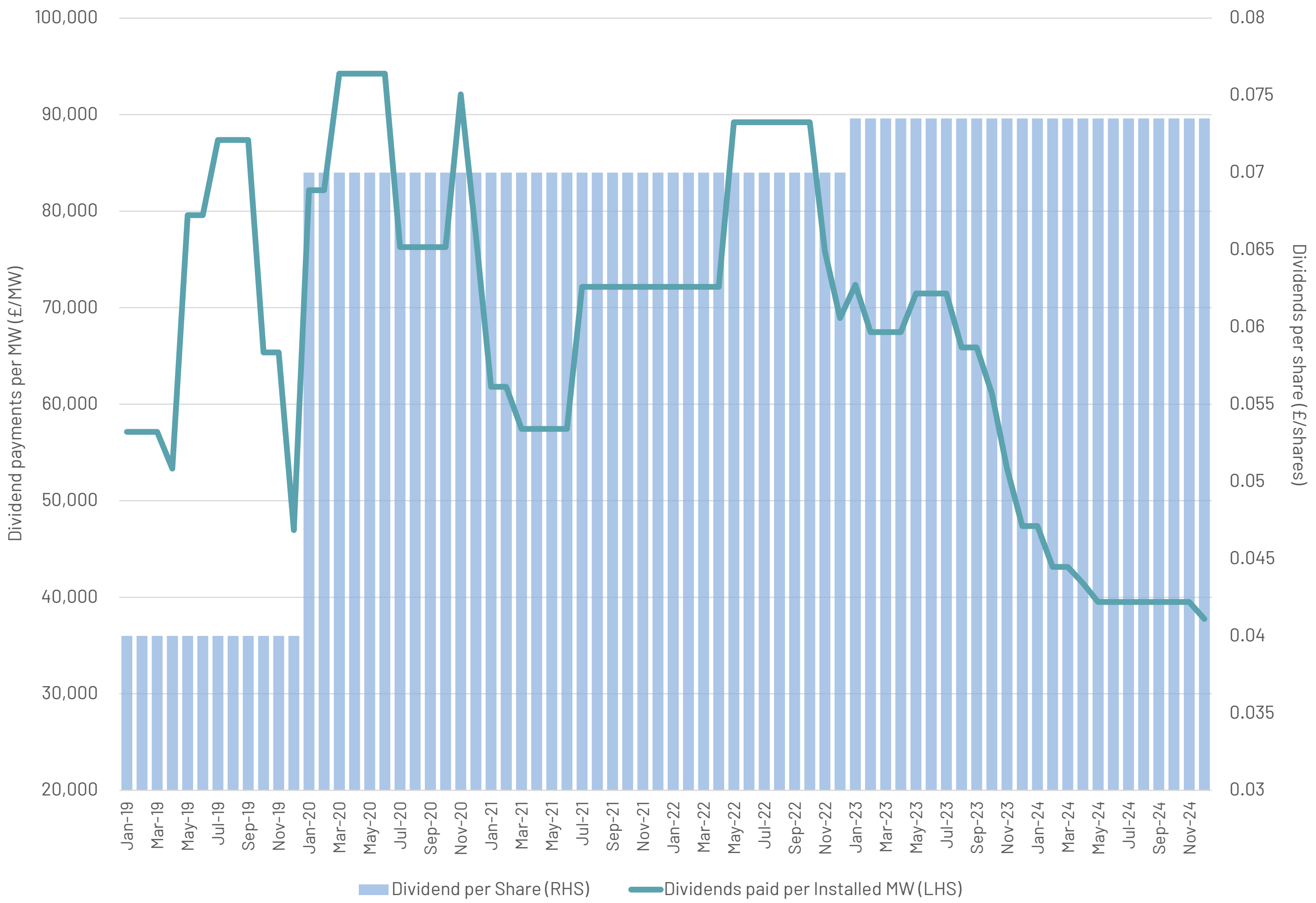
> **The cash flow we need to cover our dividend commitments (expressed as Dividends per MW) has fallen, and will continue to fall through 2024.**

Finally, as we have grown, the business has become much more resilient. The strong IRRs of our investments, ongoing deployment (which reduces cash drag) and the introduction of modest levels of debt have all contributed. This is reflected in the chart below which shows how the cash flow we need to cover our dividend commitments (expressed as Dividends per MW) has fallen, and will continue to fall through 2024, despite increasing our dividend over time (shown in the grey bars).

The chart should be read with our £42mn per annum dividend in mind.

We are proud of this track record and will continue to extract value going forward as we execute on our strategy, which will continue to cement GRID's position as the leader in the BESS sector both in Great Britain, and increasingly abroad.

Dividends per operational MW – ie Cash flow per MW needed to cover dividend obligations – has fallen despite a rising payout per share, driven by deployment of additional capacity.



Sustainability Report

The Company meaningfully supports the transition to net-zero through its continued development of BESS capacity. The company also strives to provide clear reporting of its commitments and sustainability metrics.

Introduction

As we move progressively towards a renewables future, the way in which energy systems are operated need to adapt. The reduced inertia and greater volatility of generation on the system present new challenges to those of the past and require new ideas. Flexibility is more important than ever and so too is procuring that flexibility in a cost-effective manner for the end consumer. Thankfully the solution is already available in the form of Battery Energy Storage Systems (BESS).

Whilst BESS is well known for its fast response and therefore typically associated with providing Frequency Response, the benefits of BESS are far wider reaching. We believe that all seven pillars of the National Grid ESO System Operability Framework[8] can be delivered through the effective use of BESS.

The case for BESS therefore remains strong and we will continue to deliver increased capacity to support in the transition to a net-zero energy system.

Updates

Following on from the Company's reporting of SFDR and TCFD in the 31 December 2022 annual report and accounts the Company continues to look at ways to improve its disclosures. At this interim stage we aim to provide updates on our sustainability objectives and plans for the remainder of the financial year with fuller reporting to be provided as part of the annual report and accounts. Updates on the work being done and performance in the period are shown below.

Environment

The Company continues to commission new projects, supporting the main objective of increasing operational capacity, through the addition of Coupar Angus (40MW/40MWh) in the period and Grendon (50MW/100MWh) shortly after the period.

Total operational capacity has now reached 590MW as of 30 June 2023 (31 December 2022: 550MW) and 640MW shortly after the period end. Battery capacity has increased further thanks to the 2-hour duration for Grendon with total operational battery capacity at 638MWh at 30 June 2023 (31 December 2023: 598MWh) rising to 738MWh shortly after the period end.

The focus on increasing duration of the Company's existing underlying operational assets should see a significant increase in overall battery capacity in the short-term, ahead of previous expectations. This has been identified as a cost-effective way to increase the impact of the Company's assets in a shorter timeframe whilst maximising returns for investors.

Further to the increase in capacity, the Investment Manager's team remains committed to its sustainability procedures with sustainability risk assessments on all investments and a biodiversity plan to aid positive contributions through the construction of assets.

In the Annual report we highlighted our current methodology for calculating GHG emissions as well as limitations in the calculations. The Manager has continued conversations with the Carbon Trust, as well as other parties, to develop enhancements to the methodology to fairly attribute the benefit from enabling renewable output between the renewable generation and the flexibility that is required to run it. Currently, the methodology does not allocate benefit to storage when used outside ancillary services, even though trading returns are inherently linked to charging up in high renewable periods and exporting in periods of insufficient renewable generation and therefore avoiding higher carbon intense generation. We hope to provide further updates at the year end.

Social

The increased capacity of the operational portfolio is providing the flexibility to the system operator to ensure power is available to people as and when it is needed.

8. www.nationalgrideso.com/research-and-publications/system-operability-framework-sof

A single cycle of the Company's current operational capacity of 738MWh can provide the renewable power to cover a day's electricity needs for more than 92,000 homes in the UK[9].

As we continue to deliver against our aims to increase operational capacity, we will further our impact for consumers of electricity to provide the tools for better management of the National Grid to ensure robust demand and supply responses and reduce overall costs of consumers.

The Manager updated its supply chain policy post year-end reflecting feedback from a supply chain audit conducted in 2022 and continues to monitor processes to ensure full adoption across its activities and across its suppliers.

Health and safety remains an important topic, with a dedicated Health and Safety Manager in the Gresham House New Energy team overseeing the Company's construction and operational activities. Whilst incident reporting is a key output, the wider reporting of risks is just as important. The Manager maintains that preventing and reducing likelihood of incidents is the best approach and is pleased to see this mindset continue to be adopted across all its activities.

Governance

The Investment Manager formed a new Sustainability Committee across all its new energy operations in 2022 overseen by the dedicated Gresham House Sustainability team. This replaced previous smaller sub committees, with narrower missions, with a view to clearer aims and actions for the wider team and consistency in adaptation of new policies.

The committee enables knowledge sharing across its renewables and BESS teams and includes representation from all aspects of the Manager's team including construction, technical and commercial operations, fund management, investments, finance and health and safety. The committee continues to meet regularly and is focussed on delivering on all the Company's sustainability objectives.

The Company's Board continue to meet at least quarterly and routinely discusses the Company's approach to ESG considerations and risks as part of this agenda.

The Company and Manager are aligned in their view that an efficient energy market is vital to ensure continued progression towards net-zero whilst maintaining value for end consumers. This is why the Manager, with support from the Board, continues to have a dialogue with National Grid ESO on the topic of BESS skip rates in the BM as well as the over-reliance on gas for managing the system. As noted in the Investment Manager's report, there are significant issues in the operations of the National Grid ESO resulting in higher costs to consumer and higher carbon emissions. Improved uptake of BESS should lead to reduced carbon intensity whilst also saving consumers money. The Manager has been leading industry action, having supported the Energy Storage Network (ESN) letter to National Grid, pushing for further trials to demonstrate the value from BESS such as the successful 2020 Reserve from Storage trial and through pushing for changes to have BESS and gas compete fairly. The Manager is pleased to see the commitment from the National Grid ESO to implement changes in the second half of the year but remains passionately vocal to ensure the National Grid ESO delivers on its targets as this will drive significant value not only to our shareholders but also to end consumers.

The upcoming Balancing Reform Roadmap event on 16 October 2023 is an important milestone in progressing the agenda for BESS - we hope to see significant further commitments from the ESO on this topic and look forward to sharing updates with investors in due course.

9. 92,886 homes based on an average UK household electricity use of 2,900kWh per year per Ofgem (www.ofgem.gov.uk/average-gas-and-electricity-usage).

Principal Risks and Uncertainties

Risk management approach

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

Risk area	Gross impact	Mitigation	Net impact
Availability of batteries and other key components. Residual risk: medium (2022 FY: high)	Inability of the Company to deploy capital raised into investments due to incomplete or lengthening project timescales. Price increases for components making investments less attractive and impacting on overall returns.	The Company's investments are within SPVs and these are subject to a battery order with a Tier 1 supplier which has been secured. Due to the size of this order advantageous terms have been secured. Demand for High Voltage equipment has increased due to the destruction of Ukrainian grid assets: discussions are ongoing between the Company and key suppliers to ensure continuing availability.	This will remain an issue in the future, although the size and scale of the Company provides the ability to secure key components at preferential rates. The Company has acquired batteries and many key components already: this risk is mitigated in relation to current construction portfolio.
Performance and availability of grid connections and their impact on future project commissioning dates causing delay to investment revenues and earnings. Residual risk: medium (2022 FY: high)	Grid Connections performance affecting project commissioning timescales. Shortage of skilled industry staff increasing issues. This affects the ability of the Company's portfolio to generate project revenues to deliver earnings to pay dividends on the timescales expected by the markets.	Expertise brought into the Manager via external consultants to ensure GRID applications are high quality. Future EPC(m) team delivering investments will have more resources to ensure DNO/ESO are constantly reviewed for their performance. The existing pipeline has grid connection certainty.	This issue will remain a constraint across the whole industry: the Manager has taken measures to mitigate delays as much as possible. Many of these risks have already crystallised in relation to the current portfolio and failure of several ICP. Future risk impact is now much reduced.
Financing risk of existing investments and availability of future growth capital. Residual risk: high (2022 FY: medium)	Equity or debt financing is not available to further expand pipeline due to macroeconomic issues and the Company is unable to fund further pipeline expansion. 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 Manager to ensure they are achievable and are monitored regularly.	Limited overall impact on deployment of pipeline. As the Company's investments draw down more debt this risk will tend to increase. As debt is drawn the Company enters into interest rate hedging instruments to manage this risk.

Risk area	Gross impact	Mitigation	Net impact
Great Britain 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: high (2022 FY: medium)	Adverse changes by National Grid in relation to services contracted, caused by either: A) National Grid moving away from their "Net Zero" ambition (e.g. utilising thermal plant rather than BESS) may reduce the size/scope of income earning opportunities to the Company's investments and have potential impact on valuation; or B) National Grid not utilising available assets in their management of the electricity market; or C) 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. Any of the above may impact on the revenues available to BESS on the Great Britain grid.	The Company's investments enjoy several different income streams ranging from BM, Capacity Payments, FFR, TRIADs, and DC as contracted services to National Grid; the Company's investments are able to change which income streams are contracted and ascertain the most advantageous on any given time period: this is continuously monitored by the Investment Manager and optimisation partners. Due to the progressive decommissioning of other carbon intensive options available to National Grid for managing these services, and the need to support the security of this critical national infrastructure, BESS is expected to form an integral part of transforming the electricity sector in the UK. The Investment Manager works with industry groups and engages with National Grid ESO to ensure BESS opportunities are maximised. The difficulties with National Grid ESO are well explained elsewhere in this report: the Company and Manager are proactively managing these issues.	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 is expected to evolve over time. Delays in the National Grid ESO's control room changes have meant the portfolio has had limited access to the BM in 2023. Progress is being carefully monitored and managed and is a key focus of management to restore appropriate usage of BESS by National Grid ESO.

Risk area	Gross impact	Mitigation	Net impact
Operational and performance risk in the underlying investments leading to loss of value. Residual risk: medium (2022 FY: low)	The BESS investments do not perform in the manner expected (i.e. degradation in performance) or are not optimised in the best commercial manner to capture revenue streams leading to reduction in valuations. Performance within the SPVs may not meet planning or safety requirements and result in curtailment of operations and loss of investment value. The portfolio relies on contracts with suppliers to maintain certain key equipment: these suppliers may fail to provide adequate support. Poor market conditions create lower volatility and/or FFR/DC saturation creates lower revenue streams.	The Company's seed assets underwent a programme of upgrades assets and the Company has ensured that new assets are designed in a flexible manner. The battery duration for the new investments is also considered to ensure fullest flexibility for future operation. Design and commissioning testing takes place in each investment to ensure all relevant planning and HSE conditions are met. Fire risk, in particular, is carefully assessed and sites are designed and operated to ensure this risk is as low as practicable. Cyber security risk is managed via secure systems used by optimisation partners. The portfolio has a number of alternative suppliers and optimisers to manage risk. The portfolio relies on multiple income streams to ensure diversification. The Investment Manager works with industry groups and engages with National Grid ESO to ensure BESS opportunities are maximised.	The Investment Manager has substantial experience managing BESS assets and works with leading asset optimisers to ensure assets are designed and operated as expected and any abnormalities are resolved quickly. Health and safety performance is rigorously tested and reviewed. Whilst short term issues with Balancing System revenues are being resolved the investment hypothesis of BESS remains robust in the medium and long term.
Geographic risk. Residual risk: medium (2022 FY: low)	UK assets dominate the portfolio at present: there is a concentration risk and over reliance on the UK market. Recent issues with National Grid ESO have therefore impacted on the portfolio as it is not yet well diversified geographically.	Over time, the international exposure of the Company will be increased and the portfolio become diversified: a number of strategic relationships/opportunities are in place. The Company has advanced plans and potential near term deployment opportunities being actively pursued.	The overall asset balance will evolve: the Company has been careful to ensure market suitability and regulations are clearly understood before capital deployment. The US projects will further assist to rebalance this in the near term.

Risk area	Gross impact	Mitigation	Net impact
Investment in development and construction projects. Residual risk: medium (2022 FY: low)	The Company invests in projects via loans before and after the projects are owned by the Company. There is a risk that the project does not complete, and the Company incurs financial loss. The Company invests in construction projects as part of its investment portfolio. There is a risk of financial loss or delay of revenue generation. Late delivery of plant items may lead to commissioning delays.	The Company does not invest in speculative project development. Any investments in projects are carefully assessed and vetted by the Investment Manager: they will have secured certain minimum requirements and are expected to be ready to proceed to construction in a relatively short timescale. The Manager has further developed its project delivery team to enable construction issues to be addressed proactively. This includes both internal and external expertise to bring specific skills to bear on technical issues.	Despite careful vetting and management of project development activities and commercial arrangements by the Investment Manager to manage construction risk, delays caused by third parties impact the revenue generating opportunities of the portfolio. The Company is usually investing in the advance purchase of equipment which has inherent value and can be used on other projects if needed.
Valuation risk. Residual risk: low (2022 FY: low)	The Company's investments are valued using discounted cash flows and assessment of future income streams: these valuations may be materially incorrect or not held at fair value. The Company's investments are impaired if income streams are not as profitable as expected or costs are high than expected. Volatile inflation and interest rates may impact upon these valuations.	Risk adjusted discount rates drive valuation along with the external pricing curves. The Company utilises a modelling methodology which discounts income streams using discount rates appropriate to the perceived risks. The weighted average discount rates are reviewed regularly and the Company believes the valuations are set cautiously. A third-party valuer reviews valuations and confirms appropriateness.	Compared to market peers the risk is deemed to be low when the discount rates are considered.
Reliance on the Investment Manager. Residual risk: low (2022 FY: low)	The Company relies on the Investment Manager and "key persons" as a mission critical supplier.	The Company has long-term contractual arrangements in place with the Investment Manager and the Investment Manager has confirmed to the Company that the growth of the Company is a key focus area of the Investment Manager. The Manager has confirmed that, following the recommended takeover announced on 17 July 2023 that the Company will remain a key focus.	The Investment Manager remains incentivised to continue to grow the Company and drive value. The growth in scale and associated activity supplied by the Investment Manager will tend to increase this risk. The Investment Manager has built out a large team of experts which reduces "key people" risks.

Risk area	Gross impact	Mitigation	Net impact
Tax compliance. Residual risk: low (2022 FY: low)	The Company is registered as an Investment Trust and must comply with certain tests.	The Investment Manager undertakes the relevant tests each quarter and the Company's tax advisers review this regularly.	None.
Environmental, Social and Governance: production and recycling of batteries creates risk. Residual risk: low (2022 FY: low)	BESS are manufactured, installed, and operated with the intention of driving the transformation to a low carbon energy supply in the UK. However, the lifecycle ESG impact of the batteries needs to be considered and minimised.	The supply for battery manufacture relies on high quality global partners who ensure their supply chain does not involve the use of illegally or unethically sourced "rare earth" materials or inadequate labour standards. The Company undertook a supply chain review in 2022. The recycling of the BESS systems is subject to constant development and research; the importer of these batteries (not the Company) is responsible for their disposal, but the Company will facilitate this to ensure low environmental impact. This is an industry wide focus, and the residual value of materials remains high and there is likely to be value from recycling of materials in future.	Some aspects of this are still evolving over time, especially the end use/ recycling of BESS. The ability of BESS to drive a low carbon electricity system needs to be considered versus the other, mainly fossil fuelled, options when considering the overall ESG impact of BESS. Work will continue to minimise this over time.

Emerging risks

Risk area	Gross impact	Mitigation	Net impact
Emerging technology replaces battery energy storage assets. Residual risk: low (2022 FY: low)	The Company invests in battery storage projects: a new or disruptive technology might adversely impact on the Company's investments. Future income streams may be reduced if new entrants have significantly lower marginal costs.	The Company utilises proven technologies with associated Tier 1 supplier warranties and performance guarantees. The Company continues to review available technologies. It is currently viewed as unlikely that a completely new reliable and cost competitive technology will appear during the lifetime of these batteries and impact on the lifecycle of these batteries.	The Company will also benefit from lower costs and the valuation model assumes continuing cost reductions for replacement assets over time.
Geopolitical risk of potential equipment shortages if China is subject to sanctions. Residual risk: medium (2022 FY: medium)	If China invades Taiwan or takes other hostile measures which cause sanctions, the supply chain of crucial equipment would be disrupted.	The Company has relationships with other non-Chinese suppliers, but they are likely to source components from China. The Company ensures payments are protected via Letters of Credit to ensure no financial loss.	The Company ensures it is securing key equipment orders in advance. Expansion into US projects will widen potential supply chain.

Board of Directors

The Company has a Board of five Independent Non-Executive Directors.

John Leggate CBE, FREng

Chair and Independent Non-Executive Director

John was appointed to the Board on 24 August 2018.

Isabel Liu

Independent Non-Executive Director

Isabel was appointed to the Board on 1 October 2022.

Duncan Neale

Audit Committee Chair and Independent Non-Executive Director

Duncan was appointed to the Board on 24 August 2018.

Catherine Pitt

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

Catherine was appointed to the Board on 1 March 2019.

David Stevenson

Chair of the Remuneration Committee and Independent Non-Executive Director

David was appointed to the Board on 24 August 2018.

John Leggate CBE, FREng

John is highly experienced as an energy sector executive and is a venture investor in the "clean tech" and digital technologies. John has significant board experience and is currently on the board of cyber security firm Global Integrity in Washington DC and is a senior advisor in the energy sector to a "blue chip" international consultant. John was appointed to the Board on 24 August 2018

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

Isabel Liu

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

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

Duncan Neale

Duncan is a CFO and Finance Director with over 20 years of commercial experience working for both publicly listed and privately-owned companies. Duncan is a Fellow of the Institute of Chartered Accountants and qualified with Price Waterhouse in London. Duncan was appointed to the Board on 24 August 2018.

Significant interests: Duncan is a Trustee of the Cambodian Children's Fund UK, a Director of DJN Consultancy Limited, a Director of Atrato Onsite Energy plc and a Director of AFC Energy plc.

Catherine Pitt

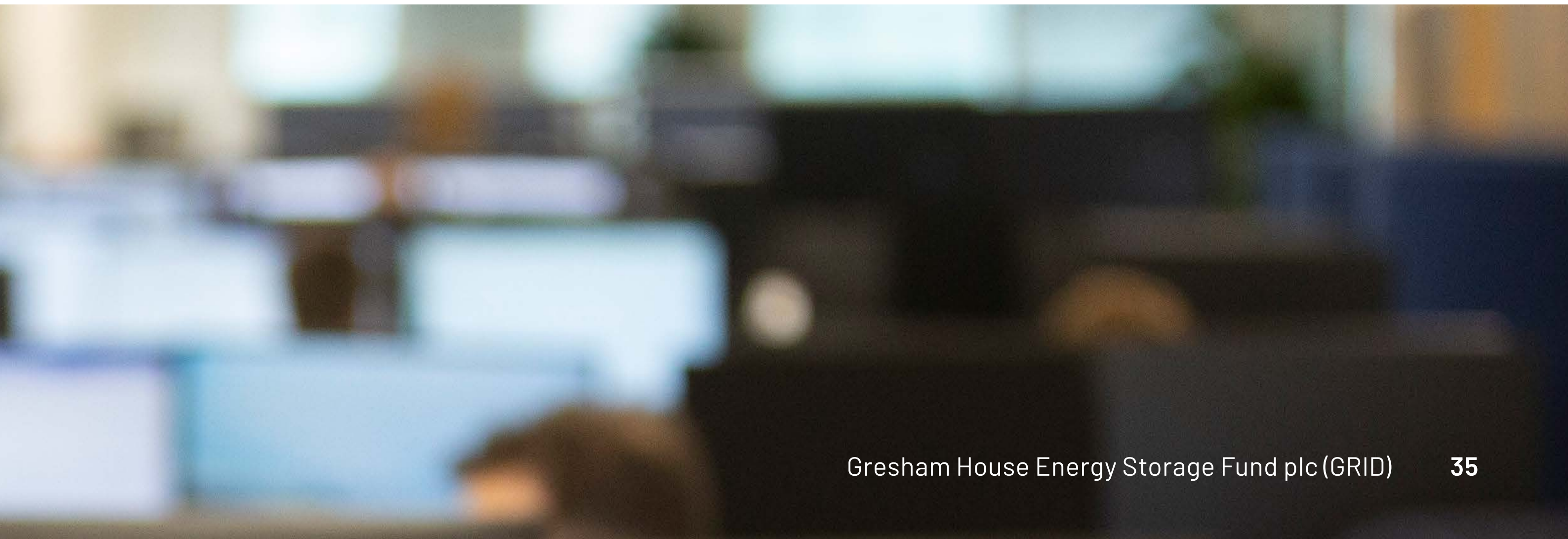
Cathy is a former corporate lawyer who specialised in the investment company sector for over 20 years. Until May 2023, Cathy was a partner, and latterly a consultant partner, at CMS, a top 10 global law firm. Cathy was appointed to the Board on 1 March 2019.

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

David Stevenson

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

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



Investment Team

Ben Guest
Managing Director, New Energy

Charlie Von Schmeider
Investment Director, New Energy

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

Paul George
Health and Safety Manager, New Energy

Nick Vest
Finance Director, New Energy

Ana Segizbayeva
Associate Director, project Delivery, New Energy

James Bustin
Investment Manager, New Energy

Gareth Owen
Investment Director, New Energy

Stephen Beck
Finance Director, Real Assets

Rupert Robinson
Managing Director, Gresham House Asset Management Limited

Lefteris Strakosias
Investment Director, New Energy

Ben Guest

Ben was the founder and managing partner of Hazel Capital which was acquired by Gresham House in 2017. He has 29 years of investment experience. Ben's expertise spans the investment spectrum, across infrastructure, public equities and venture capital.

Today, Ben is Managing Director of Gresham House's New Energy Division and the Lead Fund Manager of the Company. He is responsible for the origination and execution of investment opportunities and for the overall strategy and ongoing portfolio management of the Company. Ben started his fund management career at Lazard Asset Management in 1994 before going on to co-found Cantillon Capital and later founded Hazel Capital in 2007, a renewable energy-focused fund management business. Ben currently serves as a Director of all of the Company's project companies.

James Bustin

James has 9 years of experience across investments, finance and accounting and joined the team in 2019 having previously worked on public equities and venture capital in the Gresham House Ventures team. James's role in the New Energy team covers fund and portfolio management as well as modelling and new investments.

James joined Gresham House in 2018 as part of the acquisition of Livingbridge VC where he had been working as an analyst since 2016. Prior to Livingbridge, James worked in TMT audit at EY for 3 years, qualifying as a Chartered Accountant.

Charlie von Schmeider

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

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

Charlie's current role began in February 2021. He is responsible for executing investments in BESS projects, whether acquired before construction or when already operational.

Gareth Owen

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

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

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

Lefteris Strakosias

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

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

Fernando Casas Garcia

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

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

Ana Segizbayeva

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

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

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

Paul George

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

Paul has 10 years of experience in health and safety risk management in the construction sector as well as a degree in occupational health and safety management.

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

Stephen Beck

Stephen has 27 years of industry experience and is a law graduate and Barrister and was called to the Bar in 1996. He is also a Fellow of the Institute of Charted Accountants of England and Wales and qualified with PricewaterhouseCoopers.

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

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

Nick Vest

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

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

Rupert Robinson

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

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

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

Statement of Directors' Responsibilities

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

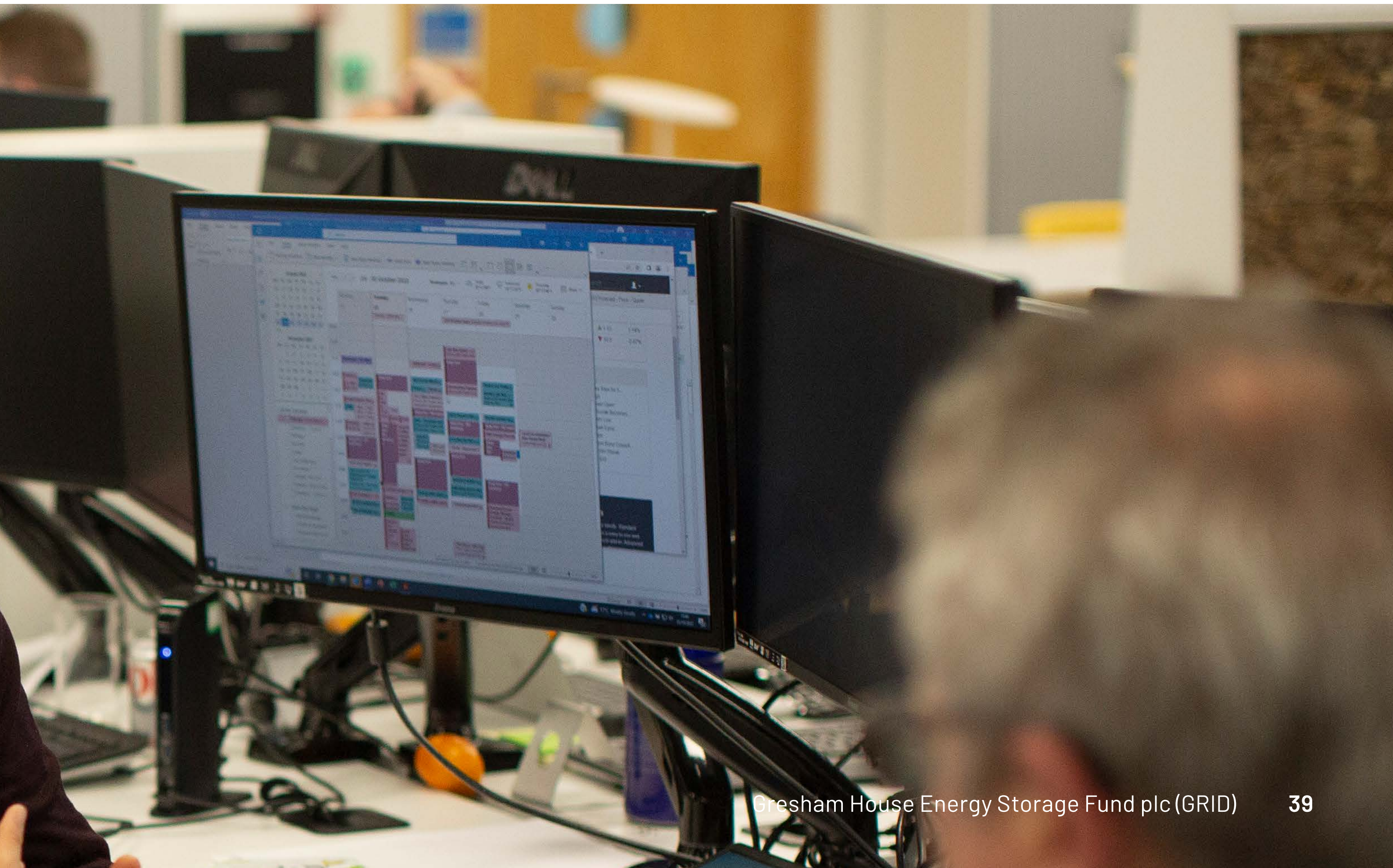
The Directors confirm to the best of their knowledge:

- the Interim Report and Condensed Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Chair's Statement and Investment Manager's Report include a fair review of the development, performance and position of the Company and a description of the principal risks and uncertainties, that it faces for the next six months as required by DTR 4.2.7R of the Disclosure Guidance and Transparency Rules; and
- the Investment Manager's Condensed Interim Report and Note 22 to the Condensed Financial Statements include a fair review of related party transactions and changes therein, as required by DTR 4.2.8R of the Disclosure Guidance and Transparency Rules.

The Responsibility Statement has been approved by the Board.

John Leggate CBE, FREng
Chair

26 September 2023



Unaudited Condensed Statement of Comprehensive Income

For the six months ended 30 June 2023
Company number 11535957

Six months ended 30 June 2023	Note	Revenue (unaudited) (£)	Capital (unaudited) (£)	Total (unaudited) (£)
Net gain/(loss) on investments at fair value through the profit and loss	7	22,598,069	(48,376,790)	(25,778,721)
Bank interest income		19,455	-	19,455
Other income		266,985	-	266,985
Total income		**22,884,509**	**(48,376,790)**	**(25,492,281)**
Administrative and other expenses	8	(4,852,791)	(8,394)	(4,861,185)
Profit/(loss) before tax		**18,031,718**	**(48,385,184)**	**(30,353,466)**
Taxation	9	-	-	-
Profit/(loss) after tax and total comprehensive income for the period		**18,031,718**	**(48,385,184)**	**(30,353,466)**
Profit/(loss) per share (basic and diluted) – pence per share	10	3.30	(8.85)	(5.55)

Six months ended 30 June 2022	Note	Revenue (unaudited) (£)	Capital (unaudited) (£)	Total (unaudited) (£)
Net gain on investments at fair value through the profit and loss	7	13,584,083	131,571,872	145,155,955
Bank interest income		60,037	-	60,037
Other income		199,500	-	199,500
Total income		**13,843,620**	**131,571,872**	**145,415,492**
Administrative and other expenses	8	(3,527,579)	-	(3,527,579)
Profit before tax		**10,316,041**	**131,571,872**	**141,887,913**
Taxation	9	-	-	-
Profit after tax and total comprehensive income for the period		**10,316,041**	**131,571,872**	**141,887,913**
Profit per share (basic and diluted) – pence per share	10	2.26	28.88	31.15

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

The notes starting on page 44 form an integral part of these Condensed Interim Financial Statements.

There are no other items of comprehensive income or expense apart from those disclosed above and consequently a separate statement of comprehensive income has not been prepared.

Unaudited Condensed Statement of Financial Position

As at 30 June 2023
Company number 11535957

	Note	30 June 2023 (unaudited) (£)	31 December 2022 (audited) (£)
Non-current assets			
Investment in subsidiaries at fair value through profit or loss	11	801,492,771	834,771,492
Total non-current assets		**801,492,771**	**834,771,492**
Current assets			
Cash and cash equivalents	13	41,482,307	7,327,492
Trade and other receivables	14	367,363	217,698
Total current assets		**41,849,670**	**7,545,190**
Total assets		**843,342,441**	**842,316,682**
Current liabilities			
Trade and other payables	15	(2,343,353)	(571,020)
Total current liabilities		**(2,343,353)**	**(571,020)**
Total net assets		**840,999,088**	**841,745,662**
Shareholders' equity			
Share capital	20	5,734,447	5,412,904
Share premium	20	543,935,133	495,230,993
Merger relief reserve	20	13,299,017	13,299,017
Capital reduction reserve	20	3,892,537	3,892,537
Capital reserves		218,865,307	267,250,491
Revenue reserves		55,272,647	56,659,720
Total shareholders' equity		**840,999,088**	**841,745,662**
Net asset value per share (pence)	19	146.66	155.51

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

John Leggate CBE, FREng

Chair

Date: 26 September 2023

The notes starting on page 44 form an integral part of these Condensed Interim Financial Statements

Unaudited Condensed Statement of Changes in Equity

For the period from 1 January 2023 to 30 June 2023

Six months ended 30 June 2023	Note	Share capital (£)	Share premium reserve (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Capital reserves (£)	Revenue reserves (£)	Total shareholders' equity (£)
As at 1 January 2023		5,412,904	495,230,993	13,299,017	3,892,537	267,250,491	56,659,720	841,745,662
Profit/(loss) after tax and total comprehensive income for the period		-	-	-	-	(48,385,184)	18,031,718	(30,353,466)
Transactions with owners:								
Ordinary shares issued	20	321,543	49,678,457	-	-	-	-	50,000,000
Share issue costs		-	(974,317)	-	-	-	-	(974,317)
Dividends paid	20	-	-	-	-	-	(19,418,791)	(19,418,791)
As at 30 June 2023		**5,734,447**	**543,935,133**	**13,299,017**	**3,892,537**	**218,865,307**	**55,272,647**	**840,999,088**

Six months ended 30 June 2022	Note	Share capital (£)	Share premium reserve (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Capital reserves (£)	Revenue reserves (£)	Total shareholders' equity (£)
As at 1 January 2022		4,378,421	349,058,720	13,299,017	38,162,172	75,421,840	31,350,871	511,671,041
Profit after tax and total comprehensive income for the period		-	-	-	-	131,571,872	10,316,041	141,887,913
Transactions with owners:								
Ordinary shares issued	20	1,034,483	148,965,516	-	-	-	-	149,999,999
Costs of Ordinary shares issued		-	(2,793,243)	-	-	-	-	(2,793,243)
Dividends paid	20	-	-	-	(15,324,472)	-	-	(15,324,472)
As at 30 June 2022		**5,412,904**	**495,230,993**	**13,299,017**	**22,837,700**	**206,993,712**	**41,666,912**	**785,441,238**

The notes starting on page 44 form an integral part of these Condensed Interim Financial Statements

Unaudited Condensed Statement of Cash Flows

For the period from 1 January 2023 to 30 June 2023

	Note	Six months ended 30 June 2023 (unaudited) (£)	Six months ended 30 June 2022 (unaudited) (£)
Cash flows from operating activities			
(Loss)/profit for the period		(30,353,466)	141,887,913
Net loss/(gain) on investments at fair value through profit and loss	7	48,376,790	(131,571,872)
Interest income		(22,617,524)	(13,584,083)
Decrease/(increase) in trade and other receivables		149,665	(72,115)
Increase/(decrease) in trade and other payables		1,772,333	1,656,959
Net cash used in operating activities		**(2,971,532)**	**(1,683,198)**
Cash flows from investing activities			
Loans made to subsidiaries		-	(30,194,285)
Loan repayments from subsidiaries	11	7,500,000	-
Net cash generated from/(used in) investing activities		**7,500,000**	**(30,194,285)**
Cash flows from financing activities			
Proceeds from issue of Ordinary shares at a premium	20	50,000,000	149,999,999
Share issue costs	20	(974,317)	(2,793,244)
Dividends paid	20	(19,418,791)	(15,324,472)
Bank interest received		19,455	-
Net cash inflow from financing activities		**29,626,347**	**131,882,283**
Net increase in cash and cash equivalents for the period		**34,154,815**	**100,004,800**
Cash and cash equivalents at the beginning of the period		7,327,492	122,175,081
Cash and cash equivalents at the end of the period		**41,482,307**	**222,179,881**

The notes starting on page 44 form an integral part of these Condensed Interim Financial Statements

Notes to the Interim Financial Statements

For the period ended 30 June 2023

1 General information

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

These interim financial statements cover the period from 1 January 2023 to 30 June 2023, with a comparative period from 1 January 2022 to 30 June 2022, and comprise only the results of the Company as all of its subsidiaries are measured at fair value.

2 Basis of preparation

Statement of compliance

The Interim Report and Condensed Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34). The Condensed Interim Financial Statements have been prepared on a historical cost basis except for financial assets at fair value through the profit or loss. The accounts have been prepared on a basis that is consistent with accounting policies applied in the preparation of the Company's Annual Financial Statements for 31 December 2022.

Where presentational guidance set out in the Statement of Recommended Practice (SORP) 'Financial Statements of Investment Trust Companies and Venture Capital Trusts', issued by the Association of Investment Companies (AIC) is consistent with the requirements of IAS 34, the Directors have prepared the Condensed Interim Financial Statements on a basis compliant with the recommendations of SORP. The supplementary information which analyses the Statement of Comprehensive Income between items of revenue and a capital nature is presented in accordance with the SORP.

These Condensed Interim Financial Statements do not include all information and disclosures required in the Annual Financial Statements and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2022, which were prepared in accordance with UK adopted international accounting standards.

Functional and presentation currency

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

Going concern

As at 30 June 2023, the Company had net current assets of £40mn and had cash balances £41mn (excluding cash balances within investee companies), which are sufficient to meet the cash flows for a period of not less than 12 months from the date of signing the Interim Report and Condensed Interim Financial Statements. The major cash outflows of the Company are the costs relating to the acquisition of new assets and payment of dividends, both of which are discretionary (other than committed transactions). These acquisitions are funded through drawdowns under the debt facility within Gresham House Energy Storage Holdings plc ('MidCo') which had available capacity of £225mn at period end. All committed acquisitions at the end of the period are sufficiently covered through current cash reserves and debt facilities already in place in MidCo.

The Company had no outstanding debt owing as at 30 June 2023. The Company is a guarantor of the debt facility entered into by the MidCo in 2021, of which £110mn was drawn as at 30 June 2023.

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

3 Significant accounting judgements, estimates and assumptions

The preparation of the Condensed Interim 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:

1. the Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;
2. 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
3. the Company measures and evaluates the performance of its investments on a fair value basis.

The Company meets the criteria as follows:

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

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

Assessment of the MidCo as an investment entity

The MidCo is not consolidated as the MidCo is considered to be an investment entity. The Board of the MidCo have considered the requirements of IFRS 10 as per above and confirm the MidCo meets these criteria. If the MidCo was not considered to meet the definition of an investment entity, then the Company would be required to consolidate the entity. The impact of consolidating the MidCo would be to increase the investment value to £895,979,299 (31 December 2022: £855,652,348) and recognise a reduction in net working capital of £94,486,528 (31 December 2022: £20,880,856). Note 11 includes an overview of the balances within the MidCo.

Investment Manager not a related party:

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

Valuation of investments in subsidiaries

During the year the Directors considered the following significant estimates:

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

4 New standards, amendments and interpretations published

Adopted:

New and amended standards and interpretations that are issued and effective for annual reporting periods beginning on or after 1 January 2023 are as follows:

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

In January 2020, IASB issued amendments to paragraphs 69 to 76 of IAS 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 ability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Based on the Company's assessment the amendments do not have a material impact on current practice and existing loan agreements do not 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.

Based on the Company's assessment the amendments do not 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 aid to help entities provide accounting policy disclosures that are more 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 provided non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

Based on the Company's assessment no significant changes were required to the Company's accounting policy disclosures. The Company have revised their accounting policy disclosures where necessary 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.

Based on the Company's assessment the amendments do not have a material impact on the Company's financial statements.

Not yet adopted:

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 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 these financial statements are disclosed below. The Company intends to adopt these new and mended standards and interpretations, if applicable, when they become effective.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

The IASB issued IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information on 26 June 2023.

IFRS S1 sets out general requirements for the disclosure of material information about sustainability-related financial risks and opportunities and other general reporting requirements.

These standards (together with IFRS S2) were developed to provide more consistent, complete, comparable, and verifiable sustainability-related financial information to enable users to assess an entity's enterprise value and meet their needs of general-purpose financial information.

The IASB also issued its package of transitional reliefs to support companies applying IFRS S1 by permitting entities that apply the standard to only make disclosures about climate related risks and opportunities, with disclosure of all sustainability-related risks and opportunities beginning in the second year of adoption. If an entity applies the transitional reliefs available in the ISSB Standard, it is required to disclose that fact.

The standard is effective for annual reporting periods beginning on or after 1 January 2024. The amendments are not expected to have a material impact on the Company's financial statements.

IFRS S2 Climate-related Disclosures

The IASB issued IFRS S2 Climate-related Disclosures on 26 June 2023.

IFRS S2 sets out disclosure requirements that are specific to climate-related matters.

The IASB also issued its package of transitional reliefs to support companies applying the standard. However, the transition relief has no effect on the application of the requirements in IFRS S2.

The standard is effective for annual reporting periods beginning on or after 1 January 2024. The amendments are not expected to have a material impact on the Company's financial statements.

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

5 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Unaudited Condensed Interim 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 battery energy storage assets.

Income and expenses (excluding investments)

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

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

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

Other income

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

Taxation

The Company is approved as an Investment Trust Company (ITC) under section 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 2016 there was a single corporation tax rate of 19%. This rate has increased 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 not have a significant impact on the valuation on the Company's investments.

Investment in subsidiaries

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

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

Financial instruments

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition in 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 asset; 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 within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Cash and cash equivalents

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

Trade and other receivables

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

Financial liabilities measured at amortised cost

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

Trade and other payables

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

Deferred consideration

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

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

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

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

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

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

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

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

Recognition and derecognition

Financial assets or liabilities are recognised on the date on which the Company enters into an agreement that gives rise to a financial asset or liability. 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 the profit or loss are not subject to IFRS 9 impairment requirements

Dividends

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

Equity

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

Fair value measurement and hierarchy

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

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

Level 1: Quoted (unadjusted) market prices in the 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 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 in the hierarchy by reassessing categorisation at the end of each reporting period.

6 Fees and expenses

Accounting, secretarial and Directors

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

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

During the period, expenses incurred with JTC (UK) Limited for administrative and secretarial services amounted to £209,316 (2022: £143,194) with £97,260 (2022: £35,784) being outstanding and payable at the period end.

AIFM

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

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

During the period, Investment Manager fees recognised in these Condensed Interim Financial Statements amounted to £3,746,762 (2022: £2,633,215) with £1,901,401 (2022: £1,438,960) being outstanding and payable at the period end.

The Investment Manager is a wholly owned subsidiary of Gresham House plc, a significant shareholder in the Company holding 5.53% (2022: 5.34%) of total issued ordinary shares. Ben Guest, a Director of the Investment Manager, holds 2.51% (2022: 2.66%) of total issued ordinary shares, including direct and indirect holdings.

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

	Six months ended 30 June 2023 (£)	Six months ended 30 June 2022 (£)
Unrealised (loss)/gain on investments at fair value through the profit and loss	(48,376,790)	131,571,872
Interest on loans to subsidiaries	22,598,069	13,584,083
	(25,778,721)	**145,155,955**

8 Administrative and other expenses

	Six months ended 30 June 2023 (£)	Six months ended 30 June 2022 (£)
Administration fees	178,836	112,714
Audit fees	164,022	94,303
Depositary fees	51,317	17,921
Directors' remuneration including social security contributions and similar taxes	165,867	146,845
Management fees	3,746,762	2,633,215
Sundry expenses	228,607	203,631
Transaction fees	8,394	-
Legal and professional	317,380	318,950
	4,861,185	**3,527,579**

9 Taxation

The Company is recognised as an Investment Trust Company (ITC) for the accounting period and is taxed at the main rate of 25% (2022: 19%), however due to the change in corporate tax rate on 1 April 2023 from 19% to 25% (see Note 5), the effective tax rate for 2023 will be 23.5%.

The Company may utilise group relief or make interest distributions to reduce taxable profits for the period to 30 June.

	Six months ended 30 June 2023 (£)	Six months ended 30 June 2022 (£)
(a) Tax charge in profit or loss		
UK corporation tax	–	–
	–	–
(b) Reconciliation of the tax charge for the period		
(Loss)/profit before tax	(30,353,466)	141,887,913
Tax at UK main rate of 23.5% (2022:19%)	(7,133,065)	26,958,703
Tax effect of:		
Net loss/(gain) on investments at fair value through the profit and loss	11,368,546	(24,998,656)
Non-deductible expenses	1,973	(12,509)
Subject to group relief/designated as interest distributions	(4,237,454)	(1,947,538)
Tax charge for the period	–	–

10 Earnings per Ordinary Share

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

Six months ended 30 June 2023	Revenue	Capital	Total
Net profit/(loss) attributable to ordinary shareholders (£)	18,031,718	(48,385,184)	(30,353,466)
Weighted average number of Ordinary Shares for the period	546,975,098	546,975,098	546,975,098
Profit/(loss) per Ordinary Share (basic and diluted) – pence per Ordinary Share	**3.30**	**(8.85)**	**(5.55)**

Six months ended 30 June 2022	Revenue	Capital	Total
Net profit attributable to ordinary shareholders (£)	10,316,041	131,571,872	141,887,913
Weighted average number of Ordinary Shares for the period	455,559,738	455,559,738	455,559,738
Profit per Ordinary Share (basic and diluted) – pence per Ordinary Share	**2.26**	**28.88**	**31.15**

11 Investments in subsidiaries at fair value through profit or loss

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

	Immediate parent	Projects	Place of business	Registered office	Percentage ownership
Gresham House Energy Storage Holdings plc	The Company	"MidCo"	England & Wales	Gresham House Asset Management Limited, 5 New Street Square, London, England, EC4A 3TW	100%

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

The Directors evaluate the performance of the portfolio of energy storage investments through its subsidiary companies on a fair value basis. The income approach is used to value investments as it indicates value based on the sum of the economic income that a project, or group of projects, is anticipated to earn in the future.

When acquiring new investments, the Company will recognise value as these investments are effectively de-risked. If under construction but not expected to be completed within nine months, the project will be held at cost. After this date, during construction and once certain key milestones which reduce risk are met, the project will be fair valued. However, a construction premium of 0.75% will be added to the discount rate. When the investment reaches "PAC" a project will be fair valued with a reduced construction premium for 30 days as a Proving Period. After 30 days the project will be fair valued without a construction premium.

The Company engaged Grant Thornton as independent and qualified valuers to assess the fair value of the Company's investments who 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.

	30 June 2023 (£)	31 December 2022 (£)
Equity	212,575,999	260,952,789
Loans	588,916,772	573,818,703
Total equity and loans	**801,492,771**	**834,771,492**

Reconciliation	30 June 2023 (£)	31 December 2022 (£)
Opening balance	834,771,492	389,346,748
Add: loans advanced	-	220,727,810
Less: loan repayments	(7,500,000)	-
Add: accrued interest on loans (see **Note 7**)	22,598,069	32,868,283
Total fair value movement through profit or loss (see **Note 7**)	(48,376,790)	191,828,651
Closing balance	**801,492,771**	**834,771,492**

The loan attracts and interest rate of 8% per annum from the date of advance. Interest compounds on 31 December of each period and the loan is unsecured.

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

Further analysis

The Company owns 100% of the ordinary shares in Gresham House Energy Storage Holdings plc (the MidCo) which itself owns a number of 100% owned subsidiaries. The investment in the MidCo of £801,492,771 (2022: £834,771,492) comprises underlying investments as follows:

	Percentage ownership		Total Investment	
	30 June 2023	31 December 2022	30 June 2023 (£)	31 December 2022 (£)
Noriker Staunch Limited	100%	100%	17,589,569	20,725,873
HC ESS2 Limited	100%	100%	21,029,200	26,249,676
HC ESS3 Limited	100%	100%	18,143,069	21,021,765
West Midlands Grid Storage Two Limited	100%	100%	3,693,620	4,649,291
Cleator Battery Storage Limited	100%	100%	10,600,317	12,635,799
Glassenbury Battery Storage Limited	100%	100%	46,436,165	55,572,940
HC ESS4 Limited	100%	100%	45,022,449	50,735,176
Bloxwich Energy Storage Limited	100%	100%	22,339,601	26,329,677
HC ESS6 Limited	100%	100%	43,836,385	49,672,338
HC ESS7 Limited	100%	100%	45,401,002	51,549,996
Tynemouth Battery Storage Limited	100%	100%	13,687,308	17,276,210
Gridreserve Limited	100%	100%	20,348,294	22,494,647
Nevendon Energy Storage Limited	100%	100%	9,778,509	11,646,848
Port of Tyne Energy Storage Limited	100%	100%	31,641,435	35,279,004
Enderby Storage Limited	100%	100%	42,960,630	35,056,336
West Didsbury Storage Limited	100%	100%	36,073,458	31,816,696
Penwortham Storage Limited	100%	100%	35,068,517	30,637,328
Grendon Storage Limited	100%	100%	50,456,809	37,124,697
Melksham East Storage Limited and Melksham West Storage Limited	100%	100%	71,592,108	60,303,907
UK Battery Storage Limited	100%	100%	191,955,400	172,918,927
GreenGridPower1 Limited	100%	100%	8,995,802	4,763,091
Stairfoot Generation Limited	100%	100%	32,230,408	32,367,129
Arbroath Limited	100%	100%	28,029,242	31,781,429
Gresham House Energy Storage Solutions Limited	100%	100%	10,157,766	8,899,321
Roc Noir Limited	100%	-	5,434,601	-
Coupar Limited	100%	-	33,477,635	-
Investment in subsidiaries – subtotal			**895,979,299**	**851,508,101**
Coupar Ltd*			-	4,144,247
Total investments			**895,979,299**	**855,652,348**
Working capital in the MidCo			(94,486,528)	(20,880,856)
Total investment in the MidCo			**801,492,771**	**834,771,492**

*Coupar Limited became a wholly owned subsidiary of the MidCo during the period.

The place of business for all the investments is 5 New Street Square, London, England, EC4A3TW.

An example of what the Company would look like if the MidCo was consolidated is included in Note 3.

12 Loans receivable

The only loans receivable at 30 June 2023 and 31 December 2022 are loans to the MidCo, which is accounted for as an Investments in subsidiaries – see Note 11.

13 Cash and cash equivalents

	30 June 2023 (£)	31 December 2022 (£)
Cash at bank	8,962,853	7,327,492
Short term deposits	32,519,454	-
	41,482,307	**7,327,492**

14 Trade and other receivables

	30 June 2023 (£)	31 December 2022 (£)
Accrued Income	232,784	147,302
Prepaid expenses	64,152	59,479
VAT receivable	70,427	10,917
	367,363	**217,698**

15 Trade and other payables

	30 June 2023 (£)	31 December 2022 (£)
Administration and secretarial fees	97,260	192,258
Audit fee accrual	137,500	166,468
AIFM management fees	1,904,401	-
Other accruals	204,192	212,294
	2,343,353	**571,020**

16 Categories of financial instruments

	30 June 2023 (£)	31 December 2022 (£)
Financial assets *Financial assets at amortised cost:*		
Cash and cash equivalents	41,482,307	7,327,492
Trade and other receivables*	232,784	147,302
Fair value through profit or loss:		
Investment in subsidiaries	801,492,771	834,771,492
Total financial assets	**843,207,862**	**842,246,286**
Financial liabilities *Financial liabilities at amortised cost:*		
Trade and other payables	(2,343,353)	(571,020)
Net financial assets	**840,864,509**	**841,675,266**

*excludes prepayments and VAT

As at 30 June 2023, the Company had an outstanding charge with Santander UK plc in respect of its position as guarantor to the debt facility of the MidCo, held against all the assets and undertakings of the Company.

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

17 Fair Value measurement

Valuation approach and methodology

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

Valuation process

The Company, via the MidCo, held a portfolio of energy storage investments with an operational capacity of 590 Megawatt (MW) (the Investments) with a further 477MW in construction at 30 June 2023 and 140MW of longer term pipeline. The wholly owned portfolio comprises 30 projects held in 29 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. The Company engages external, independent, and qualified valuers to determine the fair value of the Company's investments or valuations are produced by the Investment Manager. As at 30 June 2023, the fair value of the portfolio of investments has been determined by the Investment Manager and reviewed by Grant Thornton UK LLP.

The valuations have been determined using the discounted cash flow methodology, whereby the estimated future cash flows relating to the Company's equity investment in each project have been discounted to 30 June 2023, using discount rates reflecting the risks associated with each investment project and the time value of money. The valuations are based on the expected future cash flows, using reasonable assumptions and forecasts for revenues, operating costs, macro-level factors and an appropriate discount rate.

When acquiring new investments, the Company will recognise value as these investments are effectively derisked, if projects are under construction but not expected to be completed within nine-months the project will be 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% will be added to the discount rate. When the investment reaches "PAC" a project will be fair valued with a reduced construction premium for 30 days as a Proving Period. After 30 days the project will be fair valued without a construction premium. Conditional acquisitions, where the price of an acquisition has been agreed but shares have not been transferred, result in the recognition of a derivate at fair value.

The determination of the discount rate applicable to each individual investment project takes into account various factors, including, but not limited to, the stage reached by each project, the period of operation, the historical track record, the terms of the project agreements and the market conditions in which the project operates.

The Investment Manager exercises its judgement in assessing the expected future cash flows from each investment. The Investment Manager produces detailed financial models for each underlying project. The Investment Manager makes amendments where appropriate to:

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

b changes in power market forecasts from leading market forecasters;

c changes in the economic, legal, taxation or regulatory environment, including changes in retail price index expectations;

d technical performance based on evidence derived from project performance to date;

e the terms of any power purchase agreement arrangements;

f accounting policies;

g the terms of any debt financing at project level;

h claims or other disputes or contractual uncertainties; and

i changes to revenue, cost or other key assumptions (may include an assessment of future cost trends, as appropriate).

Valuation assumptions include consideration of climate related matters such as expected levels of renewable energy entering the grid system, demand patterns and current regulatory policy. These are factored into the pricing assumptions which are prepared by an independent consultancy.

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

	30 June 2023		31 December 2022	
Key valuation input	**Range**	**Weighted average**	**Range**	**Weighted average**
WACC/WADR	9.8 – 11.4%	10.9%	9.7 – 11.6%	10.9%
RPI	2.7 - 3.0%	2.8%	2.7 - 3.1%	2.7%

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, as mentioned in the Investment Manager's report.

Sensitivity analysis

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

The sensitivity analysis does not include an assessment of the fall in the power price as underlying power information is provided on a net revenue basis as the investment portfolio generates value through maximising on the volatility in the market, therefore adjusting revenue as a total is a more relevant measure. We have therefore provided a sensitivity based on percentage changes in revenue overall.

Investment	Project	Valuation technique	Significant inputs description	Sensitivity	Estimated effect on fair value 30 June 2023 (£)	Estimated effect on fair value 31 December 2022 (£)
Noriker Staunch Ltd	Staunch	DCF	Discount rate	+1%	(1,148,316)	(1,267,783)
				-1%	1,287,080	1,424,331
			Revenue	+10%	1,511,339	1,754,827
				-10%	(1,521,489)	(1,767,537)
HC ESS2 Ltd	Rufford, Lockleaze, Littlebrook	DCF	Discount rate	+1%	(1,334,624)	(1,490,168)
				-1%	1,501,035	1,672,160
			Revenue	+10%	2,253,709	2,065,501
				-10%	(2,330,485)	(2,163,631)
HC ESS3 Ltd	Roundponds	DCF	Discount rate	+1%	(1,255,581)	(1,347,472)
				-1%	1,441,271	1,547,308
			Revenue	+10%	1,601,760	1,603,570
				-10%	(1,615,528)	(1,599,661)
West Midlands Grid Storage Two Ltd	Wolves	DCF	Discount rate	+1%	(234,165)	(240,241)
				-1%	262,739	269,205
			Revenue	+10%	445,881	435,117
				-10%	(453,523)	(440,407)
Cleator Battery Storage Ltd	Cleator	DCF	Discount rate	+1%	(372,887)	(432,857)
				-1%	417,085	486,654
			Revenue	+10%	513,529	649,849
				-10%	(513,858)	(650,364)
Glassenbury Battery Storage Ltd	Glassenbury A and B	DCF	Discount rate	+1%	(2,081,753)	(2,410,337)
				-1%	2,337,008	2,715,542
			Revenue	+10%	2,758,554	3,363,710
				-10%	(2,762,327)	(3,366,223)
HC ESS4 Ltd	Red Scar	DCF	Discount rate	+1%	(3,441,957)	(3,510,236)
				-1%	4,015,764	4,091,406
			Revenue	+10%	4,745,454	4,670,803
				-10%	(4,749,459)	(4,670,761)

Investment	Project	Valuation technique	Significant inputs description	Sensitivity	Estimated effect on fair value 30 June 2023 (£)	Estimated effect on fair value 31 December 2022 (£)
Bloxwich Energy Storage Ltd	Bloxwich	DCF	Discount rate	+1%	(1,459,100)	(1,497,684)
				-1%	1,642,710	1,687,936
			Revenue	+10%	3,035,036	2,838,453
				-10%	(3,072,824)	(2,843,308)
HC ESS7 Ltd	Thurcroft	DCF	Discount rate	+1%	(3,409,478)	(3,460,667)
				-1%	3,944,089	3,996,481
			Revenue	+10%	4,741,591	4,981,152
				-10%	(4,747,766)	(4,925,842)
HC ESS6 Ltd	Wickham	DCF	Discount rate	+1%	(2,933,540)	(3,025,000)
				-1%	3,335,755	3,440,682
			Revenue	+10%	4,515,131	4,373,582
				-10%	(4,521,559)	(4,332,843)
Tynemouth Battery Storage Ltd	Tynemouth	DCF	Discount rate	+1%	(734,145)	(862,114)
				-1%	852,350	1,000,169
			Revenue	+10%	1,352,396	1,605,779
				-10%	(1,352,202)	(1,606,256)
Gridreserve Ltd	Byers Brae	DCF	Discount rate	+1%	(1,291,569)	(1,343,939)
				-1%	1,457,169	1,516,214
			Revenue	+10%	2,162,782	2,262,625
				-10%	(2,160,479)	(2,264,247)
Nevendon Energy Storage Ltd	Nevendon	DCF	Discount rate	+1%	(726,791)	(764,076)
				-1%	809,296	849,082
			Revenue	+10%	1,173,786	1,439,471
				-10%	(1,148,393)	(1,450,232)
Port of Tyne Energy Storage Ltd	Port of Tyne	DCF	Discount rate	+1%	(706,516)	(830,756)
				-1%	759,183	897,888
			Revenue	+10%	1,423,614	1,779,700
				-10%	(1,424,295)	(1,783,821)
Enderby Storage Ltd	Enderby	DCF	Discount rate	+1%	(4,013,389)	(2,603,101)
				-1%	4,619,019	2,980,365
			Revenue	+10%	5,222,287	3,779,732
				-10%	(5,280,449)	(3,801,665)
West Didsbury Storage Ltd	West Didsbury	DCF	Discount rate	+1%	(3,448,810)	(2,599,789)
				-1%	3,962,972	2,977,481
			Revenue	+10%	4,776,183	3,662,585
				-10%	(4,802,862)	(3,682,752)

Investment	Project	Valuation technique	Significant inputs description	Sensitivity	Estimated effect on fair value 30 June 2023 (£)	Estimated effect on fair value 31 December 2022 (£)
Penwortham Storage Ltd	Penwortham	DCF	Discount rate	+1%	(2,325,765)	(2,353,004)
				-1%	2,630,267	2,662,278
			Revenue	+10%	3,507,882	3,523,047
				-10%	(3,510,296)	(3,539,812)
Grendon Storage Ltd	Grendon	DCF	Discount rate	+1%	(3,761,455)	(3,434,102)
				-1%	4,316,412	3,946,188
			Revenue	+10%	5,136,402	4,975,944
				-10%	(5,182,577)	(5,031,805)
Melksham East Storage Ltd and Melksham West Storage Ltd	Melksham	DCF	Discount rate	+1%	(6,934,140)	(5,240,274)
				-1%	7,995,270	6,016,075
			Revenue	+10%	9,511,061	7,108,029
				-10%	(9,574,595)	(7,141,352)
UK Battery Storage Ltd	Elland	DCF	Discount rate	+1%	(3,136,048)	(3,213,603)
				-1%	3,543,975	3,625,829
			Revenue	+10%	4,711,773	4,763,463
				-10%	(4,763,427)	(4,831,907)
UK Battery Storage Ltd	York	DCF	Discount rate	+1%	(2,673,955)	(2,729,687)
				-1%	3,019,500	3,083,764
			Revenue	+10%	4,299,058	4,360,138
				-10%	(4,373,978)	(4,401,773)
UK Battery Storage Ltd	West Bradford	DCF	Discount rate	+1%	(5,327,123)	(5,480,685)
				-1%	6,021,372	6,186,530
			Revenue	+10%	8,214,933	8,220,846
				-10%	(8,340,021)	(8,317,154)
Arbroath Ltd	Arbroath	DCF	Discount rate	+1%	(2,946,308)	(2,062,233)
				-1%	3,415,773	2,384,896
			Revenue	+10%	3,709,376	2,830,840
				-10%	(3,759,912)	(2,847,661)
Stairfoot Generation Ltd	Stairfoot	DCF	Discount rate	+1%	(2,240,940)	(2,105,812)
				-1%	2,576,198	2,416,662
			Revenue	+10%	3,156,544	3,118,903
				-10%	(3,205,700)	(3,142,585)
Coupar Limited	Coupar Angus	DCF	Discount rate	+1%	(2,818,321)	N/A
				-1%	3,187,110	N/A
			Revenue	+10%	3,928,813	N/A
				-10%	(3,974,311)	N/A

All other projects are held at cost.

Portfolio Sensitivity of RPI	Sensitivity	Estimated effect on fair value 30 June 2023 (£)	Estimated effect on fair value 31 December 2022 (£)
Inflation	+0.25%	19,568,773	15,848,661
	-0.25%	(18,960,661)	(15,370,105)

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:

30 June 2023	Level 1 (£)	Level 2 (£)	Level 3 (£)
Investment in subsidiaries	–	–	801,492,771
	–	**–**	**801,492,771**

31 December 2022	Level 1 (£)	Level 2 (£)	Level 3 (£)
Investment in subsidiaries	–	–	834,771,492
	–	**–**	**834,771,492**

Valuation of financial instruments

The investment at fair value through profit or loss is a Level 3 in the fair-value hierarchy and the reconciliation in the movement of this Level 3 investment is presented in Note 11. No transfers between levels took place during the period.

18 Financial risk management

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

Counterparty risk

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

In the event that such credit risk crystallises, in one or more instances, and the Company is, for example, unable to recover sums owed to it, make claims in relation to any contractual agreements or performance of obligations (e.g. warranty claims) or unable to identify alternative counterparties, this may materially adversely impact the investment returns.

Management has completed a high-level analysis which considers both historical and forward-looking qualitative and quantitative information, to assess the credit risk of these exposures and has determined that the credit risk as a 30 June 2023 is low due to the financial position of these counterparties.

Further, the projects in which the Company may invest will not always benefit from a turnkey contract with a single contractor and so will be reliant on the performance of several suppliers. Therefore, the key risks during battery installation in connection with such projects are the counterparty risk of the suppliers and successful project integration.

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

Concentration risk

The Company's investment policy is limited to investment (via its subsidiary) in battery energy storage infrastructure, which will principally operate in the UK. This means that the Company has a significant concentration risk relating to the UK Battery energy storage infrastructure sector. Significant concentration of investments in any one sector may result in greater volatility in the value of the Company's investments via its subsidiary, and consequently the NAV and may materially and adversely affect the performance of the Company and returns to shareholders.

The Fund's BESS projects generate revenues primarily from Firm Frequency Response (FFR), Asset Optimisation, Capacity Market (CM) and other grid connection-related charges, including TRIADs and Dynamic Containment. Revenues from the portfolio's seed BESS project have historically been skewed to FFR revenues, FFR being the provision to the National Grid of a dynamic response service to maintain the grid's electrical frequency at 50Hz. In H1 2023, 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 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 a client money subject to the rules of the FCA and may be used by the bank on 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 baseline credit assessment rating of Baa2.

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

For interest receivables on cash balances and loans receivables, 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 the analysis the expected credit loss interest and receivables are not material and therefore no impairment adjustments were accounted for.

Liquidity risk

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

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

In 2021, the Company assessed its ability to raise debt and the MidCo entered into a debt facility for £180mn, which was subsequently amended and restated in 2022 for a total of £335mn. The Company is permitted to provide security to lenders in order to borrow money, which may be by way of mortgages, charges, or other security interests or by way of outright transfer of title to the Company's assets. The Company is a guarantor to the MidCo debt facility – should there be a default by the MidCo the Company may be liable to repay all debt drawn. The Directors will restrict borrowing to an amount not exceeding 50% of the Company's NAV at the time of drawdown. As at 30 June 2023, MidCo had drawn £110mn on the facility. The Company is required to provide semi-annual covenant compliance certificates to the bank. As at period end the Company was in compliance with all the covenants disclosed in the loan agreement and had also filed the required covenant certificates.

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

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

As at 30 June 2023	< 1 year (£)	1 to 2 years (£)	2 to 5 years (£)	>5 years (£)	Total (£)
Financial assets					
Cash and cash equivalents (Note 13)	41,482,307	–	–	–	41,482,307
Trade and other receivables (Note 14)*	232,784	–	–	–	232,784
Investments		–	–	–	–
Fair value through profit or loss:					
Investment in subsidiaries	–	–	–	801,492,771	801,492,771
Total financial assets	**41,715,091**	**–**	**–**	**801,492,771**	**843,207,862**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables (Note 15)	2,343,353	–	–	–	2,343,353
Total financial liabilities	**2,343,353**	**–**	**–**	**–**	**2,343,353**

As at 31 December 2022	< 1 year (£)	1 to 2 years (£)	2 to 5 years (£)	>5 years (£)	Total (£)
Financial assets					
Cash and cash equivalents (Note 13)	7,327,492	-	-	-	7,327,492
Trade and other receivables (Note 14)*	147,302	-	-	-	147,302
Fair value through profit or loss:					
Investment in subsidiaries	-	-	-	834,771,492	834,771,492
Total financial assets	**7,474,794**			**834,771,492**	**842,246,286**
Financial liabilities					
Financial liabilities at amortised cost					
Trade and other payables (Note 15)	571,020	-	-	-	571,020
Total financial liabilities	**571,020**	**-**	**-**	**-**	**571,020**

* excludes prepayments and VAT

Market risk

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

Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. At 30 June 2023, the valuation basis of the Company's investments was at market value. This investment is driven by market factors and is therefore sensitive to movements in the market. The Company relies on market knowledge of the investment Manager, the valuation expertise of the third-party valuer and the use of third-party market forecast information to provide comfort with regard to fair values of investments reflected in the Condensed Interim Financial Statements. Refer to Note 17 for trading revenue sensitives.

Interest rate risk

Interest rate risk arise 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 counterparts, bank deposits, loans receivable, advances to counterparties and through loans to subsidiaries. Loans to subsidiaries carry a fixed rate of interest until repayment at the earlier of written demand from the lender or 31 December 2030. The Company may be exposed to changes in variable market rates of interest and this could impact the discount rate and therefore the valuation of the projects as well as the fair value of the loan receivables. The debt held written within MidCo is subject to interest rate hedging.

Currency risk

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

Capital risk management

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

19 Net Asset Value (NAV) per Ordinary Share

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

	30 June 2023	31 December 2022
Net assets per statement of financial position (£)	840,999,088	841,745,662
Ordinary Shares in issue	573,444,694	541,290,353
NAV per Ordinary Share - Basic and diluted (pence)	146.66	155.51

20 Share capital

	Ordinary Shares number	Share capital (£)	Share premium reserve (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Total (£)
Allotted and issued share capital						
As at 31 December 2022	541,290,353	5,412,904	495,230,993	13,299,017	3,892,537	517,835,451
Issue of ordinary Shares of £0.01	32,154,341	321,543	49,678,457	-	-	50,000,000
	573,444,694	**5,734,447**	**544,909,450**	**13,299,017**	**3,892,537**	**567,835,451**
Share issue costs	-	-	(974,317)	-	-	(974,317)
Dividends paid	-	-	-	-	-	-
As at 30 June 2023	**573,444,694**	**5,734,447**	**543,935,133**	**13,299,017**	**3,892,537**	**566,861,134**

	Ordinary Shares number	Share capital (£)	Share premium reserve (£)	Merger relief reserve (£)	Capital reduction reserve (£)	Total (£)
Allotted and issued share capital						
As at 31 December 2021	437,842,078	4,378,421	349,058,720	13,299,017	38,162,172	404,898,330
Issue of ordinary Shares of £0.01	103,448,275	1,034,483	148,965,516	-	-	149,999,999
	541,290,353	**5,412,904**	**498,024,236**	**13,299,017**	**38,162,172**	**554,898,329**
Share issue costs	-	-	(2,793,243)	-	-	(2,793,243)
Dividends paid	-	-	-	-	(34,269,635)	(34,269,635)
As at 31 December 2022	**541,290,353**	**5,412,904**	**495,230,993**	**13,299,017**	**3,892,537**	**517,835,451**

Share capital

The Company's capital is represented by the Ordinary Shares.

Share premium reserve

The surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The reserve is non-distributable.

Merger relief reserve

The Merger reserve relates to shares issued for shares to acquire investments. This reserve is not distributable.

Capital reduction reserve

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

Share capital and share premium account and capital reduction reserve account

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

On 31 May 2023 the Company announced the successful raise of gross proceeds of £50mn through the issue of 32,154,341 new ordinary Shares at an issue price of 1.55 pence per share.

Dividends

For the six months ending 30 June 2023

Period in relation to which dividend was paid	Announcement date	Ex-dividend date	Payment date	Amount per Ordinary Share	Total amount
1 January to 31 March 2023	5 May 2023	18 May 2023	8 June 2023	1.8375 pence	£9,946,210
1 April to 30 June 2023	7 September 2023	14 September 2023	29 September 2023	1.8375 pence	£10,537,046

For the year ending 31 December 2022

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

21 Cash and non-cash flow items

The non-cash movements for the period ended 30 June 2023 predominantly relate to movement in the investments. These non-cash movements are reconciled and discussed in Note 11.

22 Transactions with related parties and other significant contracts

The Company and the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company. The Company does not have an ultimate controlling party.

Details of related parties are set out below:

Directors

	Six months ended 30 June 2023 (£)	Six months ended 30 June 2022 (£)
Directors' remuneration	146,313	122,180
Employers NI	19,554	24,665
Total Key management personnel	**165,867**	**146,845**

All directors' remuneration is short term salary.

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

Loans to related parties

	30 June 2023 (£)	31 December 2022 (£)
Principal advanced	566,318,703	540,950,420
Interest accrued	22,598,069	32,868,283
Total loans	**588,916,772**	**573,818,703**

Loans receivable represent amounts due to the Company from its subsidiary and are disclosed in Note 11.

23 Capital commitments

As at 30 June 2023, the Company is a guarantor to the MidCo debt facility but otherwise has no significant binding or conditional future capital commitments.

24 Post balance sheet events

There were no significant post balance sheet events that need to be disclosed in the financial statements.

Alternative Performance Measures

For the six months ended 30 June 2023

1 Dividend per Ordinary Share

Dividend per Ordinary Share is a measure to show the distributions made to shareholders during the year.

Dividend period: six months to 30 June 2023	Dividend paid per share (£)	Number of shares on dividend payment date	Total dividend paid (£)
Q1 2023 (declared 5 May 2023)	0.018375	541,290,353	9,946,210
Q2 2023 (declared 7 September 2023)*	0.018375	573,444,694	10,537,046
	0.036750		**20,483,256**

Dividend period: six months to 30 June 2022	Dividend paid per share (£)	Number of shares on dividend payment date	Total dividend paid (£)
Q1 2022 (declared 4 May 2022)	0.0175	437,842,078	7,662,236
Q2 2022 (declared 27 September 2022)	0.0175	541,290,353	9,472,581
	0.0350		**17,134,817**

* Payment of the Q2 2023 dividend will be made on 29 September 2023.

2 Ordinary Share price total return

Ordinary share price total return is a measure of the return that could have been obtained by holding a share over the reporting period.

	Six months ended 30 June 2023 (pence)	Six months ended 30 June 2022 (pence)
Share price at end of period	144.80	157.00
Dividends paid from inception to end of period	27.34	20.25
Dividend reinvestment impact	7.88	9.60
Share price at initial public offering	(100.00)	(100.00)
Ordinary share price total return since inception	**80.02**	**86.85**
Ordinary share price total return since inception %	**80.0%**	**86.9%**

3 Net asset value (NAV) per Ordinary Share

	30 June 2023	30 June 2022
NAV at end of period	£840,999,088	£785,441,239
Ordinary shares in issue	573,444,694	541,290,353
NAV per Ordinary share (pence) – basic and diluted	**146.66**	**145.11**

4 NAV per Ordinary Share total return for the period

NAV per Ordinary share total return is a measure of the success of the Investment Manager's strategy to grow the NAV, showing how the NAV has changed over a period of time, taking into account both capital returns and dividends paid to shareholders.

	Six months ended 30 June 2023 (pence)	Six months ended 30 June 2022 (pence)
NAV per Ordinary share at end of period	146.66	145.11
Dividends paid from inception to end of period	27.34	20.25
Dividend reinvestment impact *	12.16	10.47
NAV per Ordinary share at end of period including dividend reinvestment	**186.16**	**175.83**
NAV per Ordinary share at beginning of period including dividend reinvestment *	(192.87)	(137.63)
NAV total return for the period	**(6.71)**	**38.20**
NAV per Ordinary share total return for the period	**(3.48%)**	**27.8%**

* Dividend reinvestment impact recalculated to compound the dividend reinvestment as at the date of dividend payment, consistent with the Ordinary share price total return calculation.

5 Gross asset value (GAV)

GAV is a measure of the total value of the Company's assets.

	30 June 2023 (£'000)	30 June 2022 (£'000)
Total assets reported in the Company at end of period	843,342	787,308
Debt held by intermediate holding company (A)	110,000	10,000
GAV (B)	**953,342**	**797,308**
Gearing as defined by the Company (A/B)	**11.5%**	**1.3%**

6 Ongoing charges figure (OCF)

OCF measures the Company's recurring fund management costs incurred during the year expressed as a percentage of the average of the net assets at the end of each quarter during the period.

	Six months ended 30 June 2023 (£'000)	Six months ended 30 June 2022 (£'000)
Fees to Investment Manager	3,747	2,633
Legal and professional fees	317	319
Other transaction fees	8	–
Administration fees	339	197
Directors' remuneration	166	147
Audit fees	164	94
Other ongoing expenses	120	138
Total expenses	**4,861**	**3,528**
Non-recurring expenses not in OCF calculation	(8)	(66)
Total ongoing expenses	**4,853**	**3,462**
Average NAV for the period	846,396	601,601
Number of days in period	181	181
Ongoing charges for the period (annualised)	**1.16%**	**1.16%**

7 Operational Dividend Cover

Operational dividend cover is a measure to demonstrate the Company's ability to pay dividends from the earnings of its underlying investments, including interest earned on construction capital deployed to non-operational SPVs, and after accounting for external interest costs and administrative costs of the Company, but excluding transaction costs and debt arrangement fees.

	Six months ended 30 June 2023 (£'000)	Six months ended 30 June 2022 (£'000)
EBITDA generated by operational subsidiaries	13,827	22,723
Bank interest received	19	60
Ongoing costs in the Company	(4,853)	(3,462)
Debt service costs in subsidiaries	(4,456)	(966)
Interest income on construction capital deployed to SPVs	8,466	1,913
Net earnings for dividend cover	**13,003**	**20,268**
Dividends declared by the Company	**20,483**	**17,135**
Dividend cover	**0.63x**	**1.18x**

8 Dividend yield

Dividend yield is a measure to show the dividend return received by shareholders for the year.

	Six months ended 30 June 2023	Six months ended 30 June 2022
Dividend per share declared in respect of the period (pence) - annualised	7.35	7.00
Share price at end of period (pence)	144.80	157.00
Dividend yield	**5.1%**	**4.5%**

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Isabel Liu
Duncan Neale
Catherine Pitt
David Stevenson

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Ticker: GRID

Glossary

Asset Optimisation (Trading)

Asset optimisation involves buying and selling electricity in order to capture a spread between the high and low electricity prices on any given day. This can be done via one or more market mechanisms, hence the expression "Asset Optimisation". And includes trading in the wholesale market and offering the battery to National Grid via the Balancing Mechanism.

Asymmetric

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

AUM

Assets Under Management: the total net assets of the Company.

Balancing Mechanism (BM)

A tool used by the ESO to balance the electricity supply and demand close to real time. The BM is used to balance supply and demand in each half hour trading period of every day. Where the ESO predicts that there will be a discrepancy between the amount of electricity produced and the level of demand during a certain period. They may accept a 'bid' or 'offer' to either increase or decrease generation (or even increase consumption in the case of storage asset(s). Sites must be registered in the BM to receive such actions but once registered that are able to set their own prices for being used.

Balancing services

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

- Black Start
- Demand side response
- Dynamic Containment (DC)
- Enhanced frequency response (EFR)
- Firm frequency response (FFR)
- Optional Downward Flexibility Management (ODFM)
- Short term operating reserve (STOR)

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 was. Black start is a procedure to recover from such a shutdown.

nationalgrideso.com/balancing-services/system-security-services/black-start/

Capacity Market (CM)

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

Combined Cycle Gas Turbine (CCGT)

Energy generation technology that combines a gas-fired turbine with a steam turbine. The design uses a gas turbine to create electricity and then captures the resulting waste heat to create steam, which in turn drives a steam turbine.

Curtailment

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

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

nationalgrideso.com/news/grounds-constraint

Dividend Yield

The annual dividends expressed as a percentage of the current share price.

EBITDA of underlying group companies

EBITDA includes earnings before interest, tax, depreciation and amortisation and includes liquidated damages earnt by SPVs. Earnings are calculated on an accruals basis and therefore only SPVs which were owned in the accounting period have their earnings included here. Transactions completing after the period will have locked box income recognised once the transaction is completed.

This is important to measure the underlying performance of the investments and ensure cash earnings are available to payment of costs in the Company and dividends to shareholders.

Electricity System Operator (ESO)

Refers to National Grid ESO. The ESO is responsible for ensuring Great Britain has the essential energy it needs so that supply meets demand on the electricity system every second of every day.

nationalgrideso.com/

Frequency Response services (FR)

A subset of Balancing Services which relate to services performed by batteries to manage the frequency on the electricity system. This includes the following services:

- Dynamic Containment (DC)
- Dynamic Moderation (DM)
- Dynamic Regulation (DR)
- Enhanced Frequency Response (EFR)
- Firm Frequency Response (FFR)
- Optional Downward Flexibility Management (ODFM)

nationalgrideso.com/balancing-services

Gross Asset Value (GAV)

Gross Asset Value is the total value of the investments and cash under the management of the Company including debt held by the MidCo.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB) and have been applied by the Company in the preparation of the financial statements.

Liquidated Damages (LD)

Liquidated damages are presented in certain legal contracts as an estimate of losses to one of the parties. It is a provision that allows for the payment of a specified sum should one of the parties be in breach of contract. Liquidated damages are meant as a fair representation of losses in situations where actual damages are difficult to ascertain.

Liquidated damages are often included in specific contract clauses to cover circumstances where a party faces a loss from an asset.

The Company typically uses these in EPC arrangements to protect earnings from an asset in the result of delays to construction but are also common in other contracts such as for O&M arrangements.

Load Factors

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

Locked box income

On some acquisitions the Company agrees a date at which the benefit of any subsequent earnings then flow to the acquirer. This date agreed is referred to as the Locked box date. Earnings flowing to the acquirer are referred to as the Locked box income. This mechanism is often used by the Company and aims to prevent the Company losing out on value as a result of delays to transactions completing. The period to which Locked box income is earnt varies between transactions.

Net Asset Value (NAV) per Ordinary Share

The total net assets in the Company divided by the total number of Ordinary Shares in issue. This is an important measure to understand the capital return to shareholders.

Net Imbalance Volume (NIV)

For each Settlement Period, the Net Imbalance Volume is the volume of the overall System energy imbalance, as a net of all System and energy balancing actions.

NAV Total Return

A measure showing how the NAV per share has performed over a period of time, considering both capital returns and dividends paid to shareholders.

NAV Total Return is shown as a percentage change from the start of the period. It assumes that dividends paid to shareholders are reinvested at NAV at the time the shares are quoted ex-dividend.

NAV Total Return shows performance which is not affected by movements in discounts and premiums (share prices). It also considers the fact that different investment companies pay out different levels of dividends.

Ongoing Charges Figure (OCF)

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

Operational Dividend Cover

Operational Dividend Cover for the purpose of this report refers to a calculation for the ratio between net earnings of the underlying investment portfolio in the review period and dividends paid in respect of the same review period.

This measure aims to add clarity on the Company's ability to pay dividends from the earnings and cash generation of its underlying investments after deducting Company costs.

This measure includes the EBITDA of underlying group companies less Company and holding company costs (excluding capital-related costs and debt arrangement fees but including external interest expense) and interest income on construction capital deployed to SPVs.

Ordinary Share

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

Ordinary Share price total return

A measure showing how the share price has performed over a period of time, considering both capital returns and dividends paid to shareholders.

Share price total return is shown as a percentage change from the start of the period. It assumes that dividends paid to shareholders are reinvested in the shares at the time the shares are quoted ex dividend.

Share price total return shows performance which is affected by movements in discounts and premiums. It also considers the fact that different investment companies pay out different levels of dividends.

Proving Period

A period of 30 days after a project has achieved PAC. During this time, the project is fair valued subject to a premium added to the base discount rates of 50 bps to capture risk during the commissioning of the project. After this period (reduced to 30 days from 60 days in 2023), the project is fair valued without any additional premium. Applying a proving period of 30 days instead of 60 days as at the year-end would have had no impact on valuations due to no assets being between 30 and 60 days since PAC as at 31 December 2022.

Seed Assets

The assets acquired at IPO known as Staunch, Littlebrook, Lockleaze, Rufford and Roundponds.

Skip rates

In the Balancing Mechanism, a skip is broadly defined as when an action is taken by the control room even though there is a cheaper alternative to achieving the same outcome - so the cheaper action is 'skipped'.

Site uptime

Calculation for the average level of availability in the portfolio or for an asset in Frequency Response Services. This is calculated by taking the average MWs available in each period as a percentage of total capacity contracted.

Symmetrical

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

System inertia

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

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

TRIADs

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

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

nationalgrideso.com/news/triads-why-three-magic-number

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