

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take you are recommended to seek your own financial advice immediately from an independent financial adviser who specialises in advising on shares or other securities and who is authorised under the Financial Services and Markets Act 2000 (as amended) or, if you are not resident in the UK, from another appropriately authorised independent financial adviser in your own jurisdiction.**

This document comprises a prospectus relating to Gore Street Energy Storage Fund plc (the “**Company**”) prepared in accordance with the Prospectus Rules. This document has been approved by the FCA and has been filed with the FCA in accordance with Rule 3.2 of the Prospectus Rules.

Applications will be made to the UK Listing Authority and the London Stock Exchange for all of the Ordinary Shares of the Company to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities. Applications will be made for all of the Ordinary Shares and/or C Shares of the Company to be issued pursuant to each Subsequent Placing under the Placing Programme to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities. It is expected that First Admission will become effective and that dealings for normal settlement in the Ordinary Shares will commence on 12 April 2018 and any Subsequent Admission will become effective and that dealings for normal settlement in such Ordinary Shares and/or C Shares will commence between 13 April 2018 and 8 March 2019. All dealings in Ordinary Shares and/or C Shares prior to the commencement of unconditional dealings will be at the sole risk of the parties concerned. Neither the Ordinary Shares nor the C Shares will be dealt in on any other recognised investment exchange and no other such applications have been made or are currently expected.

The Company and each of the Directors, whose names appear on page 42 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Prospective investors should read this entire document and, in particular, the section headed “Risk Factors” when considering an investment in the Company.

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## **GORE STREET ENERGY STORAGE FUND PLC**

*(Incorporated in England and Wales with company no. 11160422 and registered as an investment company under section 833 of the Companies Act 2006)*

FIRST PLACING, OFFER FOR SUBSCRIPTION AND INTERMEDIARIES OFFER FOR A TARGET ISSUE OF 100 MILLION ORDINARY SHARES AT 100 PENCE PER ORDINARY SHARE<sup>1</sup>

PLACING PROGRAMME OF UP TO 100 MILLION ORDINARY SHARES AND/OR C SHARES

ADMISSION TO THE PREMIUM SEGMENT OF THE OFFICIAL LIST OF THE UK LISTING AUTHORITY UNDER CHAPTER 15 OF THE LISTING RULES AND ADMISSION TO TRADING ON THE MAIN MARKET OF THE LONDON STOCK EXCHANGE

*Adviser*

**Gore Street Capital Limited**

*Sponsor, Broker, Placing Agent and Intermediaries Offer Adviser*

**Stockdale Securities Limited**

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The Ordinary Shares and C Shares are only suitable for investors: (i) who understand and are willing to assume the potential risks of capital loss and that there may be limited liquidity in the underlying investments of the Company; (ii) for whom an investment in the Ordinary Shares and/or C Shares is part of a diversified investment programme; and (iii) who fully understand and are willing to assume the risks involved in such an investment.

Stockdale, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company and for no-one else in relation to each Admission and the Issues and the other arrangements referred to in this document. Stockdale will not regard any other person (whether or not a recipient of this document) as its client in relation to any Admission or the Issues and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing any advice in relation to any Admission or the Issues, the contents of this document or any transaction or arrangement referred to herein. Apart from the responsibilities and liabilities, if any, which may be imposed on Stockdale by the FSMA or the regulatory regime established thereunder, Stockdale does not make any representation express or implied in relation to, nor accepts any responsibility whatsoever for, the contents of

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<sup>1</sup> The Directors have reserved the right, in conjunction with Stockdale, to increase the size of the First Issue to a maximum of 150 million Ordinary Shares if overall demand exceeds 100 million Ordinary Shares, with any such increase being announced through a Regulatory Information Service.

this document or any other statement made or purported to be made by it or on its behalf in connection with the Company, the Ordinary Shares, the C Shares or the Issues. Stockdale accordingly, to the fullest extent permissible by law, disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might have in respect of this document or any other statement.

The Company has not been, and will not be, registered under the United States Investment Company Act of 1940, as amended (the “**US Investment Company Act**”) and investors will not be entitled to the benefit of the US Investment Company Act. The Ordinary Shares or C Shares may be offered and sold (i) outside the United States to persons that are not US Persons (as defined in Regulation S) (“**non-US Persons**”) in reliance on Regulation S under the US Securities Act of 1933, as amended (“**Regulation S**” and the “**US Securities Act**”, respectively) and (ii) to persons located inside the United States or US Persons reasonably believed to be “accredited investors” as defined in Rule 501(a) of Regulation D under the US Securities Act (“**Accredited Investors**”) who are also “qualified purchasers” as defined in the US Investment Company Act (“**Qualified Purchasers**”). Resales of Ordinary Shares and C Shares initially purchased by US Persons may only be made (i) outside the United States to non-US Persons in reliance on Regulation S or (ii) to persons located inside the United States or US Persons reasonably believed to be “qualified institutional buyers” (“**QIBs**”), as defined in Rule 144A under the US Securities Act, who are also Qualified Purchasers and provided such resales comply with the procedures described herein. The Company will require the provision of a letter by any initial purchasers who are US Persons containing representations as to status under the US Securities Act and the US Investment Company Act. The Company may refuse to issue Ordinary Shares or C Shares to US Persons or recognise resales by US Persons that do not meet the foregoing requirements.

This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Ordinary Shares and/or C Shares in any jurisdiction where such offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company, the AIFM, the Adviser or Stockdale. Neither the Ordinary Shares nor the C Shares have been, nor will be, registered under the securities laws, or with any securities regulatory authority of, any member state of the EEA other than the United Kingdom or any province or territory of Australia, Canada, the Republic of South Africa or Japan. Subject to certain exceptions, the Ordinary Shares and C Shares may not, directly or indirectly, be offered, sold, taken up or delivered in, into or from any member state of the EEA (other than the United Kingdom or Ireland), Australia, Canada, the Republic of South Africa or Japan (subject to limited exceptions) or to or for the account or benefit of any national, resident or citizen or any person resident in any member state of the EEA (other than the United Kingdom, or to professional investors in Ireland), Australia, Canada, the Republic of South Africa or Japan (subject to limited exceptions). The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves of and observe any such restrictions.

9 March 2018

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## Summary

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A-E (A.1-E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Some Elements are not required to be addressed which means there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted into the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

<b>Section A – Introduction and warnings</b>		
<b>Element</b>	<b>Disclosure Requirement</b>	<b>Disclosure</b>
A.1.	Warning	This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.
A.2.	Subsequent resale of securities or final placement of securities through financial intermediaries	<p>The Company consents to the use of this document by financial intermediaries in connection with the subsequent resale or final placement of securities by financial intermediaries in connection with the First Issue only.</p> <p>The offer period within which any subsequent resale or final placement of securities by Intermediaries can be made and for which consent to use this document is given commences on 9 March 2018 and closes at 5.00 p.m. on 6 April 2018, unless closed prior to that date.</p> <p><b>Any Intermediary that uses this document must state on its website that it uses this document in accordance with the Company’s consent. Intermediaries are required to provide the terms and conditions of the Intermediaries Offer to any prospective investor who has expressed an interest in participating in the Intermediaries Offer to such Intermediary. Information on the terms and conditions of any subsequent resale or final placement of securities by any Intermediary is to be provided at the time of the offer by the Intermediary.</b></p> <p>The Company has not given its consent to the use of this document for the resale or final placement of Ordinary Shares or C Shares by financial intermediaries under the Placing Programme.</p>
<b>Section B – Issuer</b>		
<b>Element</b>	<b>Disclosure Requirement</b>	<b>Disclosure</b>
B.1.	Legal and commercial name	Gore Street Energy Storage Fund plc.
B.2.	Domicile and legal form	The Company was incorporated in England and Wales on 19 January 2018 with registered number 11160422 as a public company limited by shares under the Act. The principal legislation under which the Company operates is the Act. The Company is an alternative investment fund pursuant to the AIFMD.

B.5.	Group description	GSES 1 Limited (the “ <b>Subsidiary</b> ”) is a wholly-owned subsidiary of the Company. GSES 1 Limited was incorporated in England and Wales on 22 January 2018 with registered number 11161391. Conditional on First Admission and the Minimum Net Proceeds being raised, NK Energy Storage Solutions Ltd will become a wholly-owned subsidiary of the Subsidiary.
B.6.	Major shareholders	<p>As at the date of this document, insofar as known to the Company, there are no persons known to have a notifiable interest under English law in the Company’s capital or voting rights. All Shareholders have the same voting rights in respect of the share capital of the Company. Pending the allotment of Ordinary Shares pursuant to the First Issue, the issued share capital of the company is £0.01 represented by one Ordinary Share held by the subscriber to the memorandum of association. 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.</p> <p>Pursuant to the terms of the Project Sourcing Agreements and conditional on First Admission and the Minimum Net Proceeds being raised (1) NEC ES has committed to invest the lower of (i) 10 per cent. of the total gross proceeds of the First Issue and (ii) £8 million under the First Placing; and (2) NK has committed to invest £6 million under the Offer for Subscription. The Ordinary Shares issued to each of NEC ES and NK pursuant to the First Issue will be subject to the provisions of a Lock-up and Orderly Market Deed.</p> <p>Directors of the Company and directors and certain shareholders of the Adviser intend to invest approximately £2.4 million, in aggregate, pursuant to the First Issue. The Ordinary Shares issued in the case of the directors and certain shareholders of the Adviser will be subject to the provisions of a Lock-up and Orderly Market Deed.</p>
B.7.	Key financial information	Not applicable. The Company has been newly incorporated and has no historical financial information.
B.8.	Key <i>pro forma</i> financial information	Not applicable. No <i>pro forma</i> financial information is included in this document.
B.9.	Profit forecast	Not applicable. No profit forecast or estimate has been made in this document.
B.10.	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The Company has been newly incorporated and has no historical financial information.
B.11.	Insufficiency of working capital	Not applicable. The Company is of the opinion that, taking into account the Minimum Net Proceeds, the working capital available to it is sufficient for its present requirements, that is, for at least 12 months from the date of this document.
B.34.	Investment objective and policy	<p><b><i>Investment objective</i></b></p> <p>The Company seeks to provide investors with a sustainable and attractive dividend over the long term by investing in a diversified portfolio of utility scale energy storage projects primarily located in the UK, although the Company will also consider projects in North America and Western Europe. In addition, the Company seeks to provide investors with an element of capital growth through the re-investment of net cash generated in excess of the target dividend in accordance with the Company’s investment policy.</p>

		<p><b><i>Investment policy</i></b></p> <p>The Company will invest in a diversified portfolio of utility scale energy storage projects. The portfolio will be primarily located in the UK but the Company will consider projects outside the UK, in particular in North America and Western Europe.</p> <p>Individual projects will be held within special purpose vehicles into which the Company will invest through equity and/or debt instruments. Typically, each special purpose vehicle will hold one project but there may be opportunities where a special purpose vehicle owns more than one project. The Company will typically seek legal and operational control through direct or indirect stakes of up to 100 per cent. in such special purpose vehicles, but may participate in joint ventures or acquire minority interests where this approach enables the Company to gain exposure to assets within the Company's investment policy which the Company would not otherwise be able to acquire on a wholly-owned basis. In such circumstances the Company will seek to secure its shareholder rights through the usual protective provisions in shareholders' agreements and other transactional documents.</p> <p>The Company currently intends to invest primarily in energy storage projects using lithium-ion battery technology as such technology is considered by the Company to offer the best risk/return profile. However, the Company is ultimately agnostic as to which energy storage technology is used by its projects and will monitor projects with alternative battery technologies such as sodium and zinc derived technologies, or other forms of energy storage technology such as flow batteries/machines and compressed air technologies, and will consider such investments (including combinations thereof) where they meet the investment policy and objectives of the Company.</p> <p>The Company does not intend that the aggregate value of investments outside the UK will be more than 30 per cent. of Gross Asset Value (calculated at the time of investment).</p> <p>The Company may invest cash held for working capital purposes and pending investment or distribution in cash or near-cash equivalents, including money market funds.</p> <p>The Company may (but is not obliged to) enter into hedging arrangements in relation to currency, interest rates and/or power prices for the purposes of efficient portfolio management. The Company will not enter into derivative transactions for speculative purposes.</p> <p>The Company intends to invest with a view to holding assets until the end of their useful life. However, assets may be disposed of or otherwise realised where the Adviser determines in its discretion, that such realisation is in the interests of the Company. Such circumstances may include (without limitation) disposals for the purposes of realising or preserving value, or of realising cash resources for reinvestment or otherwise.</p> <p><b><i>Risk and diversification</i></b></p> <p>The Board will be focussed on ensuring that there is a sufficient diversity of risk within the Company's portfolio.</p> <p>It is the Company's intention that when any new acquisition is made no single project (or interest in any project) will have an acquisition price (or, if it is an additional interest in an existing investment, the combined value of the Company's existing interest and the additional interest acquired shall not be) greater than 20 per cent. of Gross Asset Value (calculated at the time of acquisition). However, in order to retain flexibility, the Company will be permitted to invest in any single project (or interest in any project) that has an acquisition price of up to a maximum of 25 per cent. of Gross Asset Value (calculated at the time of acquisition). The Company will target a diversified exposure with the aim of holding interests in no fewer than 10 separate projects at any one time once fully invested.</p>
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		<p>Geographical diversification within the Company's portfolio will be achieved through investments located throughout the UK. As referred to above, the Company may invest in projects outside the UK, in particular in North America and Western Europe, although it does not intend that the aggregate value of investments outside the UK will be more than 30 per cent. of Gross Asset Value (calculated at the time of investment).</p> <p>Additionally, given the flexibility of batteries as an energy storage technology, revenue diversification can be achieved through the potential to "stack" a number of different income streams with different counterparties, contract lengths and return profiles through one project, such as frequency regulation services to National Grid and/or its subsidiaries and back up capacity power to the Electricity Market Reform delivery body, TNUoS and DUoS reduction and constraint management to industrial clients, as well as wholesale arbitrage to profit from intra-day wholesale electricity prices.</p> <p>The Company will further aim to achieve diversification within the Company's portfolio through the use of a range of third party providers, insofar as appropriate, in respect of each energy storage project such as developers, EPC contractors, O&amp;M contractors, battery manufacturers, landlords and sources of revenue. In addition, each MW of a typical energy storage project will contain a battery system which has a number of battery modules in each stack, each of which is independent and can be replaced separately, thereby reducing the impact on the project as a whole of the failure of one or more battery modules.</p> <p>The Company will not invest in any projects under development so that, save in respect of final delivery and installation of the battery systems, all other key components of the projects are in place before investment or simultaneously arranged at the time of investment (such as land consents, grid access rights, planning, EPC contracts and visibility of revenue contract(s)).</p> <p>No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution and, for so long as the Company's shares are listed on the Official List, in accordance with the Listing Rules.</p>
B.35	Borrowing limits	<p>While the Company does not have any borrowing restrictions in its Articles, the Company has no present intention to utilise cash borrowings. However, in certain circumstances where the Board deems it appropriate, the Company may use short term leverage to acquire assets but with the intention that such leverage be repaid with funds raised through a new issue of equity or cash flow from the Company's portfolio, although such leverage will not exceed 15 per cent. (at the time of borrowing) of Gross Asset Value without Shareholder approval.</p>
B.36.	Regulatory status	<p>As a public limited company incorporated under the Act that proposes to carry on its business as an investment trust, the Company is not regulated as a collective investment scheme by the Financial Conduct Authority. However, it is subject to the Listing Rules, Prospectus Rules, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation and the rules of the London Stock Exchange.</p>
B.37.	Typical investor	<p>Typical investors in the Company are expected to be institutional investors, professionally advised retail investors and non-advised retail investors with at least basic market knowledge and experience, seeking access to a diversified portfolio of utility scale energy storage projects in the UK and elsewhere, in particular in North America and Western Europe.</p> <p>An investment in the Company is only suitable for persons capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which may result from the investment (which may equal the whole amount invested).</p>



		<p>Potential investors should consider with care whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them. Private investors in the UK who are unsure whether to invest should consider consulting a financial adviser authorised under the Financial Services and Markets Act 2000 to assess whether an investment in the Company is suitable.</p>
B.38.	<p>Investment of 20 per cent. or more of gross assets (i) directly or indirectly, in a single underlying asset, (ii) in one or more collective investment undertakings or (iii) exposed to the creditworthiness or solvency of any one counterparty</p>	<p>The Company does not intend to invest 20 per cent. or more of gross assets (i) directly or indirectly, in a single underlying asset or (ii) in one or more collective investment undertakings. However, in order to retain flexibility, the Company will be permitted to invest up to 25 per cent. of gross assets in one project (calculated at the time of investment). No such investments have been identified at the date of this document. Due to the nature of the Company's intended investments, more than 20 per cent. of the gross assets of the Company may be exposed to the creditworthiness of National Grid Electricity Transmission plc (a subsidiary of National Grid, the owner and manager of the electricity transmission network in England and Wales) as a single counterparty. National Grid is admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.</p>
B.39.	<p>Investment of 40 per cent. or more of gross assets in another collective investment undertaking</p>	<p>Not applicable. The Company will not invest 40 per cent. or more of gross assets in another collective investment undertaking.</p>
B.40	<p>Applicant's service providers</p>	<p><i>AIFM</i></p> <p>The Company has appointed Mirabella Financial Services LLP to act as the Company's alternative investment fund manager for the purposes of the AIFMD.</p> <p>The AIFM shall be entitled to receive from the Company, in respect of its services provided under the AIFM Agreement, an initial fee of £10,000 plus a monthly fee of £7,500 for the term of the AIFM Agreement. In addition, the AIFM shall be entitled to fees for performing the Annex IV reporting obligations pursuant to the AIFMD ("<b>Annex IV reporting</b>") of £1,000 in respect of the first reporting schedule and £667 for each subsequent filing.</p> <p><i>Adviser</i></p> <p>Gore Street Capital Limited has been appointed as an adviser to the Company and the AIFM. The Adviser will advise and support the AIFM and the Company in all aspects of its duties in respect of the Company's assets in accordance with the Company's investment policy and the terms of the Advisory and Services Agreement.</p> <p>Under the terms of the Advisory and Services Agreement, the Adviser is entitled to receive from the Company an advisory fee payable quarterly in arrears calculated at the rate of one-fourth of one per cent. of Adjusted Net Asset Value (the "<b>Advisory Fee</b>"). For these purposes "Adjusted Net Asset Value" means (i) for the four quarters from First Admission, Adjusted Net Asset Value shall be equal to Net Asset Value; (ii) for the next two quarters, Adjusted Net Asset Value shall be equal to Net Asset Value, <i>minus</i> cash on the Company's balance sheet, <i>plus</i> any committed cash on the Company's balance sheet; (iii) thereafter, Adjusted Net Asset Value shall be equal to Net Asset Value <i>minus</i> cash on the Company's balance sheet. For the avoidance of doubt, Adjusted Net Asset Value shall not exceed Net Asset Value. In the event that it does exceed Net Asset Value, no adjustment shall be made to Net Asset Value.</p> <p>The Advisory Fee will be calculated as at each NAV Calculation Date and payable quarterly in arrear. For the avoidance of doubt, where there are C Shares in issue, the Advisory Fee will be charged on the Net Asset Value attributable to the Ordinary Shares and C Shares respectively.</p>



		<p>In addition to the Advisory Fee, the Adviser shall also be entitled to a performance fee paid in pounds Sterling calculated by reference to the movements in the Net Asset Value (before subtracting any accrued performance fee) over the Benchmark from the date of First Admission.</p> <p>For these purposes:-</p> <p>“<b>Benchmark</b>” shall be equal to (a) the gross proceeds of the Issue at First Admission increased by 7 per cent. per annum (annually compounding), adjusted for: (i) any increases or decreases in the Net Asset Value arising from issues or repurchases of Ordinary Shares during the relevant Calculation Period; (ii) the amount of any dividends or distributions (for which no adjustment has already been made under (i)) made by the Company in respect of the Ordinary Shares at any time from First Admission; and (b) where a performance fee is subsequently paid, the Net Asset Value (after subtracting performance fees arising from the Calculation Period) at the end of the Calculation Period from which the latest performance fee becomes payable increased by 7 per cent. per annum (annually compounded).</p> <p>“<b>Calculation Period</b>” shall mean the 12 month period starting on 1 April and ending on 31 March in each calendar year, save that the first Calculation Period shall be the period commencing on First Admission and ending on 31 March 2019 (the “<b>First Calculation Period</b>”) and provided further that if at the end of what would otherwise be a Calculation Period no Performance Fee has been earned in respect of that period, the Calculation Period shall carry on for the next 12 month period and shall be deemed to be the same Calculation Period and this process shall continue until a Performance Fee is next earned at the end of the relevant period.</p> <p>The performance fee will be calculated in respect of each Calculation Period.</p> <p>The performance fee payable to the Adviser by the Company will be a sum equal to 10 per cent. of such amount (if positive) by which Net Asset Value (before subtracting any accrued performance fee) at the end of a Calculation Period exceeds the Benchmark provided always that in respect of any financial period of the Company (being 1 April to 31 March each year) the performance fee payable to the Adviser shall never exceed an amount equal to 50 per cent. of the Advisory Fee paid to the Adviser in respect of that period.</p> <p>Any performance fee payable to the Adviser in respect of a Calculation Period (the “<b>Relevant Calculation Period</b>”) shall be payable within 30 calendar days of the date on which the annual report and accounts of the Company for the latest relevant financial period are approved by the Board. If the Advisory and Services Agreement is terminated prior to the end of any Calculation Period, the performance fee in respect of the then Calculation Period shall be calculated and paid as though the date of termination were the end of the relevant period.</p> <p>The above provisions shall be applied <i>mutatis mutandis</i> in respect of any C Shares in issue so that, without limit to the generality of the foregoing:</p> <ul style="list-style-type: none"> <li>(a) references to the Adjusted Net Asset Value shall be to the net assets referable to the C Shares;</li> <li>(b) the adjustments shall be referable to any distributions on or new issues or buybacks of the C Shares;</li> <li>(c) the Calculation Period shall begin on the date of admission of the C Shares: (i) to the Official List; and (ii) to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with the Listing Rules and the admission and disclosure standards of the London Stock Exchange (the “<b>C Share Admission Date</b>”) and be deemed to end on the date of their conversion into Ordinary Shares (subject to any prior end of Calculation Period in accordance with the above provisions). Upon conversion of C Shares into Ordinary Shares, the Benchmark shall be reinstated by way of including the adjustment from this conversion; and</li> </ul>
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		<p>(d) the Benchmark shall initially be the net proceeds of the issue of the C Shares at the C Share Admission Date.</p> <p><i>Sponsor, Placing Agent and Intermediaries Offer Adviser</i></p> <p>Stockdale has agreed to act as sponsor to the Issues.</p> <p>Stockdale has agreed to use its reasonable endeavours to procure subscribers under the First Placing and any Subsequent Placing. In consideration for its services in relation to the First Issue and conditional upon completion of the First Issue, Stockdale is entitled to receive a commission of 1.25 per cent. of the value of the Ordinary Shares issued under the First Issue, excluding any Ordinary Shares subscribed for by the Adviser and any member of the Adviser's group and by any investor introduced to the First Issue by the Adviser. Stockdale is also entitled to receive a commission of 1.25 per cent. of the value of any Ordinary Shares and/or C Shares issued to Placees under the Placing Programme, excluding any Ordinary Shares and/or C Shares subscribed for by the Adviser and any member of the Adviser's group and by any investor introduced to the Subsequent Placing by the Adviser.</p> <p><i>Depository</i></p> <p>INDOS Financial Limited has been appointed as depository to provide depository services to the Company, which will include custody services, to the Company.</p> <p>Under the terms of the Depository Agreement, the Depository is entitled to receive a fee equal to 0.02 per cent. of the Company's Net Asset Value per annum up to £250 million. Thereafter, where the Company's Net Asset Value exceeds £250 million, the Depository will be entitled to a fee equal to 0.015 per cent. of the Company's Net Asset Value per annum on the amount of net assets in excess of £250 million. In each case subject to a minimum fee of £2,500 per month. The Depository is also entitled to an initial set-up fee of £2,500. These fees are expressed exclusive of VAT, where applicable. Additional fees will be agreed between the Company and the Depository for the custody of any financial instruments held by the Company.</p> <p><i>Administrator and Company Secretary</i></p> <p>JTC has been appointed as the administrator and company secretary of the Company. JTC will provide the day to day administration of the Company and will be responsible for the Company's general administrative functions, such as the calculation and publication of the Net Asset Value and maintenance of the Company's accounting records and ensuring that the Company complies with its continuing obligations as an investment trust. JTC will also provide the company secretarial functions required by the Act.</p> <p>Under the terms of its appointment, in respect of its role as administrator JTC is entitled to an annual administration fee of £50,000 based on Net Asset Value of up to £200 million and an <i>ad valorem</i> fee of 0.04 per cent. on Net Asset Value in excess of £200 million. In respect of its role as company secretary, JTC is entitled to receive an annual fee of £60,000 and a fee of £6,000 per subsidiary of the Company.</p> <p><i>Registrar</i></p> <p>Computershare Investor Services PLC has been appointed as the Company's registrar to provide share registration services.</p> <p>Under the terms of the Registrar Agreement, the Registrar is entitled to a monthly maintenance fee per Shareholder account, subject to a minimum fee. The fee is subject to increase in line with the CPI.</p> <p><i>Receiving Agent</i></p> <p>Computershare Investor Services PLC has also been appointed to provide receiving agent services to the Company in respect of the Offer for Subscription.</p> <p>Under the terms of the Receiving Agent Agreement, the Receiving Agent is entitled to customary fees.</p>
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B.41.	Regulatory status of investment manager and depository	<p>The AIFM is authorised and regulated by the FCA. The AIFM has appointed the Adviser to advise and support the AIFM and the Company in all respects of its duties in respect of the Company’s assets pursuant to the terms of the Advisory and Services Agreement. The Adviser is not subject to authorisation or regulation by the FCA.</p> <p>The Depository is authorised and regulated by the FCA.</p>
B.42.	Calculation and publication of Net Asset Value	The unaudited Net Asset Value per Ordinary Share and per C Share (if any are in issue) will be calculated in Sterling by the Administrator on a quarterly basis. Such calculations shall be published quarterly, on a cumulative and ex-income basis, through a Regulatory Information Service.
B.43.	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.
B.44.	No financial statements have been made up	As at the date of this document, the Company has not yet commenced operations and no financial statements have been made up.
B.45.	Portfolio	<p>Not applicable. The Company has not commenced operations and so has no portfolio as at the date of this document.</p> <p>The Company has entered into the Share Purchase Agreement with NK pursuant to the terms of which NK has agreed to transfer the entire issued share capital of NK Energy Storage Solutions Ltd to the Subsidiary as well as all outstanding loans (“<b>Loans</b>”) advanced by NK to NK Energy Storage Solutions Ltd. NK Energy Storage Solutions Ltd is a wholly owned subsidiary of NK which holds a 100 per cent.<sup>2</sup> interest in the Boulby Project and a 49 per cent. interest in the Cenin Project. The consideration for the acquisition of the shares is approximately £7,501,875.17 less the amount of the Loans and certain VAT refund amounts and asset management fees. The Loans will be acquired at face value plus accrued interest (in aggregate, estimated to be approximately £6.7 million). The Share Purchase Agreement is conditional on First Admission and the Minimum Net Proceeds being raised. The Adviser has been granted exclusivity to negotiate with Origami Storage Limited (“<b>Origami</b>”) an agreement for the Company to acquire the rights to construct and operate the Lower Road Project (the Boulby Project, the Cenin Project and the Lower Road Project collectively, the “<b>Seed Portfolio</b>”). The Company’s acquisition of the Lower Road Project is conditional, <i>inter alia</i>, on a satisfactory result in the frequency auction due to take place in April 2018 and agreeing final legally binding terms with Origami. The aggregate value of the Seed Portfolio is £11.2 million (the “<b>Aggregate Project Value</b>”).</p> <p>The Reporting Accountant has confirmed that in its opinion, based on market conditions as at 9 March 2018 and certain assumptions, the Aggregate Project Value falls within a range which it considers fair and reasonable.</p>
B.46.	Net Asset Value	Not applicable. The Company has not commenced operations and so has no Net Asset Value as at the date of this document.
<b>Section C – Securities</b>		
<b>Element</b>	<b>Disclosure Requirement</b>	<b>Disclosure</b>
C.1.	Type and class of securities	The Company intends to issue Ordinary Shares of nominal value £0.01 each pursuant to the First Issue. The Company may issue Ordinary Shares of nominal value £0.01 each and C Shares of nominal value £0.10 each pursuant to the Placing Programme.

2 Excluding profit sharing equity instruments owned by General Electricity Holdings Ltd, the parent company of Kiwi Power Limited.

		<p>The ISIN of the Ordinary Shares is GB00BG0P0V73. The SEDOL of the Ordinary Shares is BG0P0V7. The ticker for the Ordinary Shares is GSF.</p> <p>The ISIN of the C Shares is GB00BG12Y265. The SEDOL of the C Shares is BG12Y26. The ticker for the C Shares is GSFC.</p>									
C.2.	Currency denomination of Ordinary Shares and C Shares	The Ordinary Shares and the C Shares are denominated in Sterling.									
C.3.	Details of share capital	<p>Set out below is the issued share capital of the Company as at the date of this document:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"></th> <th style="width: 15%; text-align: right; border-bottom: 1px solid black;">Nominal Value (£)</th> <th style="width: 15%; text-align: right; border-bottom: 1px solid black;">Number</th> </tr> </thead> <tbody> <tr> <td>Redeemable Preference Shares</td> <td style="text-align: right;">50,000</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td>Ordinary Share</td> <td style="text-align: right;">0.01</td> <td style="text-align: right;">1</td> </tr> </tbody> </table> <p>The Redeemable Preference Shares are paid up as to one quarter of their nominal value and will be redeemed immediately following First Admission out of the proceeds of the First Issue. The Ordinary Share is fully paid up.</p>		Nominal Value (£)	Number	Redeemable Preference Shares	50,000	50,000	Ordinary Share	0.01	1
	Nominal Value (£)	Number									
Redeemable Preference Shares	50,000	50,000									
Ordinary Share	0.01	1									
C.4.	Rights attaching to the Ordinary Shares and the C Shares	<p>The holders of the Ordinary Shares and C Shares shall only be entitled to receive, and to participate in, any dividends declared in relation to the relevant class of shares that they hold.</p> <p>On a winding-up or a return of capital by the Company, if there are C Shares in issue, the net assets of the Company attributable to the C Shares shall be divided <i>pro rata</i> among the holders of the C Shares. For so long as C Shares are in issue and without prejudice to the Company's obligations under the Act, the assets attributable to the C Shares shall, at all times, be separately identified and shall have allocated to them such proportion of the expenses or liabilities of the Company as the Directors fairly consider to be attributable to any C Shares in issue.</p> <p>The holders of Ordinary Shares shall be entitled to all of the Company's net assets after taking into account any net assets attributable to any C Shares (if any) in issue.</p> <p>The Ordinary Shares and the C Shares shall carry the right to receive notice of, attend and vote at general meetings of the Company.</p> <p>The consent of either the holders of Ordinary Shares or the holders of C Shares will be required for the variation of any rights attached to the relevant class of shares.</p> <p>The Company has no fixed life but, pursuant to the Articles, an ordinary resolution that the Company continue in existence as an investment company will be proposed at the annual general meeting of the Company to be held in 2023 and, if passed, every five years thereafter. Upon any such resolution not being passed, proposals will be put forward within three months after the date of the resolution to the effect that the Company be wound up, liquidated, reconstructed or unitised.</p>									
C.5.	Restrictions on the free transferability of the securities	Subject to compliance with applicable securities laws, there are no restrictions on the free transferability of the Ordinary Shares or C Shares.									
C.6.	Admission	Applications will be made to the UK Listing Authority for all of the Ordinary Shares to be issued pursuant to the First Issue to be admitted to the premium segment of the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that First Admission will become effective and dealings will commence on 12 April 2018.									

		<p>Applications will also be made to the UK Listing Authority for all of the Ordinary Shares and/or C Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to the London Stock Exchange for such Ordinary Shares and/or C Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that any Subsequent Admission will become effective and dealings will commence between 13 April 2018 and 8 March 2019.</p> <p>Applications will be made to the UK Listing Authority for all of the Ordinary Shares arising on conversion of any C Shares issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.</p> <p>Neither the Ordinary Shares nor the C Shares will be dealt on any other recognised investment exchange and no applications for Ordinary Shares and/or C Shares to be traded on such other exchanges have been made or are currently expected.</p>
C.7.	Dividend policy	<p>The Company is targeting an annual dividend of 7 per cent. of Net Asset Value per Ordinary Share in each financial year subject to a minimum target of 7 pence per Ordinary Share commencing from the financial year ending 31 March 2020. For the period from First Admission to 31 March 2019 the Company is targeting a dividend of 3 per cent. of Net Asset Value per Ordinary Share subject to a minimum target of 3 pence per Ordinary Share. Dividends will be paid on a quarterly basis, with the first interim dividend expected to be paid in August 2018.</p> <p>Investors should note that the target dividend, including its declaration and payment frequency, is a target only and is not a profit forecast. There may be a number of factors that adversely affect the Company's ability to achieve its target dividend yield and there can be no assurance that it will be met. The target dividend should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not rely on these targets in deciding whether to invest in the Company's Shares or assume that the Company will make any distributions at all.</p> <p>The interim dividends will not necessarily be of equal amounts because the dividends from the Company's underlying investments are expected to arrive irregularly throughout the financial year.</p> <p>Net cash generated in excess of the target dividend may be re-invested in accordance with the Company's investment policy.</p> <p>Regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011 provides that, subject to certain exceptions, an investment trust must not retain more than 15 per cent. of its income in respect of each accounting period.</p> <p>In order to increase the distributable reserves available to facilitate the payment of future dividends, the Company has resolved that, conditional upon First Admission and the approval of the Court, the amount standing to the credit of the share premium account of the Company immediately following completion of the First Issue be cancelled. The Company may, at the discretion of the Board, and to the extent possible, pay all or part of any future dividend out of capital.</p> <p>Further, the Company is targeting an aggregate unlevered IRR from its portfolio of projects on full investment of between 10 and 12 per cent. before fees and expenses of the Company.</p>
C.22.	Information about the Ordinary Shares and the C Shares	<p>In the event that any C Shares are issued under the Placing Programme, the investments which are attributable to the C Shares will, following Conversion, be merged with the Company's existing portfolio of investments. The new Ordinary Shares arising on the Conversion of the</p>

		<p>C Shares will, subject to the Articles, rank <i>pari passu</i> with the Ordinary Shares then in issue.</p> <p>The Ordinary Shares carry the right to receive all dividends declared by the Company or the Directors, subject to the rights attaching to any C Shares then in issue.</p> <p>On a winding up, provided that the Company has satisfied all of its liabilities and subject to the rights conferred by any C Shares in issue at that time to participate in the winding up, the holders of Ordinary Shares will be entitled to all of the surplus assets of the Company.</p> <p>Holders of Ordinary Shares will be entitled to attend and vote at all general meetings of the Company and, on a poll, to one vote for each Ordinary Share held.</p> <p>The nominal value of the Ordinary Shares is £0.01. per Ordinary Share. The nominal value of the C Shares is £0.10 per C Share.</p> <p>The Ordinary Shares are in registered form and will be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. The Company will use its reasonable endeavours to procure that, upon Conversion, the new Ordinary Shares are admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.</p> <p>There are no restrictions on the free transferability of the Ordinary Shares, subject to compliance with applicable securities laws.</p>
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#### **Section D – Risks**

<b>Element</b>	<b>Disclosure Requirement</b>	<b>Disclosure</b>
D.1.	Key information on the key risks that are specific to the Company and its industry	<ul style="list-style-type: none"> <li>● There can be no guarantee that the investment objective of the Company will be achieved or that any dividends will be paid in respect of any financial year or period.</li> <li>● The Group has no employees and is reliant on the performance of third party service providers. Failure by the Adviser or the AIFM or any other third party service provider to perform in accordance with the terms of its appointment could have a material detrimental impact on the operation of the Group.</li> <li>● The departure of some or all of the Adviser's investment professionals could prevent the Company from achieving its investment objective. The past performance of the Adviser's investment professionals cannot be relied upon as an indication of the future performance of the Company.</li> <li>● The Group may invest in projects outside the UK, in particular in North America and Western Europe and may therefore be subject to laws and regulations enacted in the United States and by European, national and local governments. The laws and regulations of various jurisdictions in which the Group may invest may impose restrictions that would not exist in the UK. Such jurisdictions may have their own legal, economic, political, social, cultural, business, industrial and labour and environmental risks and projects in those jurisdictions may require approvals under corporate, securities, foreign investment and other similar laws and may require financing and structuring alternatives that differ significantly from those customarily used in the UK.</li> <li>● The Company, its subsidiaries and its investee companies are subject to laws and regulations enacted by national and local governments. Any change in the law and regulation affecting the Company, its subsidiaries or its investee companies may have a material adverse effect on the ability of the Company to carry on its business and successfully pursue its investment policy.</li> </ul>



		<ul style="list-style-type: none"> <li>● Any change in the Company's tax status (including any failure to obtain or maintain approval as an investment trust) or in taxation legislation or practice generally could adversely affect the value of the investments held by the Group, or the Company's ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders.</li> <li>● The revenues generated by the Company's portfolio will be dependent on the price at which various balancing services, including, in particular, frequency response services, are offered by its energy storage systems to National Grid and/or its subsidiaries or other relevant system operators. As new participants enter the market, a decline in the market price of balancing services is expected which may adversely affect the Company's ability to meet target dividend distributions or rates of return.</li> <li>● Revenue generated by the Company's portfolio will be dependent on the savings of TNUoS and DUoS charges that the Company's energy storage systems can offer to its industrial and commercial customers through the deployment of behind-the-meter batteries. Any decline in the TNUoS tariff levels or DUoS tariffs or charging mechanisms in the future could materially adversely affect the Company's revenues and financial condition.</li> <li>● The revenues generated by the Company's portfolio will be dependent on the capacity market price the Company's investee companies secure through the capacity market auctions. A decline in the price offered in relation to capacity market contracts could materially adversely affect the viability of existing projects and availability of viable projects in the future.</li> <li>● In June 2017, National Grid published a document on System Needs and Product Strategy setting out its plans to review its current practices and ultimately change the way that it procures balancing services to enable it to procure the capabilities that it requires more cost-effectively in the future. The final design of National Grid's approach to these matters is unlikely to be confirmed until Q1 2018 and as such the nature and extent of any changes and their impact on the Company are currently unknown.</li> <li>● Although the projects comprising the Seed Portfolio utilise lithium-ion batteries, as do many of the projects identified in the Company's pipeline of proposed investments, there are a number of technologies which are currently being researched which, if successfully commercialised, could prove over time more favourable than lithium-ion. Whilst the Company is generally agnostic about which technology it utilises in its energy storage projects, it will closely monitor such developing technologies and consider adopting new technologies where lithium-ion projects may, as a result, prove less economical and therefore earn lower returns in comparison, which would have a material adverse impact on the financial performance of the Company.</li> </ul>
D.3.	Key information on the key risks that are specific to the Ordinary Shares and the C Shares	<ul style="list-style-type: none"> <li>● The value of the Ordinary Shares and C Shares and the income derived from those Shares (if any) can fluctuate and may go down as well as up.</li> <li>● The market price of the Ordinary Shares and C Shares, like shares in all investment trusts, may fluctuate independently of their underlying Net Asset Value and may trade at a discount or premium at different times, depending on factors such as supply and demand, market conditions and general investor sentiment.</li> <li>● It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Ordinary Shares or the C Shares.</li> </ul>

		<ul style="list-style-type: none"> <li>● If the Directors decide to issue further Ordinary Shares or C Shares, the proportions of the voting rights held by Shareholders may be diluted.</li> <li>● Changes in tax law may reduce any return for investors in the Company.</li> </ul>
<b>Section E – Offer</b>		
<b>Element</b>	<b>Disclosure Requirement</b>	<b>Disclosure</b>
E.1.	Proceeds and expenses of the issue	<p>The net proceeds of the First Issue are dependent on the level of subscriptions received. Assuming the gross proceeds of the First Issue are £100 million, the net proceeds will be approximately £98 million.</p> <p>The costs and expenses of the First Issue are not expected to exceed approximately 2 per cent. of the gross proceeds of the First Issue. Assuming 100 million Ordinary Shares are issued resulting in gross proceeds of £100 million, the costs and expenses of the First Issue payable by the Company are expected to be approximately £2 million. If the Minimum Net Proceeds are raised, the expenses of the First Issue payable by the Company are not expected to exceed approximately £1.5 million.</p> <p>The net proceeds of the Placing Programme are dependent, <i>inter alia</i>, on: the Directors determining to proceed with a placing under the Placing Programme, the level of subscriptions received and the price at which such Ordinary Shares and/or C Shares are issued. The costs of issuing Ordinary Shares pursuant to the Placing Programme will be covered by issuing such Ordinary Shares at a price that is not less than the prevailing Net Asset Value (cum-income) per Ordinary Share at the time of issue plus a premium to cover the expenses of such issue. The costs and expenses of any issue of C Shares under the Placing Programme will be paid out of the gross proceeds of such issue and will be borne by holders of C Shares only.</p>
E.2.a.	Reasons for the issue, use of proceeds and estimated net amount of proceeds	<p>The Board, as advised by the Adviser, believes that there are attractive opportunities for the Company to deliver returns for Shareholders through exposure to utility scale battery storage assets.</p> <p>The net proceeds of the First Issue, after deduction of expenses, are expected to be approximately £98 million on the assumption that gross proceeds of £100 million are raised through the First Issue.</p> <p>The net proceeds of the Placing Programme are dependent, <i>inter alia</i>, on: the Directors determining to proceed with a placing under the Placing Programme, the level of subscriptions received and the price at which such Ordinary Shares and/or C Shares are issued. The costs of issuing Ordinary Shares pursuant to the Placing Programme will be covered by issuing such Ordinary Shares at a price that is not less than the prevailing Net Asset Value (cum-income) per Ordinary Share at the time of issue plus a premium to cover the expenses of such issue. The costs and expenses of any issue of C Shares under the Placing Programme will be paid out of the gross proceeds of such issue and will be borne by holders of C Shares only.</p> <p>The Directors intend to direct the Adviser to use the net proceeds of the First Issue and the Placing Programme to acquire investments in accordance with the Company's investment objective and policy.</p>
E.3.	Terms and conditions of the issue	<p>Ordinary Shares are being made available under the First Issue at the Issue Price of 100 pence per Ordinary Share. The First Issue comprises the First Placing, the Offer for Subscription and the Intermediaries Offer.</p>

		<p>Stockdale has agreed to use its reasonable endeavours to procure subscribers pursuant to the First Placing for the Ordinary Shares. The First Placing will close at 12.00 p.m. on 6 April 2018 (or such later date as the Company and Stockdale may agree). If the First Placing is extended, the revised timetable will be notified through a Regulatory Information Service.</p> <p>The Offer for Subscription is being made in the United Kingdom only. Applications under the Offer for Subscription must be for Ordinary Shares with a minimum subscription amount of £1,000 and in multiples of £1,000 thereafter. Completed Application Forms and the accompanying payment in relation to the Offer for Subscription must be posted to the Receiving Agent so as to be received by no later than 1.00 p.m. on 6 April 2018.</p> <p>Under the Intermediaries Offer, the Ordinary Shares are being offered to Intermediaries in the United Kingdom who will facilitate the participation of their retail investor clients located in the United Kingdom. A minimum application of £1,000 per Underlying Applicant will apply. Completed Applications from Intermediaries must be received by Stockdale no later than 5.00 p.m. on 6 April 2018.</p> <p>The First Issue is conditional upon: (a) the Placing and Offer Agreement becoming wholly unconditional in all respects (save as to First Admission itself and any conditions which are specific to the Placing Programme) and not having been terminated in accordance with its terms prior to First Admission; (b) First Admission occurring by 8.00 a.m. on 12 April 2018 (or such later date, not being later than 30 June, as the Company and Stockdale may agree); (c) the Minimum Net Proceeds being raised; and (d) the Share Purchase Agreement entered into between the Company and NK becoming unconditional in accordance with its terms (save for the occurrence of First Admission itself and the Minimum Net Proceeds being raised).</p> <p>Pursuant to the terms of the Project Sourcing Agreements and conditional on First Admission and the Minimum Net Proceeds being raised (1) NEC ES has committed to invest the lower of (i) 10 per cent. of the total gross proceeds of the First Issue and (ii) £8 million under the First Placing; and (2) NK has committed to invest £6 million under the Offer for Subscription. The Ordinary Shares issued to each of NEC ES and NK pursuant to the First Issue will be subject to the provisions of a Lock-up and Orderly Market Deed.</p> <p>Directors of the Company and directors and certain shareholders of the Adviser intend to invest approximately £2.4 million, in aggregate, pursuant to the First Issue. The Ordinary Shares issued in the case of the directors and certain shareholders of the Adviser will be subject to the provisions of a Lock-up and Orderly Market Deed.</p> <p>Following the First Issue, the Company proposes to implement the Placing Programme. Each allotment and issue of Ordinary Shares and/or C Shares pursuant to the Placing Programme is conditional, <i>inter alia</i>, on: (a) the Placing Programme Price being determined by the Directors; (b) Admission of the Ordinary Shares and/or C Shares pursuant to such issue occurring not later than 8.00 a.m. on such dates as may be agreed between the Company and Stockdale, not being later than 8 March 2019; (c) the Placing and Offer Agreement becoming otherwise wholly unconditional in all respects as to the relevant Subsequent Placing and not having been terminated on or before the date of any such Subsequent Admission; and (d) a valid supplementary prospectus being published by the Company if such is required pursuant to the Prospectus Rules.</p> <p>The Placing Programme Price will be determined by the Company and, in the case of Ordinary Shares will be not less than the Net Asset Value (cum-income) per Ordinary Share at the time of issue and, in the case of C Shares, will be £1.00 per C Share.</p>
E.4.	Material interests	Not applicable. There are no interests that are material to the First Issue or the Placing Programme and no conflicting interests.

E.5.	Name of person selling securities /lock-up agreements	<p>Not applicable. No person or entity is offering to sell Ordinary Shares and/or C Shares as part of the First Issue or the Placing Programme.</p> <p>The Ordinary Shares issued to NEC ES and NK pursuant to the First Issue will be subject to a lock-up restriction of 12 months and orderly market provisions for a further 12 months thereafter.</p> <p>Directors of the Company and directors and certain shareholders of the Adviser intend to invest approximately £2.4 million, in aggregate, pursuant to the First Issue. The Ordinary Shares issued in the case of the directors and certain shareholders of the Adviser will be subject to the provisions of a Lock-up and Orderly Market Deed which imposes a lock-up restriction of 12 months and orderly market provisions for a further 12 months thereafter.</p>
E.6.	Dilution	<p>No dilution will result from the First Issue.</p> <p>If 100 million Ordinary Shares or C Shares are issued pursuant to the Placing Programme, assuming the First Issue has been subscribed as to 100 million Ordinary Shares, there would be a dilution of approximately 50 per cent. in Shareholders' voting control of the Company immediately after the First Issue. However, it is not anticipated that there will be any dilution in the NAV per Ordinary Share as a result of any issues of Ordinary Shares and/or C Shares under the Placing Programme.</p> <p>The number of Ordinary Shares into which each C Share issued under the Placing Programme converts will be determined by the relative NAV per C Share and NAV per Ordinary Share at the Conversion Date. As a result of Conversion, the percentage of the total number of issued Ordinary Shares held by each existing holder of Ordinary Shares will be reduced to the extent that Shareholders do not acquire a sufficient number of C Shares under the relevant Subsequent Placing. However, Conversion will be NAV neutral to holders of Ordinary Shares.</p>
E.7.	Estimated expenses charged to the investor by the issuer	<p>Other than in respect of expenses of, or incidental to, First Admission and the First Issue which the Company intends to pay out of the proceeds of the First Issue, there are no commissions, fees or expenses to be charged to investors by the Company under the First Issue. All expenses incurred by any Intermediary are for its own account. Investors should confirm separately with any Intermediary whether there are any commissions, fees or expenses that will be applied by such Intermediary in connection with any application made through that Intermediary pursuant to the Intermediaries Offer.</p> <p>The costs and expenses of the Placing Programme will depend on subscriptions received but it is expected that in respect of an issue of Ordinary Shares these costs will be covered by issuing such Ordinary Shares at a premium to the prevailing cum-income Net Asset Value per Ordinary Share. The costs and expenses of any issue of C Shares under the Placing Programme will be paid out of gross proceeds and will be borne by the holders of C Shares only.</p>

## Risk Factors

Any investment in the Company should not be regarded as short-term in nature and involves a degree of risk. Accordingly, investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the risks described below. An investment in the Shares is suitable for long-term investors including institutional investors, professionally-advised retail investors and non-advised retail investors with at least basic market knowledge and experience, who understand that there may be limited liquidity in the underlying investments of the Group and in the Shares, who understand and are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may equal the whole amount invested) that may result from such an investment.

The Directors believe that the risks described below are the material risks relating to the Ordinary Shares and/or C Shares at the date of this document. Additional risks and uncertainties not currently known to the Directors, or that the Directors deem immaterial at the date of this document, may also have an adverse effect on the performance of the Company and the value of the Shares. Investors should review the document carefully and in its entirety and consult with their professional advisers before making an application to participate in the Issues.

### 1) Risks relating to the Company

#### ***The Company may not meet its investment objective***

The Company may not achieve its investment objective. Meeting that objective is a target but the existence of such an objective should not be considered as an assurance or guarantee that it can or will be met. The Company's investment objective includes the aim of providing Shareholders with a dividend income. There is no guarantee that any dividends will be paid in respect of any financial year or period. The ability to pay dividends is dependent on a number of factors including the level of income returns from the Company's portfolio of investments. There can be no guarantee that the Company's portfolio of investments will achieve the target rates of return referred to in this document or that it will not sustain any capital losses through its investments.

#### ***The Company has no operating history***

The Company was incorporated on 19 January 2018. As at the date of this document, the Company has not commenced operations and has no operating history. No historical financial statements or other meaningful operating or financial data upon which prospective investors may base an evaluation of the likely performance of the Company have been made up. An investment in the Company is therefore subject to all the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of an investment in the Company could decline substantially as a consequence.

#### ***The Group has no employees and is reliant on the performance of third party service providers***

The Group has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for its executive function. In particular, the AIFM, the Adviser, the Administrator and the Registrar will be performing services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company.

#### ***The Company's targeted returns are based on estimates and assumptions that are inherently subject to significant uncertainties and contingencies and the actual rate of return may be materially lower than the targeted returns***

The Company's targeted returns set out in this document are targets only and are based on estimates and assumptions about a variety of factors including, without limitation, purchase prices of energy storage systems and components, project development and construction costs, income and pricing from contracts with National Grid and/or its subsidiaries and other counterparties, performance of the Company's investments and the Company's ability to secure projects within minimum return parameters in accordance with the Company's investment policy, all of which are inherently subject to significant business, economic and market uncertainties and contingencies and all of which are beyond the Company's control and which may adversely affect the Company's ability to achieve its targeted returns. The Company may not be able to implement its investment policy in a manner that generates returns in line with the targets. Furthermore, the targeted returns are based on the market conditions and the economic, regulatory and policy environment at the time of assessing the targeted returns, and are therefore subject to change. In particular, the targeted returns assume (save as set out in this document) no material changes occur in government regulations or other policies, or in law and taxation, and that the Group is not affected by natural disasters, terrorism, social unrest or civil disturbances or the occurrence of risks described elsewhere in this document. There is no guarantee that



actual (or any) returns can be achieved at or near the levels set out in this document. Accordingly, the actual rate of return achieved may be materially lower than the targeted returns, or may result in a partial or total loss, which could have a material adverse effect on the price of the Ordinary Shares and/or C Shares.

***Investor returns will be dependent upon the performance of the portfolio and the Company may experience fluctuations in its operating results***

Investors contemplating an investment in the Ordinary Shares and/or C Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant primarily upon the performance of the portfolio. No assurance is given, express or implied, that Shareholders will receive back the amount of their original investment.

The Company may experience fluctuations in its financial results due to a number of factors, including changes in the values of investments made by the Company, changes in the amount of distributions, dividends or interest paid by companies in the portfolio, changes in the Group's operating expenses and the operating expenses of the Adviser, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Company encounters competition and general economic and market conditions. Such variability may lead to volatility in the trading price of the Ordinary Shares and/or C Shares and cause the Group's results for a particular period not to be indicative of its performance in a future period.

The past performance of other investments managed or advised by the Adviser or the Adviser's investment professionals cannot be relied upon as an indicator of the future performance of the Company. Investor returns will be dependent upon the Company successfully pursuing its investment policy. The success of the Company will depend *inter alia* on the Adviser's ability to identify, acquire and realise investments in accordance with the Company's investment policy. This, in turn, will depend on the ability of the Adviser to apply its investment processes in a way which is capable of identifying suitable investments for the Company to invest in. There can be no assurance that the Adviser will be able to do so or that the Company will be able to invest its assets on attractive terms or generate any investment returns for Shareholders or indeed avoid investment losses.

***Changes in laws or regulations governing the Company's operations may adversely affect the Company's business***

The Group is subject to laws and regulations enacted by European, national and local governments. In particular, the Company is subject to and will be required to comply with certain regulatory requirements that are applicable to listed closed-ended investment companies. In addition, the Company is subject to the continuing obligations imposed by the UK Listing Authority on all investment companies whose shares are admitted to a premium listing on the Official List. Environmental laws and regulations, as well as any changes thereto, may also impact on the Group.

European regulation includes Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ("MiFID") and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 ("MiFIR") (MiFID and MiFIR, together "MiFID II") which came into force on 3 January 2018. The Company has been advised that its Shares should be treated as a "non-complex" investment (as defined in MiFID II) but this cannot be guaranteed.

Any change in the law and regulation affecting the Group and its operations may have a material adverse effect on the ability of the Company to carry on its business and successfully pursue its investment policy and on the value of the Company and/or the Ordinary Shares and/or C Shares. In such event, the investment returns of the Company may be materially adversely affected. In addition, there can be no guarantee that environmental costs and liabilities will not be incurred in the future. Environmental regulators may seek to impose injunctions or other sanctions that affect the Group's operations and that may have a material adverse effect on the Group's results of operations or financial condition.

***Investments outside the UK may be exposed to local legal, economic, political, social and other risks***

The Group may invest in projects outside the UK, in particular in North America and Western Europe and may therefore be subject to laws and regulations enacted in the United States and by European, national and local governments. The laws and regulations of various jurisdictions in which the Group may invest may impose restrictions that would not exist in the UK. Such jurisdictions may have their own legal, economic, political, social, cultural, business, industrial and labour and environmental risks and projects in those jurisdictions may require approvals under corporate, securities, foreign investment and other similar laws and may require financing and structuring alternatives that differ significantly from those customarily used in the UK.

***Risks relating to the UK's exit from the European Union***

A referendum was held on 23 June 2016 to decide whether the UK should remain in the EU. A vote was given in favour of the UK leaving the EU ("Brexit"). On 29 March 2017, the UK triggered the formal process to leave the EU. The extent of the impact of Brexit on the Group will depend in part on the nature of the arrangements that are put in place between the UK and the EU following the eventual Brexit and the extent to



which the UK continues to apply laws that are based on EU legislation. The Group may be subject to a significant period of uncertainty in the period leading up to eventual Brexit including, *inter alia*, uncertainty in relation to any potential regulatory or tax change. In addition, the macroeconomic effect of an eventual Brexit on the value of investments in the UK energy sector and, by extension, the value of the investments in the Company's eventual investment portfolio, is unknown. Brexit could also create significant UK (and potentially global) stock market uncertainty, which may have a material adverse effect on the Net Asset Value and the price of the Shares. As such, it is not possible to accurately state the impact that Brexit will have on the Group and its proposed investments at this stage. Brexit may also make it more difficult for the Company to raise capital in the EU and/or increase the regulatory compliance burden on the Company. This could restrict the Group's future activities and thereby negatively affect returns.

### **NMPI Regulations**

On 1 January 2014 the Unregulated Collective Investment Schemes and Close Substitutes Instrument 2013 (the "NMPI Regulations") came into force in the UK. The NMPI Regulations extend the application of the UK regime restricting the promotion of unregulated collective investment schemes to other "non-mainstream pooled investments" ("NMPIs"). As a result of the NMPI Regulations, FCA authorised independent financial advisers and other financial advisers will be restricted from promoting NMPIs to retail investors who do not meet certain high net worth tests or who cannot be treated as sophisticated investors. The Company's Shares fall outside the regulations which apply to non-mainstream investment products because the Company intends to qualify as an investment trust.

If the Company ceases to conduct its affairs so as to satisfy the exemption from the application of the NMPI Regulations and the FCA does not otherwise grant a waiver, the ability of the Company to raise further capital from retail investors may be affected. In this regard, it should be noted that, whilst the publication and distribution of a prospectus (including this document) is exempt from the NMPI Regulations, other communications by "approved persons" could be restricted (subject to any exemptions or waivers).

## **2) Risks relating to the Adviser**

### ***The departure of some or all of the Adviser's investment professionals could prevent the Company from achieving its investment objective***

The Company depends on the diligence, skill and judgment of the Adviser's investment professionals and the information and deal flow they generate during the normal course of their activities. The Company's future success depends on the continued service of these individuals, who are not obliged to remain employed with the Adviser, and the Adviser's ability to strategically recruit, retain and motivate new talented personnel. However, the Adviser may not be successful in its efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive.

### ***There can be no assurance that the Directors will be able to find a replacement adviser if the Adviser resigns***

Pursuant to the terms of the Advisory and Services Agreement the Adviser may resign by giving the Company not less than 12 months' written notice, such notice not to expire prior to the fifth anniversary of First Admission. The Adviser shall, from the date such notice takes effect, cease to make investment decisions on behalf of the Company. The Directors would, in these circumstances, have to find a replacement adviser for the Company and there can be no assurance that such a replacement with the necessary skills and experience could be appointed on terms acceptable to the Company. In this event, the Directors would have to formulate and put forward to Shareholders proposals for the future of the Company, which may include its merger with another investment company, reconstruction or winding-up.

### ***The Adviser may allocate some of its resources to activities in which the Company is not engaged, which could have a negative impact on the Company's ability to achieve its investment objective***

The Adviser is not required to commit all of its resources to the Group's affairs. Insofar as the Adviser devotes resources to its responsibilities to other business interests, its ability to devote resources and attention to the Group's affairs will be limited. This could adversely affect the Company's ability to achieve its investment objective, which could have a material adverse effect on the Company's profitability, Net Asset Value and Ordinary Share and/or C Share price.

### ***The Adviser and its affiliates may provide services to other clients which could compete directly or indirectly with the activities of the Company and may be subject to conflicts of interest in respect of its activities on behalf of the Company***

Under the terms of the Advisory and Services Agreement the Adviser shall not, without the consent of the Company (which it may withhold in its discretion) (a) act as the manager and/or adviser to or otherwise be actively involved with any new fund, partnership, client, segregated account or counterparty in respect of or, (b) for its own account invest in energy storage assets in the geographic regions contemplated under the Company's investment policy prior to the date on which the Company's assets pursuant to the First Issue are 100 per cent. invested or committed (pursuant to legally binding arrangements) for investment in accordance

with the Company's investment policy (and for those purposes cash or cash equivalents pending investment shall not be deemed to be invested or committed for investment as aforesaid). Thereafter, however, the Adviser and its affiliates may be involved with other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company. In particular, the Adviser may manage funds other than for the Company and may provide investment management, investment advisory or other services in relation to these funds or future funds which may have similar investment policies to that of the Company.

### **3) Risks relating to the portfolio and investment strategy**

#### ***Macro risks***

##### ***(a) Risks relating to energy market regulations***

The revenue generated by the Group and its cost will be dependent on various energy market regulations. The Gas and Electricity Markets Authority within the Office of Gas and Electricity Markets ("**Ofgem**") regulates GB energy markets through licensing certain activities such as generation<sup>3</sup>, supply, network ownership and operation. A series of industry codes sits alongside these licences, which include more detailed rules and market processes. These codes include the Connection and Use of System Code (CUSC), the Balancing and Settlement Code (BSC), the Grid Code, the Distribution Use of System Agreement (DCUSA) and the Distribution Code. Industry representatives are able to develop and propose changes to the codes, and Ofgem carries the deciding vote on whether these are passed. A future change in UK Government or the regulator's direction regarding the design of the energy market, network charges, access to networks or a change in industry consensus around detailed market rules could lead to unfavourable energy or grid policies which may negatively affect the future availability of attractive projects for the Company, as well as those projects already acquired by the Company under current electricity market/grid regulations.

##### ***(b) Risks relating to the growth of the renewables sector***

A significant factor contributing to the expected growth of the energy storage market relates to the expected continued growth, due to its intermittency and impact on system management, of renewable energy as a proportion of total generating capacity in GB and overseas. If the growth of renewable energy does not continue as expected due, for example, to low energy prices, increased contribution of fossil or other non-renewable fuels to energy generating capacity (e.g. gas fired or nuclear power stations) or increased imports across cross-channel interconnectors (in the case of GB), this will have an adverse impact on the Company's prospects and performance.

##### ***(c) New energy storage technologies***

Although the projects comprising the Seed Portfolio utilise lithium-ion batteries and much of the pipeline of investments identified by the Company are also expected to utilise lithium-ion batteries, the Company is generally agnostic about which technology it utilises in its energy storage projects. The Company does not presently see any energy storage technology which is a viable alternative to lithium-ion batteries, due to their widespread use in mobile phones, electric cars and other devices and consequent pricing, safety, performance track record and established infrastructure benefits. However, there are a number of technologies which are being researched which, if successfully commercialised, could prove over time more favourable than lithium-ion. Whilst the Company will closely monitor such developing technologies and consider adopting such technologies for new projects where appropriate, existing lithium-ion projects may, as a result, prove less economical and therefore earn lower returns in comparison which will have a material adverse impact on the financial performance of the Company.

##### ***(d) Other new non-storage technologies***

While the Company considers lithium-ion battery technology to be the most competitive provider in its target markets (i.e. frequency response provision, capacity market participation and in earning embedded benefits/energy savings), other non-storage technologies may enter the market with the ability to provide similar services to a lithium-ion battery at lower cost. In such a scenario, and with sufficient scale in technology development and deployment into the market, lithium-ion batteries could be outbid for contracts and customers, which could adversely affect the Group's revenues, and therefore the performance of the Shares.

##### ***(e) Changes in economic conditions may adversely affect the Company's prospects***

Changes in general economic and market conditions including, for example, interest rates, rates of inflation, foreign exchange rate, industry conditions, competition, political events and trends, tax laws, national and international conflicts and other factors could substantially and adversely affect the Company's prospects and thereby the performance of the Shares.

<sup>3</sup> Ofgem intends to include the definition of storage in generation licences from 2018; though its current thinking is that licensing will only be mandatory for projects over 500MW in size.

**(f) Natural and/or political events may reduce the output of the energy storage assets**

Events beyond the control of the Company, such as acts of God (including fire, flood, earthquake, storm, hurricane or other natural disasters), war, insurrection, civil unrest, strikes, public disobedience, computer and other technological malfunctions, telecommunication failures, terrorism, crimes, nationalisation, national or international sanctions and embargoes, could materially adversely affect investment returns.

Natural disasters, severe weather or accidents could damage the Group's energy storage assets or the ability of engineers to access the relevant sites, which could have a material adverse effect on the Group's business, financial position, results of operations and business prospects. Earthquakes, lightning strikes, tornadoes, extreme winds, severe storms, wildfires and other unfavourable weather conditions or natural disasters may damage, or require the shutdown of, the energy storage assets, their equipment or connected facilities which would materially adversely affect the functionality of the energy storage systems and results of operations.

The occurrence of such events may have a variety of adverse consequences for the Group, including risks and costs related to the damage or destruction of property, suspension of operation and injury or loss of life, as well as litigation related thereto. Such risk may not always constitute contractual force majeure. Such risks may not be insurable or may be insurable only at rates that the Company deems uneconomic.

**(g) Risks relating to the untested nature of long term operational environment for such energy storage systems**

Given the long term nature of energy storage systems and the fact that battery storage plants are a relatively new investment class there is limited experience of the operational problems that may be experienced in the future, both in a commercial context, in the operation of revenue generating contracts and a technological context, such as the battery modules themselves (including rate of degradation), which may affect energy storage plants, the special purpose vehicles holding the Group's assets and, therefore, the Company's investment returns.

**Risks relating to environment, planning and consents**

**(h) Third party ownership of property carries risks; environmental liabilities may arise, particularly on "brownfield" sites**

It is anticipated that a significant proportion or potentially all of the energy storage assets to be acquired by the Company will be located on agricultural, commercial and industrial properties. Such sites can have a greater likelihood of project participants suffering environmental liability and/or require a higher degree of due diligence in the permitting steps.

Reliance upon a third party owned property gives rise to a range of risks including damages or other lease related costs, counterparty and third party risks in relation to the lease agreement and property and early termination of the lease. Whilst the Company will seek to minimise these risks through appropriate insurances, lease negotiation and site selection there can be no guarantee that any such circumstances will not arise.

To the extent there are environmental liabilities arising in the future in relation to any sites owned or used by the Group including, but not limited to, clean-up and remediation liabilities, such operating company may, subject to its contractual arrangements, be required to contribute financially towards any such liabilities, and the level of such contribution may not be restricted by the value of the sites or by the value of the total investment in the relevant energy storage asset.

The battery suppliers may offer the end of life battery disposal options where the supplier shall be responsible for the removal, collection, recycling and disposal service for batteries but it is not guaranteed that all the battery suppliers from whom the Group purchases batteries will offer such options and the Group may incur battery disposal cost at the end of the battery life.

The Group may choose to operate the energy storage system beyond the end of life period of the battery in which the supplier offers battery disposal service and, in such case, the Group, not the supplier, may be responsible for disposal of the battery and the Group may incur battery disposal cost.

**(i) Changes to permitting policies may reduce the number of energy storage plants in the GB market**

Energy storage plants require compliance with an extensive permitting process in order to secure approvals for construction, grid connection and operation. For example, development of a project will require planning permission from the Local Planning Authority and may require an Environmental Impact Assessment depending upon the size and impact of the proposed project.

Any change to permitting policies and procedures in the UK may reduce the number of energy storage plants in the GB market and consequently reduce the number of investment opportunities available to the Company. As a result, the Company's ability to deploy the net proceeds and acquire those projects which it has identified in its pipeline may be adversely impacted.

**(j) Energy storage assets may be considered a source of nuisance, pollution or other environmental harm**

Proper planning and good maintenance practices can be used to minimise impacts from hazardous materials, however, there is no guarantee that this will always be the case. The Company cannot guarantee that its energy storage assets will not be considered a source of nuisance, pollution or other environmental harm or that claims will not be made against the Company in connection with its energy storage assets and their effects on the natural environment. This could also lead to increased cost of compliance and/or abatement of the generation activities for affected energy storage assets which could also lead to a material reduction in the returns from the affected assets and as a result adversely impact the results of operation of the Company.

**Risks relating to the acquisition of energy storage projects**

**(k) Competition for acquisitions**

The Company may face significant competition for assets in the energy storage sector from a variety of potential buyers and investors. Any significant increase in the competition for appropriate investment opportunities (including, for example, from utilities who would have significantly greater resources and lower cost of capital compared to the Company for investment purposes), may cause a reduction in the number of opportunities available to, and adversely affecting the terms upon which investments can be made by, the Company.

Such competition may cause a decrease in expected financial returns. The ability of the Company to achieve its investment objective and deploy its cash resources in order to deliver its pipeline depends on the Company (assisted by the Adviser) identifying, selecting and executing investments which offer the potential for satisfactory returns.

Whilst under the terms of each of the Project Sourcing Agreements the Company has a right of first refusal to acquire certain energy storage projects sourced by NEC ES and NK, there can be no assurance that sufficient projects will be made available to the Company under these pipeline arrangements or that the Company will be able to identify and execute a sufficient number of investments from other sources to achieve its investment objective and/or to expand its portfolio of energy storage projects as currently intended. Further details in relation to the pipeline arrangements between the Company, NEC ES and NK are set out in Part 4 (*Seed Portfolio and pipeline of proposed investments*) of this document.

**(l) The Company may fail to acquire the Lower Road Project and pipeline projects and may incur costs in relation to projects that are not ultimately acquired**

An investment in an energy storage project may be conditional upon, *inter alia*, receipt of all necessary consents, approvals, authorisations and permits, the Company deciding to proceed with the acquisition, securing power supply contracts with National Grid and/or its subsidiaries and other organisations, the Company being able to finance its commitment to a particular investment and satisfactory completion of due diligence.

Pipeline projects will be assessed by the Adviser and the final decision to acquire any project will be made in accordance with the processes described in Part 2 (*The Company*) of this document. The Company may fail to acquire all or any of the projects which may be made available to it pursuant to the terms of the Project Sourcing Agreements and/or from other project developers for a number of reasons including where the terms of investment in connection with certain projects are deemed unsuitable by the Adviser and/or the Board.

The Company has not entered into any unconditional, legally binding agreements in connection with the acquisition of any energy storage projects in its pipeline, other than in relation to the acquisition of the Boulby Project and the Cenin Project, and there can be no guarantee that the Company will ultimately be able to invest in any energy storage projects on satisfactory terms, or at all.

Further, there can be no guarantee that the Company will acquire the Lower Road Project. If the Adviser's negotiations with Origami are not satisfactorily concluded or if the result of the frequency auction in April 2018 does not go as planned this may have a material effect on the Company's financial position and the Company's ability to achieve the targets and returns referred to in this document.

**(m) Due diligence may fail to uncover all material risks; unknown liabilities may arise**

Prior to the acquisition of an energy storage project or any special purpose vehicle that holds an energy storage asset or rights to construct an energy storage project, the Adviser (with the assistance of third party advisers as appropriate) will undertake, or procure to be undertaken, commercial, financial, technical and legal due diligence on the project and/or special purpose vehicle (as applicable). Notwithstanding that such due diligence is undertaken, not all material risks affecting the project or special purpose vehicle (as the case may be) may be identified and/or such risks may not be adequately protected against in the acquisition documentation.

The Company may acquire assets with unknown liabilities and without any recourse, or with limited recourse, with respect to unknown liabilities. If an unknown liability was later asserted against the acquired assets, the

Company may be required to pay substantial sums to settle it or enter into litigation, which could adversely affect cash flow and the results of its operations.

If the operation of a project has not been duly authorised or permitted it may result in closure, seizure, enforced dismantling or other legal action in relation to the project. Certain issues, such as failure in the construction of an energy storage system, for example as a result of faulty components or insufficient structural quality, may not be evident at the time of acquisition or during any period in which a warranty claim may be brought against the contractor. Such issues may result in loss of value without full or any recourse to insurance or construction warranties.

Accordingly, in the event that material risks are not uncovered and/or such risks are not adequately protected against, this may have a material adverse effect on the Company.

**(n) Behind-the-meter project availability and risks**

The Company intends to invest a significant part of its capital in energy storage projects located next to electricity demand user sites or electricity generator sites (“behind-the-meter” projects). The availability of behind-the-meter projects is constrained by both the size of existing grid connections to such sites and the base-load demand or generation of the sites. The maximum size of demand site connections tends to be approximately 10 MW and the size of the energy storage facilities suitable for these types of sites can also be limited by the shape of the demand user’s consumption profile<sup>4</sup>. Further, the lead time for the negotiation of contracts in connection with these sites is typically longer than for the independent Greenfield sites (“front-of-meter” projects). The energy demand / generation profiles of the behind-the-meter projects may change over the life of the battery. Significant changes, including termination of the operation of the sites, could change the level of fees or benefits generated at these sites, which may result in the projects becoming considerably less attractive than originally anticipated and this could have a material adverse effect on the Company’s business, financial condition and result of operations.

The Company will generally seek to invest into projects with a long-term lease contract covering the maximum life of the assets. However, the Company may invest into projects with shorter lease terms or leases with a break clause if the other terms of the projects are attractive enough to offset the risk. If the lease contract is terminated before the end of storage life (for example if the site owner decides to move to new premises), the Company may incur additional expense to move the storage systems to other sites and replicate a similar strategy or may need to terminate the project and sell the storage equipment to a secondary market, if available.

**(o) Risks relating to not acquiring 100 per cent. of an energy storage project**

Although the Company will typically seek legal and operational control of the energy storage projects it acquires, it may not always be able, for structural or commercial reasons, to acquire a 100 per cent. equity interest in such projects. The Company may participate in joint ventures or acquire minority interests where this approach enables the Company to gain exposure to projects within its investment policy which it would not otherwise be able to acquire on a wholly-owned basis. This may hamper the Company’s ability to control such assets and may also reduce the future returns to the Company.

**(p) Valuation risk**

The Company’s investments will be largely, if not entirely, unquoted assets and the valuation of such investments will involve the Adviser and/or any independent valuer exercising judgment. There can be no guarantee that the basis of calculation of the value of the Company’s investments used in the valuation process will reflect the actual value on realisation of those investments.

**Operational risks**

**(q) The Company is exposed to counterparties who may fail to perform their obligations under operation and maintenance (O&M) contracts**

The Company expects to carefully select and rely on third-party professionals and independent contractors and other service providers to provide the required operational and maintenance support services (where required) throughout the construction and operating phases of the energy storage assets in the Company’s investment portfolio. In the event that such contracted third parties are not able to fulfil their obligations or otherwise fail to perform to standard, the Company may be forced to seek recourse against such parties, provide additional resources to undertake their work, or to engage other companies to undertake their work. However, any such legal action, breach of contract or delay in services by these third-party professionals and independent contractors could have a material adverse effect on the Company’s business, financial condition and results of operations. The Company’s ability to invest in and operate energy storage projects could be adversely affected if the contractors with whom the Company wishes to work do not have sufficient capacity to work with the Company on its chosen projects. In addition, if the quality of a contractor’s work does not meet the requisite requirements, this could have an adverse effect on the construction and operations, and financial

<sup>4</sup> For example, a demand site with a 10MW import connection, but a consumption profile of only 5MW on a “flat” basis would likely only be suitable for a 5MW battery.



returns of such projects, as well as the Company's reputation. Where an operation and maintenance contractor, or any other contractor, needs to be replaced, whether due to expiry of an existing contract, insolvency, poor performance or any other reason, the Company will be required to appoint a replacement contractor. Any such replacement contractor may be of higher costs. If it takes a long time to find a suitable contractor, it could potentially lead to delays, lower technical and operating performance or downtime for the relevant asset or cancellation of key contracts. This could have a material adverse effect on the Company's financial position, results of operation and business prospects.

**(r) The Company may be exposed to counterparties who have failed to perform their obligations under EPC contracts**

The Company expects to acquire projects on which, as a general rule, third-party EPC contractors have provided the required turn-key construction contracts. As part of these EPC contracts, the EPC contractor assumes financial and operational warranties and guarantees during the initial phase of the plant's operational life. Where a EPC contractor has not fulfilled his contractual duties and/or the performance of the plant falls below the guaranteed levels, the Company will pursue all means to recover any losses resulting therefrom and seek compensation for any incremental investment costs sustained by the Company to correct any faults uncovered. In the event the EPC contractor is not able to cover his contractual liabilities, the Company's financial position, results of operations and ability to pay Shareholder dividends may be adversely impacted. If the construction is delayed for any reason which could include for example extended period of adverse weather conditions, this could delay commissioning and lead to the loss of a revenue contract for the project and, consequently, adversely impact the level of revenue achieved by the asset.

**(s) Technological and operational risks may arise which may not be covered by warranties or insurance**

Although the Adviser will procure that appropriate legal and technical due diligence is undertaken on behalf of the Company in connection with any proposed acquisition of energy storage projects by the Company, this may not reveal all facts and risks that may be relevant in connection with an investment. In particular, if the operation of projects has not been duly authorised or permitted, it may result in closure, seizure, enforced dismantling or other legal action in relation to such projects. Certain issues, such as failure in the construction of a plant, for example, faulty components or insufficient structural quality, may not be evident at the time of acquisition or during any period during which a warranty claim may be brought against the contractor. Such issues may result in loss of value without full or any recourse to insurance or construction warranties.

Warranties and performance guarantees typically only apply for a limited period, and may also be conditional on the equipment supplier being engaged to provide maintenance services to the project. Performance guarantees may also be linked to certain specified causes and can exclude other causes of failure in performance, such as unscheduled and scheduled grid outages. Should equipment fail or not perform properly after the expiry of any warranty or performance guarantee period and should insurance policies not cover any related losses or business interruption the Company will bear the cost of repair or replacement of that equipment.

Under the acquisition documentation the Company and/or the Subsidiary (as applicable) will receive the benefit of various warranties in relation to the projects that it acquires. Such warranties are limited in extent and will be subject to disclosure, time limitations, materiality thresholds and liability caps. To the extent that any material issue is not covered by the warranties or is excluded by such limitations or exceeds such cap, the Company/the Subsidiary (as applicable) will have no recourse against the vendor. Even if the Company/the Subsidiary (as applicable) does have a right of action in respect of a breach of warranty, there is no guarantee that the outcome to any claim will be successful or that the Company/the Subsidiary (as applicable) will be able to recover anything.

In addition, operational energy storage plants remain subject to on-going risks, some of which may not be fully protected by contractor or manufacturer warranties, including but not limited to security risks, technology failure, manufacturer defects, electricity grid forced outages or disconnection, force majeure or acts of God. Whilst energy storage technology has been utilised for many years manufacturers continue to develop and change technology and this may result in unforeseen technology failures or defects.

Any unforeseen loss of performance and/or efficiency in battery modules, beyond the warranted degradation, on an acquired or developed asset would have a direct effect on the yields produced by an energy storage plant and, as a consequence, could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, any unforeseen loss or reduction of performance of other technology components of an energy storage plant, such as the inverters, wiring, electronic components, switchgear and interconnection facilities, could have a material adverse change on the Company's business, financial condition and result of operations.

Energy storage plant operators generally take out insurance to cover certain costs of repairs and any other project specific risks that may have been identified as insurable and are insurable against. Not all potential risks and losses in relation to the operation of an energy storage plant will be covered by insurance policies. For example, losses as a result of force majeure, natural disasters, terrorist attacks or sabotage, cyber-attacks, environmental contamination or theft may not be available at all or on commercially reasonable terms



or a dispute may develop over insured risks. The Company cannot guarantee that insurance policies will cover all possible losses resulting from outages, equipment failure, repair, replacement of failed or stolen equipment, environmental liabilities, theft or legal actions brought by third parties (including claims for personal injury or loss of life). The uninsured loss, or loss above limits of existing insurance policies, could have an adverse effect on the business and financial position of the Company.

In cases of frequent damage, insurance contracts might be amended or cancelled by the insurance company or the insurance premium levels will be increased, in which case the Company may not be able to maintain insurance coverage comparable to that currently in effect or may only be able to do so at a significantly higher cost. An increase in insurance premium cost could have an adverse effect on the Company's financial position and business prospects.

**(t) Inability to control operating expenses and investments may adversely impact the Company**

The profitability of an energy storage asset over its full life is dependent, *inter alia*, on the owner's ability to manage and control the operating expenses of the asset. Operating expenses include rent under any lease, insurance coverage and asset management costs, as well as other selling, general and administrative costs. In addition, a plant's profitability over its life is also dependent on the owner's ability to manage and control investment costs during the operational phase. Investment costs at plant level include replacing faulty technology components (such as battery modules, inverters, cables, interconnection gear and module control systems) that are not covered by supplier warranties or guarantees and rebuilding the plant following any unexpected event (such as theft, burglary or act of vandalism not covered by insurance providers). As a result, the Company's inability to control operating expenses and investments at the energy storage plants it acquires may adversely affect the Company's financial position and business prospects.

**(u) Health and safety risks may result in liability for the Company in the event of an accident**

The physical location, maintenance and operation of an energy storage plant may pose health and safety risks to those involved. The operation of an energy storage plant may result in bodily injury or industrial accidents, particularly if an individual were to be crushed, injured or electrocuted. If an accident were to occur in relation to one or more of the Group's energy storage plants, the Company could be liable for damages or compensation to the extent such loss is not covered under existing insurance policies. Liability for health and safety could have a material adverse effect on the business, financial position, results of operations and business prospects of the Company.

**(v) Risks relating to the balancing services, contracts and pricing, including frequency response and failure to secure new contracts on expiry**

The revenues generated by the Company's portfolio will be dependent on the price at which various balancing services, including, in particular, frequency response services, are offered by its energy storage systems to National Grid and/or its subsidiaries or other relevant system operators.

The current GB frequency response service is procured by National Grid via a monthly tender process. The Company intends to secure at least one of the contracts for the provision of balancing services for each of its projects (such as for enhanced and firm frequency response services) before or simultaneously with the acquisition of each project. However, if the Company acquires a project without a frequency response contract it may not be able to secure an attractive price prior to the completion of the project. The GB firm frequency response market currently offers contracts with a maximum term of 24 months, which is significantly shorter than the expected life of the projects that the Company is to acquire. The Company may not be able to secure attractive terms at the time of renewal of such contracts (or indeed any such contracts at all) and consequently may not be able to use the energy storage systems at their maximum capacity and capabilities, including between contracts.

As new participants enter the market, the Company expects a certain decline in the market price of balancing services. The Adviser makes investment decisions based on price forecasts and so a greater than expected decline in the market price of balancing services could materially adversely affect the Company's revenues and financial condition. Furthermore, the Company cannot guarantee that market prices of balancing services will remain at levels which will allow the Company to maintain target dividend distributions or rates of return on the energy storage projects within its portfolio. A significant drop in market prices for balancing services would have a material adverse effect on the Company's business, financial position, results of operations and business prospects.

**(w) Risks relating to changes in the methods that National Grid uses to procure balancing services**

The procurement details and contract designs that National Grid uses for different balancing services currently vary. For example, firm frequency response contracts are tendered monthly, for one through to 24 months in duration, and the time windows in which the service is provided can be specified to the nearest 30 minutes. In other services (for example, Short Term Operating Reserve, National Grid's forward-contracted form of reserve energy which is delivered by reducing demand or increasing generation with around 15 minutes notice and sustaining this for up to two hours), contracts are tendered three times a year, with fixed time windows.

In June 2017, National Grid published a document on System Needs and Product Strategy setting out its plans to review its current practices, and ultimately change the way that it procures balancing services, to enable it to procure the capabilities that it requires more cost-effectively in the future. Its work involves rationalising the list of products that it procures today (i.e. reducing the range of products that it currently procures down from over 20), standardising parameters within products (such as time windows, durations of contracts etc.) and improving the design of products to better meet the technical and commercial requirements of flexibility providers. National Grid's programme of work is expected to conclude in January 2019.

After publishing the June 2017 document, National Grid released a further update on its future procurement of frequency response in an open letter ("*Letter on rationalisation*"). This letter confirmed that an improved frequency response product suite will feature in the new arrangements and that a number of existing sub-products of frequency response that are currently procured will be combined into this new product suite. As part of this update, it also confirmed that it would trial alternating its procurement of frequency response each month to focus on monthly contracts for one month, with the next tender to focus on longer term contracts and so on.

In December 2017, National Grid published a product roadmap document, focusing on its forward plans for more substantial changes to frequency response and reserve services. For frequency response, it confirmed that it will:

- look to complete the standardisation of the firm frequency response market by Q1 2018;
- deliver a proposed simplified contract for frequency response by Q2 2018;
- publish a new testing and compliance and performance monitoring policy in Q3 2018;
- start a trial of using auctions to procure frequency response in Q4 2018 (with the intention of taking a decision to roll out auctions more widely by the second half of 2019); and
- begin procuring a faster acting form of frequency response in Q4 2018.

National Grid's work is an ongoing programme of change to its procurement approach. The timelines above indicate that the design of new frequency response contracts are unlikely to be finally confirmed until mid-2018. Changes that shorten the standard duration of contracts, or standardise the time windows that providers can offer services, could force the Company to re-contract more frequently in the future, which may create high administrative costs for the Company, and expose it to more frequent occurrences of failing to secure contracts immediately after the expiry of a previous contract. Changes in the specification of services, for example, relating to the speed and duration of the delivery of a balancing service, may require battery storage projects to incur additional investment and set-up costs which may adversely affect the Company's financial performance, results and ability to pay dividends to Shareholders.

**(x) Risks relating to Transmission Network Use of System (TNUoS) charges and Distribution Use of System (DUoS) charges**

An element of the revenue expected to be generated by the Company's portfolio will be dependent on the savings of TNUoS and DUoS charges that the Company's energy storage systems can offer to its industrial and commercial customers through the deployment of behind-the-meter batteries. Ofgem is currently undertaking two reviews of network charging arrangements:

- a Targeted Charging Review (a "**Significant Code Review**"); and
- a Reform of Electricity Network Access and Forward Looking Charges.

The purpose of these work streams is to review how network costs, including TNUoS and DUoS charges, are levied on consumers. Under the Targeted Charging Review, Ofgem plans to release a minded-to decision on the in-principle design of charges in summer 2018, following which the detailed design and implementation will commence (no timeline is currently provided, but previous precedents of significant code reviews have taken approximately 12 – 24 months to design and approve). It is not yet clear whether the Reform of Electricity Network Access and Forward Looking Charges will result in significant changes, nor the timeline for implementation if so.

Ofgem has previously acted in the area of network charging, by reducing the level of the TNUoS charge that is avoidable by standalone distribution-connected / embedded generators and storage assets. This change was originally proposed by industry in 2016 as a change to the CUSC, where the detailed charging rules are set out. Ofgem made its final decision on the proposals in June 2017, where it directed that the avoidable component of the "residual"<sup>5</sup> part of the TNUoS charge should be reduced from current levels of approximately £47/kW/p.a., to a value that is reflective of the avoided cost of investment at the grid supply point (last estimated to be £3.22/kW/p.a. for the 2017/18 charging year). The change is to be phased between

5 TNUoS charges comprise a residual and locational component, with the residual performing the function of collecting the sunk costs of network investment and operation, while the locational component provides an economic signal on the value of locating generation or demand in a particular area. The residual commonly comprises 80 per cent. – 100 per cent. of the total charge.

April 2018 and April 2020, with the value reducing in a linear fashion until landing at the new level, which will be recalculated by National Grid during the implementation phase.

A further decline in the TNUoS tariff levels for standalone assets, or further change in charging mechanism, or an adoption of a similar approach to the above for behind-the-meter storage projects, potentially combined with further reductions and changes in the charging mechanism, could materially adversely affect the Company's revenues and financial condition. Similarly, a decline in DUoS tariff or charging mechanism could materially adversely affect the Company's revenues and financial condition. In addition, if new charges are introduced under which an energy storage asset could increase the charges payable by the on-site customer, then this may create an exposure for the Company. The Company cannot guarantee that TNUoS or DUoS tariffs or their charging mechanisms will remain at levels which will allow the Company to maintain projected revenue levels or rates of return on the energy storage projects within its portfolio.

**(y) Risks relating to capacity market contracts and pricing**

The revenues generated by the Company's portfolio will be dependent on the capacity market price the Company's investee companies secure through the capacity market auctions. The Company seeks to secure long term fixed price capacity market contracts before or (in certain circumstances and subject to the limitations set out in the Company's investment policy) following its investment into any project. A decline in the price offered in relation to capacity market contracts could materially adversely affect the viability of existing projects and availability of viable projects in the future. The Company cannot guarantee that capacity market prices will remain at levels which will allow the Company to maintain projected revenue levels or rates of return on the energy storage projects within its portfolio (or indeed that it can secure or renew any such contracts at all). A significant drop in capacity market prices would have a materially adverse effect on future availability of attractive projects and, therefore, the Company's business, financial position, results of operations and business prospects.

In 2017, the Government Department for Business, Energy & Industrial Strategy reviewed the adjustment factor used on capacity market auction prices (known as "de-rating factors") for storage technologies, to better reflect the difference in contribution to security of supply between those projects with short and long battery durations. In December 2017, the Government concluded this review by confirming that the de-rating factors to apply to storage technologies would change for the upcoming T-1 auction (auction in January 2018, for delivery in October 2018 for one year only) and T-4 auctions (auction in February 2018, for delivery in October 2021, allowing new entrants to secure contracts of multiple years). The new de-rating factors are set out below, and are a reduction from the 96.29 per cent. de-rating factor that was used for the 2016 T-4 auction the year before:

Minimum duration (hours)	2018/19 T-1 Auction	2021/22 T-4 Auction
0.5	21.34%	17.89%
1	40.41%	36.44%
1.5	55.95%	52.28%
2	68.05%	64.79%
2.5	77.27%	75.47%
3	82.63%	82.03%
3.5	85.74%	85.74%
4+	96.11%	96.11%

Importantly, these new de-rating factors are only applied to new contracts, and are not applied retrospectively (i.e. there are a number of 30 minute batteries that secured contracts in the 2016 T-4 auction with a 96.29 per cent. de-rating factor).

**(z) Risks relating to the volatility of the price of electricity**

One of the future expected sources of revenue generated by the Company's portfolio relating to electricity pricing arbitrage will be dependent on the daily or hourly fluctuation of the price at which electricity can be discharged or charged by its energy storage facilities. A lower than expected volatility in the market price of electricity could adversely affect the Company's revenues and financial condition. The Company cannot guarantee that electricity market price volatility will be at levels nor regularity which will allow the Company to generate projected revenue levels or rates of return on the energy storage projects within its portfolio. A significant drop in volatility of market prices for electricity whilst the Company is pursuing this future revenue stream would have an adverse effect on the Company's business, financial position, results of operations and business prospects.

**(aa) Risks relating to the purchase price of electricity**

Part of the operating expenses of the Company's portfolio will be dependent on the price at which electricity is consumed by its energy storage facilities due to parasitic loan and efficiency loss. While the Company will

look to hedge these costs with a supplier to reduce costs, an increase in the market price of electricity over time could adversely affect the Company's operating cost and financial condition. The Company cannot guarantee that electricity market prices will remain at levels which will allow the Company to maintain projected operating expense levels or rates of return on the energy storage projects within its portfolio. A significant increase in market prices for electricity would have an adverse effect on the Company's business, financial position, results of operations and business prospects.

***(bb) Demand aggregator risk / electricity supplier risk***

The Company may rely on demand aggregators for the operation of its energy storage systems. Demand aggregators offer market access and revenue management services to optimise revenue from the energy storage assets. This service typically includes advice to the Company on the optimal selection of revenue-generating programmes to maximise profit for the Company, monitoring and management of the state of charge and discharge and charging schedule of the storage system, tendering for any revenue-generating programmes or services on behalf of the Company or as an intermediary of such programmes, and providing and maintaining back-end IT systems to interface to the customer (such as National Grid) for the provision of the necessary data.

The Company may also rely on energy supplier/off-takers for the purchase and sale of electricity discharged or charged by the energy storage system. Power purchase agreements ("**PPAs**") will be entered into between each of the energy storage plants in its portfolio and creditworthy suppliers/offtakers. Under the PPAs, the assets will sell electricity discharged from the storage and purchase electricity to charge the storage from and to the designated supplier/offtake. The Company may retain exposure to power prices through PPAs that contain price stabilising mechanisms, such as fixed prices or price floors. Assets sharing a grid connection / meter with C&I companies ("behind-the-meter" projects) or electricity generators may have a shared electricity supplier arrangement with the C&I companies or the electricity generators for the aggregated electricity use or supply based on agreed methodology to allocate electricity revenue / cost with the C&I companies or electricity generators.

The Company expects to carefully select and rely on the demand aggregators and/or electricity supplier/offtakers to manage storage revenue and electricity cost throughout the life of the energy storage assets in the Company's investment portfolio. In the event that such demand aggregators and/or electricity supplier / oftakers are not able to fulfil their obligations or otherwise fail to perform to standard, the Company may be forced to seek recourse against such parties, provide additional resources to undertake their role, or to engage other companies to undertake their role. However, any such legal action, breach of contract or delay in services by these demand aggregators and/or electricity supplier/offtakers could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's ability to invest in and operate energy storage projects could be adversely affected if the demand aggregators and/or electricity supplier/offtakers with whom the Company wishes to work do not have sufficient resources to work with the Company on its chosen projects. In addition, if the quality of service of a demand aggregators and/or electricity supplier/offtakers does not meet the requisite requirements, this could have an adverse effect on the operations and financial returns of such projects. Where a demand aggregator and/or electricity supplier/offtakers, needs to be replaced, whether due to expiry of an existing contract, insolvency, poor performance or any other reason, the Company will be required to appoint a replacement aggregator. Any such replacement aggregator may be at a higher cost. If it takes a long time to find a suitable demand aggregator and/or electricity supplier / oftakers, it could potentially lead to delays, lower operating performance or downtime for the relevant asset or cancellation of key contracts. This could have a material adverse effect on the Company's financial position, results of operation and business prospects.

***(cc) The Company is reliant upon electricity transmission facilities owned by third parties***

In order to sell their energy storage services and thus realise value, energy storage facilities must be and remain connected to the distribution or transmission grid, through a designated connection, or through an existing customer's connection. Therefore, the Company is reliant upon electricity transmission facilities owned by third parties to sell the services produced by its energy storage assets. Typically, the Company will not be the owner of, nor will it be able to control, the transmission or distribution facilities except those needed to interconnect its energy storage plants to the electricity network. Accordingly, an energy storage plant must have in place the necessary connection agreements and comply with their terms in order to avoid potential disconnection or de-energisation of the relevant connection point. In addition, in the event that the transmission or distribution facilities break down with or without fault of the distribution or transmission grid operator, the Company may be unable to provide its services and this could have a material adverse effect on the Company's business, financial status and results of operations. The circumstances in which compensation, if any, would be payable are limited and the amounts payable are unlikely to be sufficient to cover any losses of revenue, which could have a material adverse effect on the Company's financial position and results of operation.



***(dd) Battery delivery and installation may be delayed***

The Company may invest in certain projects which are, at the time of investment, subject to the delivery and installation of battery systems to enable completion and commissioning of the project. Therefore, any such projects are dependent upon being able to source a timely supply of battery systems and components for the balance of plant, many of which such items are manufactured abroad on long-lead times. Whilst the Company factors delivery delays into the assumptions underlying the project models, it may be the case that there are delays to securing battery or component suppliers, delays or potentially cancellation of delivery of battery systems and delays or complications relating to the installation of the battery equipment and connection to the grid (construction of balance of plant) that remain unforeseen. Any such delays may result in the revenue contracts for the project being cancelled which could, in turn, lead to the cancellation of the project in its entirety. Any such cancellation will have an adverse impact on the revenue, profits and returns of the Company.

***(ee) Counterparty risk***

The Company is exposed to third party credit risk in several instances and the possibility that counterparties with which the Group contracts may default or fail to perform their obligations in the manner anticipated by the Group. Such counterparties may include (but are not limited to) manufacturers who have provided warranties in relation to the supply of any equipment or plant, EPC contractors who have constructed the Company's plants, who may then be engaged to operate assets held by the Company, property owners or tenants who are leasing ground space and/or grid connection to the Company for the locating of the assets, contractual counterparties who acquire services from the Company underpinning revenue generated by each project or the energy suppliers, or demand aggregators, insurance companies who may provide coverage against various risks applicable to the Company's assets (including the risk of terrorism or natural disasters affecting the assets) and other third parties who may owe sums to the Company. In the event that such credit risk crystallises, in one or more instances, and the Company is, for example, unable to recover sums owed to it, make claims in relation to any contractual agreements or performance of obligations (e.g. warranty claims) or require the Company to seek alternative counterparties, this may materially adversely impact the investment returns. Further the projects in which the Company may invest will not always benefit from a turnkey contract with a single contractor and so will be reliant on the performance of several suppliers. Therefore, the key risks during battery installation in connection with such projects are the counterparty risk of the suppliers and successful project integration.

***(ff) Risks relating to National Grid***

The Company's investment policy and investment strategy mean that the Group will have significant exposure to National Grid Electricity Transmission plc (a subsidiary of National Grid, the owner and manager of the electricity transmission network in England and Wales) as a single counterparty. National Grid is a public limited company incorporated in England and Wales with company number 04031152. The registered office of National Grid is at 1-3 Strand, London WC2N 5EH. National Grid is admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. National Grid is also listed on the New York Stock Exchange. National Grid is one of the largest companies in the UK (it is capitalised at approximately £25 billion and in the top 25 UK listed companies). National Grid Electricity Transmission plc has a Moody's credit rating of A3 and is responsible for ensuring the stable and secure operation of the whole electricity transmission system in GB. The Government does not guarantee the solvency of National Grid Electricity Transmission plc. If this company were to collapse or if its financial strength materially deteriorates, its obligations as a counterparty to Company may be seriously impacted become worthless, which could materially affect the solvency and operating performance of the Company.

***(gg) Concentration risk***

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

***(hh) Borrowing risk***

Although there is no present intention to utilise borrowings, the Company may, where the Board deems it appropriate, use short term leverage to acquire assets but with the intention that such leverage be repaid with funds raised through a new issue of equity or cash flow from the Company's portfolio. Such leverage will not exceed 15 per cent. (at the time of borrowing) of Gross Asset Value without Shareholder approval. While the use of borrowings can enhance the total return on the Ordinary Shares and/or C Shares where the return on the Group's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Group's underlying assets is rising at a lower rate than the cost of borrowing or falling, further reducing the total return on the Ordinary Shares and/or C Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value per Ordinary Share and/or C Share.



Any reduction in the value of the Group's investments may lead to a correspondingly greater percentage reduction in its Net Asset Value (which is likely to adversely affect the price of an Ordinary Share and/or C Share). Any reduction in the number of Ordinary Shares in issue (for example, as a result of buy backs) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

To the extent that a fall in the value of the Group's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy or borrowing limits, the Company may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments.

**(ii) *Delays in deployment of the proceeds of the First Issue may have an impact on the Company's results of operations and cash flows***

The Company is aiming to have substantially invested all of the proceeds of the First Issue committed within 18 months from the date of First Admission but there can be no guarantee that this will be achieved. Depending on the availability of attractive projects that fit within the Company's investment policy and investment strategy, it may take the Company more than 18 months to invest the proceeds of the First Issue beyond those projects that comprise the Seed Portfolio. There can be no assurance as to how long it will take for the Company to invest any or all of the net proceeds of the First Issue, if at all, and the longer the period the greater the likelihood that the Company's results of operations will be materially adversely affected.

**(jj) *Credit risk***

Cash and other assets that are required to be held in custody will be held by the Depositary or its sub-custodians. Cash and other assets may not be treated as segregated assets and will therefore not be segregated from the Depositary's or any sub-custodian's own assets in the event of the insolvency of a custodian.

Cash held with the Depositary or any sub-custodian will not be treated as client money subject to the rules of the FCA and may be used by the Depositary or a custodian in the course of its own business. The Company will therefore be subject to the creditworthiness of the Depositary and its sub-custodians. In the event of the insolvency of the Depositary or a sub-custodian, 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.

**(kk) *Currency risk***

Pursuant to the Company's investment policy, the Company may invest in projects outside of the UK, in particular in North America and Western Europe. This means that funds of the Company may be invested in assets or projects which are denominated in US Dollars, Euros, Sterling or other currencies. Accordingly, the value of such assets or projects and the income received from them may be affected favourably or unfavourably by fluctuations in currency rates.

The Company may, in its discretion, hedge currency exposure between Sterling and any other currency in which the Company's assets may be denominated, in particular US Dollars and Euros, for a short period. There can be no assurances or guarantees that the Company will successfully hedge against such risks or that adequate hedging arrangements will be available on an economically viable basis, and in some cases, hedging arrangements may result in additional costs being incurred or losses being greater than if hedging had not been used.

**(ll) *Risks relating to relationships with cornerstone investors and substantial shareholders in the Company***

From time to time, there may be Shareholders with substantial interests in the Company. Such Shareholders' interests may not be aligned to the interests of other Shareholders and such Shareholders may seek to exert influence over the Group. In the event that such Shareholders are able to exert influence to the detriment of other Shareholders, this may have an adverse effect on Shareholder returns.

In particular, NEC ES and NK are initial investors in the Company as cornerstone investors. The Company has entered into an agreement with each of NEC ES and NK in relation to the introduction of projects to the Company on the terms set out in the Project Sourcing Agreements, some of which form part of the pipeline of investments identified in this document. There is no guarantee that any such projects will materialise or if they do will be on terms which are suitable for or within the terms of the investment policy or objectives of the Company. Furthermore, the shareholdings held by NEC ES and NK in the Company and the commercial relationship between each of NEC ES and NK and the Company and the Adviser may deter their competitors from working with the Company in connection with any projects in which the Company invests. This may have an adverse effect on the number of attractive projects and other investment opportunities that are available to the Company.

## ***Risks relating to the energy storage assets***

### ***(mm) Batteries are subject to degradation and the risk of equipment failure***

Battery systems degrade gradually with reduced capacity and cycle life due to chemical changes to the electrodes over its life time. The degradation effect can be separated into calendar loss and cycling loss. Calendar loss results from the passage of time and cycling loss is due to usage and depends on both the maximum state of charge and the depth of discharge. Although the battery manufacturers provide certain warranties on a battery degradation schedule based on certain operating conditions and the life span of the battery, the operation of the battery may fall outside of the warranty conditions due to unexpected events. Also the Company may continue to operate the battery beyond the period covered by the degradation warranty of the battery manufacturers and these may result in unexpectedly lower performance of battery assets. The Company's investment will take into account the realistic degradation profile of the battery based on the Company's assessment of the supplier's battery technology however this can be higher than the warranted degradation profile and the asset may not meet its expected performance at the time of acquisition, even if the use of the battery is within the warranted period and conditions. As a result, and to the extent not covered by the warranties, any such excess battery degradation may necessitate greater than expected repair and maintenance expenses or the requirement for replacement of some or all of the battery modules or components earlier than anticipated.

There is also a risk of equipment failure due to wear and tear, design error or operator error in connection with the energy storage system and this failure, among other things, could adversely affect the returns to the Company.

### ***(nn) Balance-of-plant equipment is subject to degradation and the risk of equipment failure***

Energy storage plants contain a multitude of technical, electronic, mounting structures and other components, commonly referred to as "balance-of-plant". Balance-of-plant components are subject to degradation, technical deterioration, possible theft of components and other loss of efficiency and effectiveness over an energy storage plant's lifespan. There is a risk of unexpected equipment failure or decline in performance over the life cycle of the plant which would adversely affect the plants technical and financial performance.

### ***(oo) Prices for battery systems may decline faster than expected***

The prices paid for battery systems are a key component of the total cost of an energy storage project. It is expected that prices of such systems will decline due to the expected growth in the demand for the lithium-ion batteries, therefore it will be the primary technology to be utilised by the Company in its projects. The Company has made certain assumptions in its financial modelling, based upon independent forecast data, relating to the declines in prices for battery systems. However, if prices fall faster than expected, the returns implied by existing projects may be lower than expected if and to the extent, pricing on renewal of shorter term contracts (such as for balancing services) does not adjust accordingly.

## ***Other risks relating to the portfolio and investment strategy***

### ***(pp) Reinvestment of excess cash may not be possible***

In the event that the Company's investments do not generate sufficient returns or if for other reasons the Company does not generate profits for the Company sufficient to enable the payment of dividends at or above the target described herein, the Company will not have excess cash available for reinvestment which may inhibit growth of the NAV or, indeed, its maintenance at prior levels. Further, since the Company is an investment trust, such status may require the distribution of cash that would otherwise be available for reinvestment. Even if excess cash is available there is no guarantee that suitable investments will be available for the deployment of that cash.

### ***(qq) Errors may be made in the financial model, including energy market and financial forecasting***

The Adviser may use or rely on forecasts, financial models and other market data prepared by third parties as part of its analysis of the Company's portfolio and the markets in which the Company invests. Neither the Adviser nor the Company will undertake any additional verification of such forecasts, models or market data and there can be no guarantee that such information is accurate. Further, the Adviser may itself make errors in the interpretation and use of third party forecasts, financial models and other market data in preparing its own forecasts in connection with each of the projects acquired by the Company. The data prepared by the Adviser will typically include forecasts on a number of operating expenses for each project including, *inter alia*, electricity costs, rent, O&M costs, management costs, insurance premiums and other expenses. Differences between the data prepared by the third parties and/or the Adviser and the economic and market conditions that materialise in actuality may have adverse effects on the Company's returns. In addition, forecasters tend to look at long-term data only and there may be short term fluctuations which are unaccounted for.

#### **4) Risks relating to taxation**

##### ***Investment trust status***

It is the intention of the Directors to apply to HMRC for, and to conduct the affairs of the Company so as to satisfy the conditions for, approval as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010. A failure to obtain or maintain HMRC approval as an investment trust, including as a result of a change in tax law or practice could result in the Company not being able to benefit from the current exemption for investment trusts from UK tax on chargeable gains and could affect the Company's ability to provide returns to Shareholders. It is not possible to guarantee that the Company will remain a company that is not a close company for UK tax purposes, which is a requirement to obtain and maintain status as an investment trust, as the Ordinary Shares (and any C Shares) are freely transferable. The Company, in the unlikely event that it becomes aware that it is a close company, or otherwise fails to meet the criteria for approval as an investment trust company, will, as soon as reasonably practicable, notify Shareholders of this fact.

##### ***Overseas taxation***

The Company and its subsidiaries may, as well as being subject to taxation in the jurisdictions in which they are tax resident, also be subject to taxation under the tax rules of other jurisdictions in which they invest, including by way of withholding of tax from interest and other income receipts. Although the Company will endeavour to minimise any such taxes this may affect the level of returns to Shareholders.

##### ***Changes in taxation legislation or practice may adversely affect the Company and the tax treatment for Shareholders investing in the Company***

Changes in tax legislation or practice, whether in the UK or elsewhere, could affect the value of investments held by the Company, affect the ability of the Company to provide returns to Shareholders, and affect the tax treatment for Shareholders of their investments in the Company.

In the event that withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on such investments.

Investors should consult their tax advisers with respect to their particular tax situation and the tax effects of an investment in the Company. Statements in this document concerning the taxation of investors or prospective investors in Ordinary Shares and/or C Shares are based on current tax law and practice, each of which is potentially subject to change. The value of particular tax reliefs, if available, will depend on each individual Shareholder's circumstances. This document is not a substitute for independent tax advice.

#### **5) Risks relating to the Ordinary Shares and the C Shares**

##### ***General risks affecting the Ordinary Shares and the C Shares***

The value of an investment in the Company, and the income derived from it, if any, may go down as well as up and an investor may not get back the amount invested.

The market price of the Ordinary Shares and the C Shares, like shares in all investment companies, may fluctuate independently of their underlying net asset value and may trade at a discount or premium at different times, depending on factors such as supply and demand for the Ordinary Shares and C Shares, market conditions and general investor sentiment. There can be no guarantee that any discount control policy will be successful or capable of being implemented. The market value of an Ordinary Share or a C Share may therefore vary considerably from their respective NAVs.

An investor may not recover the amount originally invested. The Company can offer no assurance that its investments will generate gains or income or that any gains or income that may be generated on particular investments will be sufficient to offset any losses that may be sustained.

##### ***It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Ordinary Shares or the C Shares***

The price at which the Ordinary Shares and C Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and its investments and some which may affect companies generally. Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares or the C Shares. Consequently, the share price may be subject to greater fluctuation on small volumes of trading of Ordinary Shares or C Shares and the Ordinary Shares and/or C Shares may be difficult to sell at a particular price. The market price of the Ordinary Shares and/or C Shares may not reflect their underlying Net Asset Value.

While the Directors retain the right to effect repurchases of Ordinary Shares in the manner described in this document, they are under no obligation to use such powers or to do so at any time and Shareholders should not place any reliance on the willingness of the Directors so to act. Shareholders wishing to realise their investment in the Company may therefore be required to dispose of their Ordinary Shares and/or C Shares in the market. There can be no guarantee that a liquid market in the Ordinary Shares and/or C Shares will

develop or that the Ordinary Shares and/or C Shares will trade at prices close to their underlying Net Asset Value. Accordingly, Shareholders may be unable to realise their investment at such Net Asset Value or at all.

The number of Ordinary Shares and C Shares to be issued pursuant to the First Issue or the Placing Programme is not yet known, and there may be a limited number of holders of such Ordinary Shares and/or C Shares. Limited numbers and/or holders of Ordinary Shares and/or C Shares may mean that there is limited liquidity in the Ordinary Shares and/or C Shares which may affect (i) an investor's ability to realise some or all of his investment and/or (ii) the price at which such investor can effect such realisation and/or (iii) the price at which the Ordinary Shares and/or C Shares trade in the secondary market.

***Further issues of Ordinary Shares and/or C Shares***

The Directors have been authorised to issue up to 100 million Ordinary Shares and/or C Shares in aggregate immediately following First Admission pursuant to the Placing Programme without the application of pre-emption rights. If the Directors decide to issue further Ordinary Shares and/or C Shares on a non-pre-emptive basis the proportions of the voting rights held by holders of Ordinary Shares on First Admission will be diluted on the issue of such shares as each Ordinary Share and each C Share carries the right to one vote. The voting rights may be diluted further on the Conversion of any C Shares depending on the applicable conversion ratio.

***The Ordinary Shares are subject to certain provisions that may cause the Board to require the transfer of Ordinary Shares***

Although the Ordinary Shares and/or C Shares are freely transferable, there are certain circumstances in which the Board may, under the Articles and subject to certain conditions, compulsorily require the transfer of the Ordinary Shares and/or C Shares. These circumstances include where the holding or beneficial ownership of any shares in the Company by any person (whether on its own or taken with other shares), in the opinion of the Directors: (i) would cause the assets of the Company to be treated as "plan assets" of any Benefit Plan Investor; (ii) would or might result in the Company and/or its shares and/or any of its appointed investment managers or investment advisers being required to be registered or qualified under the US Investment Company Act and/or the US Investment Advisers Act of 1940 and/or the US Securities Act and/or the US Exchange Act of 1934 and/or any similar legislation (in any jurisdiction) that regulates the offering and sale of securities; (iii) may cause the Company not to be considered a "Foreign Private Issuer" under the US Exchange Act of 1934; (iv) may cause the Company to be a "controlled foreign corporation" for the purpose of the US Code; or (v) may cause the Company to become subject to any withholding tax or reporting obligation under FATCA or any similar legislation in any territory or jurisdiction, or to be unable to avoid or reduce any such tax or to be unable to comply with any such reporting obligation (including by reason of the failure of the Shareholder concerned to provide promptly to the Company such information and documentation as the Company may have requested to enable the Company to avoid or minimise such withholding tax or to comply with such reporting obligation).

## Important Notices

### General

This document should be read in its entirety before making any application for Ordinary Shares and/or C Shares. Prospective Shareholders should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, AIFM, Adviser, Administrator, Depositary or Stockdale or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under the Prospectus Rules, the Listing Rules, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules, neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Apart from the liabilities and responsibilities (if any) which may be imposed on Stockdale by FSMA or the regulatory regime established thereunder, Stockdale does not make any representations, express or implied, or accept any responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by it or on its behalf in connection with the Company, the Ordinary Shares, the C Shares any Admission or the Issues. Stockdale (together with its respective affiliates) accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement.

In connection with the Issues, Stockdale and any of its affiliates (acting as an investor for their own account(s)) may subscribe for the Ordinary Shares and/or C Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities of the Company, any other securities of the Company or related investments in connection with the Issues or otherwise. Accordingly, references in this document to the Ordinary Shares and/or C Shares being issued, offered, subscribed or otherwise dealt with, should be read as including any issue or offer to, or subscription or dealing by, Stockdale or any of its affiliates acting as an investor for its or their own account(s). Stockdale does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Memorandum of Association and the Articles which investors should review. A summary of the Articles is contained in paragraph 3 of Part 12 (*Additional Information*) of this document under the section headed "Articles of Association".

The Company consents to the use of this document by financial intermediaries in connection with any subsequent resale or final placement of securities by financial intermediaries in connection with the First Issue only in the UK on the following terms: (i) in respect of the Intermediaries who have been appointed prior to the date of this document, as listed in paragraph 15 of Part 12 (*Additional Information*) of this document, from the date of this document; and (ii) in respect of Intermediaries who are appointed after the date of this document, a list of which appears on the Company's website, from the date on which they are appointed to participate in connection with any subsequent resale or final placement of securities and, in each case, until the closing of the period for the subsequent resale or final placement of securities by financial intermediaries.

The offer period within which any subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use this document is given commences on 9 March 2018 and closes at 5.00 p.m. on 6 April 2018, unless closed prior to that date (any such prior closure to be announced via a Regulatory Information Service).

Any Intermediary that uses this document must state on its website that it uses this document in accordance with the Company's consent. Intermediaries are required to provide the terms and conditions of the Intermediaries Offer to any prospective investor who has expressed an interest in participating in the Intermediaries Offer to such Intermediary. **Information on the terms and conditions of any subsequent resale or final placement of securities by any financial intermediary is to be provided at the time of the offer by the financial intermediary.**

The Company accepts responsibility for the information contained in this document with respect to any subscriber for Ordinary Shares pursuant to any subsequent resale or final placement of securities by financial intermediaries.

The Company has not given its consent to the use of this document for the resale or final placement of Ordinary Shares and/or C Shares by financial intermediaries under the Placing Programme.

Any new information with respect to financial intermediaries unknown at the time of approval of this document will be available on the Company's website.



## **Data protection**

The information that a prospective investor in the Company provides in documents in relation to a subscription for Ordinary Shares and/or C Shares or subsequently by whatever means which relates to the prospective investor (if it is an individual) or a third party individual (“**personal data**”) will be held and processed by the Company (and any third party in the United Kingdom to whom it may delegate certain administrative functions in relation to the Company) in compliance with the relevant data protection legislation and regulatory requirements of the United Kingdom. Each prospective investor acknowledges and consents that such information will be held and processed by the Company (or any third party, functionary, or agent appointed by the Company) for the following purposes:

- verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- contacting the prospective investor with information about other products and services provided by the Adviser, or its affiliates, which may be of interest to the prospective investor;
- carrying out the business of the Company and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Company in the UK or elsewhere; and
- disclosing personal data to other functionaries of, or advisers to, the Company to operate and/or administer the Company.

Each prospective investor acknowledges and consents that where appropriate it may be necessary for the Company (or any third party, functionary, or agent appointed by the Company) to:

- disclose personal data to third party service providers, affiliates, agents or functionaries appointed by the Company or its agents to provide services to prospective investors; and
- transfer personal data outside of the EEA to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors in the United Kingdom (as applicable).

If the Company (or any third party, functionary or agent appointed by the Company) discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data is disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

Prospective investors are responsible for informing any third party individual to whom the personal data relates as to the disclosure and use of such data in accordance with these provisions.

## **Regulatory Information**

The contents of this document are not to be construed as advice relating to legal, financial, taxation, accounting, regulatory, investment decisions or any other matter. Prospective investors must inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares and/or C Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares and/or C Shares which they might encounter; and
- the income and other tax consequences which may apply to them as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares and/or C Shares.

Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, taxation, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and persons into whose possession this document comes should inform themselves about and observe any such restrictions.

This document does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Ordinary Shares and/or C Shares by any person in any jurisdiction: (i) in which such offer or invitation is not authorised; or (ii) in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

Statements made in this document are based on the law and practice in force in England and Wales as at the date of this document and are subject to changes therein.

## **Notice to prospective investors in the United States**

The Company has not been, and will not be, registered under the US Investment Company Act and investors will not be entitled to the benefit of the US Investment Company Act. The Ordinary Shares and the C Shares



may be offered and sold (i) outside the United States to non-US Persons in reliance on Regulation S and (ii) to persons located inside the United States or US Persons reasonably believed to be Accredited Investors who are also Qualified Purchasers. Resales of Ordinary Shares or C Shares initially purchased by US Persons may only be made (i) outside the United States to non-US Persons in reliance on Regulation S or (ii) to persons located inside the United States or US Persons reasonably believed to be QIBs who are also Qualified Purchasers and provided such resales comply with the procedures described herein. The Company will require the provision of a letter by any initial purchasers who are US Persons who apply for Ordinary Shares under the First Placing or Ordinary Shares and/or C Shares under any Subsequent Placing containing representations as to status under the US Securities Act and the US Investment Company Act. The Company may refuse to issue Ordinary Shares or C Shares to US Persons or recognise resales by US Persons that do not meet the foregoing requirements.

The Ordinary Shares and the C Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Ordinary Shares and the C Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, into or within the United States or to, or for the account or benefit of, US Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States.

In addition, until 40 days after the commencement of the offering, an offer or sale of the Ordinary Shares or the C Shares into or within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if that offer or sale is made otherwise than in accordance with an exemption from registration under the US Securities Act.

The Ordinary Shares and the C Shares have not been approved or disapproved by the United States Securities and Exchange Commission, or any other securities commission or regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares and the C Shares nor have they approved the Prospectus or confirmed the accuracy or adequacy of the information contained in the Prospectus. Any representation to the contrary is a criminal offence in the United States.

The enforcement by investors of civil liabilities under the federal securities laws of the United States may be adversely affected by the fact that the Company is incorporated outside the United States, and that all of its directors, and the experts named in the Prospectus, are residents of a foreign country. As a result, it may be difficult or impossible for investors to effect service of process within the United States upon the Company, its directors or the experts named in the Prospectus, or to realise against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States. In addition, investors should not assume that the courts of the United Kingdom: (a) would enforce judgments of US courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or “blue sky” laws of any state within the United States.

The Company’s audited annual report and accounts will be prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company does not intend to provide Shareholders with financial information reconciled to United States generally accepted accounting principles (“US GAAP”). IFRS differs in certain material respects from US GAAP and prospective investors are cautioned to consult with their own accounting advisors concerning the differences between IFRS and US GAAP.

In addition, the Prospectus relates to the securities of a company incorporated in England and Wales and is subject to UK disclosure requirements. US investors should be aware that the Prospectus has been prepared in accordance with UK format and style, which differs from US format and style and should be read accordingly. In particular, Part 7 and Part 12 of this document contain information concerning the offer, sale and transfer of Ordinary Shares and C Shares that has been included to satisfy UK disclosure requirements that may be material and that in many cases has not been summarised elsewhere.

All prospective purchasers of Ordinary Shares and/or C Shares are urged to consult with their own tax advisors concerning the US federal income tax considerations associated with acquiring, owning and disposing of Ordinary Shares and/or C Shares in light of their particular circumstances, as well as any considerations arising under the laws of any non-US state, local, or other taxing jurisdiction.

**PROSPECTIVE PURCHASERS OF ORDINARY SHARES AND/OR C SHARES ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS CONCERNING THE US FEDERAL INCOME TAX CONSIDERATIONS ASSOCIATED WITH ACQUIRING, OWNING AND DISPOSING OF ORDINARY SHARES AND/OR C SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS ANY CONSIDERATIONS ARISING UNDER THE LAWS OF ANY NON-US, STATE, LOCAL OR OTHER TAXING JURISDICTION.**

### **Notice to prospective investors in the European Economic Area**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), no Ordinary Shares or C Shares have been offered or will be offered pursuant to the Issues to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Ordinary Shares or the C Shares which has been approved by the competent authority in that Relevant Member State, or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Ordinary Shares and/or C Shares to the public may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- (b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined hereafter), 150 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive) in such Relevant Member State; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares or C Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Ordinary Shares or C Shares or to whom any offer is made under the Issues will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any offer of shares in any Relevant Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and the amendments thereto, including Directive 2010/73/EU (the “**2010 PD Amending Directive**”)), to the extent implemented in the Relevant Member State and includes any relevant implementing measure in each Relevant Member State.

The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions.

### **Notice to prospective investors in Japan**

No securities registration statement pursuant to Article 4, Paragraph 1, of the Financial Instruments and Exchange Act of Japan, as amended, has been made or will be made with respect to subscription for interests by investors in Japan on the grounds that any such subscription will take place outside of Japan.

### **Forward-looking statements**

This document contains forward-looking statements including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variation or similar expressions. Such forward-looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results, to be materially different from future results, financial condition, performance or achievements expressed or implied by such forward-looking statements.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations, the Company expressly disclaims any obligation to update or revise any forward-looking statement contained herein to reflect changes in expectations with regard thereto or any change in events, conditions, or circumstances on which any statement is based, unless required to do so by law or any appropriate regulatory authority, including FSMA, the Listing Rules, the Prospectus Rules, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 10 of Part 12 (*Additional Information*) of this document.

## Expected Timetable

<b>First Issue</b>	<b>2018</b>
First Issue opens	9 March
Latest time and date for commitments under the First Placing	12.00 p.m. on 6 April
Latest time and date for receipt of completed Application Forms in respect of the Offer for Subscription	1.00 p.m. on 6 April
Latest time and date for receipt of completed applications from the Intermediaries in respect of the Intermediaries Offer	5.00 pm on 6 April
Publication of results of the First Placing, Offer for Subscription and Intermediaries Offer	10 April
First Admission and dealings in Ordinary Shares commence	8.00 a.m. on 12 April
CREST accounts credited with uncertificated Ordinary Shares	12 April
Where applicable, definitive share certificates despatched by post in the week commencing*	16 April
 <b>Placing Programme</b>	 <b>2018</b>
Placing Programme opens	13 April
	 <b>2019</b>
Placing Programme Closes	8 March

*Any changes to the expected timetable set out above will be notified by the Company through a Regulatory Information Service*

*All references to times in this document are to London times*

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\* *Underlying Applicants who apply to Intermediaries for Ordinary Shares under the Intermediaries Offer will not receive share certificates.*

### Issue Statistics

<b>First Issue Statistics</b>	100 pence per Ordinary Share
Issue Price for the First Issue	Share
Gross proceeds of the First Issue*	£100 million
Estimated net proceeds of the First Issue to be received by the Company*	£98 million
Expected Net Asset Value per Ordinary Share on First Admission*	98 pence per Ordinary Share

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\* *Assuming that the First Issue is subscribed as to £100 million. The number of Ordinary Shares to be issued pursuant to the First Issue, and therefore the Gross Proceeds, is not known as at the date of this document but will be notified by the Company via a Regulatory Information Service prior to First Admission. The Directors have reserved the right, in conjunction with Stockdale, to increase the size of the First Issue to a maximum of 150 million Ordinary Shares if overall demand exceeds 100 million Ordinary Shares.*

### Placing Programme Statistics

Maximum number in aggregate of Ordinary Shares and/or C Shares being issued pursuant to the Placing Programme	100 million
Issue Price per Ordinary Share issued under the Placing Programme	Not less than the Net Asset Value (cum income) per Ordinary Share at the time of issue plus a premium to cover the expenses of such issue
Issue Price per C Share issued under the Placing Programme	£1.00 per C Share

### Dealing Codes

The dealing codes for the Ordinary Shares are as follows:

ISIN	GB00BG0P0V73
SEDOL	BG0P0V7
Ticker	GSF

The dealing codes for the C Shares are as follows:

ISIN	GB00BG12Y265
SEDOL	BG12Y26
Ticker	GSFC

## Directors, Management and Advisers

<b>Directors</b>	Patrick Cox ( <i>Non-executive Chairman</i> ) Caroline Banszky ( <i>Non-executive Director</i> ) Malcolm King ( <i>Non-executive Director</i> ) Thomas Murley ( <i>Non-executive Director</i> ) <i>all independent and all of the registered office below</i>
<b>Registered Office</b>	7th Floor 9 Berkeley Street Mayfair London W1J 8DW  Telephone: +44 (0) 20 7409 0181
<b>Sponsor, Broker, Placing Agent and Intermediaries Offer Adviser</b>	Stockdale Securities Limited 100 Wood Street London EC2V 7AN
<b>AIFM</b>	Mirabella Financial Services LLP Cordium Norfolk House 31 St James's Square London SW1Y 4JJ
<b>Adviser</b>	Gore Street Capital Limited 81 Fulham Road London SW3 6RD
<b>Administrator and Company Secretary</b>	JTC (UK) Limited 7th Floor 9 Berkeley Street Mayfair London W1J 8DW
<b>Legal Adviser to the Company</b>	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
<b>Legal Adviser to the Sponsor</b>	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU
<b>Reporting Accountant and Valuer</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>Depository</b>	INDOS Financial Limited St Clements House 27-28 Clements Lane London EC4N 7AE
<b>Registrar</b>	Computershare Investor Services PLC The Pavillions Bridgwater Road Bristol BS13 8AE
<b>Receiving Agent</b>	Computershare Investor Services PLC The Pavillions Bridgwater Road Bristol BS13 8AE
<b>Auditor</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RQ

## Part 1

### The Investment Opportunity

The Directors believe that an investment in the Company offers the following attractive characteristics:

#### 1. High yield

The Company is targeting an annual dividend of 7 per cent. of Net Asset Value per Ordinary Share in each financial year subject to a minimum target of 7 pence per Ordinary Share commencing from the financial year ending 31 March 2020. For the period from First Admission to 31 March 2019 the Company is targeting a dividend of 3 per cent. of Net Asset Value per Ordinary Share subject to a minimum target of 3 pence per Ordinary Share. The Company intends to hold a diversified portfolio of projects with targeted unleveraged IRRs from its portfolio of projects once fully invested of 10-12 per cent. (before fees and expenses of the Company) through multiple revenue streams which may be stacked on a single battery.

#### 2. Diversified risk under portfolio

The Company will seek to ensure sufficient diversification of risk. The Company will invest in energy storage projects behind-the-meter, front-of-meter and co-located with generation assets. It is the intention that no single project (or interest in any project) will have an acquisition price of greater than 20 per cent. of Gross Asset Value (calculated at the time of acquisition). Geographical risk will be diversified between UK and overseas projects. The revenue generated by the projects held by the Group is not linked to electricity prices or subsidies. Furthermore, the primary contractual exposure in the UK is with the National Grid, a FTSE 100 company.

#### 3. Growth potential in grid flexibility from decarbonizing environment

Lithium-ion battery prices have declined 79 per cent. since 2010 allowing the technology to be a viable part of the grid scale energy mix. Further, there has been a significant increase in contribution of renewable energy sources to total UK power generation, representing 18 per cent. of total energy generated in 2016 with a target of 31 per cent. by 2020. This increase of renewable energy, which is an intermittent source of electricity, together with the closure of coal and nuclear power plants is expected to create difficulties in balancing demand/supply of electricity in the system which creates tight capacity margins and which could, therefore, lead to blackout risks during peak demand. The Adviser expects that energy storage will increasingly be required to play an important role in managing critical balancing and frequency management services to stabilise the system and provide flexibility to the electricity market. Therefore, Shareholders will have early exposure to what the Adviser believes will be a dominant theme in energy investment over the coming years.

#### 4. Substantial cornerstone investment

The Adviser has long-standing relationships with NEC ES and NK. Conditional on First Admission and the Minimum Net Proceeds being raised, NEC ES, a wholly owned subsidiary of NEC Corporation, a global information and communications technology leader listed on the Tokyo Stock Exchange, has committed to invest the lower of (i) 10 per cent. of the total gross proceeds of the First Issue and (ii) £8 million pursuant to the First Placing. NEC ES has supplied grid battery storage systems in the UK for eleven sites with aggregate storage capacity of approximately 64 MW, which includes approximately 50 MW or 25 per cent. of project capacity in respect of the first auction for approximately 200 MW of EFR contracts, which took place in 2016. Conditional on First Admission and the Minimum Net Proceeds being raised NK, a multinational Japanese engineering consulting firm, has committed to invest £6 million pursuant to the Offer for Subscription. Each of NEC ES and NK offer exclusive project sourcing and commercial support.

The Directors believe that NEC ES' and NK's experience and presence in the market will put the Company in a strong position to create investment opportunities for investors.

Directors of the Company and directors and certain shareholders of the Adviser intend to invest approximately £2.4 million, in aggregate, pursuant to the First Issue. The Ordinary Shares issued in the case of the directors and certain shareholders of the Adviser will be subject to the provisions of a Lock-up and Orderly Market Deed.

#### 5. Diversified pipeline

Through its own network, and relationships with NEC ES and NK, the Adviser has access to a pipeline of proposed investments which the Adviser will screen and prioritise based on defined criteria. The Adviser has already identified a pipeline of projects located in the UK and North America of more than 60 potential projects equating to approximately 1,340 MW of capacity, comprising approximately 1,077 MW in the UK and 264 MW in North America.



Additionally, through the acquisition of the Seed Portfolio, the Company is expected to acquire £11.2 million (18 MW) of projects conditional, *inter alia*, on First Admission<sup>6</sup>.

## **6. Experienced Adviser and independent Board**

The Adviser was one of the first to deploy privately owned grid scale battery projects in Britain. Since 2015 the Adviser has developed relationships with a number of developers, EPC contractors, O&M contractors and battery manufacturers – including its long-standing relationships with NEC ES and NK. The Adviser Investment Committee has extensive experience investing in the renewables sector and includes Daniel Mudd, Sumi Arima, Peter Gutman and is led by Alex O’Cinneide.

The Board comprises four non-executive Directors with backgrounds in private equity, investment banking, insurance, asset management, legal, infrastructure, renewable energy and non-profit organisations, all of which is relevant to the Company.

Further details about the Adviser and the Directors are set out in Part 5 (*Directors and Management*) of this document.

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<sup>6</sup> This is dependent on finalising terms with Origami for the acquisition of the Lower Road Project which may not materialise and is not guaranteed.

## Part 2

### The Company

#### 1 Introduction

Gore Street Energy Storage Fund plc is a newly incorporated closed-ended investment company incorporated on 19 January 2018 in England and Wales with company number 11160422 and registered as an investment company under Section 833 of the Act. The Company intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

The Company has an independent board of non-executive directors and is managed on a day-to-day basis by the Adviser. Further details of the governance of the Company and the Adviser are set out in Part 5 (*Directors and Management*) of this document.

The Company is targeting an issue of 100 million Ordinary Shares at £1.00 each to raise gross proceeds of £100 million for the purposes of investment in a diversified portfolio of utility scale energy storage projects. The Directors have reserved the right, in conjunction with Stockdale, to increase the size of the First Issue to a maximum of 150 million Ordinary Shares, if overall demand exceeds 100 million Ordinary Shares.

#### 2 Investment objective

The Company seeks to provide investors with a sustainable and attractive dividend over the long term by investing in a diversified portfolio of utility scale energy storage projects primarily located in the UK, although the Company will also consider projects in North America and Western Europe. In addition, the Company seeks to provide investors with an element of capital growth through the re-investment of net cash generated in excess of the target dividend in accordance with the Company's investment policy.

#### 3 Investment policy

The Company will invest in a diversified portfolio of utility scale energy storage projects. The portfolio will be primarily located in the UK but the Company will consider projects outside the UK, in particular in North America and Western Europe.

Individual projects will be held within special purpose vehicles into which the Company will invest through equity and/or debt instruments. Typically, each special purpose vehicle will hold one project but there may be opportunities where a special purpose vehicle owns more than one project. The Company will typically seek legal and operational control through direct or indirect stakes of up to 100 per cent. in such special purpose vehicles, but may participate in joint ventures or acquire minority interests where this approach enables the Company to gain exposure to assets within the Company's investment policy which the Company would not otherwise be able to acquire on a wholly-owned basis. In such circumstances the Company will seek to secure its shareholder rights through the usual protective provisions in shareholders' agreements and other transactional documents.

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

The Company does not intend that the aggregate value of investments outside the UK will be more than 30 per cent. of Gross Asset Value (calculated at the time of investment).

The Company may invest cash held for working capital purposes and pending investment or distribution in cash or near-cash equivalents, including money market funds.

The Company may (but is not obliged to) enter into hedging arrangements in relation to currency, interest rates and/or power prices for the purposes of efficient portfolio management. The Company will not enter into derivative transactions for speculative purposes.

While the Company does not have any borrowing restrictions in its Articles, the Company has no present intention to utilise cash borrowings. However, in certain circumstances where the Board deems it appropriate, the Company may use short term leverage to acquire assets but with the intention that such leverage be repaid with funds raised through a new issue of equity or cash flow from the Company's portfolio, although such leverage will not exceed 15 per cent. (at the time of borrowing) of Gross Asset Value without shareholder approval.

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

### *Risk and diversification*

The Board will be focussed on ensuring that there is a sufficient diversity of risk within the Company's portfolio.

It is the Company's intention that when any new acquisition is made no single project (or interest in any project) will have an acquisition price (or, if it is an additional interest in an existing investment, the combined value of the Company's existing interest and the additional interest acquired shall not be) greater than 20 per cent. of Gross Asset Value (calculated at the time of acquisition). However, in order to retain flexibility, the Company will be permitted to invest in any single project (or interest in any project) that has an acquisition price of up to a maximum of 25 per cent. of Gross Asset Value (calculated at the time of acquisition). The Company will target a diversified exposure with the aim of holding interests in not less than 10 separate projects at any one time once fully invested.

Geographical diversification within the Company's portfolio will be achieved through investments located throughout the UK. As referred to above, the Company may invest in projects outside the UK, in particular in North America and Western Europe, although it does not intend that the aggregate value of investments outside the UK will be more than 30 per cent. of Gross Asset Value (calculated at the time of investment).

Additionally, given the flexibility of batteries as an energy storage technology, revenue diversification can be achieved through the potential to "stack" a number of different income streams with different counterparties, contract lengths and return profiles through one project, such as frequency regulation services to National Grid and/or its subsidiaries and back up capacity power to the Electricity Market Reform delivery body, TNUoS and DUoS reduction and constraint management to industrial clients, as well as wholesale arbitrage to profit from intra-day wholesale electricity prices.

The Company will further aim to achieve diversification within the Company's portfolio through the use of a range of third party providers, insofar as appropriate, in respect of each energy storage project such as developers, EPC contractors, O&M contractors, battery manufacturers, landlords and sources of revenue. In addition, each MW of a typical energy storage project will contain a battery system which has a number of battery modules in each stack, each of which is independent and can be replaced separately, thereby reducing the impact on the project as a whole of the failure of one or more battery modules.

The Company will not invest in any projects under development so that, save in respect of final delivery and installation of the battery systems, all other key components of the projects are in place before investment or simultaneously arranged at the time of investment (land consents, grid access rights, planning, EPC contracts and visibility of revenue contract(s)).

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution and, for so long as the Company's shares are listed on the Official List, in accordance with the Listing Rules.

## **4 Target returns**

The Company is targeting an aggregate unlevered IRR from its portfolio of projects on full investment of between 10 and 12 per cent. before fees and expenses of the Company.

Net cash generated in excess of the target dividend may be re-invested in accordance with the Company's investment policy.

## **5 Investment process and risk management**

The Adviser will be responsible for sourcing and managing the transaction process for new acquisitions. The Adviser intends to source potential acquisitions through various connections as described below.

A typical investment involves at least one of the Adviser's investment committee ("**Adviser Investment Committee**") members, one managing director and an associate, as well as operational professionals (collectively referred to as the "**Deal Team**") in the process of evaluating and executing each potential investment transaction. The Adviser Investment Committee comprises of Alex O'Conneide (chair), Daniel Mudd, Suminori Arima and Peter Gutman. The biographies of these individuals are set out in paragraph 2 of Part 5 (*Directors and Management*) of this document.

There are four key stages in the Adviser's investment process:

### 1) Potential investment deal sourcing and screening

The Adviser will source potential projects through its long-standing relationships with several third-party developers, utility companies, project owners, EPCs and its strategic relationships with NEC ES and NK. With regards to the target projects that will be acquired by the Company, these are typically put together in the initial stages by third party developers. This involves securing and arranging all aspects of a project including securing the sites, arranging grid connection, obtaining planning permission and all consents (where required). This will all be in place subject only to securing a key revenue contract and the ordering and installation of the energy storage system.

Each prospective investment will be assessed against the Company's investment objective and investment policy and, if considered potentially suitable, a detailed financial and economic analysis and review of the project will be undertaken by the Deal Team. The Deal Team will screen each opportunity based on the review of proposed revenue stack, a project's grid connection, planning permission, site lease terms, EPC proposal (if available), license procurement and environmental study, and readiness of the project for the construction process.

2) Pre-investment due diligence and approval process

Once a potential project which falls within the Company's investment policy has been identified and the Deal Team wish to proceed with the acquisition of such project, Adviser Investment Committee approval is required. The Deal Team will undertake initial due diligence on the project and prepare a memorandum which sets out details of the results of the due diligence, investment structure, investment rationale, risks and returns, capital expenditure budget, proposed revenue stack, EPC and O&M preliminary terms, terms of development arrangements, necessary future steps required to engage into such investments and recommendations. The Deal Team will then submit this memorandum to the Adviser Investment Committee for consideration and approval.

Based on the memorandum, the Adviser Investment Committee will determine whether further detailed financial, legal and technical due diligence should be carried out by the Deal Team and/or third-party firms and advisers or whether to proceed with the further negotiation of deal terms with the relevant counterparties. Once approved to proceed, the Deal Team will be responsible for further business due diligence, while the rest of due diligence process will be conducted by third-party firms and/or advisers. The Deal Team will also negotiate various transaction terms with relevant counterparties such as developers, EPC and revenue counterparties, where applicable.

Once the detailed due diligence process has been completed, the Deal Team will prepare a further detailed memorandum which comprises details of investment opportunity, risk, investment structure based on due diligence process and final EPC terms, final revenue stack proposals and revenue contract terms as a result of negotiations, as well as financial model illustrating risk and return in scenario and sensitivity analysis. The Adviser Investment Committee will review the detailed memorandum ensuring that the investment is consistent with the Company's investment policy and confirm the soundness of investment thesis from both operational and commercial aspects covering the risks and returns posed to the whole Company's portfolio.

The Board has delegated authority to the AIFM to acquire or dispose of assets or similar investments without seeking further approval from the Board provided that the Board is given the opportunity to consider each acquisition or disposal before it is concluded. The Adviser will communicate regularly with the Board on both the pipeline and the individual projects that the Adviser is transacting on, before such a transaction is concluded. The Board will retain the right to change these arrangements.

3) Role of the Adviser and project process

The Adviser does not develop the projects. Projects are typically acquired from project developers who require capital to complete the projects. Projects are reliant on revenue contracts which vary in length and pricing and are subject to competitive bidding (typically through an auction process). Typically, the Adviser will arrange the acquisition and development of the project by the Company (through an SPV structure) once a revenue contract has been secured.

The energy storage systems currently take around four to six months to be delivered, including three to four weeks to be installed once they arrive on site. The battery storage systems are typically designed to fit within a specific enclosed container and installation involves installing foundations, installing battery racks into the container and monitoring software and completing the connection to the site and/or National Grid. The energy storage system suppliers or EPC contractor typically warrants the time for completion of the installation works (consistent with the revenue contract requirements) and the contract typically provides for liquidated damages in relation to delays and certain performance criteria.

Once operational, the battery energy storage systems have relatively limited requirements for maintenance which is undertaken in any event by the relevant suppliers pursuant to a service agreement and overseen by the Adviser in its role as adviser to the Company. The Adviser will solely be responsible for sourcing, managing and optimising the revenues of the projects on behalf of the Company.

It is noted that NEC ES and NK may be (although this is not guaranteed) a supplier of products, equipment and/or services for the projects.

4) Monitoring and risk management

Prior to the execution of the investment, the Adviser will propose and agree with the Board the scope and frequency of the reporting requirements based on risk, availability of data and characteristics of each investment.

Following the successful acquisition of an investment, the Adviser will apply the agreed post-investment monitoring processes and will actively assess portfolio risk and performance – a typical investment may include execution of revenue strategy, monthly financials, operational performance and financial projections.

The Deal Team will monitor the ongoing operation of the Company's portfolio and each project. At project level the Deal Team will work closely with third-parties to monitor revenue contracts, cash flow level, periodic onsite due diligence and review financial model to assess actual return of the projects based on actual operational performance.

The Company intends to own each project until the end of its life. However, the Company may choose to sell an investment before the end of its project life if there is an attractive offer from a buyer where the valuation is equal to or higher than the net asset value of the specific asset, or to use the proceeds to fund an attractive future investment opportunity or for distribution to Shareholders.

## **6 Seed Portfolio and pipeline of proposed investments**

The Company has entered into the Share Purchase Agreement with NK pursuant to the terms of which NK has agreed to transfer the entire issued share capital of NK Energy Storage Solutions Ltd to the Subsidiary as well as all outstanding loans (“**Loans**”) from NK. NK Energy Storage Solutions Ltd is a wholly owned subsidiary of NK which holds a 100 per cent. interest in the Boulby Project and a 49 per cent. interest in the Cenin Project. The consideration for the acquisition of the shares is approximately £7,501,875.17 less the amount of the Loans and certain VAT refund amounts and asset management fees. The Loans will be acquired by the Company at face value plus accrued interest (in aggregate, estimated to be approximately £6.7 million). The Share Purchase Agreement is conditional on First Admission and the Minimum Net Proceeds being raised. The Adviser has been granted exclusivity to negotiate with Origami an agreement for the Company to acquire the rights to construct and operate the Lower Road Project. The Company's acquisition of the Lower Road Project is conditional, *inter alia*, on a satisfactory result in the frequency auction due to take place in April 2018 and agreeing final legally binding terms with Origami. Further details about the Seed Portfolio are set out in Part 4 (*Seed Portfolio and pipeline of proposed investments*) of this document.

The aggregate amount payable by the Company for investment into the Seed Portfolio is £11.2 million, comprising acquisition consideration for the Boulby Project and the Cenin Project and expected CAPEX payments for the Lower Road Project.<sup>7</sup> The Reporting Accountant has confirmed that, in its opinion, based on market conditions as at 9 March 2018 and certain assumptions as set out in the Valuation Opinion Letter in Part 6 (*BDO LLP Valuation Opinion Letter*) of this document, the Aggregate Project Value falls within a range which it considers fair and reasonable. The amounts payable in connection with the acquisition of the Seed Portfolio will be satisfied by cash raised pursuant to the First Issue. Further details of the consideration payable for the acquisition of the Boulby Project and the Cenin Project are set out in paragraph 7.4 of Part 12 (*Additional Information*) of this document.

The Adviser has also identified a pipeline of projects located in the UK and North America, which in aggregate represent approximately 1,340 MW in project capacity. Further information about the pipeline is set out in Part 4 (*Seed Portfolio and pipeline of proposed investments*) of this document.

## **7 Cornerstone investors**

The Company has secured commitments from NEC ES and NK pursuant to the First Issue, further details of which are set out below.

Under the terms of the Project Sourcing Agreements, each of NEC ES and NK has agreed to provide the Company with a right of first offer with respect to all equity investment opportunities in grid battery storage projects that are within the investment policy and objective of the Company and that are originated by each of NEC ES and NK. Further details of the Project Sourcing Agreements are set out in paragraph 7.6 of Part 12 (*Additional Information*) of this document.

### *NEC ES*

NEC ES is a wholly owned subsidiary of NEC Corporation, a global information and communications technology leader listed on the Tokyo Stock Exchange. As at the end of the fiscal year 2016, NEC Corporation was capitalised at US\$7 billion and had annual revenues for the fiscal year ending 2016 of US\$24 billion (US\$ references translated at December 2017 foreign exchange rates). NEC ES is widely recognised as a pioneer and leader in the market for utility scale energy storage. It has extensive experience installing and commissioning commercial grid energy storage solutions with power ratings ranging from 50 kW to more than 50 MW at numerous sites around the world. NEC ES has supplied grid battery storage systems in the UK, having supplied systems for eleven sites with aggregate storage capacity of approximately 64 MW, which includes approximately 50 MW or 25 per cent. of project capacity in respect of the first auction for approximately 200 MW of EFR contracts, which took place in 2016. Outside the UK, NEC ES has installed or

<sup>7</sup> This is dependent on finalising terms with Origami for the acquisition of the Lower Road Project which may not materialise and is not guaranteed.



is in the process of installing a total of 194 MW of capacity, comprising 84 MW at 17 sites in the US, 72 MW in Europe and 38 MW across the rest of the world. NEC ES has locations worldwide (including in the UK, the US, China, Singapore and Italy).

Under the terms of the NEC ES Agreement, conditional on First Admission, NEC ES has committed to invest the lower of (i) 10 per cent. of the total gross proceeds of the First Issue and (ii) £8 million (the “**NEC ES Investment**”) as part of the First Issue (in particular the First Placing). The Ordinary Shares issued to NEC ES pursuant to the First Issue will be subject to the provisions of a Lock-up and Orderly Market Deed, the terms of which are summarised in paragraph 7.5 of Part 12 (*Additional Information*) of this document. The NEC ES Investment is subject to the fulfilment of certain conditions defined in the NEC ES Agreement, including, but not limited to, the Minimum Net Proceeds having been raised.

Further, pursuant to the terms of the NEC ES Agreement, conditional on First Admission, the Company has committed to invest into projects that involve NEC ES providing, directly or indirectly, a supply of products, equipment and/or services required for those projects within 18 months from the date of First Admission, provided that NEC ES has the ability to meet the requirements of such projects and the terms and pricing of the products, equipment and/or services to be provided are on standard market terms (as determined by the Company) (the “**NEC ES Commitment**”). The Company’s obligations in respect of the NEC ES Commitment shall be discharged once NEC ES and/or any of its affiliates have received contractual commitments in respect of the relevant projects in an amount equal to or greater than the NEC ES Investment. For the avoidance of doubt, the Company shall not be required to invest in any project that does not fall within the parameters of the Company’s stated investment policy.

For so long as the Company has not fully invested the net proceeds of the First Issue, where NEC ES provides an introduction to a project to the Adviser, the Adviser shall be obliged to obtain a proposal from NEC ES (and no other third party supplier(s)) for the provision of products, equipment and/or services that are necessary for that project, details of which shall be included in the recommendation to the Board. For the avoidance of doubt, the Adviser shall not be entitled to seek (a) proposal(s) from other third party supplier(s) in connection with such project but shall be under no obligation to proceed with the acquisition of any such project.

Further, conditional on First Admission, the Company has agreed to pay an advance of £4.5 million to NEC ES to be used in connection with the Company’s purchase of products, equipment and/or services from NEC ES for projects in which the Company will invest. The Company’s purchase of such products, equipment and/or services from NEC ES is dependent upon NEC ES’ ability to meet the requirements of the Company’s projects and is subject to market standard terms and pricing. If NEC ES is unable to supply the Company with products, equipment and/or services of at least £4.5 million within 12 months of First Admission, NEC ES has committed to repay to the Company the balance of the advance payment, subject to the terms of the NEC ES Agreement.

Where the Company seeks to invest in a project that was not introduced to the Company by NEC ES and the Company has not yet satisfied its obligations per the NEC ES Commitment, the Company has agreed that NEC ES shall be provided with the opportunity to participate in making an offer, alongside other third party suppliers, to supply the project with the required products, equipment and/or services. If the Board does not consider that the proposal submitted by NEC ES is the most beneficial, having regard to the interests of the Company and the Shareholders, the Board will not be obliged to proceed with NEC ES. However, the Board shall provide NEC ES with the details of the alternative third party supplier proposal that it considers to be the most beneficial for the Company (except that the name of the supplier shall not be provided to NEC ES under any circumstances) following which NEC ES shall be able to provide a revised proposal to the Company (“**Right of Last Look**”). If the revised NEC ES proposal at least matches the terms of the relevant alternative supplier proposal the Board will accept the revised NEC ES proposal. If the revised NEC ES proposal does not match the terms of the relevant alternative supplier proposal or NEC ES elects not to submit a revised proposal to the Company, the Board may accept the terms of the relevant alternative supplier proposal. Once the Company has met its obligations in connection with the NEC ES Commitment, NEC ES shall be provided with the opportunity to submit a proposal for the provision of products, equipment and/or services to the Adviser but shall not be provided with the details of any alternative third party supplier proposal. In that scenario, if the Board considers that NEC ES’ proposal is the most beneficial it may proceed with NEC ES. If the Board considers that an alternative supplier’s proposal is the most beneficial it may proceed with that alternative supplier.

Further details of the NEC ES Agreement are set out in paragraph 7.6 of Part 12 (*Additional Information*) of this document.

#### **NK**

Founded in 1946, NK is the oldest independent consulting firm in Japan with experience in working with over 4,000 infrastructure projects in 156 countries. NK’s engineering consulting service solutions cover the whole spectrum of energy infrastructure, transportation infrastructure, water and sanitation, environment and agriculture, urban and industry and public sectors. With regards its energy business, NK has strong relationships with transmission operators in Tokyo and a dominant market share in substation control system

equipment, which is developed and manufactured in its Fukushima works. Through its extensive research and development, NK's successful track record for energy business includes (i) hydropower: supervised constructions of 60 hydropower dams totalling 20,000 MW of installed capacity, (ii) power transmission and distribution networks: delivered over 5,000 km of transmission lines in more than 40 countries; (iii) renewable energy: provided in-depth studies on introducing and promoting renewable energy especially in rural and remote areas; (iv) thermal power: designed and supervised construction of thermal power plants (gas turbine, diesel power and coal-fired thermal); and (v) energy conservation: audited energy used for more than 200 buildings and factories which help to achieve 20 – 30 per cent. costs savings.

Under the NK Agreement, conditional on First Admission and the Minimum Net Proceeds being raised, NK has committed to invest £6 million pursuant to the Offer for Subscription (the “**NK Investment**”). The Ordinary Shares issued to NK in connection with such investment will be subject to the provisions of a Lock-up and Orderly Market Deed, the terms of which are summarised in paragraph 7.5 of Part 12 (*Additional Information*) of this document.

Under the terms of the NK Agreement, conditional on First Admission, the Company has committed to invest an amount equal to the NK Investment into projects that involve NK providing a supply of products, equipment or services within 18 months from the date of First Admission (not including the Boulby Project and the Cenin Project), provided that NK has the ability to meet the requirements of such projects and the terms and pricing of the products, equipment or services to be provided are on market standard terms (as determined by the Company) (the “**NK Commitment**”). For the avoidance of doubt, the Company shall not be required to invest in any project that does not fall within the parameters of the Company's stated investment policy.

For so long as the Company has not fully invested the net proceeds of the First Issue, where NK provides an introduction to a project to the Adviser, the Adviser shall be obliged to obtain a proposal from NK (and no other third party supplier(s)) for the provision of products, equipment and/or services that are necessary for that project, details of which shall be included in the recommendation to the Board. For the avoidance of doubt, the Adviser shall not be entitled to seek (a) proposal(s) from other third party supplier(s) in connection with such project but shall be under no obligation to proceed with the acquisition of any such project.

The Company has also agreed to provide NK with the same Right of Last Look as described above in relation to NEC ES, save that the Company's commitment to acquire products, equipment and/or services from NK is capped at an amount equal to the NK Commitment (as described above).

In the event that both NEC ES and NK seek to exercise these rights in respect of any project, following receipt of their proposals, the Board shall have discretion to select the proposal which is the most beneficial, having regard to the interests of the Company and the Shareholders.

Further details of the NK Agreement are set out in paragraph 7.6 of Part 12 (*Additional Information*).

## **8 Dividend policy**

The Company is targeting an annual dividend of 7 per cent. of Net Asset Value per Ordinary Share in each financial year subject to a minimum target of 7 pence per Ordinary Share commencing from the financial year ending 31 March 2020. For the period from First Admission to 31 March 2019 the Company is targeting a dividend of 3 per cent. of Net Asset Value per Ordinary Share subject to a minimum target of 3 pence per Ordinary Share. Dividends will be paid on a quarterly basis, with the first interim dividend expected to be paid in August 2018.

Investors should note that the target dividend, including its declaration and payment frequency, is a target only and is not a profit forecast. There may be a number of factors that adversely affect the Company's ability to achieve its target dividend yield and there can be no assurance that it will be met. The target dividend should not be seen as an indication of the Company's expected or actual results or returns. Accordingly, investors should not rely on these targets in deciding whether to invest in the Company's Shares or assume that the Company will make any distributions at all.

The interim dividends will not necessarily be of equal amounts because the dividends from the Company's underlying investments are expected to arrive irregularly throughout the financial year.

Regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011 provides that, subject to certain exceptions, an investment trust must not retain more than 15 per cent. of its income in respect of each accounting period.

The distributable reserves available to facilitate the payment of future dividends, the Company has resolved that, conditional upon First Admission and the approval of the Court, the amount standing to the credit of the share premium account of the Company immediately following completion of the First Issue be cancelled. The Company may, at the discretion of the Board, and to the extent possible, pay all or part of any future dividend out of capital.

## **9 Share rating management**

The Board considers that it would be undesirable for the market price of the Ordinary Shares to diverge significantly from their Net Asset Value.

### *Premium management*

Once substantially all of the proceeds of the First Issue have been committed, the Company intends to implement the Placing Programme. The Directors have authority to issue up to 100 million Ordinary Shares and/or C Shares in the period immediately following First Admission until the first annual general meeting of the Company. Shareholders' pre-emption rights over this unissued share capital have been disapplied so that the Directors will not be obliged to offer any new Ordinary Shares and/or C Shares to Shareholders on a *pro rata* basis. No Ordinary Shares will be issued at a price less than the (cum income) Net Asset Value per existing Ordinary Share at the time of their issue. C Shares (if any) issued pursuant to this authority will be issued at £1.00 per C Share.

Further details of the Placing Programme are set out in Part 8 (*The Placing Programme*) of this document.

Investors should note that the issuance of new Ordinary Shares and/or C Shares is entirely at the discretion of the Board, and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of new Ordinary Shares and/or C Shares that may be issued.

### *Treasury shares*

The Act allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. No Ordinary Shares will be sold from treasury at a price less than the (cum income) Net Asset Value per existing Ordinary Share at the time of their sale unless they are first offered *pro rata* to existing Shareholders.

### *Discount management*

The Company may seek to address any significant discount to Net Asset Value at which its Ordinary Shares may be trading by purchasing its own Ordinary Shares in the market on an *ad hoc* basis.

The Directors have the authority to make market purchases of up to 14.99 per cent. of the Ordinary Shares in issue on First Admission. The maximum price (exclusive of expenses) that may be paid for an Ordinary Share must not be more than the higher of: (i) 5 per cent. above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid as stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time. Ordinary Shares will be repurchased only at prices below the prevailing NAV per Ordinary Share, which should have the effect of increasing the NAV per Ordinary Share for remaining Shareholders.

The initial authority to make market purchases expires on the earlier of the conclusion of the Company's first annual general meeting and the date falling 18 months after the date on which the resolution was passed (being approximately 18 months from the date of this document). It is intended that a renewal of this authority to make market purchases will be sought from Shareholders at each annual general meeting of the Company. Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. Ordinary Shares purchased by the Company may be held in treasury or cancelled.

Purchases of Ordinary Shares may be made only in accordance with the Act, the Listing Rules, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules.

Investors should note that the repurchase of Ordinary Shares is entirely at the discretion of the Board and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of Ordinary Shares that may be repurchased.

## **10 C Shares**

If there is sufficient demand from potential investors at any time following First Admission, the Company may seek to raise further funds through the issue of C Shares under the Placing Programme, as an alternative to the issue of Ordinary Shares. The issue of C Shares is designed to overcome the potential disadvantages for both existing and new investors that could arise out of a conventional fixed price issue of further Ordinary Shares for cash. In particular:

- the C Shares would not convert into Ordinary Shares until at least 90 per cent. of the proceeds of the C Share issue (or such other percentage as the Directors and Adviser may agree) have been invested in accordance with the Company's investment policy (or, if earlier, 12 months after the date of their issue);
- the assets representing the net proceeds of a C Share issue would be accounted for and managed as a distinct pool of assets until their conversion date. By accounting for the net proceeds of a C Share issue separately, Shareholders will not participate in a portfolio containing a substantial amount of uninvested cash before the conversion date;

- the basis on which the C Shares would convert into Ordinary Shares is such that the number of Ordinary Shares to which holders of C Shares would become entitled will reflect the relative net asset values per share of the assets attributable to the C Shares and the Ordinary Shares. As a result, the Net Asset Value per Ordinary Share can be expected to be unchanged by the issue and conversion of any C Shares; and
- the Net Asset Value of the Ordinary Shares would not be diluted by the expenses of the C Share issue, which would be borne by the C Share pool.

The Articles contain the C Share rights, full details of which are set out in paragraph 3.19 of Part 12 (*Additional Information*) of this document.

Following First Admission, the Directors have authority to issue up to 100 million C Shares (less any Ordinary Shares issued under the Placing Programme following First Admission) until the first annual general meeting of the Company.

## **11 Life of the Company**

The Company has no fixed life but pursuant to the Articles an ordinary resolution proposing that the Company continue in existence as an investment company will be proposed at the annual general meeting of the Company to be held in 2023 and, if passed, every five years thereafter. Upon any such resolution not being passed, proposals will be put forward by the Directors within three months after the date of the resolution to the effect that the Company be wound up, liquidated, reconstructed or unitised.

## **12 Net Asset Value**

The unaudited Net Asset Value per Ordinary Share (and per C Share, where applicable) will be calculated in Sterling by the Administrator on a quarterly basis. Such calculations shall be published quarterly, on a cumulative and ex-income basis, through a Regulatory Information Service and will be available through the Company's website.

The Net Asset Value is the value of all assets of the Company less its liabilities to creditors (including provisions for such liabilities) determined in accordance with the Association of Investment Companies' valuation guidelines and in accordance with applicable accounting standards under IFRS.

If the Directors consider that any of the above bases of valuation are inappropriate in any particular case, or generally, they may adopt such other valuation procedures as they consider reasonable in the circumstances.

The Directors may temporarily suspend the calculation, and publication, of the Net Asset Value during a period when, in the opinion of the Directors:

- there are political, economic, military or monetary events or any circumstances outside the control, responsibility or power of the Board, and disposal or valuation of investments of the Company or other transactions in the ordinary course of the Company's business is not reasonably practicable without this being materially detrimental to the interests of Shareholders or if, in the opinion of the Board, the Net Asset Value cannot be fairly calculated;
- there is a breakdown of the means of communication normally employed in determining the calculation of the Net Asset Value; or
- it is not reasonably practicable to determine the Net Asset Value on an accurate and timely basis.

Any suspension in the calculation of the Net Asset Value, to the extent required under the Articles or by the Listing Rules, will be notified through a Regulatory Information Service as soon as practicable after any such suspension occurs.

## **13 Profile of a typical investor**

Typical investors in the Company are expected to be institutional investors, professionally advised retail investors and non-advised retail investors with at least basic market knowledge and experience, seeking access to a diversified portfolio of utility scale energy storage projects in the UK and elsewhere, in particular in North America and Western Europe.

An investment in the Company is only suitable for persons capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which may result from the investment (which may equal the whole amount invested).

Potential investors should consider with care whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them. Private investors in the UK who are unsure whether to invest should consider consulting a financial adviser authorised under the Financial Services and Markets Act 2000 to assess whether an investment in the Company is suitable.

## **14 Meetings, reports and accounts**

The Company expects to hold its first annual general meeting in 2019 and will then hold an annual general meeting in each year thereafter. The annual report and accounts of the Company will be made up to 31 March in each year with copies expected to be sent to Shareholders within the following four months. The first annual report will be prepared to 31 March 2019. The Company will also publish unaudited half-yearly reports to 30 September with copies expected to be sent to Shareholders within the following three months.

The Company's financial statements will be prepared in accordance with IFRS.

## **15 The Takeover Code**

The Takeover Code applies to the Company.

Given the existence of the buyback powers described in the paragraphs above, there are certain considerations that Shareholders should be aware of with regard to the Takeover Code.

Under Rule 9 of the Takeover Code, any person who acquires shares which, taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, when any person or persons acting in concert already hold more than 30 per cent. but not more than 50 per cent. of the voting rights of such company, a general offer will normally be required if any further shares increasing that person's percentage of voting rights are acquired.

Under Rule 37 of the Takeover Code when a company purchases its own voting shares, a resulting increase in the percentage of voting rights carried by the shareholdings of any person or group of persons acting in concert will be treated as an acquisition for the purposes of Rule 9 of the Takeover Code. A shareholder who is neither a director nor acting in concert with a Director will not normally incur an obligation to make an offer under Rule 9 of the Takeover Code in these circumstances.

However, under note 2 to Rule 37 of the Takeover Code where a shareholder has acquired shares at a time when he had reason to believe that a purchase by the company of its own voting shares would take place, then an obligation to make a mandatory bid under Rule 9 of the Takeover Code may arise.

The buyback powers could have implications under Rule 9 of the Takeover Code for Shareholders with significant shareholdings. The buyback powers should enable the Company to anticipate the possibility of such a situation arising. Prior to the Board implementing any share buyback the Board will seek to identify any Shareholders who they are aware may be deemed to be acting in concert under note 1 of Rule 37 of the Takeover Code and will seek an appropriate waiver in accordance with note 3 of Rule 37. However, neither the Company, nor any of the Directors, nor the Adviser will incur any liability to any Shareholder(s) if they fail to identify the possibility of a mandatory offer arising or, if having identified such a possibility, they fail to notify the relevant Shareholder(s) or if the relevant Shareholder(s) fail(s) to take appropriate action.

## **16 Taxation**

Potential investors are referred to Part 11 (*UK Taxation*) of this document which contains a general summary of certain UK tax considerations relating to the acquisition, holding and disposal of Ordinary Shares and C Shares. That summary, which is based on current UK law and the current published practice of HMRC, does not constitute tax advice. Investors are strongly advised to consult their own professional advisers.

## **17 Risk factors**

The Company's business is dependent on many factors and potential investors should read the whole of this document and in particular the section entitled "Risk Factors" on pages 19 to 35.

## **18 Disclosure obligations**

The provisions of Chapter 5 of the Disclosure Guidance and Transparency Rules (as amended from time to time) ("**DTR 5**") of the Financial Conduct Authority Handbook apply to the Company on the basis that the Company is an "issuer", as such term is defined in DTR 5.

As such, a person is required to notify the Company of the percentage of voting rights it holds as a holder of Shares or holds or is deemed to hold through the direct or indirect holding of financial instruments falling within DTR 5 if, as a result of an acquisition or disposal of Shares (or financial instruments), the percentage of voting rights reaches, exceeds or falls below the relevant percentage thresholds being, in the case of a UK issuer 3 per cent. and each 1 per cent. threshold thereafter up to 100 per cent.

## **19 Distribution to retail investors**

The Company intends to conduct its affairs so that its Shares can be recommended by financial advisers to retail investors in accordance with the FCA's rules in relation to non-mainstream pooled investment products. The Company's Shares are expected to be excluded from the FCA's restrictions which apply to non-mainstream pooled investment products because they are shares in an investment trust.



The Company intends to conduct its affairs so that its Shares can be recommended by financial advisers to retail investors in accordance with the rules on the distribution of financial instruments under The Markets in Financial Instruments Directive II (“**MiFID II**”). The Directors consider that the requirements of Article 57 of the MiFID II delegated regulation of 25 April 2016 will be met in relation to the Company’s Shares and that, accordingly, the Shares should be considered “non-complex” for the purposes of MiFID II.

## Part 3

### Market Background\*

#### Introduction

Set out below is a glossary of selected technical and other terms used in this Part 3:

<b>APX</b>	APX Group, an energy exchange operating some spot markets for electricity in the Netherlands, the United Kingdom, and Belgium
<b>balancing mechanism</b>	the platform used by National Grid to buy and sell electricity from market participants to manage system constraints and the overall energy balance in real time
<b>balancing services</b>	contracts and tools that National Grid uses to balance supply and demand and maintain the stability of the GB transmission network (also known as “Ancillary Services”)
<b>behind-the-meter</b>	used to refer to an asset located on site with a customer or with another generator, utilising spare capacity in the connection to deliver power and services
<b>capacity margin</b>	the level of generation capacity available above peak demand
<b>capacity market</b>	the UK Government’s main policy mechanism for ensuring security of supply, by procuring adequate levels of generating capacity onto the system
<b>cash-out</b>	the name of the mechanism used to charge market participants who do not manage to balance supply and demand in a settlement period (imbalance charges)
<b>distribution</b>	the lower voltage networks used for transporting electricity from the transmission network to end-consumers
<b>Distribution Network Owners (DNOs)</b>	the owners of the low voltage networks in GB (typically 132kV and lower)
<b>Distribution System Operators (DSOs)</b>	the transition that DNOs are currently undertaking where they become a more active manager of flows across its network, potentially using contracted forms of flexibility and procurement platforms
<b>Distribution Use of System Charges (DUoS)</b>	the name of the methodology used to set charges for users of the distribution system
<b>embedded benefits</b>	charges and levies that generators can avoid on the distribution network – these savings are often accrued by suppliers, who in turn share the savings in commercial arrangements with the generator
<b>firm</b>	services that are contracted in advance so that they are available at a certain date in the future
<b>frequency</b>	the number of oscillations of alternating current per second on the transmission network
<b>gate closure</b>	the point in time at which trading of electricity ceases – an hour ahead of delivery in GB
<b>Gigawatt (GW)</b>	1000 megawatts
<b>Hertz (Hz)</b>	a unit of measurement of frequency, meaning cycles per second
<b>intermittent generation</b>	generation technologies which use a primary source of energy that is not controllable by people (e.g. wind or solar irradiation)
<b>Kilowatt (kW)</b>	1000 watts
<b>Megawatt (MW)</b>	1000 kilowatts
<b>National Grid</b>	the system operation for the GB transmission network, managing and balancing flows of electricity in real time
<b>Ofgem</b>	The Office of Gas and Electricity Markets – the GB regulator
<b>price control</b>	a regulatory determination of allowable revenues to regulated monopolies (network companies in an electricity context)

\* The Adviser, Gore Street Capital Limited, has engaged Baringa Partners Limited to assist in the preparation of Part 3 (“Market Background”). Further details about the areas of expertise of Baringa Partners Limited can be found at [www.baringa.com](http://www.baringa.com).

<b>standalone</b>	a generator on its own site with its own connection to the distribution network
<b>transmission</b>	the high voltage network used for transporting electricity across long distances
<b>Transmission Network Use of System charges (TNUoS)</b>	the name of the methodology used to set charges for users of the transmission system
<b>Triad</b>	the three half-hour periods of highest demand on the GB electricity transmission system between November and February each year
<b>wholesale market</b>	covering trading activity between producers and buyers of energy, generally conducted bilaterally, over the counter, or on organised exchanges

## 1 Background to GB electricity market

### *History*

The GB electricity market has been a fully competitive market with all key elements under private ownership, since 1990. It was one of the first fully competitive markets in the world. Before 1990, the electricity market in England and Wales was publicly owned and operated. The Central Electricity Generating Board (CEGB), established in 1957, was responsible for generation and transmission. Twelve Area Boards were responsible for the distribution and supply of electricity to customers on a regional basis. The 1989 Electricity Act brought about the privatisation of the electricity industry. Four new companies were created in 1990:

- the fossil fuel stations of the CEGB were transferred to National Power and PowerGen;
- the nuclear assets of the CEGB were transferred to Nuclear Electric; and
- the transmission network of the CEGB was transferred to National Grid.

The Area Boards were privatised in 1990 and became Regional Electricity Companies (RECs), with the same geographical definitions. Gradually it became possible to purchase electricity from a supply company that was different from the local REC. This “opening up” of the market occurred during the 1990s at different stages, with full competition for domestic consumers occurring in 1998. In Scotland, privatisation occurred in 1991. Two vertically integrated companies were created: Scottish Power and Scottish Hydro-Electric.

Following the stages of privatisation, and opening of competition, various reforms to wholesale market trading arrangements, renewable support policies, security of supply policies, and balancing services have taken place, a number of which underpin the business case for battery investment today.

### *Current market structure*

The electricity market in GB is divided into three distinct sectors:

- the wholesale market, where generators, suppliers and large customers buy and sell electricity;
- the transmission and distribution networks which transport electricity nationally and regionally; and
- the retail market, where energy suppliers sell electricity to domestic and business customers.

The wholesale market is comprised of electricity generators selling output to electricity suppliers (retailers who sell the electricity onto consumers). Electricity in the wholesale market can be commercially sold either via bilateral contracts between generators and suppliers, or through power exchanges operating in Great Britain (APX or N2EX). Wholesale prices are set for every 30 minute period. Generally, all trading parties, including generators and suppliers, are required to balance their energy accounts in each 30 minute settlement period. Generators do this by ensuring that the amount of electricity traded (represented by contract notifications made one hour ahead of the delivery period, termed “gate closure”) is equal to the amount of electricity generated (represented by actual meter reads) in that half hour on the transmission system. They can trade up to an hour ahead of “gate closure”. They will incur imbalance costs where they fail to match their notified contracts with their metered volumes. The GB System Operator (SO) – National Grid – acts as a residual balancer of the system to ensure that generation equals demand in each half hour and that system stability is maintained.

The transportation of electricity from generators to customers is a monopoly activity and is subject to independent regulation by the GB regulator Ofgem. Transportation is split between transmission companies who operate high voltage networks across long distances<sup>8</sup> and distribution companies who operate the local networks which connect homes and businesses to the transmission system<sup>9</sup>. Both Transmission and Distribution companies are subject to price control regulation from Ofgem. The price control (known as RIIO<sup>10</sup>) sets financial allowances for an eight year period. Network companies must meet agreed outputs (such as reliability, safety, connections and customer service) within these allowances and are subject to financial rewards if they can outperform outputs and penalties if they fail to meet them. The price control allowances are recovered by charging users of the networks (suppliers and generators) for using network assets to transport electricity. These are known as use of system charges. New demand or generation customers may also be charged for any new assets which are required to be built to connect them to the existing network.

The retail market is comprised of a number of electricity suppliers who compete to sell the energy (purchased on the wholesale market) to domestic customers and businesses. Historically the GB retail market has been dominated by six suppliers (EDF, RWE, nPower, Scottish Power, SSE, Centrica and E. ON). Recently, there has been a significant increase in the number of smaller suppliers.

### *Key institutions in the GB electricity market*

Table 1 below summarises the key institutions in the governing and functioning of the GB Electricity market:

8 Which operate networks at voltages of 275 kV and above in England and Wales and 132 kV and above in Scotland.

9 Distribution companies operate the network from the meter to the interconnection points with the transmission system- known as grid supply points.

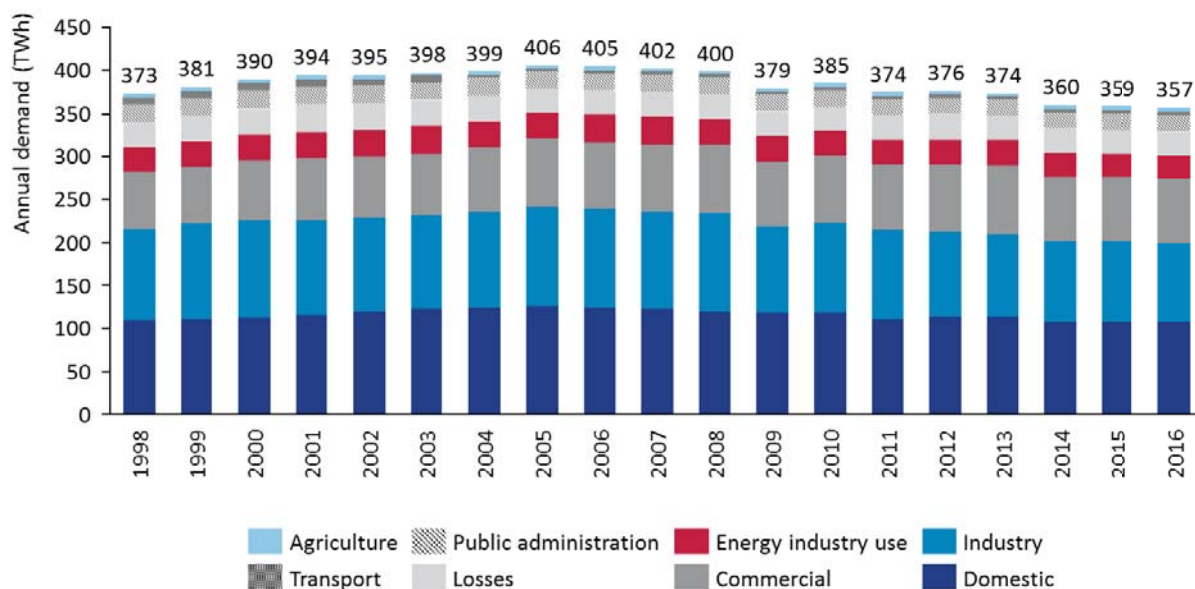
10 RIIO stands for Revenue = Innovation + Incentives + Outputs, the key building blocks of the regulatory regime.

Institution	Role undertaken
<b>Department of Business, Energy and Industry Strategy (BEIS)</b>	UK Government department with responsibility for energy policy in GB. The Department of Energy, Trade and Industry has devolved responsibility for Northern Ireland
<b>Ofgem</b>	Independent regulator of GB Electricity and Gas markets. This includes setting price controls for network companies along with setting and enforcing the licence framework under which generators and suppliers are permitted to operate
<b>National Grid as SO</b>	<p>Performs a number of key roles including:</p> <ul style="list-style-type: none"> <li>• Acting as the residual balancer of the electricity system (post “gate closure”) to ensure generation is equal to demand;</li> <li>• Tendering, procuring and dispatching for balancing services to maintain overall system stability;</li> <li>• Acting as the Electricity Market Reform delivery body (contracted by the UK Government) to run the capacity market auctions and contracts for difference payments;</li> <li>• Providing system planning forecasts, particularly around future energy scenarios;</li> <li>• Evaluating network investment options; and</li> <li>• Overseeing charging arrangements for connecting to and using the transmission network.</li> </ul>

#### Historical demand and supply including capacity mix

Electricity demand in Britain grew steadily until the late 1990s but over the last two decades demand growth slowed and has generally fallen since 2005. This levelling off of electricity demand reflects three underlying drivers: first, a decline in economic growth (particularly with the recession of 2009); secondly, a shift to less energy-intensive activities within the economy; and thirdly, the introduction of energy efficiency measures, in particular the introduction of more efficient lighting within the last five years.

Figure 1: Annual electricity demand in the UK: 1998 to 2016 (inclusive)<sup>11</sup>

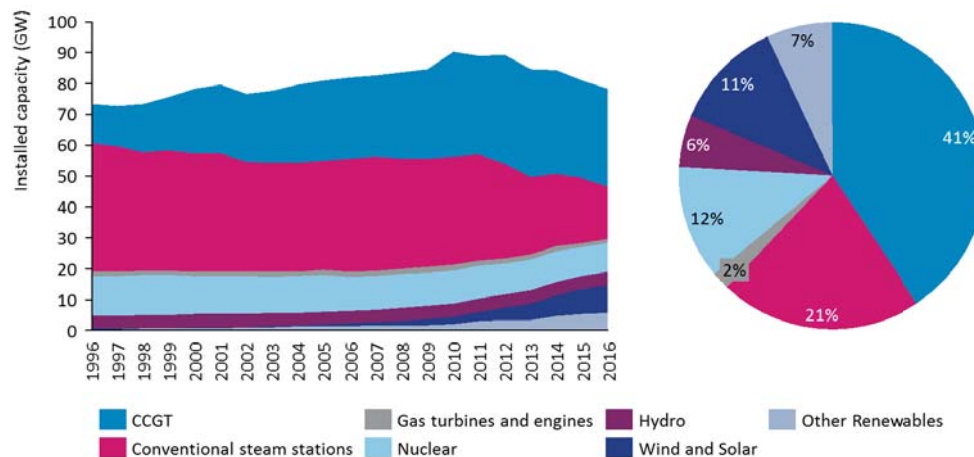


11 Taken from the Digest of UK Energy statistics: <https://www.gov.uk/government/statistics/electricity-chapter-5-digest-of-united-kingdom-energy-statistics-dukes> and <https://www.gov.uk/government/statistical-data-sets/historical-electricity-data-1920-to-2011>



Since the industry was privatised in 1990, the composition of generation capacity has changed from a make-up dominated by coal and nuclear, to a more diversified make-up. This is shown in Figure 2, which also indicates that thermal capacity has actually fallen since 2011, being partially replaced by renewable energy sources such as PV solar, wind and biomass-fired generators.

Figure 2: Generating capacity of all power producers 2000-2016, with 2016 mix (right)<sup>12</sup>



A number of large scale plants are also starting to be decommissioned. The Large Combustion Plant Directive (LCPD)<sup>13</sup> resulted in 12 GW of existing coal and oil capacity closing by 2015. In addition, 2.6 GW of old CCGT capacity was closed (or was mothballed) in 2015 after failing to clear in the first capacity market auction, while nearly 5 GW of coal retired in 2016. A large volume of the existing nuclear capacity is also set to retire over the next decade. Of the 9.3 GW of existing nuclear capacity on the GB system, 8.1 GW is currently scheduled to be decommissioned by 2030.

### Key policy developments in the GB electricity market

#### Decarbonisation and renewables policy

As an EU Member State, the UK adopted the Renewables Directive (2001/77) in 2001, which obliged Member States to develop national targets consistent with the EU's overall target of 22 per cent. of electricity sourced from renewables by 2010. This was superseded by the Renewables Directive 2009/28/EC, which aimed to increase the share of renewables used in overall primary energy consumption for the EU to 20 per cent. by 2020. The target for the UK is for 15 per cent. of all energy to come from renewable sources by 2020. The UK's current plan indicates 2020 renewable targets of 31 per cent. for electricity, 10 per cent. for transport energy and 12 per cent. for heat.

The UK Government has also individually committed to reducing greenhouse gas emissions by 80 per cent. by 2050, compared to 1990 levels. A series of carbon budgets are set out in legislation to deliver this pathway. In addition, the Government was signatory to the Paris Climate deal in 2015, agreeing to keep global temperatures "well below" 2°C above pre-industrial emissions. As part of the renewables drive and decarbonisation effort, the UK Government has introduced a number of subsidies for renewable energy through a series of different policies including:

- The Renewables Obligation (RO) on suppliers to encourage them to source an increasing amount of energy from renewable sources (which in turn creates a market of certificates for renewable energy produced, known as Renewables Obligation Certificates or ROCs);
- The replacement to the RO, the Feed in Tariff with Contract for Difference (FiT CfD), which acts to guarantee generators a strike price for every unit of energy produced;
- And a small-scale feed-in-tariff which provides a guaranteed revenue scheme for smaller scale renewables.

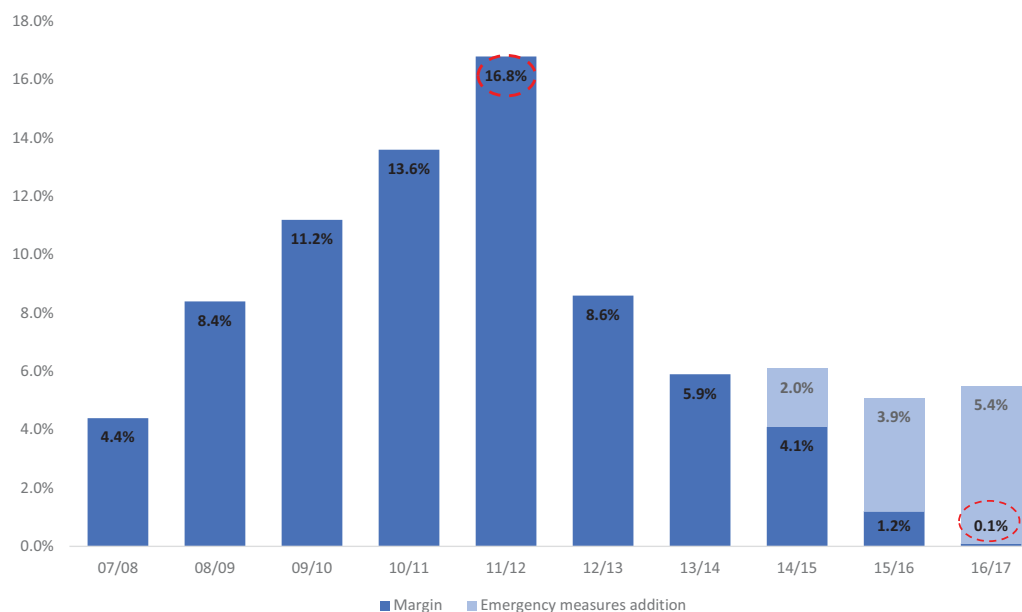
#### Security of supply

The incentives available for renewables have led to a threat of ageing carbon generation being decommissioned early and potentially leaving capacity margins (the gap between peak demand and available generation) tighter than historical margins.

<sup>12</sup> Digest of UK Energy statistics: renewable sources of energy July 2017: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/643414/DUKES\\_2017.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/643414/DUKES_2017.pdf)

<sup>13</sup> An EU directive which requires member states to limit flue gas emissions from combustive plant with a thermal capacity of 50 MW or greater.

Figure 3: Britain's spare electricity capacity



Source:

National Grid (<http://www.telegraph.co.uk/business/2016/07/08/uk-relies-on-emergency-measures-to-avert-winter-blackouts/>)

In response, the UK Government undertook Electricity Market Reform (EMR) which legislated for a GB capacity market in 2014. The capacity market is run through an annual auction process for capacity to be delivered in four years' time. Generators, interconnectors and demand response can "exit-bid" into a descending clock auction at any price below £75/kW (if new build), while existing plant cannot exit at prices above £25/kW. Existing plant is paid for a single year while new plant can receive contracts for up to 15 years. There is also a smaller capacity market auction which National Grid can choose to hold for capacity in the next year – the T-1 auction. This delivers single year contracts only. Successful bidders are paid to be available to generate (or turn down) demand during times of system stress (called by National Grid) when the capacity margin becomes extremely tight.

Separately, Ofgem acted to sharpen the incentives on suppliers and generators to balance their positions in the wholesale market, by reviewing the imbalance charges – known as cash-out. Historically, these charges were set using the average cost across 500 MW of marginal balancing actions taken by the SO. Ofgem proposed changes to the cash-out methodology to reflect the marginal cost of balancing actions by using a narrower averaging range, and through moving to a single imbalance price<sup>14</sup>. These changes were implemented through changes to the Balancing and Settlement code in November 2015.

### Affordability

To maintain security of supply while simultaneously decarbonising requires investment in new lower carbon generating plant, network and control apparatus. Renewables cannot generate continuously and therefore, more renewable capacity is needed to act as a like for like replacement for thermal capacity. In 2010, Ofgem highlighted that the level of this investment could be up to £200 billion by 2020. A challenge exists in enabling this investment in a way which is affordable to today's customers, and has contributed to policy measures such as replacing the RO with the CfD (to control costs). More recently, energy prices have been the subject of political debate in the UK with the Government looking to introduce retail price caps. The UK Government is also supportive of promoting the use of greater flexibility of demand to help reduce the cost of decarbonisation.

## 2 The increasing value of flexibility

The transition from a system that was largely supplied by controllable, thermal generators connected to the transmission system, to a decarbonised system including many smaller, intermittent renewable generators is creating a number of challenges including:

- managing the stability of the electricity network;
- balancing supply and demand within market participants' portfolios; and
- reducing network costs.

<sup>14</sup> The previous methodology produced two prices, a main and a reserve price.

As such, the value that is being placed on flexible technologies is increasing, and new commercial opportunities for flexible technologies are becoming available to address these challenges.

### Role of flexibility in managing frequency

National Grid manages the overall supply /demand balance and stability of the system. When the system is balanced, the frequency of the alternating current on the system is 50Hz. If there is too much generation on the system, the frequency moves above 50Hz, while insufficient levels of generation causes the frequency to fall. If the frequency moves too far from the target, automatic disconnections, and blackouts may occur. It is therefore paramount for National Grid to manage this balance to keep the lights on.

To keep the frequency within these limitations, National Grid procures a contracted service from generators named *frequency response*. Frequency response is the fast injection or reduction of power from the system, to contain the frequency change, and then restore the loss of supply or demand. It is currently defined as “primary” or “secondary” (responding with an increase in output in 10 or 30 seconds respectively), or “high” which is a decrease in output within 10 seconds.

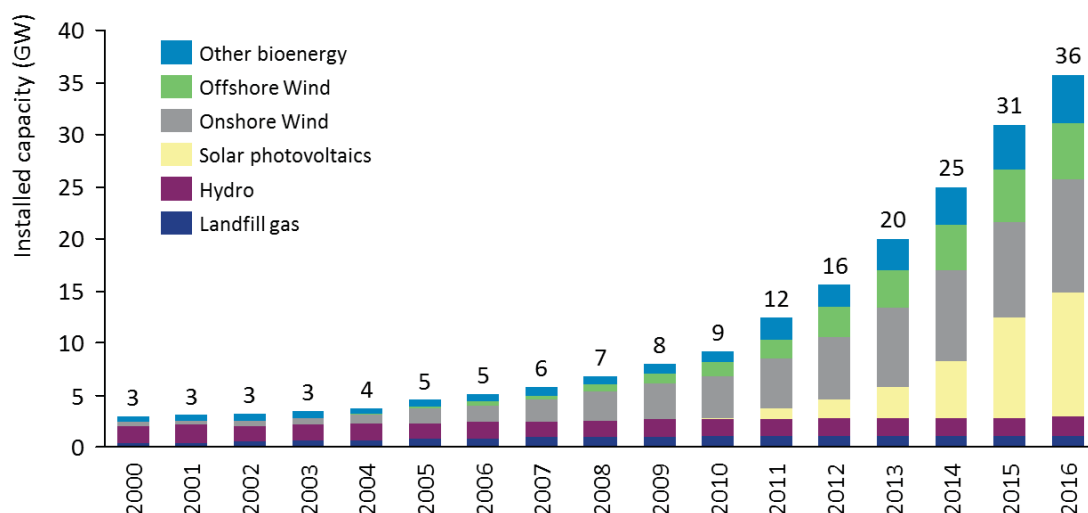
Historically, this has been provided by large, thermal and pumped storage generators, by running these machines at part-load (i.e. not at full output) in order for them to respond quickly. However, it is increasingly the case that new flexible technologies are able to undercut prices offered by these conventional providers, based on a combination of lower capital costs and operating costs, and the ability to provide such services from a standing (zero output) state. Lithium-ion battery is one example, while some forms of demand side response can also provide this service competitively.

### Inertia and the impact on frequency

The level of inertia provided by the mass of spinning machines (i.e. generators) that are connected to the system is a controlling factor on the rate of change of frequency (RoCoF) which is the speed at which frequency moves away from target following an imbalance. Most of these spinning machines are thermal, fuelled by gas, coal, or nuclear fuel, and are said to be *synchronised* or *synchronous*, as they spin in time with the cycles of alternating current on system.

In contrast, the most common forms of renewable generators, such as solar, and wind generation, are non-synchronous. It follows that as these forms of renewable generation grow and displace thermal generation, there is less inertia on the system for any given level of demand. This has the effect of increasing the rate at which the frequency can change (known as the rate of change of frequency, or “RoCoF”). In extreme, very low inertia conditions, the frequency may be at risk of moving outside of target faster than generators can respond, creating potential for blackouts. National Grid avoids this by taking extensive actions to re-dispatch plant (essentially starting thermal plant, and reducing the output of renewables, and interconnectors). However, such actions are technically and economically challenging for National Grid to continually undertake, especially as the number of these low inertia events has been increasing in recent years, as the penetration of renewables has grown – particularly solar, which grew faster than predicted in 2015/16 (see Figure 4).

Figure 4: Electricity generation by renewable sources<sup>15</sup>



15 Digest of UK Energy statistics: renewable sources of energy July 2017: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/633782/Chapter\\_6.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/633782/Chapter_6.pdf)

### ***Potential for batteries in managing frequency***

Lithium-ion battery technology is well-suited to managing frequency on electricity systems, particularly because:

- it is able to provide the service when needed from standby, which reduces fuel and carbon costs (i.e. in comparison to spinning plant which needs to consume fuel to provide the service);
- it is able to provide a symmetrical service (i.e. injecting power in the event of insufficient supply, or consuming power (by charging) in the event of over-supply; and
- it is very fast responding (in most cases it can respond at full power within one second) which is valuable for responding in low inertia conditions.

The technology gained a foothold in the market following an initial tender for 200 MW of “enhanced” frequency response in 2016. National Grid publications suggest that around 700 MW of primary response is required in normal conditions, and 1200 MW of secondary response, which is currently procured from firm (contracted) providers, and from mandatory providers (large, mainly transmission connected plants). Notably, these requirements can be much higher, particularly during low inertia conditions.

As thermal plant’s running hours decrease, and as the cost of battery technology falls, batteries may be well placed to gain frequency response market share from existing providers, helping to balance the system effectively, and at lower cost for National Grid and GB consumers.

### ***Balancing wholesale market positions***

On a portfolio scale, it is important for market participants (such as vertically integrated utilities, small retail companies, and independent power producers) to balance the energy produced from generators with the loads from their customers. This reduces the role that National Grid has to play in balancing, and reduces their exposure to penalty payments known as “cash-out” charges (imbalance charges).

However, the high volume of renewable generation on the system can create difficulties for market participants in forecasting generation output and hence balancing. This can expose them to buying energy from remaining flexible capacity with limited notice – often at a premium to the wholesale price to avoid cash-out charges.

Therefore, investing in, or contracting with cost-effective forms of flexibility, such as energy storage systems, provides market participants with their own balancing capabilities.

### ***Reducing network investment***

Historically, GB networks were designed on a fit and forget basis. Assets were sized to meet maximum demand and once installed, were largely left alone until they needed to be serviced or replaced. A surge in the connection of generation to distribution networks has led to 28GW of embedded generation capacity on the GB Distribution networks, equating to 29 per cent. of GB generating capacity. Consequently, Distribution Network Owners (“DNOs”) now need to think about the balance between demand and generation output. This has resulted in DNOs becoming more active in managing the network operationally. Distribution networks are starting to become constrained and DNOs are starting to adopt some of the behaviours of a local system operation to balance their local networks, including tendering for local balancing services. This more active role is commonly referred to as the development of a smart grid, or the transition to a distribution system operator (DSO).

The GB Government’s policies for the electrification of transport and heat are likely to see further demands placed on distribution networks. The predicted take-up of electric vehicles (EVs) is a particular concern of DNOs. EV charging points place a particularly high demand on the network and this demand is likely to coincide with existing peak demand. Studies have indicated that DNOs may need to spend up to £6bn reinforcing the local distribution by 2050 to accommodate a widespread adoption of EVs. Consequently, DNOs are looking for ways to limit this impact and to encourage more flexible use of the network by EVs, generators, storage, and other customers to reduce this investment.

## **3 Technology background**

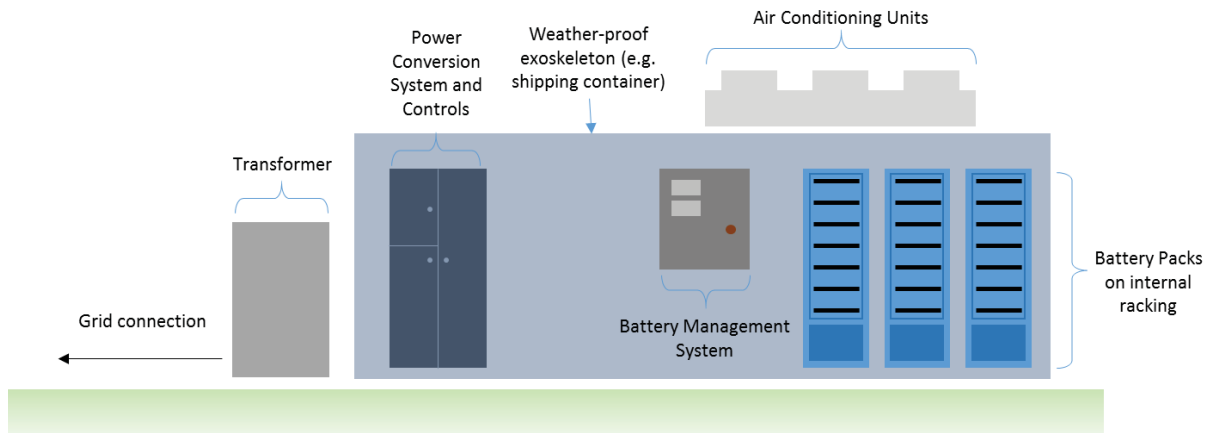
### ***Overview***

Energy storage involves the conversion of one form of energy into another form of energy (or chemical composition) such that the energy can then be released ‘on demand’. There are a number of forms of storage, including pumped hydro, electrochemical storage like capacitors or batteries, compressed air, kinetic storage like flywheels, thermal storage and the conversion of electricity into hydrogen. Lithium-ion batteries first became available in the market in the early 1990s, where they were used predominantly in consumer electronics applications. Since then they have become almost ubiquitous, found in every smartphone, tablet or laptop and have been developed for use in a wide range of innovative storage applications, ranging from batteries to store energy from household solar installations to larger batteries capable of providing grid ancillary services, as well as electric vehicles.

Lithium-based batteries encompass a wide range of sub-chemistries, each with specific operational and performance characteristics. Lithium-ion cells are built into multi-cell modules, which are then connected to form a battery string at the required voltage. This makes them scalable and can therefore be used effectively

in automotive and household applications right up to grid scale (MW) applications. The battery is self-contained and requires only a few additional parts to become fully operational for grid applications, including air conditioning or other thermal management system, a meter, and an asset management system which can respond automatically to changes in frequency. Figure 5 illustrates a typical battery site:

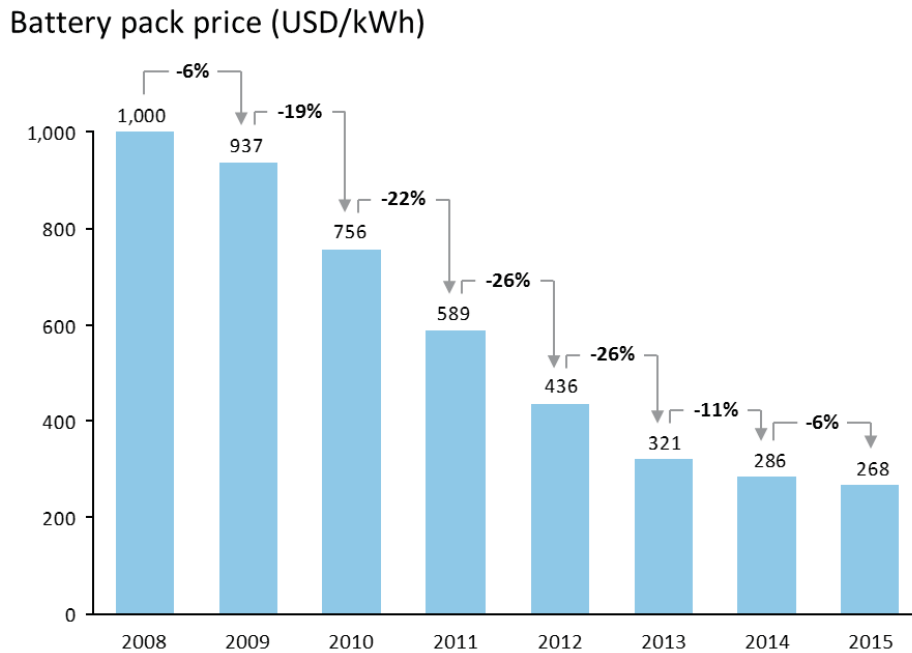
Figure 5: Typical storage battery site



### Reducing cost curves

The cost of lithium-ion batteries has fallen by 75 per cent. since 2008. Figure 6 below, highlights the year on year cost reduction.

Figure 6: Average price of Lithium-ion battery cells plus pack (\$/kWh) 2008-2015<sup>16</sup>



These cost reductions have been driven, in part through advances in lithium ion energy density and production at a larger scale, for instance for electric vehicles.

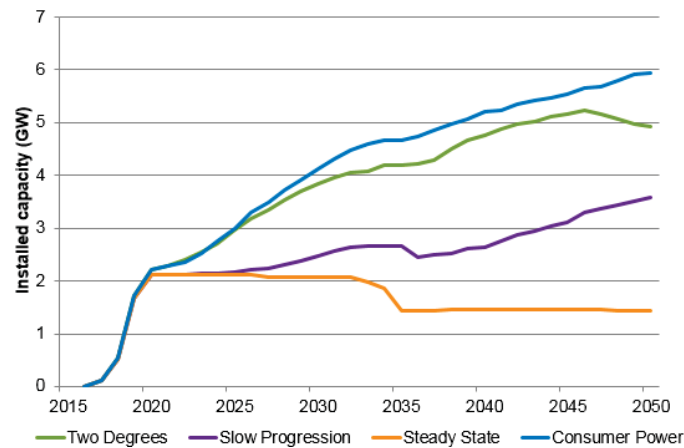
### Expectations of new storage capacity

The combination of strong market drivers, plus the rapidly reducing cost of lithium-ion technology, means that there are big expectations for the roll-out of battery storage across the GB system. Figure 7 below outlines increases in storage capacity in National Grid's range of Future Energy Scenarios (FES 2017).

<sup>16</sup> This work is partially based on the Global EV Outlook 2016 developed by the International Energy Agency, © OECD/IEA 2016 but the resulting work has been prepared by the Adviser using a chart data extraction tool and does not necessarily reflect the views of the International Energy Agency. Available at: [https://www.iea.org/publications/freepublications/publication/Global\\_EV\\_Outlook\\_2016.pdf](https://www.iea.org/publications/freepublications/publication/Global_EV_Outlook_2016.pdf).



Figure 7: National Grid projections on storage growth out to 2050 (excluding pumped hydro storage)<sup>17</sup>



Where:

- “Two Degrees” is a world where environmental sustainability is a top priority;
- “Slow Progression” is a world focused on long-term environmental strategy;
- “Steady State” is a world focused on security of supply and short term thinking, and
- “Consumer Power” is a relatively wealthy and market driven world.

All scenarios feature 2GW of new storage capacity to be installed in GB by 2020. Storage capacity then increases substantially in three out of its four scenarios. Highest growth is under its “Two Degrees” and “Consumer Power” scenarios which are premised on a higher level of economic growth where consumers make ‘green’ choices. Under the “Steady State” scenario, low economic growth and prioritisation of low cost energy above decarbonisation drives conditions where new storage capacity decreases slightly from 2020 levels after the initial wave of investment reaches its end of life.

#### **Key characteristics and differences to other storage technologies**

Battery storage is capable of very fast injections or withdrawals of power, enabling it to provide the frequency response services that National Grid relies on to maintain system stability. Further, as it can provide a symmetrical service, it mitigates the need to procure two alternative providers for different directions of service. At low storage to power (i.e. kWh to kW) ratios, the technology is generally more cost effective than other storage technologies, making it a competitive provider of short duration balancing services.

From an ownership and operation perspective, the development and construction of a battery can be short compared to other technologies (less than 6 months is possible subject to project specific details), which helps to deploy the technology at scale. It is reported that manufacturers are offering performance guarantees of 10 years, depending on application, and cell replenishment programmes can be undertaken throughout the asset lifetime to maintain storage capacity. Maintenance costs are generally low, with servicing limited to performance checks.

#### **4 Energy storage business case**

Today’s business case for storage in the UK is commonly centred on its ability to combine value across three areas:

- **Participating in organised markets**, namely Firm Frequency Response (FFR) in National Grid’s Balancing Services, and the Capacity Market;
- **Producing savings for energy suppliers, or directly to customers**, through earning “embedded benefits” or retail bill savings; and
- **Site specific benefits**, including time shifting of renewables output.

Most of these apply to both standalone projects, and behind-the-meter projects. These applications, and the value pools and how they are accessed are discussed in the paragraphs that follow.

#### **Building a battery standalone vs behind-the-meter**

There are two separate business models for battery storage: standalone, with a designated connection to the network, and behind-the-meter (co-located with a demand or generation customer):

<sup>17</sup> See charts and workbooks at <http://fes.nationalgrid.com/fes-document/> – These figures exclude pumped storage.

- Standalone batteries contract with National Grid directly for frequency response and the capacity market. As explained above, they earn embedded benefits through being “netted” from a supplier’s aggregate demand across that region, and share the value with the supplier.
- In contrast, behind-the-meter batteries may contract with National Grid through their existing customer. Those on demand customer sites earn embedded benefits by avoiding consumption during the peak charging windows, thereby sharing the saving with their on-site customer, instead of the supplier. Those on generator customer sites look to shift power output into peak charging windows, so to earn embedded benefits, and potentially higher wholesale prices, for the site. In both applications, the behind-the-meter battery will look to alter the existing customers’ generation or demand portfolio to provide FFR services.

The following sections explore the business case constituents in more detail, and draw out the differences between standalone and behind-the-meter projects where applicable.

### ***Organised markets: balancing services and the capacity market***

National Grid procures a suite of contracts known as balancing services, each with slightly different technical and operational requirements for providing flexibility to the system and each carrying different contracting provisions. National Grid uses these contracts alongside taking actions on its platform for adjusting the output of large scale generators (known as the “balancing mechanism”) to manage real time supply and demand, and to address network issues. This provides it with a diverse set of products and technologies to manage the system.

The most common contract for battery operators to pursue is a type of frequency response, known as Firm Frequency Response (“**FFR**”). Storage assets provide FFR through changing their output (or charging volumes), which directly affects power flows on the grid (if standalone); or changing an on-site customer’s consumption from the grid (if behind-the-meter), achieving a similar effect.

Market participants can currently bid for contracts from one to 24 months in duration and successful bidders are paid an availability payment (i.e. £/MW/hr) for each hour that the contract is “live”. Provided that the service is automatically delivered in response to changes in the frequency, then the revenue from these contracts can be considered fixed for the duration of the contract.

A further sub-product of FFR was introduced in 2016 named Enhanced Frequency Response (EFR), which requires a one second delivery time, and delivery of energy for up to 15 minutes. National Grid contracted for 200 MW of EFR in a single tender in August 2016.

In 2017, National Grid began a review of its current procurement practices for all balancing services, including frequency response, with the objective of ensuring it can procure the capabilities that the system will require cost-effectively in the future. For frequency response, National Grid has confirmed that it will reduce the number of sub-products into an improved product suite, and has changed the tendering for “front months” and long term contracts to happen on alternating months. In December 2017, National Grid published a product roadmap document, focusing on its forward plans for more substantial changes to balancing services. For frequency response, it confirmed that new contracts would be drawn up for Q2 2018, and that it would begin procuring a faster acting form of frequency response in Q4 2018, alongside trialling auctions as the procurement mechanism.

In addition to providing FFR, projects can bid into the capacity market auction. The capacity market was introduced to encourage investment in new generation capacity by guaranteeing a fixed inflation-linked revenue stream to existing generators (i.e. £/kW per annum), with long term contracts available for new generators (with durations up to 15 years).

Successful capacity providers are paid on their “de-rated” capacity, which is an adjustment to reflect the contribution to security to supply that a provider would be expected to pay in “system stress event” conditions (e.g. such as a black-out). As of December 2017, batteries receive differing de-rating factors depending on the level of storage that they intend to install on site, with longer duration batteries receiving higher (i.e. more valuable) de-rating factors.

The obligation carried by capacity market holders is to deliver energy during a “system stress event”, which are events where there might not be sufficient supply to meet demand, leading to potential or partial load reduction. Ahead of such events, the SO will issue a warning with four hours’ notice. Those contracted parties who fail to deliver energy at the level of their capacity market agreement face penalties, which in extremis, and after extended periods of failure can be equal to the annual value of the contract. To get maximum capacity credit, storage assets must be 4 hours in duration. Capacity de-rating will apply to shorter duration.

Participation in the capacity market is compatible with most other revenue streams including balancing services, where the capacity provider is excused from responding to system stress event warnings, so that National Grid can retain control over their output for system management.

Capacity market auctions are run four years ahead of contract delivery, where delivery years run from 1 October – 30 September. Such auctions are known as “T-4” auctions, and are “market wide”, (i.e. for the entire market capacity requirement). National Grid may also run a capacity market auction for the year

approaching (“T-1”). This is designed to allow the procurement of additional capacity needed for the coming winter, to address failures of providers to deliver or maintain existing capacity in the lead time to contract delivery, or errors in forecasting the capacity requirement. A smaller volume is procured in T-1 compared to the T-4 auction. For instance the 2018 (T-1) auction procured 5.8 GW compared to the 50.4 GW contracted in the 2017 T-4 auction.

Table 2 provides an overview of the contractual details of the FFR and Capacity Market.

*Table 2: Contract details for balancing and capacity market services*

<b>Aspect</b>	<b>Frequency response</b>	<b>Capacity Market</b>
<b>Contract duration</b>	FFR: Up to 24 months, for part or full days. EFR: 4 years (Note: EFR contracting is now closed – a new service replacing EFR will be announced in 2018)	T-4: one year for existing, up to 15 years for new build
<b>Procurement</b>	Monthly tenders, min lead time of 1 month, max lead time of 6 months (Note: A weekly auction trial will start Q4 2018)	Annual tender either for 4 years in advance (T-4) or for the next year (T-1)
<b>Payment</b>	£/MW/hr availability	£/MW (de-rated) availability
<b>Minimum size</b>	1 MW, aggregation permitted	2 MW, aggregation permitted
<b>Ramp speed</b>	10 seconds for Primary, 30 Seconds for secondary (1 second for Enhanced)	4 hours
<b>Service duration</b>	30 seconds for Primary, 30 mins for Secondary, Indefinite for High (likely to change) (15 minutes for Enhanced)	Indefinite

#### ***Producing savings for energy suppliers, or directly to customers***

TOs and DNOs set charges for using the network to recover their costs. The profile shape of charges across the day, and across the year, can encourage users to avoid peak consumption times. This can help encourage a better utilisation of the network and avoid future investment costs.

As an example, a large proportion of transmission network use of system (TNUoS) charges are based on users’ demand during the three half hour periods of peak system demand in the year. The periods are known as Triads. The demand during a Triad is measured as the net demand on the transmission system (measured at the grid supply point where the distribution and transmission network meet). If suppliers can contract with generators embedded within the distribution network to export during likely Triad periods, then the effect is to reduce their net demand at the grid supply point, thereby reducing their exposure to Triad charges. The majority of Triad periods have occurred between 5 – 6 pm in December and January, and the value of Triad avoidance has historically ranged from £40-50/kW per year. Common practice is for suppliers to share these savings with the generator through an offtake contract, such as a power purchase agreement (PPA).

The revenues earned through generating during Triad periods is sometimes referred to as one of the “embedded benefits”, as this netting with demand can only come from parties embedded within the distribution network, either as a standalone generator, or by locating behind-the-meter on a customer’s site that is connected to the distribution network. In the latter case, instead of suppliers accruing savings at Grid Supply Point (“GSP”), the customer will directly accrue savings in their final energy bill, which are then shared with the owner of the on-site asset.

Additional revenues can be earned through exporting onto the distribution network, or avoiding consumption from the network during certain times of day. These charges are known as distribution use of system charges (DUoS). DUoS charges include a “red band” tariff rate which is higher for demand customers in the weekday evening (peak demand), and can be negative (i.e. a payment) for standalone generators at the same time. Battery storage assets can help to earn or avoid red band charges as either a standalone asset, or behind-the-meter respectively.

Ofgem is currently reviewing the methodologies for setting TNUoS and DUoS charges for all market participants in two projects called the Targeted Charging Review and the Reform of Network Access and Forward Looking Charges. It expects to announce its minded-to thinking in the summer of 2018, following which more detailed design and implementation is expected. Previously, in summer 2017, Ofgem made a decision to approve an industry-led proposal to reduce the value of avoidable TNUoS charges for new and existing standalone generators over a period of 3 years, starting in 2018. This reduction does not apply to behind-the-meter sites.

**Site specific benefits**

Additional revenue streams can be earned by projects that are co-located on sites with specific characteristics. Two common examples are co-locating behind a demand customer's connection alongside existing solar panels, and providing an uninterruptible power supply (UPS):

- Customer sites which already have on-site solar generation, but which spill excess generation on to the grid, can benefit from storage systems when these are configured to store excess generation, to be used at times when solar output is low, and/or energy charges are higher. This commonly involves the battery performing an on-site charge in the middle of the day, followed by a discharge towards the end of the day/over the peak consumption period (when TNUoS and DUoS charges are levied).
- A UPS is necessary where a customer has a process that cannot be stopped, or electrical equipment which cannot accept a power fault, even for a matter of seconds. Customers may be replacing an existing UPS (e.g. lead acid batteries, or diesel engines), or may be installing a UPS for the first time, so the value that is placed on UPS will vary by application. A lithium-ion battery provides UPS services by isolating a portion of its storage capacity from being used in market and energy saving applications, in order to provide a 24/7 backup capability.

### Summary of addressable market

Table 3 provides a summary of each value stream which could be available to battery storage, based on current year/known values.

Table 3: Summary of revenue stream value

Revenue stream	Volume	Price
<b>Capacity Market</b>	2014 T-4 (delivery in 2018/19): 49.3GW	£19.4/kW/year (2012 prices)
	2015 T-4 (delivery in 2019/20): 46.4GW	£18/kW/year (2014/15 prices)
	2016 T-4 (delivery in 2020/21): 52.4GW	£22.5/kW/year (2015/16 prices)
	2017 T-4 (delivery in 2021/22): 50.4 GW (provisional results)	£8.40/kW/year (2016/17 prices)
	(Note that early delivery can provide the opportunity to participate in T-1 contracts ahead of T-4 starting)	
<b>Firm Frequency Response (i.e. part of frequency response market open to batteries)</b>	<b>Primary</b>	£6.00 to £19.00/MW/hr for dynamic Primary-Secondary-High bundled service, depending on time of day (NG spent £143 million on Frequency Response in total across 2016/17)
	Summer: 500 MW/110 MW	
	Winter: 400 MW/400 MW ( <i>Dynamic/Static</i> )	
	<b>Secondary</b>	
	Summer: 500 MW/900 MW	
	Winter: 400 MW/600 MW ( <i>Dynamic/Static</i> )	
	<b>High (Dynamic only)</b>	
	Summer: 200 MW	
	Winter: 100 MW	
<b>Triad avoidance</b>	N/A	Behind-the-meter: £45.03/kW in 2018/19, rising to £59.65/kW in 2021/22*  Standalone: £30.08/kW in 2018/19, reducing to £4.24/kW in 2021/22**
<b>DUoS avoidance</b>	N/A	A peak DUoS tariff for an HV connected customer ranges from £2/MWh up to £139/MWh

\* Average across regions; based on National Grid 5 year forecast and January 2018 update to 2018/19 tariffs, see <https://www.nationalgrid.com/sites/default/files/documents/Forecast%20from%202018-19%20to%202022-23%20%282%29.pdf> and <https://www.nationalgrid.com/sites/default/files/documents/Final%20TNUoS%20Tariffs%20for%202018-19%20-%20Report.pdf>

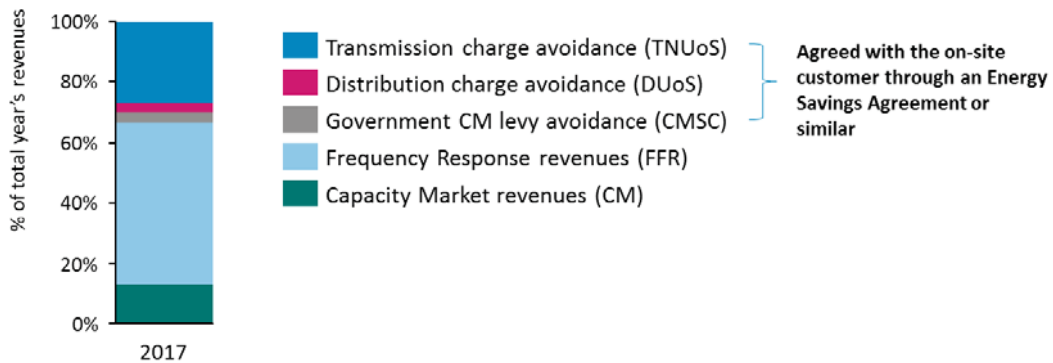
\*\* Average across regions, based upon National Grid 5 year forecast, see: <https://www.nationalgrid.com/sites/default/files/documents/Forecast%20from%202018-19%20to%202022-23%20%282%29.pdf>



**Materiality of each revenue stream to the battery business model**

Figure 8 below outlines a typical value stack for battery storage providers for 2017/18. It does not include the recent changes to TNUoS as a result of Ofgem’s embedded benefit decision, which starts to apply from 2018/19 onwards. For battery storage operating behind-the-meter, Figure 8 indicates where behind-the-meter operated storage will need to agree revenues with the customer.

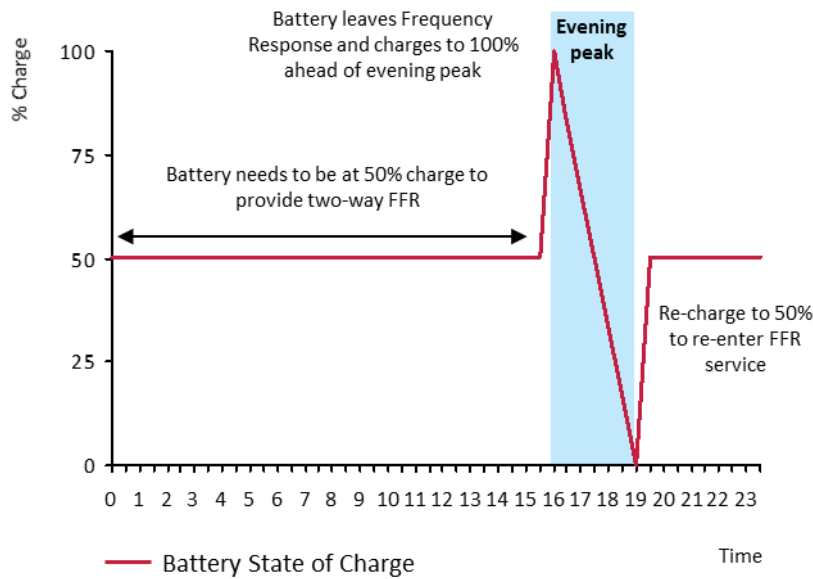
Figure 8: Typical battery storage contract stack in the GB market



**Operating the battery to capture value streams**

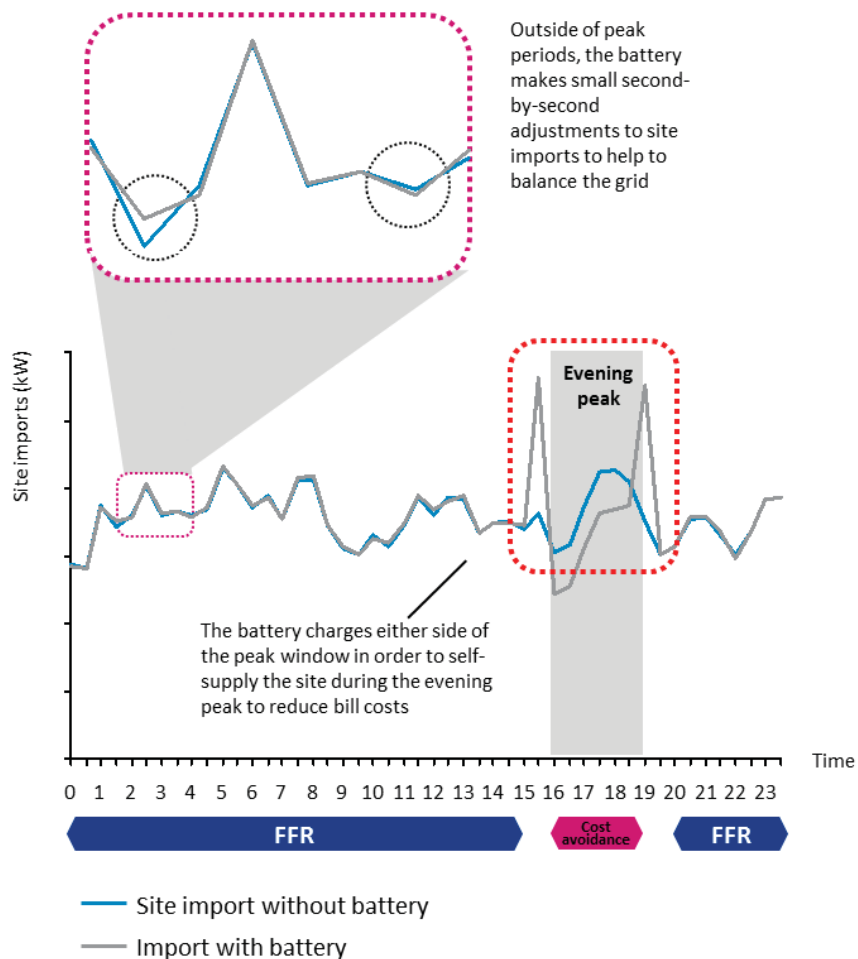
A battery storage owner will typically look to develop an operating profile which allows it to stack revenues from a range of different products – mostly FFR and Triad avoidance along with the capacity market. When operating standalone, the battery will typically follow an operating profile whereby it maintains a 50 per cent. charge during the day (in order to be available for both directions of service FFR). It charges up to 100 per cent. ahead of evening peak in order to discharge during the evening (for Triad and DUoS avoidance). This is illustrated in Figure 9 below.

Figure 9: Typical operating profile of a storage battery in GB



When operating behind-the-meter, the storage battery needs to manage its operation around the generator or demand customer (if co-located). Depending on the profile of that customer, it can still provide market services. For instance it can be co-located with intermittent renewables to enable participating in FFR and the capacity market, and demand customers with predictable consumption profiles can be used to provide the same. The latter is illustrated in Figure 10.

Figure 10: Typical profile of a co-located storage battery



### Future revenue streams

There are a number of drivers for change within the GB energy sector, including the continued roll-out of renewable technologies, the expansion of embedded generation, penetration of electric vehicles, and the formation of local markets. These could provide new revenue opportunities for battery storage over the coming years, which provides optionality to projects in the case of volatility or over capacity in particular markets, for example:

- **Wholesale market arbitrage** could form a substitute revenue for FFR in the future, particularly where increased renewables and tighter capacity margins increase the volatility of wholesale market prices. A battery performing arbitrage charges at low prices, and sells at high prices, in order to take advantage of a price spread. While it is currently not permitted to provide both arbitrage and balancing services at the same time, these could be provided at different times of the day.
- **Distribution System Operators (DSOs)** are expected to accommodate increasing volumes of generation and potentially electric vehicle charging infrastructure in the next decade and as such they are likely to need operational as well as investment solutions to manage intermittency, demand pick up, and system management issues on a local level. There are emerging signs that DSOs are developing similar commercial instruments to those that National Grid uses on the transmission system, which involve local markets and tenders for flexibility. These could amount to new opportunities for battery storage providers. These functionalities (mainly T&D constraint management) and related market rules are expected to be fully deployed within 5 years; in the meantime, some DNOs are starting their transition to DSOs by trials. UK Power Networks (UKPN) one of the largest Distribution Network Operators, outlines a need for 37.6 MW of flexibility in 2018-19, over 40 MW the following year and a further 30 MW in 2020-21.

- **Participation in the balancing mechanism:** National Grid and industry are exploring options for modifying existing arrangements to allow for smaller market participants (i.e. those that are generally 100 MW or less, standalone but tending not to be connected to the transmission system), to participate in the platform that National Grid uses to make adjustments to plant output in real time (the balancing mechanism). This could open up opportunities for batteries to post bids and offers to change their output, which they may be able to do alongside wholesale arbitrage activities. Initial proposals apply to standalone assets only, though the industry intends to consider the participation of demand side participants (such as large customers with on-site generation) in a later phase.
- **Shorter term procurement of FFR and faster-acting response products:** National Grid published a Product Roadmap for Frequency Response and Reserve in December 2017<sup>18</sup>. In this document, it stated its intentions to start week-ahead auction trials of Frequency Response by Q4 2018, and also said that it would explore the development of new fast acting frequency containment product, for procurement towards Q4 2018. Based on the information published to date, these developments have the potential to align well with the battery business model – with shorter term procurement providing opportunities to co-optimize between different revenue streams, and faster responding products leveraging the response times of lithium-ion technology.
- **Near-real-time FFR market and new faster-acting response product:** National Grid would like to procure large amounts of FFR close to real time; in addition, it will propose a new faster-acting response product where storage is likely to be preferred. Near the end of 2018, a 12-month trial for weekly auctions will begin, likely incorporating the new faster-acting response.

## 5 International market opportunities

The following section covers other opportunities to deploy battery storage into North West Europe, Ireland, Canada and California.

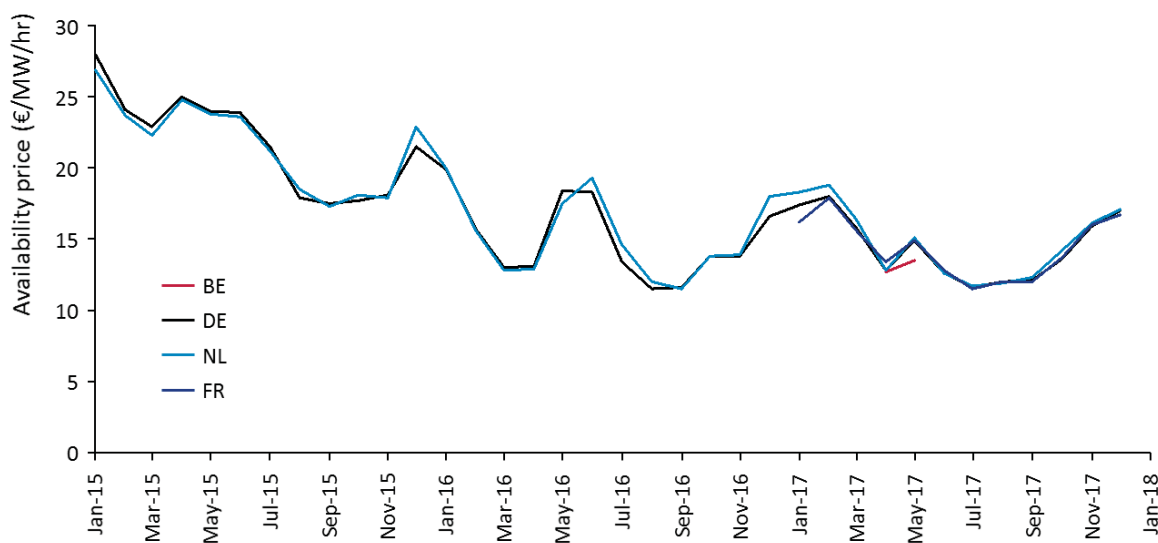
### North West Europe

#### Background

As in GB, these markets feature conventional generation technologies with a degree of renewables penetration (with the most renewables capacity being installed in Germany where there is nearly 48GW of solar and 68GW of wind installed). As such, the markets' needs for flexibility for balancing and system management purposes is set to grow.

A key feature of these markets is the procurement of Primary Reserve (the Continental form of frequency response) that is conducted jointly by TSOs in Germany, the Netherlands, Belgium, France, Austria, and Switzerland, and is soon to be joined by Denmark and other countries. This joint procurement allows the TSOs to procure cross-border capacity to meet their requirements, creating a deep market for providers of up to 1390 MW, and clearing prices over the last 18 months between €10-15/MW/hr – see Figure 11 below).

Figure 11: Primary reserve prices, January 2015 – December 2017



As can be seen in Figure 11, prices have historically been supported between approximately €10 to €25/MW/hr, which provides new entry opportunities for more efficient providers of the service such as battery

18 See: <https://www.nationalgrid.com/sites/default/files/documents/Product%20Roadmap%20for%20Frequency%20Response%20and%20Reserve.pdf>

technology. Therefore, the Company plans to focus its efforts in Germany, the Netherlands, Belgium, and France, anchoring the business case for batteries in these markets by winning contracts for Primary Reserve, and then stacking additional revenue streams with this. Germany is an established battery market with nearly 200 MW operational by end-2017, while the other markets are relatively nascent in battery deployment.

The markets are highly interconnected, which facilitates cross border procurement of both Primary Reserve, and wholesale energy in exchange and bilaterally traded markets. There are also plans to use interconnectors to widen the procurement of other balancing services, such as Replacement Reserve under project for Trans-European Replacement Reserves exchanges (“**TERRE**”), which is a joint project between European TSOs to procure their balancing services on a joint European platform.

#### *Additional revenues for batteries in markets in North West Europe*

Alongside Primary Reserve, it is possible to earn additional revenues within the domestic markets themselves. These can be broadly categorised into three areas:

- 1 **Security of supply initiatives:** Covering markets, or policy mechanisms that are designed to remunerate the provision of adequate capacity within the market. Examples include the 93GW French Capacity Market, which came into effect in January 2017, requiring suppliers (retailers) of electricity to provide evidence that they have contracted with dispatchable providers of capacity through purchasing certificates from them. Further examples include the availability of “interruptible contracts” in Belgium, which are signed between TSOs and large customers, allowing the TSO to call upon these customers to curtail their load in emergency situations, in exchange for a contracted revenue stream. Installing batteries on site enables customers to avail of these contracts without losing supply of energy for critical processes.
- 2 **Energy savings opportunities:** Including helping large industrial and commercial companies to shift their consumption profile, by using a battery to move peaks and troughs in demand, or to move demand away from key windows in the day when charges may be levied. Examples include the ability to reduce exposure to network charges for industrial customers in Germany who consume more than 10GWh per annum, through extending consumption to across 7,000, 7,500, or 8,000 hours of the year, which reduces exposure to network charges by 80 per cent., 85 per cent. or 90 per cent. respectively.
- 3 **Wholesale markets:** Including making the battery available in spot markets, with 24 hours or less remaining until delivery of physical energy is required, (known as the intraday period). Prices in these “intraday” markets can be volatile as market participants try to balance their positions, with German prices experiencing maxima of €300/MWh, and minima of €150/MWh in 2016, and similar prices being experienced in the Netherlands, owing to the level of interconnection between the two markets.

## **Ireland**

### *Background*

Ireland’s Single Electricity Market (SEM) covers the island of Ireland. The market is overseen by two SOs – EirGrid in the Republic and SONI in Northern Ireland. EirGrid also operates the Transmission system in the Republic while ESB networks operate the distribution network. In the North, both transmission and distribution networks are run by Northern Ireland Electricity. The same market rules apply across the SEM and there is retail competition in both countries.

### *Key characteristics*

The Irish Government has historically supported the deployment of renewables, with a target of 40 per cent. of electricity to be generated from renewable sources by 2020. Ireland is well on its way to meeting this target and it has some of the highest penetration of onshore wind anywhere in Europe. Achieving this level of penetration of intermittent renewables on an islanded, synchronous system presents similar challenges for system operation as in GB, though these are arguably more acute given the size of the system relative to the level of renewables operational to date (3.6GW wind relative to a peak demand of around 6.8GW).

To increase the range of ancillary services (balancing services) available to the SOs to manage the system, in 2011 the Single Energy Market (SEM) Committee requested that the TSOs launch a joint programme of work called ‘Delivering a Secure Sustainable Electricity System (DS3)’. This programme focuses on ensuring that there is the range of flexibility services available to allow the SOs to manage a system with lower inertia and high penetration of non-synchronous plant of levels of up to 75 per cent. of demand. These include fast frequency response, inertia, reactive power and various reserve products – the full list is provided in Table 4 below.

Table 4: New and existing DS3 products in Ireland

Category	Service Acronym	Service Name	Status	Start Time and Duration
Inertial Response	SIR	Synchronous Inertial Response	New	Dispatch-dependent; units will only receive payments when synchronised
	FFR	Fast Frequency Response	New	Available within 2s of event, sustained up to 10s post event
	FPFAPR	Fast Post-Fault Active Power Recovery	New	Dispatch-dependent. Must remain connected for at least 15 minutes
Voltage Control	DRR	Dynamic Reactive Response	New	Dispatch-dependent. Must remain connected for at least 15 minutes
	SSRP	Steady-state reactive power	Existing	Dispatch-dependent, units will only receive payments when synchronised
Reserve	POR	Primary Operating Reserve	Existing	Available within 5s of event, sustained to 15s post event
	SOR	Secondary Operating Reserve	Existing	Available at 15s, sustained to 90s post event
	TOR1	Tertiary Operating Reserve 1	Existing	Available at 90s, sustained to 5m post event
	TOR2	Tertiary Operating Reserve 2	Existing	Available at 5m, sustained to 20m post event
	RRD	Replacement Reserve (De-Synchronised)	Existing	Available at 20m, sustained to 1 hour post event
	RRS	Replacement Reserve (Synchronised)	Existing	Available at 20m, sustained to 1 hour post event
Ramping	RM1	Ramping Margin 1 Hour	New	Available in 1 hour and sustainable for 2 hours duration.
	RM3	Ramping Margin 3 Hour	New	Available in 3 hours and sustainable for 5 hours duration.
	RM8	Ramping Margin 8 Hour	New	Available in 8 hours and sustainable for 8 hours duration.

The initial basis for payment for each of these services is regulated tariffs, which have been implemented from October 2016. The SOs will be tendering for these services in 2019 and 400 MW of connection capacity is being prioritised for providers of these services.

In addition, the Irish market is undergoing reforms to comply with European wholesale market coupling arrangements. These reforms are being coordinated under the I-SEM programme. As part of these changes, there will be a new intraday market, and balancing market to help market participants to balance their portfolios, which will provide increased opportunities for flexible plant to monetise their flexibility in short timescales.

This transition has also required the policymakers to redesign the capacity payment system into a capacity market. This will be similar in structure to the GB capacity market with a T-4 and T-1 auction. It will be open to new and existing generation, as well as aggregated generation.

#### Commercial case for batteries

It is likely that battery projects will be able to “stack” revenues between the new long term DS3 contracts, capacity market contracts, and revenues from operating in the wholesale market and within balancing to create a viable revenue stream. The first capacity auction was held in December 2017, while the DS3 contracts are to be tendered across 2018-2019.

## Ontario, Canada

### Background

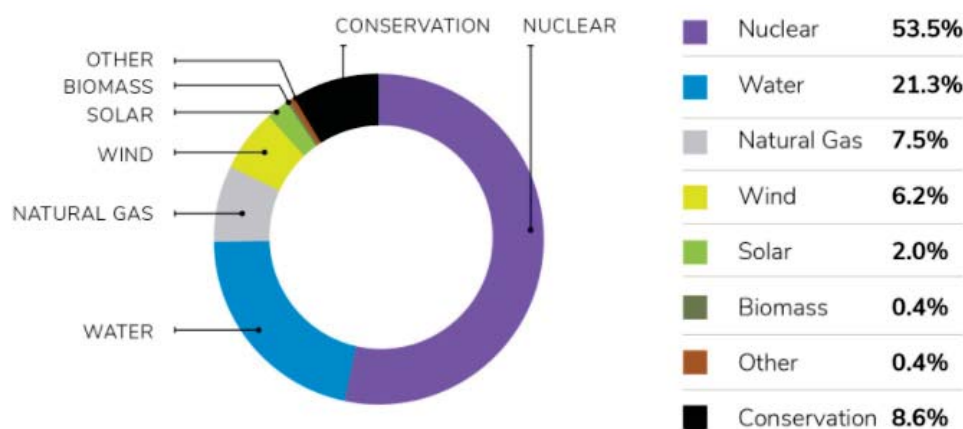
The Ontario electricity market has an independent electricity system operator (IESO) which is responsible for planning the system and dispatching generation. A single transmission operator (Hydro One) owns almost all the transmission assets. Bundled distribution and retail companies called Utilities, operate the distribution network and bill customers for energy used. 95 per cent. of customers are supplied by their local utility, with the remainder using private retailers.

Ontario launched its long term energy plan in 2010, which was further updated in 2013. This plan has already delivered the phasing out of coal generation and a largely carbon free energy supply, based around nuclear and hydro. Ontario is moving away from relying on long-term electricity contracts and is enhancing its market-based approach to reduce electricity supply costs and increase flexibility.

### Key market characteristics

Ontario has a substantially different energy mix to GB. As indicated in Figure 12, over 50 per cent. of generation is from nuclear power and nearly 25 per cent. from hydro. Wind and solar comprise around 10 per cent., with the remainder coming from natural gas.

Figure 12: 2016 generation mix in Ontario



While there is currently an adequate supply of electricity, a shortfall in capacity is expected beginning in the early-to-mid 2020s as one of the large nuclear plants (Pickering) reaches its end of life, and others are temporarily removed from service for refurbishment. This need for additional capacity will be met through initiatives through the 'Market Renewal' project being led by the IESO. This will include an incremental capacity auction which will allow existing and new clean generation facilities to compete in a robust market with clean imports, demand-side initiatives and new emerging technologies. The details for the incremental capacity auction are still being developed and due to be finalised mid-way through 2018.

### Commercial case for storage

In 2012, the IESO procured 6 MW of energy storage resources for frequency regulation from two storage facilities. The IESO followed up with two further phases of procurement in 2014 for an additional 50 MW. Of this 50 MW, 34 MW were dedicated to ancillary services provision for a duration of three years, while 17 MW were dedicated to time shifting of energy (i.e. charging while prices are low and discharging while prices are high). The latter 17 MW were provided with 10 year contracts.

These tenders have helped to demonstrate that storage is able to provide a range of services to support the power system in Ontario, including:

- frequency regulation;
- voltage control;
- operating reserve;
- flexibility (storing energy during peak generation for use later).

Once the market renewal project is complete, it is possible that the incremental capacity auction can be added to this list. Future projects are likely to structure a commercial framework around a number of these revenue opportunities, depending on the level of IESO activity, and peak-off peak spread evident in the market at any point in time.



## California

### Background

The Californian electricity market is more vertically integrated than the GB market. It is dominated by three investor owned utilities (IOUs) who own the vast majority of generation, transmission and distribution assets. An independent system operator (CAISO) oversees the wholesale market and undertakes transmission planning. Following the 2001-2002 California energy crises and the subsequent rollback of retail electricity choice, the vast majority of Californians have received bundled electricity service from the IOUs. In recent years, this landscape has begun to shift, largely due to the increase in self-generation and the rise of community choice aggregators (CCAs) that can directly develop and buy electricity on behalf of their customers.

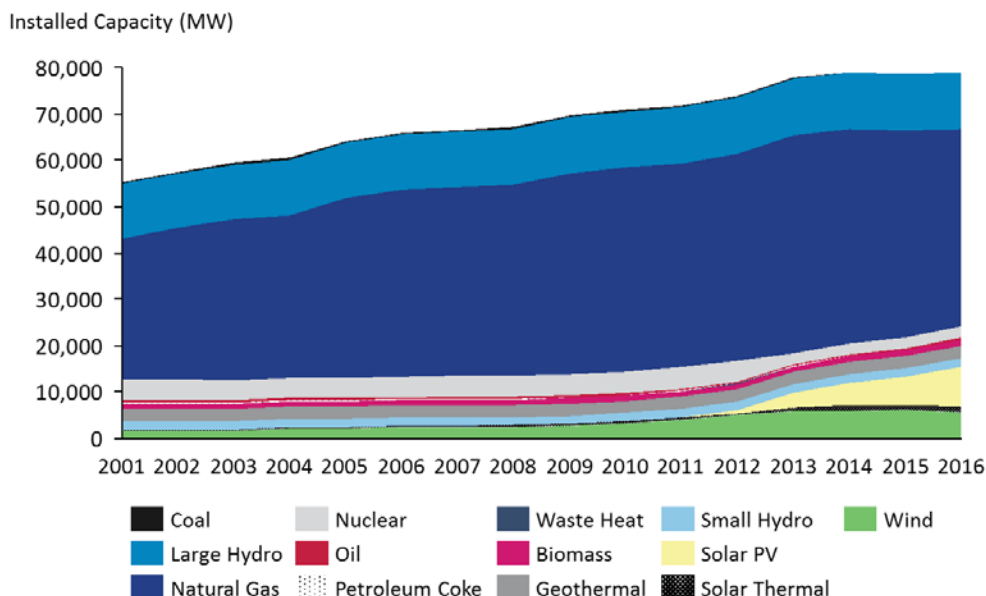
### Policy background

California is seeking to reduce its greenhouse gas emissions to 40 per cent. of their 1990 levels by 2030. This includes a commitment in the Clean Energy and Pollution Reduction Act (2015) for renewables to comprise 50 per cent. of electricity generation by 2030. Suppliers (effectively the IOUs and CCAs) must comply with the portfolio balance requirements which sets out a balanced portfolio of renewable energy sources which they must purchase energy from. California has an overall goal of adding 20,000 MW of renewable generation in California by 2020, composed of 8,000 MW of large-scale renewable generation and 12,000 MW of renewable distributed generation. Specific to energy storage, California has put an energy storage mandate (AB 2514) in place that requires each of the three big IOUs to procure 1.325GW of energy storage by 2020. So far, about 60 per cent. of the requirement has been met. In an update to California's Self Generation Incentive Program (SGIP) in 2017, another \$196M of incentive funding was carved out for energy storage located behind-the-meter.

### Key market characteristics

California has already exceeded the 8,000 MW goal for large-scale renewables with 10,500 MW added since January 2011. It is also expected to meet the 12,000 MW goal for distributed generation by 2020. At the same time, there has been a steep decline in coal generation and gas plant has also started to decline gradually (albeit still the most dominant fuel). The result of the high penetration of intermittent renewable generation like PV and wind has caused a phenomenon known as the "duck curve" where the large amount of PV during the day and subsequent loss in the evening causes a huge ramping requirement for the waning coal and gas plant fleet. The market opportunities for energy storage will be located not only in front-of-the-meter ("in the grid"), but also behind-the-meter at commercial and industrial sites. Bloomberg New Energy Finance estimates that 3.5 GW of energy storage will be installed in California by 2024.

Figure 13: Generation mix in California 2001 – 2016



### Commercial case for batteries

The markets available for storage in California are similar to those in GB. Research by the economic consultancy Brattle indicates that the following revenue streams comprise the storage value stack:

- **Generation capacity** (akin to the GB capacity market): Requires the battery to discharge at peak times or during scarcity events;

- **Frequency regulation:** Available through the CAISO and via aggregators and requires fast response to maintain frequency on the system;
- **Energy arbitrage:** Commercial arrangements with generators. The battery can be charged during low (or negative) priced hours and discharged during higher priced hours to avoid dispatching generators with high fuel and variable O&M costs.
- **Reserve (spinning):** Contract with the CAISO to act as a reserve plant in order to protect against a sudden loss of a large power station.
- **Avoided Distribution and Transmission CAPEX:** Smaller, location value for avoiding or deferring network investment.

As in GB, the need for both frequency regulation and reserve products is likely to increase as the volume of intermittent renewables rises and thermal plant (coal and gas) continues to decline. Brattle has estimated that annual revenues of \$350/kW/yr are theoretically possible on the basis of all revenue streams being accessed and optimised across that timeframe.

## Part 4

### Seed Portfolio and pipeline of proposed investments

#### 1 Seed Portfolio

The Company has, conditional, *inter alia*, on First Admission, contracted to acquire the Boulby Project and the Cenin Project and the Adviser has been granted exclusivity to negotiate with Origami an agreement for the Company to acquire the rights to construct and operate the Lower Road Project. These assets are deemed to comprise the Seed Portfolio for the purposes of this document, although there can be no guarantee that the Company will complete its arrangements in respect of the Lower Road Project as they are conditional on agreeing legally binding terms with Origami as well as a satisfactory result in the frequency auction due to take place in April 2018. A summary of the Seed Portfolio is set out in the table below:

Project	Location	Capacity	% Owned by the Fund	Acquisition Consideration/ Investment Value <sup>2</sup> (£)	Contract Type	Site Type	Partner	Status	Commissioning/ Expected commissioning	Battery provider
<b>Boulby</b>	Cleveland, North Yorkshire	6.0 MW	100% <sup>1</sup>	4.8 million	Behind-the-meter	Industrial Mining	—	Operational	October 2017	NEC ES
<b>Cenin</b>	Bridgend, Wales	4.0 MW	49%	1.2 million	Behind-the-meter	Renewable Generation	Braterra Holdings Limited	Operational	Q1 2018	TESLA
<b>Lower Road</b>	Brentwood, Essex	10.0 MW	100%	5.2 <sup>3</sup>	Front-of-meter	Greenfield		Pre-construction	Q4 2018	TBC

1 Excluding profit sharing equity instruments owned by General Electricity Holdings Ltd, the parent company of Kiwi Power Limited.

2 Value not including cash on balance sheet or VAT receivables.

3 Based on estimated CAPEX for the Lower Road Project.

The Aggregate Project Value of the Seed Portfolio is £11.2 million, comprising acquisition consideration for the Boulby Project and the Cenin Project and expected CAPEX payments for the Lower Road Project, including cash and working capital on the SPVs' balance sheets.

#### (A) Boulby Project

##### Acquisition terms

NK's interest in the Boulby Project is to be acquired by the Subsidiary on behalf of the Company pursuant to the terms of the Share Purchase Agreement, the details of which are more fully summarised in paragraph 7.4 of Part 12 (*Additional Information*) of this document. The Share Purchase Agreement is conditional upon First Admission and the Minimum Net Proceeds being raised.

##### Project operation

The Boulby Project, which is situated at the Cleveland Potash mine in North Yorkshire, commenced commercial operations in October 2017. This project is one of the first operational, privately-owned utility scale lithium-ion battery storage projects in Great Britain.

##### Energy storage systems and supply

The 6 MW battery system, which comprises three containers each containing 22 racks and 11 modules per rack, was supplied by NEC ES and has the benefit of a relatively customary ten-year warranty and maintenance support from NEC ES. Each battery has an estimated life of at least 10 years. Three power conversion systems have been supplied by Parker Hannifin ("**Parker**") and have the benefit of Parker's customary warranty and maintenance support.

##### Key contractors

NEC ES and Parker have each warranted the performance of the equipment supplied by them, respectively, for a period of 10 years under the terms of their agreements with Boulby and they provide warranty and preventative maintenance services to the Boulby Project under separate 10-year contracts. Kiwi Power Battery Management Limited ("**Kiwi Power BM**") provides battery management services under battery management contracts with a fixed percentage of revenue payable as its fee and there is a lease and commercial agreement with Cleveland Potash limited ("**CPL**") which includes certain revenue sharing and support arrangements (including the sharing of TRIAD benefits and back-up generation support).

##### Off-take contracts and sources of revenue

The Boulby Project expects to earn its revenues from various sources including frequency response, capacity market and service to the site. Contracts for frequency response services are currently available under National Grid auctions for up to maximum terms of two years. A revenue contract comprising a 15 year

capacity market contract is already in place. On expiry of frequency and capacity market contracts, contracts are renewed by way of auction.

#### *Consents and approvals*

Relevant consents and permits (including planning permission) have been obtained in respect of the project and grid connection for the project has been secured.

### **(B) Cenin Project**

#### *Acquisition terms*

Initially, 49 per cent. of this project was acquired and funded by Cenin GSC Ltd. In December 2017 this interest in the Cenin Project was sold to NK and NK contributed additional funds required to complete the project. The remaining 51 per cent. of the project is owned by an unrelated investor.

NK's interest in the Cenin Project is to be acquired by the Subsidiary on behalf of the Company pursuant to the terms of the Share Purchase Agreement, the details of which are more fully summarised in paragraph 7.4 of Part 12 (*Additional Information*) of this document. The Share Purchase Agreement is conditional upon First Admission and the Minimum Net Proceeds being raised.

#### *Project operation*

The Cenin Project is a 49 per cent. interest in a 4 MW storage asset located in Wales, UK. The asset is co-located with the Cenin cement factory, a renewable generation farm comprised of solar PV, a wind turbine and an anaerobic digestion plant. This opportunity was introduced to the Adviser by Kiwi Power Limited ("**Kiwi Power**") as part of its existing relationship with the Adviser. It is intended that Kiwi Power will provide operational management services to this project.

#### *Energy storage systems and supply*

The energy storage system is provided by Tesla Motors Limited ("**Tesla**") and has a 15 year availability warranty. The supply agreement was signed in September 2017. The battery control system which provides frequency control services is provided by NK.

#### *Key contractors*

The project was developed by Kiwi Power. Tesla provide a fully wrapped EPC contract with the exception of the control system, which is provided by NK (as described above). Battery energy storage management services will be provided by Kiwi Power BM. The asset has a lease agreement with the site.

#### *Off-take contracts and sources of revenue*

The asset is co-located with a renewable energy site. Accordingly, revenues from the Cenin Project will be derived from two sources:

- 1 Firm Frequency Response ("**FFR**") services (two-year fixed contract, starting in February 2018) to National Grid; and
- 2 capacity market services to the Electricity Market Reform delivery body arranged through Kiwi Power for 15 years.

On expiry of frequency and capacity market contracts, contracts are renewed by way of auction.

#### *Consents and approvals*

Relevant consents and permits (including planning permission) have been obtained in respect of the Cenin Project, and the grid connection is being secured.

### **(C) Lower Road Project**

#### *Acquisition terms*

The Adviser has entered into exclusive negotiations with Origami with the objective of the Company acquiring the rights to construct and operate the Lower Road Project. The Company's acquisition of the Lower Road Project will be conditional, *inter alia*, on a satisfactory result in the frequency market auction in April 2018, which supports the Company's target IRR for this project. The acquisition of the Lower Road Project is also conditional on agreeing legally binding terms with Origami.

#### *Project operation*

The Lower Road Project is situated at a greenfield site in Brentwood, Essex. A 10 MW grid connection has been secured. This opportunity was introduced to the Adviser by Origami as part of its existing relationship with the Adviser. Once the project is operational it is the intention that Origami will provide operational management services to the Lower Road Project.

#### *Energy storage systems and supply*

An offer has been received from a supplier for battery and system installation which is currently under consideration.

### Consents and approvals

Relevant consents and permits (including planning permission) have been obtained in respect of the Lower Road Project and grid connection for the project has been secured.

## 2 Valuation of the Seed Portfolio

The aggregate amount payable by the Company for investment into the Seed Portfolio is £11.2 million, comprising acquisition consideration for the Boulby Project and the Cenin Project and expected CAPEX payments for the Lower Road Project including cash and working capital on the SPVs' balance sheets (the "Aggregate Project Value"). The Reporting Accountant has confirmed that, in its opinion, based on market conditions as at 9 March 2018 and certain assumptions as set out in the Valuation Opinion Letter in Part 6 (*BDO LLP Valuation Opinion Letter*) of this document, the Aggregate Project Value falls within a range which it considers fair and reasonable.

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

The projects comprising the Seed Portfolio, based on certain assumptions set out below, have a weighted average IRR of approximately 10.0 per cent. The weighted average IRR for the Boulby Project and the Cenin Project is approximately 9.3 per cent. and for the Lower Road Project is 10.9 per cent.

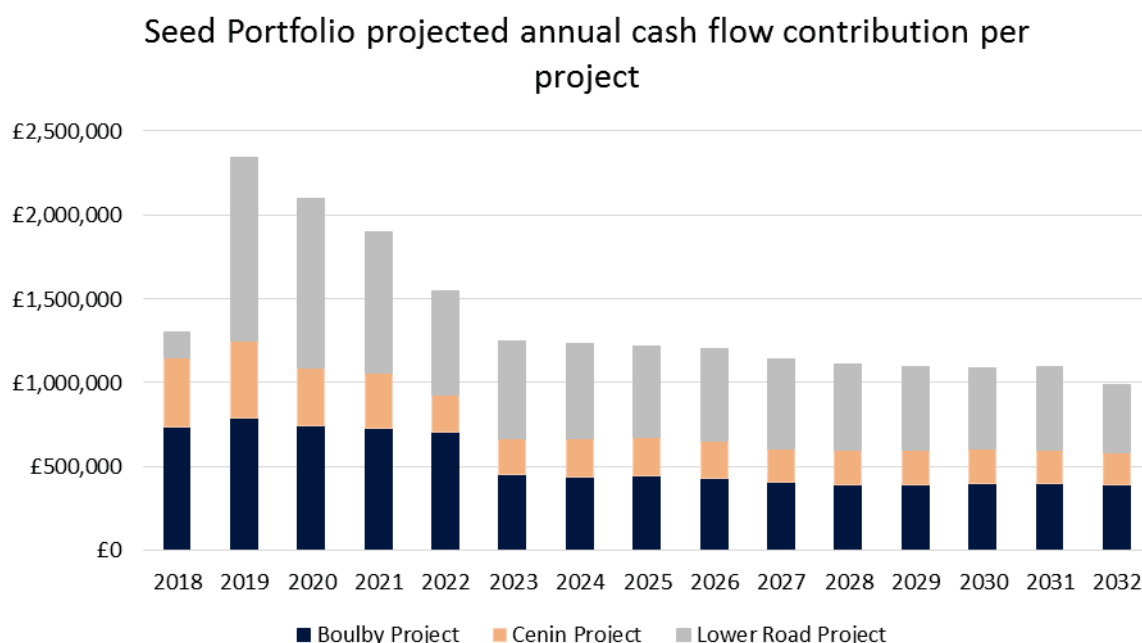
## 3 Share Purchase Agreement

Details of the Share Purchase Agreement are set out in paragraph 7.4 of Part 12 (*Additional Information*) of this document.

## 4 Illustrative cash flow projections for the Seed Portfolio

The cash flows from the Seed Portfolio will comprise dividends and other distributions paid in respect of equity, repayments of equity and repayments of principal and interest on shareholder loans. The targeted aggregated future cash flows that are anticipated to be received by an investment in the Seed Portfolio are illustrated in the graph below.

### Seed Portfolio projected annual cash flow contribution per project<sup>1, 2</sup>



1 The table above is for illustrative purposes only. It contains targets only and is not a profit forecast. There can be no assurance that these targets will be met and they should not be viewed as an indication of the Company's expected or actual results or returns. The hypothetical projected cash flows do not take into account any unforeseen costs, expenses or other factors which may affect the Seed Portfolio and therefore impact on the cash flows to the Company. As such, the table above should not in any way be construed as forecasting the actual cash flows from the Seed Portfolio. The inclusion of this graph should not be construed as forecasting in any way the actual returns from the Seed Portfolio. Accordingly, prospective investors should not place any reliance on these targets in deciding whether to invest in Ordinary Shares and/or C Shares nor assume that the Company will make any distributions at all.

2 The figures exclude CAPEX.

The key assumptions underlying the model on which the cash flows for each project comprising the Seed Portfolio include:

- In connection with the Lower Road Project, a satisfactory result in the frequency auction due to take place in April 2018 and agreeing final legally binding terms with Origami;
- Project and battery costs for each project;
- Published Capacity Market derating factors;
- Rental / TRIAD avoidance payments based on National Grid published forecasts;
- Revenues from frequency and capacity contracts as per individual project agreements with National Grid;
- Pricing forecasts for capacity market and frequency contracts derived from base case assumptions of an established market consultant;
- 2.0 per cent. per annum inflation in the UK;
- UK corporate tax rate in line with latest tax advice:  
19 per cent. to March 2020, 17 per cent. from April 2020  
18 per cent. capital allowance;
- No third party debt;
- 15 year battery life;
- Contracted annual maintenance service fee with battery system suppliers; and
- Contracted asset operation management fees with aggregators.

## 5 Market opportunities

### ***The energy storage addressable market***

As stated in Part 3 (*Market background and investment opportunity*) of this document, there are a number of current revenue streams for energy storage projects, including (a) frequency response services, (b) Triad avoidance services and (c) capacity market services. In addition, there are prospective new revenue opportunities over the coming years for services such as market arbitrage, balancing mechanism services and DSOs.

The combination of those strong market drivers, plus the rapidly reducing cost of battery technology, means that the Directors believe that there are significant prospects for the roll-out of battery storage systems. Even the least optimistic National Grid forecast scenario predicts a storage installed capacity of 2 GW by 2020, representing an increase of approximately 570 per cent. from the current approximately 300 MW of installed capacity.

### ***Pipeline channels***

The utility scale battery market is relatively nascent worldwide, and the Adviser has been able to identify attractive opportunities in markets including the UK, North America and North-West Europe. The Adviser is among the first entrants into the market by being one of the first commercial players to be involved with the installation and commissioning of a project in England through the facility at Boulby. As a result, the Adviser has developed a market leading approach to investing in battery storage projects in the UK market and has built up a significant and wide-ranging contact base within the energy storage industry.

The Adviser has five main sources of potential pipeline projects:

- **Developers:** Over the last two to three years, a number of project developers have emerged to exploit energy storage market opportunities. These developers generally identify opportunities, secure the relevant real estate, permits and contracts and validate project viability with equipment suppliers and EPC contractors. The Adviser has been in active conversation with several of these developers that either own and/or have secured rights to energy storage projects in the UK and selected international markets. To ensure preferential access to this channel, the Adviser maintains an ongoing dialogue with these project developers.
- **EPC Contractors:** The Adviser has developed a series of relationship with EPCs, either during the Seed Portfolio negotiations or during previous interactions with EPCs from the energy sector. The energy storage segment is highly competitive with a limited number of qualified EPC contractors, so the Adviser believes the leading EPC players generally see the majority of projects. Similar to developers, the Adviser maintains relationships with a broad range of EPC contractors and from time to time will be offered introductions to projects in their pipeline that require funding.



- **Utility Companies:** Many European utility companies have devoted significant resources to developing international energy storage projects. The Adviser has been approached by several of these utilities in relation to making an equity investment in their pipeline of international energy storage projects. Following First Admission, the Adviser plans to reopen certain of these discussions.
- **Financial Sponsors/project owners:** As at October 2017 there is 3.4 GW of battery capacity in the UK across the following stages: (i) in operation, (ii) under construction, (iii) with planning approved, and (iv) projects with planning pending approval. These projects will provide a source of potential secondary deal flow. Although the Adviser's strategy is to primarily source projects through its own proprietary channels, the Adviser believes that from time to time, special situations will arise where a project's sponsor may not be able to follow through with funding. In these situations, the Adviser will review acquisition of these projects on an opportunistic basis in accordance with the Company's investment policy.
- **Strategic Partners:** NEC ES and NK and their affiliates each have in-depth knowledge and extensive worldwide experience in the energy sector and in connection with energy storage in particular. NEC ES has capabilities across battery equipment, battery control systems and EPC project delivery, while NK has relevant technical engineering skills as well as EPC capability. The Adviser will benefit from a proprietary relationship with each of NEC ES and NK through an exclusive right of first offer in relation to their pipeline of certain energy storage projects (projects that are seeking equity financing), developers, and other buyers of energy storage services worldwide, as described in paragraph 7.6 of Part 12 (*Additional Information*) of this document.

All the above contacts and partnerships will serve to provide the Adviser with an ongoing pipeline of opportunities for investment in new projects.

## 6 Project pipeline

The Adviser will screen and prioritise projects based on certain criteria consistent with the Company's investment policy. The criteria comprise aspects such as:

- 1 **storage equipment & EPC:** the Adviser will maintain a list of approved/"bankable" storage equipment and EPC contractors. To the extent possible, the Adviser will prioritise working with best in class equipment and service providers with a view to ensuring on time/on budget project delivery, minimising operations and maintenance issues post construction;
- 2 **financial evaluation:** the Adviser will evaluate investment opportunities and their related investment return and risk characteristics to ensure consistency with the Company's investment policy;
- 3 **readiness of project:** the Adviser will also take into consideration the readiness of each project in the pipeline such as revenue contract terms, grid connection, site leasing, EPC proposal, license procurement and environmental study to assess the project's risk.

### *Current projects in the pipeline*

As at the date of this document, the Adviser has identified a pipeline of potential investments set out in the table below:

Project	Location	Size – MW	Behind-the-meter (BOM)/ Front-of-the-meter (FOM)
1	East Midlands – UK	10.0	FOM
2	South East – UK	10.0	FOM
3	South West – UK	29.0	FOM
4	South West – UK	36.0	FOM
5	South West – UK	10.0	FOM
6	North West – UK	10.0	BTM
7	North West – UK	3.0	BTM
8	North West – UK	9.0	BTM
9	North West – UK	3.0	BTM
10	Undefined – UK	4.0	FOM
11	Undefined – UK	10.0	FOM
12	Undefined – UK	40.0	FOM
13	Undefined – UK	49.0	FOM
14	Undefined – UK	49.0	FOM
15	North West – UK	2.0	BTM
16	South West – UK	4.0	BTM
17	South West – UK	2.0	BTM
18	South East – UK	10.0	BTM
19	West Midlands – UK	2.0	BTM
20	North East – UK	5.0	BTM

<b>Project</b>	<b>Location</b>	<b>Size – MW</b>	<b>Behind-the-meter (BOM)/ Front-of-the-meter (FOM)</b>
21	East Midlands – UK	5.0	BTM
22	North West – UK	10.0	BTM
23	North East – UK	10.0	BTM
24	North West – UK	49.9	FOM
25	South East – UK	7.5	FOM
26	North West – UK	50.0	FOM
27	East Midlands – UK	40.0	FOM
28	North West – UK	40.0	FOM
29	North West – UK	24.0	FOM
30	Yorkshire – UK	20.0	FOM
31	South West – UK	15.0	FOM
32	West Midlands – UK	5.0	FOM
33	South West – UK	5.0	FOM
34	London – UK	3.2	BTM
35	West Midlands – UK	5.0	FOM
36	East – UK	2.2	FOM
37	London – UK	40.0	FOM
38	East – UK	40.0	FOM
39	London – UK	4.0	BTM
40	East – UK	10.0	BTM
41	Various – UK	30.0	BTM
42	Various – UK	10.0	BTM
43	Various – UK	10.0	BTM
44	Various – UK	30.0	BTM
45	Various – UK	0.8	BTM
46	Yorkshire – UK	40.0	FOM
47	South West – UK	10.0	FOM
48	Scotland – UK	16.0	FOM
49	Scotland – UK	29.9	FOM
50	London – UK	74.0	FOM
51	South East – UK	20.0	FOM
52	East Midlands – UK	24.0	FOM
53	South West – UK	30.0	FOM
54	Scotland – UK	40.0	FOM
55	East Midlands – UK	20.0	FOM
56	East Midlands – UK	9.0	FOM
57	Maine – USA	2.0	FOM
58	Massachusetts – USA	34.0	FOM
59	California – USA	25.0	FOM
60	Colorado – USA	100.0	FOM
61	California – USA	10.0	FOM
62	California – USA	10.0	FOM
63	California – USA	20.0	FOM
64	California – USA	50.0	FOM
65	New Mexico – USA	13.0	FOM
<b>TOTAL</b>		<b>1340.5</b>	

Whilst these projects represent the current pipeline, the Adviser intends to build the pipeline further post-First Admission (through the pipeline channels mentioned above) to ensure that the Company has access to suitable potential investments on an ongoing basis.

There is no certainty that the above, or any future pipeline assets, will be available for the Company to purchase or indeed fall within the Company's stated investment objective and investment policy.

There can therefore, be no guarantee that the Company will be able to acquire all or any of the potential pipeline assets.

## Part 5

### Directors and Management

#### 1 Directors

The Directors are responsible for the determination of the Company's investment policy and strategy and have overall responsibility for the Company's activities including the review of investment activity and performance and the control and supervision of the Company's service providers. The Directors may delegate certain functions to other parties such as the Adviser, the Administrator and the Registrar.

All of the Directors are non-executive and are independent of the AIFM and the Adviser. The Directors will meet at least four times per annum.

The Directors are as follows:

##### ***Patrick Cox (Chairman)***

Mr Cox has significant board experience and is currently the Chairman of the Public Interest Committee for KPMG Ireland, a member of the Appointment Advisory Committee for the European Investment Bank, a member of Michelin SCA's Supervisory Board and a non-executive director of Appian Asset Management Ltd. He also sits on the boards of various think tanks and not-for-profit organisations, including as a Senior Fellow and Board Member of the Institute for International and European Affairs, Ireland, a Board Member of the Third Age Foundation Ireland, and President of Alliance Française Dublin. He was formerly the President of the European Parliament from 2002 – 2004, having been a Member of the European Parliament for Munster, Ireland from 1989 to 2004 and is now the European Coordinator for the Scandinavian-Mediterranean TEN-T Core Network Corridor, appointed by the European Commission. He has been bestowed National Honours by Presidents of Austria, Bulgaria, Estonia, Italy, Latvia, Lithuania and Romania, and is a Commander of the Legion of Honour, France. He is a graduate of Trinity College, Dublin and holds Honorary Doctorates from Trinity College Dublin, the National University of Ireland, the University of Limerick, the Open University and the American College Dublin.

##### ***Caroline Banzsky***

Ms Banzsky has considerable experience in public markets with multiple-sector experience including private equity, insurance, investment trust and fiduciary services. She is currently a non-executive director of 3i Group plc where she is the Chairman of the Audit and Compliance Committee and a member of the Remuneration Committee, a past Committee member of the Association of Investment Companies (AIC) Self-Managed Investment Trust, a director and General Committee member of The Caledonian Club Trustees Ltd, a director of the UK Stem Cell Foundation and a member of the Investment Committee of The Open University. Prior to this, for 15 years to August 2016, she was the CEO of The Law Debenture Corporation plc. Between 1997 and 2002, she was the COO of SVB Holdings plc (now Novae Group plc, a Lloyd's listed and integrated company). Additionally, from 1981 to 1997, Ms Banzsky worked at N.M. Rothschild & Sons Ltd, where she held various senior management roles including Finance Director and CFO. Ms Banzsky is a graduate of the University of Exeter and is a Chartered Accountant, having trained at Peat Marwick & Mitchell (now KPMG).

##### ***Malcolm King***

Mr King has had a varied career in financial services, including over 30 years in investment management. For 10 years Mr King was the investment manager at Finsbury Asset Management managing Finsbury Trust (now Hansa Trust), Finsbury Growth Trust (now Finsbury Income & Growth Trust), Finsbury Smaller Companies Trust, Finsbury Underwriting & Investment Trust, Contra Cyclical Investment Trust and Benfield & Rea Investment Trust. Subsequently he moved to J O Hambro Capital Management where he was director and investment manager of Capital Opportunities Trust, Piccadilly Growth Trust and various other portfolios. From 2004 till his retirement in 2016, Mr King worked at Investec Asset Management where he was the co-manager of circa US\$3.5 billion of multi-asset funds invested in internal and external funds, including both open-ended and closed-ended funds. A Chartered Accountant, having trained at Peat, Marwick & Mitchell (now KPMG), he is currently a non-executive director of Henderson Opportunities Trust and Ecofin Global Utilities & Infrastructure Trust plc. He writes regularly for MoneyWeek as well as having a number of pro-bono commitments. Mr King is an economics graduate of Trinity College, Cambridge.

##### ***Thomas Murley***

Mr Murley has been involved in investing in renewable energy projects for over 25 years in both Europe and the United States. From 2004 – 2016 Mr Murley was a director at HgCapital, a London-based private equity firm, where he established its renewable energy investment fund business which raised and invested over US\$1 billion in equity in over 70 EU wind, solar, biomass and hydroelectric projects. Since 2016 Mr Murley has continued to act as Senior Advisor to the HgCapital Renewable Energy team, which spun out of HgCapital in December 2017 and is now trading as Asper Investment Management. As Senior Advisor, Mr Murley serves on the Asper investment and portfolio committees. In 2012 Mr Murley was appointed as a non-executive director to the inaugural board of the UK Green Investment Bank, where he also served on the

investment committee. Mr. Murley remained on the board until the privatization of the Green Investment Bank in August 2017. In October 2016 he was appointed as an independent non-executive director of Ameresco Inc. a renewable energy and energy efficiency company listed on the New York Stock Exchange. From 1993-2003 Mr Murley was a lawyer and later Managing Director of EIF Group in Boston Massachusetts, one of the first energy infrastructure funds, where he was responsible for equity investments and renewable and conventional power projects. Mr Murley has a degree in History from Northwestern University in Evanston Illinois and a Law Degree, with honors, from Fordham University in New York.

## **2 Adviser**

The Company and the AIFM have appointed Gore Street Capital Limited as the Company's adviser.

The Adviser was formed in 2013 as a platform to acquire, develop and manage global renewable energy assets. It is headquartered in the UK and comprises a strong team of investment professionals with significant experience in sourcing, structuring and managing large renewable energy projects globally. The Adviser was the first to deploy privately owned large scale battery projects in Britain.

The Adviser is not currently subject to authorisation or regulation by the FCA, although it has submitted an application for authorisation as an alternative investment fund manager to the FCA.

Biographies of the directors and key individuals of the senior investment team at the Adviser are set out below:

### ***Alex O'Conneide***

Alex O'Conneide, Managing Partner of the Adviser, is a former Managing Director and Head of Paladin Capital Europe, a Senior Adviser to Kleinwort Benson and Head of Investments for Masdar, a sovereign wealth fund based in Abu Dhabi which was managing US\$15 billion of renewable energy investment. He launched and led a 15-person team at Masdar Capital, a private equity business with over US\$500 million assets under management, co-managing third party investment funds with Deutsche Bank and Credit Suisse across wind, solar and waste technologies. From 2006 to 2012, Masdar invested in the largest off-shore wind farm in the world, owning 20 per cent. of the 1 GWp London Array project in a joint venture with E.ON UK and Dong; China's largest non-SOE wind developer (over a GWp of active projects); a range of PV and CSP plants in both Europe and the US, including 40 per cent. of a EUR1.76 billion investment in Torresol Energy devoted to the construction of three CSP plants in Spain; Acciona Solargenix CSP plants (over 60 MW) in the US; and waste-to-energy plants in both the US and Europe, as well as a range of growth equity positions in new technology companies located globally. Mr O'Conneide is currently an adviser to the board of 8 Minute Energy, one of largest independent solar project developer in North America and serves as UNICEF UK Advisor focusing on climate finance. Mr O'Conneide has a Masters in Finance from London Business School, an MSc in Philosophy from the London School of Economics and an MA from Trinity College Dublin.

### ***Michael Philipp***

Mr Philipp has over 30 years' experience as an investor, senior banking executive and business leader. He is currently Chairman and Managing Partner of Ambata Capital, a financial services organisation focused on the development and financing of clean energy and sustainable businesses worldwide. Mr Philipp is also the Chairman of Reykjavik Geothermal, a geothermal development company founded in Iceland in 2008. Reykjavik Geothermal is focused on the global development of high enthalpy geothermal resources for utility scale power production.

Prior to founding Ambata, Mr Philipp was a member of the Group Executive Board of Credit Suisse from 2005 to 2008, as well as chairman and chief executive officer of Credit Suisse Europe, Middle East, and Africa. During his tenure as chairman and CEO, he expanded Credit Suisse's commitment to emerging markets, particularly in the Middle East and Africa. Mr Philipp was also Chairman of the Environmental Business Group. Mr Philipp joined Credit Suisse from Deutsche Bank, where from 2000 to 2002, he was a member of the board of Managing Directors, responsible for the Middle East and Africa. At Deutsche Bank, he held a number of senior management positions from 1995 to 2002, including Chairman and CEO of Deutsche Asset Management, with responsibility for over US\$600 billion of client assets. He was a central figure in Deutsche Bank's expansion into global investment banking with the acquisition of Banker's Trust and also served as Head of Global Equities and Head of Global Markets Sales. Prior to joining Deutsche Bank, Mr Philipp spent over a decade at the forefront of the rapidly expanding global futures and options industry. At Goldman Sachs (from 1982 to 1990), he held a variety of positions in the Fixed Income and Futures Services departments; and at Merrill Lynch (from 1990 to 1995), he was Global Head of Futures and Options.

Mr Philipp received his PhD, MA and BS degrees from University of Massachusetts.

### ***Daniel Mudd***

Daniel Mudd was the CEO of Paladin Global in 2015-2017. From 2009-2012, Mr Mudd was the CEO of Fortress Investment Group, a global asset management firm with over US\$50 billion invested in private equity, credit, and hedge funds. Under his leadership, the firm expanded its base to Asia and the Middle East, acquired new business, eliminated corporate debt while restoring shareholder dividends, and operated market-

leading distressed debt funds. He had served on the Fortress board since the firm's IPO in 2007. He was the President and Chief Executive Officer of Fannie Mae, the United States' largest mortgage investor, from 2005-2008. From 1991-2000, he was a senior officer at General Electric. As President of GE Capital Asia-Pacific, responsible for all lines of business, including power and industrial development projects in Indonesia, China, India and the Philippines. Mr Mudd graduated with a B.A. from the University of Virginia. In 1980, he was a finalist in the Olympic Rowing Trials. He was a commissioned an officer in the U.S. Marines and was decorated for combat service in Beirut, Lebanon.

After a tour in the Office of the Secretary of Defence, he obtained his Masters in Public Administration at Harvard University.

#### ***Franciscus Wouters***

Mr Wouters was recently the Deputy Director General of the International Renewable Energy Agency ("IRENA"). IRENA is an intergovernmental organisation that supports governments in their transition to a sustainable energy future. Prior to IRENA, Mr Wouters was the Director of the Clean Energy Unit at Masdar, a subsidiary of Mubadala, one of Abu Dhabi's sovereign wealth funds. During his tenure as Director of the Masdar Clean Energy Unit, Mr Wouters led the development and construction of renewable energy projects worth more than US\$3 billion, including a solar plant in Abu Dhabi, three in Spain and the London Array, the largest offshore wind park in the world.

He received his MSc in Mechanical Engineering from Delft University of Technology.

#### ***Suminori Arima***

Suminori Arima, a Managing Director at the Adviser, is a former managing director of RHJ International in Japan and London, and of Kleinwort Benson in London. RHJ International was a parent company of Kleinwort Benson and was a publicly listed private equity business spun off from Ripplewood Holdings. Since Suminori joined Ripplewood in 2002, he has gained over 15 years' experience in private equity, including various large investments and divestments. He was also a board member of various public and private companies. Most recently he has been engaged in various investment activities in solar and wind (on-shore and off-shore) in Europe. He has a Masters in Finance from Princeton University and a BA in Economics from the University of Tokyo.

#### ***Peter Gutman***

Mr Gutman has over 25 years of international experience across investment banking, operations and private equity. He is currently a managing director at the Adviser with responsibilities across emerging markets and energy storage. Prior to joining the Adviser, he was a senior advisor to Standard Chartered Bank's private equity business and holds or held board roles at Seven Energy, Repower America, SunCulture and Steamaco. At Standard Chartered, he also led the bank's principal investing activities in the energy, resources and infrastructure area and defined the bank's global strategy for renewable energy and environmental finance. Prior to that, he was a CFO for a UK technology company and helped lead the successful turnaround and sale of the business. He was also managing director at both iFormation Group (an investment firm founded by Goldman Sachs and General Atlantic Partners) and Goldman Sachs, where he worked across the Communications, Media and Technology advisory group and PIA. Earlier in his career, he worked at Lehman Brothers, Booz Allen & Co and Arthur Andersen & Co. He has an MBA from the University of Chicago, an MSc in Economics from the London School of Economics and a bachelor degree in Engineering from the University of Michigan.

#### ***Piers Lindsay-Fynn***

CEO of Lindsay-Fynn Family Office, Mr Lindsay-Fynn is responsible for determining individual asset allocations and the day-to-day sourcing, structuring and management of investments in all assets including: bonds, cash, listed equities, private equity, property and other alternative investments. Prior to that he was an Invest Rate Derivatives Broker at Tradition UK in which he covered clients including Lloyds, Barclays, BearStearns, Deutsche Bank, AIG, General Reinsurance and BNP Paribas.

Mr Lindsay-Finn has a Masters in Finance (with merit) from London Business School and B.Sc. in Real Estate Management from Oxford Brooks University.

#### **Track record**

Senior management of the Adviser have extensive experience and expertise in sourcing, structuring and managing large renewable energy projects globally. They have particular expertise in:

- developing renewable energy infrastructure projects and managing such projects (evidenced by Boulby Project and Cenin Project which form part of the Seed Portfolio to be acquired by the Company conditional upon First Admission);
- managing investments in other renewable energy assets across Europe and the Middle East, including hydro, solar and wind power;



- sourcing disruptive technologies in the energy sector;
- forming strategic partnerships and working with multiple public and private sector stakeholders in the development of large complex projects;
- providing strategic advice for buy-side energy investments; and
- designing and managing strategic deals in a challenging policy environment.

The team's industry experience and extensive networks enable the Adviser to achieve consistent high quality deal flows and successfully execute assets under management through its disciplined investment approach.

### **Advisory and Services Agreement**

The Company, the AIFM and the Adviser have entered into the Advisory and Services Agreement, a summary of which is set out in paragraph 7.3 of Part 12 (*Additional Information*) of this document, under which the Adviser has been appointed to act as the adviser in respect of the Company's assets (including un-invested cash) with effect from First Admission in accordance with the Company's investment policy, subject to the overall control and supervision of the Directors.

Details of the fees and expenses payable to the Adviser are set out in the section headed "Fees and expenses" below.

### **3 AIFM**

The Company has appointed Mirabella Financial Services LLP as the Company's alternative investment fund manager ("**AIFM**"), pursuant to the terms of the AIFM Agreement (further details of which are set out in paragraph 7.2 of Part 12 (*Additional Information*) of this document). The AIFM will act as the Company's alternative investment fund manager for the purposes of the AIFMD. The Company and the AIFM have appointed the Adviser to provide certain services in relation to the Company and its portfolio.

The AIFM is registered as a limited liability partnership in England and Wales (registered number OC309035) and is authorised and regulated by the FCA (firm reference number 415559). The principal place of business of the AIFM is Cordium, Norfolk House, 31 St James's Square, London SW1Y 4JJ. The AIFM's telephone number is +44 (0) 207 408 2448. The AIFM is regulated in the conduct of investment business by the FCA. The AIFM is, for the purposes of the AIFMD and the rules of the FCA, a "full scope" UK alternative investment fund manager with a Part 4A permission for managing AIFs such as the Company.

It is currently intended that following First Admission, the AIFM will cease to act as alternative investment fund manager to the Company and that the Adviser will be appointed as the alternative investment fund manager of the Company, once its application for authorisation as an alternative investment fund manager has been processed and approved by the FCA.

### **4 Administration of the Company**

The Administrator shall provide general fund administration services (including calculation of the NAV based on the data provided by the Adviser), bookkeeping, and accounts preparation.

### **5 Fees and expenses**

#### ***Formation and initial expenses***

The formation and initial expenses of the Company are those which are necessary for the incorporation of the Company, First Admission and the First Issue. These expenses include fees and commissions payable under the Placing and Offer Agreement, Receiving Agent's fees, admission fees, printing, legal and accounting fees and any other applicable expenses which will be met by the Company and paid on or around First Admission out of the gross proceeds of the First Issue. The costs and expenses of the First Issue are not expected to exceed approximately 2 per cent. of the gross proceeds of the First Issue. Assuming 100 million Ordinary Shares are issued resulting in gross proceeds of £100 million, the costs and expenses of the First Issue payable by the Company are expected to be approximately £2 million.

#### ***Ongoing annual expenses***

Ongoing annual expenses include the following:

(i) *AIFM*

Under the AIFM Agreement, the AIFM will receive a monthly fee of £7,500 for the term of the AIFM Agreement. In addition, the AIFM shall be entitled to fees for Annex IV reporting of £1,000 in respect of the first reporting schedule and £667 for each subsequent filing.

(ii) *Adviser*

Under the terms of the Advisory and Services Agreement, the Adviser is entitled to receive from the Company an advisory fee payable quarterly in arrears calculated at the rate of one-fourth of one per cent. of Adjusted Net Asset Value (the "**Advisory Fee**"). For these purposes "Adjusted Net Asset



Value” means (i) for the four quarters from First Admission, Adjusted Net Asset Value shall be equal to Net Asset Value; (ii) for the next two quarters, Adjusted Net Asset Value shall be equal to Net Asset Value, *minus* cash on the Company’s balance sheet, *plus* any committed cash on the Company’s balance sheet; (iii) thereafter, Adjusted Net Asset Value shall be equal to Net Asset Value *minus* cash on the Company’s balance sheet. For the avoidance of doubt, Adjusted Net Asset Value shall not exceed Net Asset Value. In the event that it does exceed Net Asset Value, no adjustment shall be made to Net Asset Value.

The Advisory Fee will be calculated as at each NAV Calculation Date and payable quarterly in arrear. For the avoidance of doubt, where there are C Shares in issue, the Advisory Fee will be charged on the Net Asset Value attributable to the Ordinary Shares and C Shares respectively.

In addition to the Advisory Fee, the Adviser shall also be entitled to a performance fee paid in pounds Sterling calculated by reference to the movements in the Net Asset Value (before subtracting any accrued performance fee) over the Benchmark from the date of First Admission.

For these purposes:-

“**Benchmark**” shall be equal to (a) the gross proceeds of the Issue at First Admission increased by 7 per cent. per annum (annually compounding), adjusted for: (i) any increases or decreases in the Net Asset Value arising from issues or repurchases of Ordinary Shares during the relevant Calculation Period; (ii) the amount of any dividends or distributions (for which no adjustment has already been made under (i)) made by the Company in respect of the Ordinary Shares at any time from First Admission; and (b) where a performance fee is subsequently paid, the Net Asset Value (after subtracting performance fees arising from the Calculation Period) at the end of the Calculation Period from which the latest performance fee becomes payable increased by 7 per cent. per annum (annually compounded).

“**Calculation Period**” shall mean the 12 month period starting on 1 April and ending on 31 March in each calendar year, save that the first Calculation Period shall be the period commencing on First Admission and ending on 31 March 2019 (the “**First Calculation Period**”) and provided further that if at the end of what would otherwise be a Calculation Period no Performance Fee has been earned in respect of that period, the Calculation Period shall carry on for the next 12 month period and shall be deemed to be the same Calculation Period and this process shall continue until a Performance Fee is next earned at the end of the relevant period .

The performance fee will be calculated in respect of each Calculation Period.

The performance fee payable to the Adviser by the Company will be a sum equal to 10 per cent. of such amount (if positive) by which Net Asset Value (before subtracting any accrued performance fee) at the end of a Calculation Period exceeds the Benchmark provided always that in respect of any financial period of the Company (being 1 April to 31 March each year) the performance fee payable to the Adviser shall never exceed an amount equal to 50 per cent. of the Adviser Fee paid to the Adviser in respect of that period.

Any Performance Fee payable to the Adviser in respect of a Calculation Period (the “**Relevant Calculation Period**”) shall be payable within 30 calendar days of the date on which the annual report and accounts of the Company for the latest relevant financial period are approved by the Board. If the Advisory and Services Agreement is terminated prior to the end of any Calculation Period, the performance fee in respect of the then Calculation Period shall be calculated and paid as though the date of termination were the end of the relevant period.

The above provisions shall be applied *mutatis mutandis* in respect of any C Shares in issue so that, without limit to the generality of the foregoing:

- (a) references to the Adjusted Net Asset Value shall be to the net assets referable to the C Shares;
- (b) the adjustments shall be referable to any distributions on or new issues or buybacks of the C Shares;
- (c) the Calculation Period shall begin on the date of admission of the C Shares: (i) to the Official List; and (ii) to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with the Listing Rules and the admission and disclosure standards of the London Stock Exchange (the “**C Share Admission Date**”) and be deemed to end on the date of their conversion into Ordinary Shares (subject to any prior end of Calculation Period in accordance with the above provisions). Upon conversion of C Shares into Ordinary Shares, the Benchmark shall be reinstated by way of including the adjustment from this conversion; and
- (d) the Benchmark shall initially be the net proceeds of the issue of the C Shares at the C Share Admission Date.

(iii) *Administrator and Company Secretary*

Under the terms of its appointment, in respect of its role as administrator JTC is entitled to an annual administration fee of £50,000 based on a Company NAV of up to £200 million and an *ad valorem* fee of 0.04 per cent. on net assets in excess of £200 million. In respect of its role as company secretary, JTC is entitled to receive an annual fee of £60,000 and a fee of £6,000 per subsidiary of the Company. The Administrator is also entitled to reimbursement of all reasonable out-of-pocket expenses properly incurred by it in connection with its duties.

(iv) *Registrar*

Under the terms of the Registrar Agreement, the Registrar is entitled to a monthly maintenance fee per Shareholder account, subject to a minimum fee. The fee is subject to increase in line with the CPI.

(v) *Depositary*

Under the terms of the Depositary Agreement, the Depositary is entitled to receive a fee equal to 0.02 per cent. of the Company's Net Asset Value per annum. up to £250 million. Thereafter, where the Company's Net Asset Value exceeds £250 million, the Depositary will be entitled to a fee equal to 0.015 per cent. of the Company's Net Asset Value per annum on the amount of net assets in excess of £250 million, in each case subject to a minimum fee of £2,500 per month. The Depositary is also entitled to an initial set-up fee of £2,500. These fees are expressed exclusive of VAT, where applicable. Additional fees will be agreed between the Company and the Depositary for the custody of any financial instruments held by the Company.

(vi) *Directors*

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles.

Save for the Chairman of the Board and the Chairman of the Audit Committee, the fee is currently £30,000 for each Director per annum. The Chairman's current fee is £55,000 per annum and the fee for the Chairman of the Audit Committee is currently £35,000 per annum. The Company does not award any other remuneration or benefits to the Chairman or the Directors. The Company has no bonus schemes, pension schemes, share option or long-term incentive schemes in place for the Directors.

All of the Directors are also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

(vii) *Other operational expenses*

Other ongoing operational expenses (excluding fees paid to service providers as detailed above) of the Company will be borne by the Company including travel, accommodation, printing, audit, finance costs, due diligence, external valuation, broker, public relations and legal fees. All reasonable out of pocket expenses of the Adviser, the AIFM, the Administrator, the Registrar, the Depositary and the Directors relating to the Company will be borne by the Company.

## **6 Conflicts of interest**

Under the terms of the Advisory and Services Agreement neither the Adviser nor any of its associates shall, without the consent of the Company (which it may withhold in its discretion) (a) act as the manager and/or adviser to or otherwise be actively involved with any new fund, partnership, client, segregated account or counterparty in respect of or, (b) for its own account invest in energy storage assets in the geographic regions contemplated under the Company's investment policy prior to the date on which the Company's assets are 100 per cent. invested or committed (pursuant to legally binding arrangements) for investment in accordance with the Company's investment policy (and for those purposes cash or cash equivalents) pending investment shall not be deemed to be invested or committed for investment as aforesaid). Thereafter, however, the Adviser and its associates may be involved with other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company. In particular, the Adviser may manage funds other than for the Company and may provide investment management, investment advisory or other services in relation to these funds or future funds which may have similar investment policies to that of the Company. The Directors have satisfied themselves that the Adviser has procedures in place to address potential conflicts of interest and that, where a conflict arises, the Adviser will allocate opportunities on a fair basis in accordance with its conflicts of interest and allocation policies in effect at the time. In the event that the Adviser is involved with any project that is identified as a suitable investment for the Company in line with the Company's investment objective and investment policy, such project will only be acquired at the Board's absolute discretion and the Board may commission an independent valuation of such project as part of its decision making process.

The AIFM and its officers and employees may from time to time act for other clients or manage other funds, which may have similar investment objectives and policies to that of the Company.

The AIFM, the Adviser and any of their directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an “**Interested Party**”) may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Group. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit from any such services. For example, an Interested Party may acquire on behalf of a client an investment in which the Company may invest. The Adviser has in place policies designed to address other conflicts that may arise between it and/or its employees on the one hand and the Company on the other hand. Relevant conflicts of interest will be disclosed in reports to the Board recommending any investment decision and reports of any decision of the Adviser to allocate an opportunity to another client.

As described in Part 2 (*The Company*), pursuant to the terms of the Project Sourcing Agreements, the Company has entered into arrangements with each of NEC ES and NK whereby they have agreed to provide the Company with an exclusive right of first offer with respect to all equity investment opportunities that are within the Company’s stated investment policy and objective and that are originated by each of NEC ES and NK and their affiliates. The Company has also committed to invest an amount at least equal to the NEC ES Investment in products, equipment and/or services provided by NEC ES and an amount equal to the NK Investment in products, equipment and/or services provided by NK. For projects that are introduced to the Adviser and the Company by NEC ES, the Adviser shall be obliged to obtain a proposal from NEC ES for the provision of products, equipment and/or services from NEC ES and from no other third party supplier(s). Similarly, where NK have introduced a project to the Adviser and the Company, the Adviser shall be obliged to obtain a proposal from NK for the provision of products, equipment and/or services from NK and from no other third party supplier(s). Notwithstanding these arrangements, to the extent that the Board does not consider that a proposal received from either NEC ES or NK (as appropriate) is beneficial, having regard to the interests of the Company and the Shareholders, the Board shall not be obliged to proceed with the proposed acquisition. The Board shall have absolute discretion with regards the decision to invest in any project.

Through the transfer of the Boulby Project and Cenin Project from NK to the Company pursuant to the terms of the Share Purchase Agreement, the Directors are satisfied that NK’s interests will be aligned with those of the Company. In addition, as a result of the terms of the advance payment to NEC ES, in particular NEC ES’ commitment to repay the balance of the advance payment in the event that NEC ES is unable to supply the Company £4.5 million of products, equipment and/or services within 12 months from the date of First Admission, the Directors are satisfied that NEC ES’ interests will be aligned with those of the Company. Further information on the acquisition of the Boulby Project and the Cenin Project from NK and the terms of the advance payment to NEC ES are set out in Part 2 (*The Company*) of this document.

## **7 Corporate governance**

The Board of the Company has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders.

The Financial Reporting Council (“**FRC**”), the UK’s independent regulator for corporate reporting and governance responsible for the UK Corporate Governance Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC’s endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

With effect from First Admission, the Company intends to comply with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to: the role of the chief executive; the appointment of a senior independent director; executive directors’ remuneration; and the need for an internal audit function. For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company and the Company does not therefore comply with them.

The Company’s Audit Committee will be chaired by Caroline Banzky, consist of all the Directors and will meet at least twice a year. The Board considers that the members of the Audit Committee have the requisite skills and experience to fulfil the responsibilities of the Audit Committee. The Audit Committee will examine the effectiveness of the Company’s control systems. It will review the half-yearly and annual reports and also

receive information from the Adviser. It will also review the scope, results, cost effectiveness, independence and objectivity of the external auditor.

In accordance with the AIC Code the Company has established a Management Engagement Committee which will be chaired by Patrick Cox and consist of all the Directors. The Management Engagement Committee will meet at least once a year or more often if required. Its principal duties are to consider the terms of appointment of the Adviser and it will annually review that appointment and the terms of the Advisory and Services Agreement. The Management Engagement Committee will also review the continued appointment and performance of the Company's other service providers.

## Part 6

### BDO LLP Valuation Opinion Letter

Gore Street Energy Storage Fund plc  
7<sup>th</sup> Floor  
9 Berkeley Street  
Mayfair  
London W1J 8DW

Stockdale Securities Limited  
100 Wood Street  
London EC2V 7AN

9 March 2018

Dear Sirs

#### **Proposed acquisition of a seed portfolio and listing of Gore Street Energy Storage Fund plc (the “Company”) (the “Transaction”)**

##### **Valuation opinion letter**

We are writing to provide to the Company and Stockdale Securities Limited (the “**Sponsor**”) our opinion on the reasonableness of the proposed transfer price of a portfolio of three energy storage assets (together, the “**Seed Portfolio**”) as intended under the **Transaction**. The details of the Seed Portfolio are comprehensively described in Part 4 of the prospectus issued by the Company dated 9 March 2018 (the “**Prospectus**”).

Our opinion covers the following three assets comprising the Seed Portfolio:

- “Boulby Project”, a 6 MW UK-based energy storage unit acquired by way of the acquisition of NK Energy Storage Solutions Ltd by the Company;
- “Cenin Project”, a 4 MW UK-based energy storage unit acquired by way of the acquisition of NK Energy Storage Solutions Ltd by the Company; and
- Lower Road Project”, a 10 MW UK-based energy storage unit to be acquired by the Company, contingent on the success of proposed revenue-generating contracts as discussed in paragraph 1(C) of Part 4 of the Prospectus.

As at the time of transfer, the Boulby Project and Cenin Project are understood to be operational, and the Lower Road Project is pre-construction. Our opinion is based on the assumption that the Cenin Project will be generating income from its revenue-generating contracts and incurring operating costs immediately on the listing of the Company. Further, we assume that the Lower Road Project will successfully secure its proposed revenue-generating contracts and therefore be acquired by the Company, and will begin operations in September 2018. Our opinion on the Lower Road Project is therefore strictly hypothetical, on the assumption that the proposed revenue-generating contracts are secured based on the terms anticipated by Gore Street Capital Limited, the adviser to the Company (the “**Adviser**”).

Our opinion on the reasonableness of the transfer price has been provided to the Company and the Sponsor in connection with the Transaction. In providing our opinion, we are not making any recommendations to any person regarding the Prospectus in whole or in part and are not expressing an opinion on the fairness of the terms of the Transaction, other than in respect of the proposed transfer price, or the terms of any investment in the Company. It is the responsibility of the directors of the Company (the “**Directors**”) to agree the transfer price in connection with the Transaction. It is our responsibility to form an opinion as to whether the proposed transfer price in connection with the Transaction falls within a range which we consider to be fair and reasonable.

##### **Basis of opinion**

Our opinion assumes a willing buyer and seller, dealing at arm’s length and with equal information.

Our opinion is necessarily based on economic, market and other conditions as in effect on, and the tax, accounting and other information available to us as of 9 March 2018. It should be understood that subsequent developments may affect our views and that we do not have any obligation to update, revise or reaffirm the views expressed in this letter. Specifically, it is understood that our opinion may change as a consequence of changes to market conditions, interest rates, the prospects of the energy storage sector in general or the Seed Portfolio in particular.

In providing this opinion, we have relied upon the commercial assessment of the Directors and the Adviser, in relation to a number of issues, including the markets in which the Seed Portfolio operates. In forming our opinion, we have also relied upon the information, forecasts and underlying assumptions which were provided by the Company and the Adviser and for which the Directors are wholly responsible. We have not undertaken

any form of investigation, verification, audit or other work in relation to the information, forecasts and assumptions provided to us. In particular, we have not formed a view on the achievability of the forecasts provided to us.

In forming our opinion, we have used a discounted cash flow methodology, whereby the estimated future cash flows accruing to each asset in the Seed Portfolio have been discounted using discount rates reflecting the risks associated with each asset and the time value of money. In considering the discount rate applicable to each asset within the Seed Portfolio, we took into account various factors, including, but not limited to, the stage reached by each project, the period of operation, the historical track record and the terms of the project agreements.

We have made the following key assumptions in forming our opinion:

- the models for the Seed Portfolio provided by the Company and the Adviser accurately reflect the terms of all agreements relating to the Seed Portfolio;
- the accounting policies applied in the models for the Seed Portfolio are in accordance with the applicable tax legislation and do not materially misstate the future liability of the owners of the Seed Portfolio to pay tax;
- the prospective legal entity containing the Lower Road Project under acquisition, NK Energy Storage Solutions Ltd and their respective subsidiary undertakings have legal title to all of the respective assets which are set out in the models for the Seed Portfolio and the prospective legal entity containing the Lower Road Project under acquisition, NK Energy Storage Solutions Ltd and their respective subsidiary undertakings are entitled to receive the income assumed to be received by the Seed Portfolio in the respective models;
- there are no material disputes with parties contracting directly or indirectly with the prospective legal entity containing the Lower Road Project under acquisition, NK Energy Storage Solutions Ltd and their respective and their respective subsidiary undertakings or the Seed Portfolio, nor any going concern issues, nor performance issues with regard to the contracting parties, nor any other contingent liabilities, which as at the date of the delivery of our valuation opinion letter are expected to give rise to a material adverse effect on the future cash flows of the prospective legal entity containing the Lower Road Project under acquisition, NK Energy Storage Solutions Ltd and their respective subsidiary undertakings or the Seed Portfolio as set out in the relevant project model provided to us; and
- any cash flows within the models which are due to the Company from the Seed Portfolio will not be adversely impacted by legal or financial restrictions associated with the prospective legal entity containing the Lower Road Project under acquisition, NK Energy Storage Solutions Ltd and their respective subsidiary undertakings or the Seed Portfolio.

### **Opinion**

While there is clearly a range of possible values for the Seed Portfolio and no single figure can be described as a "correct" valuation, BDO LLP advises the Company and the Sponsor that, based on market conditions on 9 March 2018, and on the assumptions stated above, in our opinion the proposed transfer price of the Seed Portfolio of £11.2 million falls within a valuation range which we consider to be fair and reasonable.

### **Declaration**

For the purpose of Prospectus Rule 5.5.3R(2)(f) we are responsible for this letter as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this letter is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the PD Regulation.

### **Responsibility**

Save for any responsibility we may have to those persons to whom this report is expressly addressed and save for any responsibility arising under item 5.5.3E(2)(f) of the Prospectus Rules to any person as to the extent therein provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this valuation opinion letter, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

Yours faithfully

**BDO LLP**



## Part 7

### The First Issue

#### 1 Introduction

The Company is proposing to raise a target of £100 million, before expenses, through the First Placing, Offer for Subscription and Intermediaries Offer of up to 100 million Ordinary Shares at a price of 100 pence per Ordinary Share. In this document, the First Placing, the Offer for Subscription and the Intermediaries Offer are together referred to as the First Issue. The Directors have reserved the right, in conjunction with Stockdale, to increase the size of the First Issue to a maximum of 150 million Ordinary Shares if overall demand exceeds 100 million Ordinary Shares. The First Issue is not being underwritten.

The aggregate proceeds of the First Issue, after deduction of expenses, are expected to be not less than £98 million on the assumption that gross proceeds of £100 million are raised through the First Issue.

The actual number of Ordinary Shares to be issued pursuant to the First Issue is not known as at the date of this document but will be notified by the Company through a Regulatory Information Service, prior to First Admission.

#### 2 The First Placing

Stockdale has agreed to use its reasonable endeavours to procure subscribers pursuant to the First Placing for the Ordinary Shares on the terms and subject to the conditions set out in the Placing and Offer Agreement. Details of the Placing and Offer Agreement are set out in paragraph 7.1 of Part 12 (*Additional Information*) of this document.

The terms and conditions which shall apply to any subscription for Ordinary Shares procured by Stockdale are set out in Part 9 (*Terms and conditions of application under the First Placing and Placing Programme*) of this document. The First Placing will close at 12.00 p.m. on 6 April 2018 (or such later date, not being later than 30 June 2018, as the Company and Stockdale may agree). If the First Placing is extended, the revised timetable will be notified through a Regulatory Information Service.

Each Placee agrees to be bound by the Articles once the Ordinary Shares, which the Placee has agreed to subscribe for pursuant to the First Placing, have been acquired by the Placee. The contract to subscribe for the Ordinary Shares under the First Placing and all disputes and claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with the laws of England and Wales. For the exclusive benefit of Stockdale, the Company, the Adviser, the AIFM and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the grounds of venue or on the grounds that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against the Placee in any other jurisdiction.

Commitments under the First Placing, once made, may not be withdrawn without the consent of the Directors.

#### 3 The Offer for Subscription

The Directors are also proposing to offer Ordinary Shares under the Offer for Subscription, subject to the terms and conditions of the Offer for Subscription set out in Part 10 (*Terms and conditions of application under the Offer for Subscription*) of this document. These terms and conditions and the Offer for Subscription Application Form attached as Appendix 1 to this document should be read carefully before an application is made. The Offer for Subscription will close at 1.00 p.m. on 6 April 2018. If the Offer for Subscription is extended, the revised timetable will be notified through a Regulatory Information Service.

Applications under the Offer for Subscription must be for Ordinary Shares at the Issue Price being 100 pence per Ordinary Share. The aggregate subscription price is payable in full on application. Individual applications must be for a minimum of £1,000 and applications in excess of that amount should be made in multiples of £1,000, although the Board may accept applications below the minimum amounts stated above in their absolute discretion. Multiple subscriptions under the Offer for Subscription by individual investors will not be accepted.

Completed Application Forms accompanied by either a cheque or banker's draft or appropriate delivery versus payment ("DVP") instructions in relation to the Offer for Subscription must be posted to the Receiving Agent at Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or delivered by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE so as to be received by no later than 1.00 p.m. on 6 April 2018. For applicants sending subscription monies by electronic bank transfer (CHAPS), payment must be made for value by 1.00 p.m. on 6 April 2018. Please contact Computershare Investor Services PLC by email at [OFSPaymentQueries@computershare.co.uk](mailto:OFSPaymentQueries@computershare.co.uk) stating "GORE OFS" and the Receiving Agent will provide applicants with a unique reference number which must be used when sending payment.

Commitments under the Offer for Subscription, once made, may not be withdrawn without the consent of the Directors.

Please also refer to the section below in this Part 7 headed “**CREST**”.

#### **4 The Intermediaries Offer**

Investors may also subscribe for Ordinary Shares at the Issue Price of 100 pence per Ordinary Share pursuant to the Intermediaries Offer. Only the Intermediaries’ retail investor clients in the United Kingdom are eligible to participate in the Intermediaries Offer. Investors may apply to any one of the Intermediaries to be accepted as their client.

No Ordinary Shares allocated under the Intermediaries Offer will be registered in the name of any person whose registered address is outside the United Kingdom. A minimum application of £1,000 per Underlying Applicant will apply. Allocations to Intermediaries will be determined solely by the Company (following consultation with Stockdale and the Adviser).

An application for Ordinary Shares in the Intermediaries Offer means that the Underlying Applicant agrees to acquire the Ordinary Shares applied for at the Issue Price. Each Underlying Applicant must comply with the appropriate money laundering checks required by the relevant Intermediary and all other laws and regulations applicable to their agreement to subscribe for Ordinary Shares. Where an application is not accepted or there are insufficient Ordinary Shares available to satisfy an application in full, the relevant Intermediary will be obliged to refund the Underlying Applicant as required and all such refunds shall be made without interest. The Company, the Adviser and Stockdale accept no responsibility with respect to the obligation of the Intermediaries to refund monies in such circumstances.

Each Intermediary has agreed, or will on appointment agree, to the Intermediaries Terms and Conditions, which regulate, *inter alia*, the conduct of the Intermediaries Offer on market standard terms and provide for the payment of a commission and/or fee (to the extent permissible by the rules of the FCA) to Intermediaries from the Intermediaries Offer Adviser acting on behalf of the Company if such Intermediary elects to receive a commission and/or fee. Pursuant to the Intermediaries Terms and Conditions, in making an application, each Intermediary will also be required to represent and warrant that they are not located in the United States and are not acting on behalf of anyone located in the United States.

In addition, the Intermediaries may prepare certain materials for distribution or may otherwise provide information or advice to retail investors in the United Kingdom subject to the terms of the Intermediaries Terms and Conditions. Any such materials, information or advice are solely the responsibility of the relevant Intermediary and will not be reviewed or approved by any of the Company, the Adviser or Stockdale. Any liability relating to such documents shall be for the relevant Intermediaries only.

The Intermediaries Terms and Conditions provide for the Intermediaries to have an option (where the payment of such commission and/or fee is not prohibited) to be paid a commission and/or fee by the Intermediaries Offer Adviser (acting on behalf of the Company) where they have elected to receive such commission and/or fee in respect of the Ordinary Shares allocated to and paid for by them pursuant to the Intermediaries Offer.

## 5 Conditions

The First Issue is conditional, *inter alia*, on:

- (i) the Placing and Offer Agreement becoming wholly unconditional in respect of the First Issue (save as to First Admission) and not having been terminated in accordance with its terms prior to First Admission;
- (ii) First Admission occurring by 8.00 a.m. on 12 April 2018 (or such later date, not being later than 30 June 2018, as the Company and Stockdale may agree);
- (iii) the Minimum Net Proceeds being raised; and
- (iv) the Share Purchase Agreement entered into between the Company and NK becoming unconditional in accordance with its terms (save as to First Admission).

In the event that the Company, in consultation with the Adviser and Stockdale, wishes to waive condition (iii) referred to above, the Company will be required to publish a supplementary prospectus (including a working capital statement based on a revised minimum net proceeds figure).

If the First Issue does not proceed, application monies received will be returned to applicants without interest within 14 days at the applicants' risk.

## 6 Scaling back

The Directors have reserved the right, in consultation with Stockdale and the Adviser, to increase the size of the First Issue to up to 150 million Ordinary Shares if overall demand exceeds 100 million Ordinary Shares.

In the event that commitments received under the First Issue exceed the maximum number of Ordinary Shares available, applications under the First Placing, Offer for Subscription and the Intermediaries Offer will be scaled back at Stockdale's discretion (in consultation with the Company and the Adviser).

## 7 Costs of the First Issue

The costs and expenses of the First Issue are not expected to exceed approximately 2 per cent. of the gross proceeds of the First Issue. Assuming 100 million Ordinary Shares are issued resulting in gross proceeds of £100 million, the costs and expenses of the First Issue payable by the Company are expected to be approximately £2 million.

## 8 The Placing and Offer Agreement

The Placing and Offer Agreement contains provisions entitling Stockdale to terminate the First Issue (and the arrangements associated with it) at any time prior to First Admission in certain circumstances. If this right is exercised, the First Issue and these arrangements will lapse and any monies received in respect of the First Issue will be returned to applicants without interest at the applicant's risk.

The Placing and Offer Agreement provides for Stockdale to be paid commission by the Company in respect of the Ordinary Shares to be allotted pursuant to the First Issue. Any Ordinary Shares subscribed for by Stockdale may be retained or dealt in by it for its own benefit.

Under the Placing and Offer Agreement, Stockdale is entitled at its discretion and out of its own resources at any time to rebate to some or all investors, or to other parties, part or all of its fees relating to the First Issue. Stockdale is also entitled under the Placing and Offer Agreement to retain agents and may pay commission in respect of the First Issue to any or all of those agents out of its own resources.

Further details of the terms of the Placing and Offer Agreement are set out in paragraph 7.1 of Part 12 (*Additional Information*) of this document.

## 9 General

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK, the Company and its agents (and their agents) or the Adviser may require evidence in connection with any application for Ordinary Shares, including further identification of the applicant(s), before any Ordinary Shares are issued to that applicant.

## 10 Share Purchase Agreement

NK Energy Storage Solutions Ltd is a wholly owned subsidiary of NK which holds 100 per cent. of the economic interests in the Boulby Project and 49 per cent. of the economic interests in the Cenin Project. The Company and NK have entered into the Share Purchase Agreement pursuant to the terms of which NK has agreed to transfer the entire issued share capital of NK Energy Storage Solutions Ltd to the Subsidiary as well as all outstanding loans ("Loans") advanced by NK to NK Energy Storage Solutions Ltd. The consideration for the acquisition of the shares is approximately £7,501,875.17 less the amount of the Loans and certain VAT refund amounts and asset management fees. The Loans will be acquired at face value plus accrued interest (in aggregate, estimated to be approximately £6.7 million). The Share Purchase Agreement is

conditional, *inter alia*, upon First Admission. The Adviser has been granted exclusivity to negotiate with Origami an agreement for the Company to acquire the rights to construct and operate the Lower Road Project. The Company's acquisition of the Lower Road Project is conditional, *inter alia*, on a satisfactory result in the frequency auction due to take place in April 2018 and agreeing final legally binding terms with Origami.

The aggregate amount payable by the Company for investment into the Seed Portfolio is £11.2 million, comprising acquisition consideration for the Boulby Project and the Cenin Project and expected CAPEX payments for the Lower Road Project.

The Reporting Accountant has confirmed that in its opinion, based on market conditions as at 9 March 2018 and certain assumptions as set out in the Valuation Opinion Letter in Part 6 (*BDO LLP Valuation Opinion Letter*) of this document, the Aggregate Project Value falls within a range which it considers fair and reasonable.

Further details about the Share Purchase Agreement are set out in paragraph 7.4 of Part 12 (*Additional Information*) of this document.

#### **11 NEC ES Shares and NK Shares**

Conditional on First Admission and the Minimum Net Proceeds being raised (1) NEC ES has committed to invest the lower of (i) 10 per cent. of the total gross proceeds of the First Issue and (ii) £8 million under the First Placing; and (2) NK has committed to invest £6 million under the Offer for Subscription.

The NEC ES Shares and NK Shares to be issued to NEC ES and NK respectively pursuant to the First Issue will be subject to the provisions of a Lock-up and Orderly Market Deed, the terms of which are summarised in paragraph 7.5 of Part 12 (*Additional Information*) of this document.

#### **12 Ordinary Shares issued to the Directors, the Adviser's group and affiliates**

Directors of the Company and directors and certain shareholders of the Adviser intend to invest approximately £2.4 million, in aggregate, pursuant to the First Issue. The Ordinary Shares issued to the directors and certain shareholders of the Adviser will be subject to the provisions of a Lock-up and Orderly Market Deed, the terms of which are summarised in paragraph 7.5 of Part 12 (*Additional Information*) of this document.

#### **13 Admission, clearing and settlement**

Applications will be made to the UK Listing Authority for all of the Ordinary Shares to be issued pursuant to the First Issue to be admitted to the premium segment of the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that First Admission will become effective and dealings will commence on 12 April 2018.

Ordinary Shares will be issued in registered form and may be held in either certificated or uncertificated form. In the case of Ordinary Shares to be issued in uncertificated form pursuant to the First Issue, these will be transferred to successful applicants through the CREST system.

Where applicable, definitive share certificates in respect of the Ordinary Shares are expected to be despatched by post, at the risk of the recipients, to the relevant holders in the week beginning 16 April 2018. Prior to the despatch of definitive share certificates in respect of any Ordinary Shares which are held in certificated form, transfers of those Ordinary Shares will be certified against the Register. No temporary documents of title will be issued.

The ISIN number of the Ordinary Shares is GB00BG0P0V73 and the SEDOL code is BG0P0V7.

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Ordinary Shares, nor does it guarantee the price at which a market will be made in the Ordinary Shares. Accordingly, the dealing price of the Ordinary Shares may not necessarily reflect changes in the Net Asset Value per Ordinary Share.

#### **14 CREST**

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from First Admission. Accordingly, settlement of transactions in the Ordinary Shares following First Admission may take place within the CREST system if any Shareholder so wishes.

#### **15 Use of proceeds**

The Directors intend to direct the Adviser to use the net proceeds of the First Issue to acquire investments, including the Seed Portfolio, in accordance with the Company's investment objective and policy. The First Issue is being made in order to provide investors with the opportunity to invest in a diversified portfolio of energy storage assets (as described in such investment objective and policy).

## **16 Material interests**

There are no interests that are material to the First Issue and no conflicting interests.

## **17 Profile of a typical investor**

The Ordinary Shares are expected to be suitable for institutional investors, professionally advised retail investors and non-advised retail investors with at least basic market knowledge and experience, seeking access to a diversified portfolio of utility scale energy storage projects in the UK and elsewhere, in particular in North America and Western Europe.

An investment in the Company is only suitable for persons capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which may result from the investment (which may equal the whole amount invested).

Potential investors should consider with care whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them. Private investors in the UK who are unsure whether to invest should consider consulting a financial adviser authorised under the Financial Services and Markets Act 2000 to assess whether an investment in the Company is suitable.

## **18 Overseas persons**

Potential investors in any territory other than the United Kingdom should refer to the notices set out in the section entitled "Important Information" on page 36 of this document.

The Articles contain provisions designed to restrict the holding of Ordinary Shares by persons, including US Persons, where in the opinion of the Directors such a holding could cause or be likely to cause the Company some legal, regulatory, tax or other material administrative disadvantage.

The Company reserves the right to treat as invalid any agreement to subscribe for Ordinary Shares under the First Issue if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

## Part 8

### The Placing Programme

#### 1 Details of the Placing Programme

Following the First Issue, the Directors intend to implement the Placing Programme. The Directors are authorised to issue up to 100 million Ordinary Shares and/or C Shares pursuant to the Placing Programme (excluding the First Issue) without having to first offer those Ordinary Shares and/or C Shares to existing Shareholders.

The Placing Programme is being implemented to satisfy market demand and to enable the Company to raise additional capital in the period from 13 April 2018 to 8 March 2019 once substantially all of the proceeds of the First Issue have been committed. The Directors intend to direct the Adviser to apply the net proceeds of the Placing Programme in making investments in accordance with the Company's investment objective and policy.

The number of Ordinary Shares and/or C Shares available under the Placing Programme is intended to be flexible and should not be taken as an indication of the number of Shares to be issued. Depending on the materiality of any issue under the Placing Programme, the Company will update Shareholders at the appropriate time. Any issues of such Shares will be notified by the Company through a Regulatory Information Service, prior to each Admission. The Placing Programme is not being underwritten.

The Placing Programme may have a number of closing dates in order to provide the Company with the ability to issue Ordinary Shares and/or C Shares over the duration of the Placing Programme. Ordinary Shares and/or C Shares may be issued under the Placing Programme from 8.00 a.m. on 13 April 2018 until 8.00 a.m. on 8 March 2019. Applications will be made to the UK Listing Authority for all of the Ordinary Shares and/or C Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. The issue of Ordinary Shares and/or C Shares pursuant to the Placing Programme is at the discretion of the Directors.

In the event that there are any significant changes affecting any of the matters described in this document or where any significant new matters have arisen after the publication of this document and prior to any Admission of any Ordinary Shares and/or C Shares issued pursuant to the Placing Programme, the Company will publish a supplementary prospectus. Any supplementary prospectus published will give details of the significant change(s) or the significant new matter(s).

#### 2 Conditions

Each allotment and issue of Ordinary Shares and/or C Shares under the Placing Programme following the First Issue, is conditional, *inter alia*, on:

- (i) the Placing Programme Price being determined by the Directors as described below;
- (ii) Admission of the Ordinary Shares and/or C Shares being issued pursuant to such issue;
- (iii) the Placing and Offer Agreement becoming otherwise unconditional in respect of the relevant issue of Ordinary Shares and/or C Shares in all respects and not having been terminated on or before the date of such Admission; and
- (iv) a valid supplementary prospectus being published by the Company if such is required by the Prospectus Rules.

In circumstances where these conditions are not fully met, the relevant issue of Ordinary Shares and/or C Shares pursuant to the Placing Programme will not take place.

#### 3 Placing Programme Price

The Placing Programme Price will be determined by the Company and, in the case of the Ordinary Shares, will be not less than the prevailing Net Asset Value (cum income) per Ordinary Share at the time of issue plus a premium to cover the expenses of such issue and, in the case of the C Shares, will be £1.00 per C Share.

The Directors will determine the Placing Programme Price of the Ordinary Shares on the basis described above so as to cover the costs and expenses of each issue of Ordinary Shares under the Placing Programme and to thereby avoid any dilution of the Net Asset Value of the existing Ordinary Shares. In determining the Placing Programme Price of the Ordinary Shares, the Directors will also take into consideration, *inter alia*, the prevailing market conditions at that time. The costs and expenses of any issue of C Shares pursuant to the Placing Programme will be borne by the holders of C Shares only.

The Placing Programme Price will be announced through a Regulatory Information Service as soon as is practicable in conjunction with each issue.



#### **4 Voting dilution**

If 100 million Ordinary Shares or C Shares are issued pursuant to the Placing Programme, assuming the First Issue has been subscribed as to 100 million Ordinary Shares, there would be a dilution of approximately 50 per cent. in Shareholders' voting control of the Company immediately after the First Issue (and prior to the conversion of any C Shares). The voting rights may be further diluted on conversion of any C Shares depending on the applicable conversion ratio. However, it is not anticipated that there will be any dilution in the NAV per Ordinary Share as a result of any subsequent issue under the Placing Programme.

#### **5 The Placing and Offer Agreement**

Stockdale is entitled to terminate the Placing and Offer Agreement at any time prior to any Subsequent Admission in certain circumstances. If this right is exercised, the Placing Programme and these arrangements will lapse and, where applicable, any monies received in respect of the Placing Programme will be returned to applicants without interest at the applicant's risk.

The Placing and Offer Agreement provides for Stockdale to be paid commission by the Company in respect of the Ordinary Shares and/or C Shares to be allotted pursuant to the Placing Programme. Any Ordinary Shares and/or C Shares subscribed for by Stockdale may be retained or dealt in by it for its own benefit.

Under the Placing and Offer Agreement, Stockdale is entitled at its discretion and out of its own resources at any time to rebate to some or all investors, or to other parties, part or all of its fees relating to the Placing Programme. Stockdale is also entitled under the Placing and Offer Agreement to retain agents and may pay commission in respect of the Placing Programme to any or all of those agents out of its own resources.

Further details of the terms of the Placing and Offer Agreement are set out in paragraph 7.1 of Part 12 (*Additional Information*) of this document.

#### **6 Scaling back**

In the event of oversubscription of a subsequent issue of Ordinary Shares and/or C Shares under the Placing Programme, applications will be scaled back at Stockdale's discretion (in consultation with the Company and the Adviser).

#### **7 Costs of the Placing Programme**

The costs and expenses of each subsequent issue of Ordinary Shares or C Shares under the Placing Programme will depend on subscriptions received. The costs of any issue of Ordinary Shares will be covered by issuing such Ordinary Shares at a premium to the prevailing (cum-income) Net Asset Value per Ordinary Share at the time of issue. The costs and expenses of any issue of C Shares under the Placing Programme will be paid out of the gross proceeds of such issue and will be borne by holders of C Shares only.

#### **8 General**

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK, the Company and its agents (and their agents) or the Adviser may require evidence in connection with any application for Ordinary Shares and/or C Shares, including further identification of the applicant(s), before any Ordinary Shares and/or C Shares are issued.

#### **9 Clearing and settlement**

Ordinary Shares and/or C Shares will be issued in registered form and may be held in either certificated or uncertificated form. In the case of Ordinary Shares and/or C Shares to be issued in uncertificated form pursuant to the Placing Programme, these will be transferred to successful applicants through the CREST system.

The Company does not guarantee that, at any particular time, market maker(s) will be willing to make a market in the Ordinary Shares and/or C Shares, nor does it guarantee the price at which a market will be made in the Ordinary Shares and/or C Shares. Accordingly, the dealing price of the Ordinary Shares and/or C Shares may not necessarily reflect changes in the underlying Net Asset Value per share.

The ISIN of the Ordinary Shares is GB00BG0P0V73 and the SEDOL code is BG0P0V7.

The ISIN of the C Shares is GB00BG12Y265 and the SEDOL code is BG12Y26.

Any Ordinary Shares issued under the Placing Programme will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the allotment of the relevant Ordinary Shares).

#### **10 CREST**

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares and C Shares under the CREST system. The Company shall apply for the Ordinary Shares and/or C Shares

issued under the Placing Programme to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares and/or C Shares following the relevant Admission may take place within the CREST system if any Shareholder so wishes.

#### **11 Use of proceeds**

The Directors intend to use the net proceeds of any issue of Ordinary Shares and/or C Shares pursuant to the Placing Programme to acquire investments in accordance with the Company's investment policy and investment objective.

#### **12 Material interests**

As at the date of this document, there are no interest that are material to the Placing Programme and no conflicting interests.

#### **13 Profile of a typical investor**

The Ordinary Shares and/or C Shares are expected to be suitable for institutional investors, professionally advised retail investors and non-advised retail investors with at least basic market knowledge and experience, seeking access to a diversified portfolio of utility scale energy storage projects in the UK and elsewhere, in particular in North America and Western Europe.

An investment in the Company is only suitable for persons capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which may result from the investment (which may equal the whole amount invested).

Potential investors should consider with care whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them. Private investors in the UK who are unsure whether to invest should consider consulting a financial adviser authorised under the Financial Services and Markets Act 2000 to assess whether an investment in the Company is suitable.

#### **14 Overseas persons**

Potential investors in any territory other than the United Kingdom should refer to the notices set out in the section entitled "Important Information" on page 36 of this document.

The Articles contain provisions designed to restrict the holding of Ordinary Shares and C Shares by persons, including US Persons, where in the opinion of the Directors such a holding could cause or be likely to cause the Company some legal, regulatory, tax or other material administrative disadvantage.

The Company reserves the right to treat as invalid any agreement to subscribe for Ordinary Shares under the Placing Programme if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

## Part 9

### Terms and conditions of application under the First Placing and the Placing Programme

#### 1 Introduction

- 1.1 Each Placee which confirms its agreement to the Company and/or Stockdale to subscribe for Ordinary Shares under the First Placing and/or to subscribe for Ordinary Shares and/or C Shares under the Placing Programme will be bound by these terms and conditions and will be deemed to have accepted them.
- 1.2 The Company and/or Stockdale may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it/they (in its/their absolute discretion) see(s) fit.
- 1.3 The commitment to acquire Ordinary Shares and/or C Shares under the First Placing and/or the Placing Programme will be agreed orally with Stockdale as agent for the Company and further evidenced in a contract note ("**Contract Note**") or placing confirmation ("**Placing Confirmation**") or subscription letter.

#### 2 Agreement to subscribe for Ordinary Shares and conditions

- 2.1 A Placee agrees to become a member of the Company and agrees to subscribe for those Ordinary Shares and/or C Shares allocated to it at the Issue Price or the relevant Placing Programme Price, conditional on:
  - 2.1.1 the Placing and Offer Agreement becoming unconditional in respect of the relevant placing (save for any condition relating to Admission) and not having been terminated on or before the date of Admission of the relevant Ordinary Shares and/or C Shares being issued;
  - 2.1.2 (in respect of the First Placing) Admission of the Ordinary Shares occurring and becoming effective by 8.00 a.m. on or prior to 12 April 2018 (or such later time and/or date as the Company and Stockdale may agree and, in any event, no later than 8.00 a.m. on 30 June 2018) and (in respect of a Subsequent Placing) any Admission of Ordinary Shares and/or C Shares occurring not later than 8.00 a.m. on such other dates as may be agreed between the Company and Stockdale prior to the closing of each Subsequent Placing, not being later than 8 March 2019;
  - 2.1.3 in the case of the First Placing, the Minimum Net Proceeds being raised;
  - 2.1.4 in the case of any issue under the Placing Programme, a valid supplementary prospectus being published by the Company if such is required; and
  - 2.1.5 Stockdale confirming to the Placees their allocation of Ordinary Shares and/or C Shares.
- 2.2 In the event that the Company, in consultation with the Adviser and Stockdale, wishes to waive condition 2.1.3 referred to above, the Company will be required to publish a supplementary prospectus (including a working capital statement based on a revised minimum net proceeds figure).
- 2.3 To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

#### 3 Payment for Ordinary Shares and/or C Shares

- 3.1 Each Placee must pay the Issue Price or relevant Placing Programme Price for the Ordinary Shares and/or C Shares issued to the Placee, as applicable, in the manner and by the time directed by Stockdale. If any Placee fails to pay as so directed and/or by the time required, the relevant Placee's application for Ordinary Shares and/or C Shares may, at the discretion of Stockdale, as appropriate, either be rejected or accepted and, in the latter case, paragraph 3.2 of these terms and conditions shall apply.
- 3.2 Each Placee is deemed to agree that if it does not comply with its obligation to pay the Issue Price or relevant Placing Programme Price for the Ordinary Shares and/or C Shares allocated to it in accordance with paragraph 3.1 of these terms and conditions and Stockdale elects to accept that Placee's application, Stockdale may sell all or any of the Ordinary Shares and/or C Shares allocated to the Placee on such Placee's behalf and retain from the proceeds, for Stockdale's own account and profit, an amount equal to the aggregate amount owed by the Placee plus any interest due. The Placee will, however, remain liable for any shortfall below the aggregate amount owed by such Placee and it may be required to bear any tax or other charges (together with any interest or penalties) which may arise upon the sale of such Ordinary Shares and/or C Shares on such Placee's behalf.

#### 4 Representations and warranties

By agreeing to subscribe for Ordinary Shares and/or C Shares, each Placee which enters into a commitment to subscribe for Ordinary Shares and/or C Shares will (for itself and any person(s) procured by it to subscribe for Ordinary Shares and/or C Shares and any nominee(s) for any such person(s)) be deemed to represent, warrant and acknowledge to each of the Company, the Adviser, the Registrar and Stockdale that:

- 4.1 in agreeing to subscribe for Ordinary Shares under the First Placing and/or Ordinary Shares and/or C Shares under the Placing Programme, it is relying solely on this document and any supplementary prospectus issued by the Company and not on any other information given, or representation or statement made at any time, by any person concerning the Company, the First Placing and/or the Placing Programme. It agrees that none of the Company, the Adviser, Stockdale or the Registrar, nor any of their respective officers, agents, or employees, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;
- 4.2 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Ordinary Shares under the First Placing and/or Ordinary Shares and/or C Shares under the Placing Programme, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the Adviser, Stockdale or the Registrar or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the First Placing and/or the Placing Programme;
- 4.3 it has carefully read and understands this document in its entirety and acknowledges that it is acquiring Ordinary Shares and/or C Shares on the terms and subject to the conditions set out in this Part 9 and the Articles as in force at the date of Admission of the relevant Ordinary Shares and/or C Shares and agrees that in accepting a participation in the First Placing and/or the Placing Programme it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for the Ordinary Shares and/or C Shares;
- 4.4 it has not relied on Stockdale or any person affiliated with Stockdale in connection with any investigation of the accuracy of any information contained in this document;
- 4.5 the content of this document is exclusively the responsibility of the Company and its Directors and neither Stockdale nor any person acting on their respective behalf nor any of its respective affiliates are responsible for or shall have any liability for any information, representation or statement contained in this document or any information published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the First Placing and/or the Placing Programme based on any information, representation or statement contained in this document or otherwise;
- 4.6 it acknowledges that no person is authorised in connection with the First Placing and/or the Placing Programme to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, the Adviser or Stockdale;
- 4.7 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services);
- 4.8 it accepts that none of the Ordinary Shares and/or C Shares has been or will be registered under the laws of any Restricted Jurisdiction. Accordingly, the Ordinary Shares and/or C Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Restricted Jurisdiction unless an exemption from any registration requirement is available;
- 4.9 if it is within the United Kingdom, it is a person who falls within Articles 49(2)(a) to (d) or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 or it is a person to whom the Ordinary Shares and/or C Shares may otherwise lawfully be offered under such Order and/or is a person who is a "professional client" or an "eligible counterparty" within the meaning of Chapter 3 of the FCA's Conduct of Business Sourcebook or, if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, it is a person to whom the Ordinary Shares and/or C Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- 4.10 if it is a resident in the EEA (other than the United Kingdom): (a) it is a qualified investor within the meaning of the law in the relevant Member State implementing Article 2(1)(i), (ii) or (iii) of the Prospectus Directive 2003/71/EC; and (b) if that relevant Member State has implemented the AIFMD, that it is a person to whom the Ordinary Shares and/or C Shares may lawfully be marketed under the AIFMD or under the applicable implementing legislation (if any) of that relevant Member State;

- 4.11 in the case of any Ordinary Shares and/or C Shares acquired by a Placee as a financial intermediary within the EEA as that term is used in Article 3(2) of the Prospectus Directive: (a) the Ordinary Shares and/or C Shares acquired by it in the First Placing and/or the Placing Programme have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant Member State (other than the United Kingdom) other than qualified investors, as that term is defined in the Prospectus Directive 2010/73/EU, or in circumstances in which the prior consent of Stockdale has been given to the offer or resale; or (b) where Ordinary Shares and/or C Shares have been acquired by it on behalf of persons in any relevant Member State (other than the United Kingdom) other than qualified investors, the offer of those Ordinary Shares and/or C Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- 4.12 if it is outside the United Kingdom, neither the Prospectus nor any other offering, marketing or other material in connection with the First Placing and/or the Placing Programme constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Ordinary Shares and/or C Shares pursuant to the First Placing and/or the Placing Programme unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or material could lawfully be provided to it or such person and Ordinary Shares and/or C Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 4.13 it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Ordinary Shares and/or C Shares and it is not acting on a non-discretionary basis for any such person;
- 4.14 if the Placee is a natural person, such Placee is not under the age of majority (18 years of age in the United Kingdom) on the date of such Placee's agreement to subscribe for Ordinary Shares under the First Placing and/or Ordinary Shares and/or C Shares under the Placing Programme and will not be any such person on the date any such agreement to subscribe under the First Placing or Placing Programme is accepted;
- 4.15 it has complied and will comply with all applicable provisions of the Criminal Justice Act 1993 and the Market Abuse Regulation with respect to anything done by it in relation to the First Placing and the Placing Programme and/or the Ordinary Shares and/or the C Shares;
- 4.16 it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other offering materials concerning the First Placing and/or the Placing Programme or the Ordinary Shares and/or the C Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing;
- 4.17 it represents, acknowledges and agrees to the representations, warranties and agreements as set out under the heading "United States purchase and transfer restrictions" in paragraph 7, below;
- 4.18 it acknowledges that neither Stockdale nor any of its affiliates, nor any person acting on its or their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the First Placing and/or Placing Programme or providing any advice in relation to the First Placing and/or Placing Programme and participation in the First Placing and/or Placing Programme is on the basis that it is not and will not be a client of Stockdale and that Stockdale does not have any duties or responsibilities to it for providing the protections afforded to its clients or for providing advice in relation to the First Placing and/or Placing Programme nor in respect of any representations, warranties, undertakings or indemnities otherwise required to be given by it in connection with its application under the First Placing and/or the Placing Programme;
- 4.19 it acknowledges that where it is subscribing for Ordinary Shares and/or C Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (a) to subscribe for the Ordinary Shares and/or C Shares for each such account; (b) to make on each such account's behalf the representations, warranties and agreements set out in this document; and (c) to receive on behalf of each such account any documentation relating to the First Placing and/or Placing Programme in the form provided by the Company and/or Stockdale. It agrees that the provision of this paragraph shall survive any resale of the Ordinary Shares and/or C Shares by or on behalf of any such account;
- 4.20 it irrevocably appoints any director of the Company and any director of Stockdale to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Ordinary Shares and/or C Shares for which it has given a commitment under the First Placing and/or the Placing Programme, in the event of its own failure to do so;
- 4.21 it accepts that if the First Placing and/or Placing Programme does not proceed or the conditions to the Placing and Offer Agreement are not satisfied or the Ordinary Shares and/or C Shares for which valid applications are received and accepted are not admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities for any reason whatsoever then neither of Stockdale



nor the Company, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;

- 4.22 in connection with its participation in the First Placing and/or Placing Programme it has observed all relevant legislation and regulations;
- 4.23 it acknowledges that Stockdale and the Company are entitled to exercise any of their rights under the Placing and Offer Agreement or any other right in their absolute discretion without any liability whatsoever to it;
- 4.24 the representations, undertakings and warranties contained in this document are irrevocable. It acknowledges that Stockdale and the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or warranties made or deemed to have been made by its subscription of the Ordinary Shares and/or C Shares are no longer accurate, it shall promptly notify Stockdale and the Company;
- 4.25 where it or any person acting on behalf of it is dealing with Stockdale, any money held in an account with Stockdale on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Stockdale to segregate such money, as that money will be held by Stockdale under a banking relationship and not as trustee;
- 4.26 any of its clients, whether or not identified to Stockdale, will remain its sole responsibility and will not become clients of Stockdale for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 4.27 it accepts that the allocation of Ordinary Shares and/or C Shares shall be determined by the Company in its absolute discretion (in consultation with Stockdale and the Adviser) and that Stockdale (in consultation with the Company and the Adviser) may scale down any commitments for this purpose on such basis as it may determine;
- 4.28 time shall be of the essence as regards its obligations to settle payment for the Ordinary Shares and/or C Shares and to comply with its other obligations under the First Placing and/or the Placing Programme;
- 4.29 its commitment to acquire Ordinary Shares and/or C Shares will be agreed orally with Stockdale as agent for the Company and that a Contract Note or Placing Confirmation will be issued by Stockdale as soon as possible thereafter. That oral confirmation will constitute an irrevocable, legally binding commitment upon that person (who at that point will become a Placee) in favour of the Company and Stockdale to subscribe for the number of Ordinary Shares and/or C Shares allocated to it at the Issue Price or the relevant Placing Programme Price on the terms and conditions set out in this Part 9 and, as applicable, in the Contract Note or Placing Confirmation. Except with the consent of Stockdale, such oral commitment will not be capable of variation or revocation after the time at which it is made; and
- 4.30 its allocation of Ordinary Shares and/or C Shares under the First Placing and the Placing Programme will be evidenced by the Contract Note or Placing Confirmation, as applicable, confirming: (i) the number of Ordinary Shares and/or C Shares that such Placee has agreed to subscribe for; (ii) the aggregate amount that such Placee will be required to pay for such Ordinary Shares and/or C Shares; and (iii) settlement instructions to pay Stockdale as agent for the Company. The terms of this Part 9 will be deemed to be incorporated into that Contract Note or Placing Confirmation.

## 5 Money Laundering

Each Placee acknowledges and agrees that:

- 5.1 represents and warrants that it has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("**Money Laundering Regulations**") and any other applicable law concerning the prevention of money laundering and, if it is making payment on behalf of a third party, that: (i) satisfactory evidence has been obtained and recorded by it to verify the identity of the third party; and (ii) arrangements have been entered into with the third party to obtain from the third party copies of any identification and verification data immediately on request as required by the Money Laundering Regulations and, in each case, agrees that pending satisfaction of such obligations, definitive certificates (or allocation under the CREST system) in respect of the Ordinary Shares and/or C Shares comprising the Placee's allocation may be retained at Stockdale's discretion; and
- 5.2 acknowledges and agrees that, due to anti-money laundering and the countering of terrorist financing requirements, Stockdale and/or the Company may require proof of identity and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, Stockdale and/or the Company may refuse to accept the application and the subscription moneys relating thereto. It holds harmless and



will indemnify Stockdale and the Company against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been required has not been provided by it or has not been provided on a timely basis.

## **6 The Data Protection Act**

- 6.1 Each Placee acknowledges and agrees that, pursuant to The Data Protection Act 1998 (the “**DP Act**”) the Company and/or the Registrar and/or the Administrator, may hold personal data (as defined in the DP Act) relating to past and present shareholders. Personal data may be retained on record for a period exceeding six years after it is no longer used. The Registrar and the Administrator will only process such information for the purposes set out below (collectively, the “**Purposes**”), being to:
- 6.1.1 process its personal data (including sensitive personal data as defined in the DP Act) to the extent and in such manner as is necessary for the performance of their obligations under their respective service contracts, including as required by or in connection with its holding of Ordinary Shares and/or C Shares, including processing personal data in connection with credit and money laundering checks on it;
  - 6.1.2 communicate with it as necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares and/or C Shares;
  - 6.1.3 provide personal data to such third parties as the Registrar and/or the Administrator may consider necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares and/or C Shares or as the DP Act may require, including to third parties outside the European Economic Area;
  - 6.1.4 without limitation, provide such personal data to the Company or the Adviser and their respective associates for processing, notwithstanding that any such party may be outside the European Economic Area; and
  - 6.1.5 process its personal data for the Registrar’s and/or the Administrator’s internal administration.
- 6.2 By becoming registered as a holder of Ordinary Shares and/or C Shares a person becomes a data subject (as defined in the DP Act) and is deemed to have consented to the processing by the Company, the Registrar or the Administrator of any personal data relating to them in the manner described above. In providing the Registrar and the Administrator with information, it hereby represents and warrants to the Registrar and the Administrator that it has obtained the consent of any data subject to the Registrar and the Administrator, and their respective affiliates and group companies, holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the Purposes set out above in this paragraph 6).

## **7 United States purchase and transfer restrictions**

- 7.1 By participating in the First Placing and/or the Placing Programme, each Placee located inside the United States or who is a US Person acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for Ordinary Shares and/or C Shares and any nominee(s) for any such person(s)) be further deemed to represent and warrant to each of the Company, the Adviser, the Registrar and Stockdale that:
- 7.1.1 it is authorised to consummate the purchase, taking up or exercise of the Ordinary Shares and/or C Shares;
  - 7.1.2 it is either: (i) a non-US Person and it acknowledges that the Ordinary Shares and/or C Shares are being offered or sold outside the United States in reliance on Regulation S; or (ii) a US Person who is an Accredited Investor and a Qualified Purchaser;
  - 7.1.3 if it is an entity, it represents that: (i) it was not formed for the purpose of investing in the Company; (ii) it does not invest more than 40 per cent. of its total assets in the Company; (iii) each of its beneficial owners participates in investments made by it *pro rata* in accordance with such beneficial owner’s interest in it and such beneficial owners cannot opt-in or opt-out of investments made by it; and (iv) its beneficial owners did not and will not contribute additional capital (other than previously committed capital) for the purpose of purchasing the Ordinary Shares and/or C Shares;
  - 7.1.4 it acknowledges that the Ordinary Shares and/or C Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold into or within the United States or to, or for the account or benefit of, US Persons absent registration or an exemption from, or in a transaction not subject to, registration under the US Securities Act and in compliance with applicable securities laws of any state or other jurisdiction of the United States and in circumstances that would not require the Company to register under the US Investment Company Act;

- 7.1.5 it acknowledges that the Company has not and will not be registered under the US Investment Company Act and, as such, it will not be afforded the protections provided to investors under the US Investment Company Act, and that the Company has elected to impose the transfer and offering restrictions with respect to persons in the United States and US Persons described herein so that the Company will have no obligation to register as an “investment company” even if it were otherwise determined to be an “investment company” under the US Investment Company Act;
- 7.1.6 unless the Company expressly consents otherwise in writing, no portion of the assets used to purchase, and no portion of the assets used to hold, the Ordinary Shares and/or C Shares or any beneficial interest therein constitutes or will constitute the assets of: (a) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (b) a “plan” as defined in Section 4975 of the US Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the US Code; or (c) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the US Code. In addition, if a Placee is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the US Code, its purchase, holding, and disposition of the Ordinary Shares and/or C Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
- 7.1.7 it understands and acknowledges that the Ordinary Shares and C Shares are “restricted securities” within the meaning of Rule 144 under the US Securities Act, and that if in the future it decides to offer, resell, pledge or otherwise transfer any Ordinary Shares and/or C Shares, it may do so only (a) to the Company or a subsidiary thereof; (b) outside the United States in an “offshore transaction” complying with the provisions of Regulation S under the US Securities Act to a person not known by the transferor to be a US Person, by prearrangement or otherwise and otherwise in compliance with applicable local laws and regulations; or (c) within the United States or to a person known to be a US Person, in another transaction that does not require registration under the US Securities Act or any applicable securities laws of any state or other jurisdiction of the United States, to a person that is a Qualified Purchaser whom the transferor and any person acting on its behalf reasonably believes to be a QIB, after, in the case of proposed transfers pursuant to (c) above, providing to the Company and the Registrar, an opinion of counsel of recognised standing reasonably satisfactory to the Company, to the effect that the proposed transfer may be effected without registration of the Ordinary Shares and/or C Shares under the US Securities Act or any applicable securities laws of any state or other jurisdiction of the United States or registration of the Company under the US Investment Company Act; it understands that no representation can be made as to the availability of the exemption provided by Rule 144 for resales of the Ordinary Shares and C Shares;
- 7.1.8 if any Ordinary Shares and/or C Shares are issued to it in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect, unless otherwise determined by the Company in accordance with applicable law:

**“GORE STREET ENERGY STORAGE FUND PLC (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “US INVESTMENT COMPANY ACT”). IN ADDITION, THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “US SECURITIES ACT”), OR ANY STATE SECURITIES LAWS (“BLUE SKY LAWS”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THESE SECURITIES, AGREES FOR THE BENEFIT OF THE COMPANY THAT THE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY OR A SUBSIDIARY THEREOF, (B) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION COMPLYING WITH THE PROVISIONS OF REGULATION S PROMULGATED UNDER THE US SECURITIES ACT (“REGULATION S”) TO A PERSON NOT KNOWN BY THE TRANSFEROR TO BE A US PERSON, BY PREARRANGEMENT OR OTHERWISE AND OTHERWISE IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE COMPANY TO REGISTER UNDER THE US INVESTMENT COMPANY ACT, OR (C) WITHIN THE UNITED STATES OR TO A PERSON NOT KNOWN TO BE A US PERSON, IN ANOTHER TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE US SECURITIES ACT OR ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED**

**STATES, OR REQUIRE THE COMPANY TO REGISTER UNDER THE US INVESTMENT COMPANY ACT, WHOM THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES TO BE A “QUALIFIED INSTITUTIONAL BUYER”, AS DEFINED IN RULE 144A UNDER THE US SECURITIES ACT PROVIDED THAT IN THE CASE OF TRANSFERS PURSUANT TO (C) ABOVE, A LEGAL OPINION SATISFACTORY TO THE COMPANY MUST FIRST BE PROVIDED.**

**THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY PERSON USING THE ASSETS OF (A) (I) AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (ERISA”) THAT IS SUBJECT TO TITLE I OF ERISA; (II) A “PLAN” AS DEFINED IN SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “US CODE”), INCLUDING AN INDIVIDUAL RETIREMENT ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO SECTION 4975 OF THE US CODE; OR (III) AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY OF THE FOREGOING TYPES OF PLANS, ACCOUNTS OR ARRANGEMENTS THAT IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE US CODE; OR (B) A GOVERNMENTAL, CHURCH, NON-US OR OTHER EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE US CODE IF THE PURCHASE, HOLDING OR DISPOSITION OF THE SECURITIES WILL NOT RESULT IN A VIOLATION OF APPLICABLE LAW AND/OR CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 503 OF THE US CODE OR ANY SUBSTANTIALLY SIMILAR LAW.”;**

- 7.1.9 it acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;
- 7.1.10 it understands that no representation has been made as to the availability of any exemption under the US Securities Act and rules promulgated thereunder for the reoffer, resale, pledge or other transfer of the Ordinary Shares and/or C Shares;
- 7.1.11 it understands and acknowledges that the Company is not obligated to file and has no present intention of filing any registration statement in respect of resales of Ordinary Shares or C Shares in the United States with the SEC or with any state securities administrator;
- 7.1.12 it acknowledges that it has not purchased, taken up or exercised the Ordinary Shares and/or C Shares as a result of any “general solicitation” or “general advertising” within the meaning of Regulation D under the US Securities Act, including advertisements, articles, notices or other communications published in any newspaper, magazine, website or similar media, or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising;
- 7.1.13 it is purchasing the Ordinary Shares and/or C Shares for its own account or for one or more investment accounts of Accredited Investors that are also Qualified Purchasers for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares and/or C Shares in any manner that would violate the US Securities Act, the US Investment Company Act or any other applicable securities laws;
- 7.1.14 no person other than it or the owners of the investment accounts described in paragraph 7.1.13 above will have a beneficial interest in the Ordinary Shares and/or C Shares (other than as shareholder, partner or other beneficial owner of an equity interest in the purchaser);
- 7.1.15 it acknowledges and understands that the Company is required to comply with FATCA and agrees to furnish any information and documents the Company may from time to time request, including but not limited to information required under FATCA;
- 7.1.16 it understands and acknowledges that (i) the Company is not obligated to remain a “foreign issuer” within the meaning of Regulation S, (ii) that the Company may not, at the time the Ordinary Shares and/or C Shares are resold by the Placee or at any other time, be a foreign issuer, and (iii) that the Company may engage in one or more transactions which could cause it not to be a foreign issuer;
- 7.1.17 it is entitled to acquire the Ordinary Shares and/or C Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Ordinary Shares and/or C Shares and that it has not

taken any action, or omitted to take any action, which may result in the Company, the Adviser, the Registrar, Stockdale or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the First Placing and/or the Placing Programme or its acceptance of participation in the First Placing and/or the Placing Programme;

- 7.1.18 it agrees and acknowledges that the Ordinary Shares and C Shares (whether in physical, certificated form or in uncertificated form held in CREST) are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and that, for so long as they remain “restricted securities”, the Ordinary Shares and C Shares may not be deposited, and agrees it will not deposit the Ordinary Shares and/or C Shares, into any unrestricted depository receipt facility established or maintained by a depository bank;
  - 7.1.19 it agrees the Company may make a notation on its records or give instructions to the registrar and any transfer agent of the Ordinary Shares and C Shares in order to implement the restrictions on transfer set forth and described herein;
  - 7.1.20 it understands and acknowledges that, under US federal tax laws, the Ordinary Shares and C Shares likely will be considered an equity interest in a passive foreign investment company (as defined in the US Code) (a “**PFIC**”). It further understands and acknowledges that it may be subject to adverse US federal income tax consequences as a result of the Company’s PFIC status, and agrees that it will seek its own independent specialist advice with respect to the US tax consequences of its interest in the Ordinary Shares and/or C Shares;
  - 7.1.21 it acknowledges that the Company may, presently or in the future, be classified as a “controlled foreign corporation” (“**CFC**”) for US federal income tax purposes. It has considered and understands the consequences of a CFC classification for the Placee;
  - 7.1.22 it is aware that the Hiring Incentives to Restore Employment Act of 2010 (“**HIRE**”) imposes reporting requirements with respect to “foreign financial assets”, which would include Ordinary Shares and C Shares in the Company. It understands its reporting responsibilities under HIRE;
  - 7.1.23 it (i) has received and carefully read a copy of this document, (ii) understands and agrees that this document speaks only as of its date and that the information contained herein may not be correct or complete as of any time subsequent to that date and (iii) has held and will hold this document in confidence, it being understood that the document received by it is solely for its use and it has not duplicated, distributed, forwarded, transferred or otherwise transmitted, and will not duplicate, distribute, forward, transfer or otherwise transmit, this document or any other materials concerning the Ordinary Shares or C Shares (including electronic copies thereof) to any persons within the United States or to any US Persons;
  - 7.1.24 it understands the acquisition of the Ordinary Shares and/or C Shares is a speculative investment that involves a degree of risk of loss of its investment therein. It is able to bear the economic risk of the investment in the Ordinary Shares and/or C Shares being made hereby for an indefinite period of time, including the risk of a complete loss of the investment in the Ordinary Shares and/or C Shares;
  - 7.1.25 it understands that this document has been prepared in accordance with UK format and style, which differs from US format and style, and the financial information contained in this document has been prepared in accordance with IFRS and thus may not be comparable to financial statements of US companies prepared in accordance with US GAAP;
  - 7.1.26 it understands that no US federal or state or non-US agency has made any finding or determination as to the fairness for investment or any recommendation or endorsement of the Ordinary Shares or C Shares;
  - 7.1.27 it has consulted its own tax advisers as to the particular tax considerations applicable to it relating to the purchase, ownership and disposition of the Ordinary Shares and/or C Shares, including the applicability of US federal, state, and local tax laws and non-US tax laws; and
  - 7.1.28 if it is acquiring any Ordinary Shares and/or C Shares as a fiduciary or agent for one or more accounts, the Placee has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.
- 7.2 The Company, the Adviser, the Registrar, Stockdale and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.

- 7.3 Assuming the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements of the Placee, the Company will not be required to register the offer and sale of the Shares in connection with the First Placing and/or the Placing Programme under US Securities Act or register under the US Investment Company Act.
- 7.4 Each of the Company, the Adviser and the Registrar represents and warrants that it has not engaged in any general solicitation or general advertising in connection with the First Placing and/or the Placing Programme.
- 7.5 If any of the representations, warranties, acknowledgments or agreements made by the Placee are no longer accurate or have not been complied with, the Placee will immediately notify the Company and Stockdale.
- 7.6 The Company reserves the right to reject all or part of any offer to purchase Ordinary Shares and/or C Shares for any reason. The Company also reserves the right to sell fewer than all of the Ordinary Shares and/or C Shares offered by this document or to sell to any purchaser less than all of the Ordinary Shares and/or C Shares a purchaser has offered to purchase.

## **8 Supply and disclosure of information**

If Stockdale, the Registrar or the Company or any of their agents request any information about a Placee's agreement to subscribe for Ordinary Shares and/or C Shares under the First Placing and/or the Placing Programme, such Placee must promptly disclose it to them.

## **9 Non United Kingdom investors**

- 9.1 If the Placee is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the First Placing and/or the Placing Programme constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Ordinary Shares and/or C Shares pursuant to the First Placing and/or the Placing Programme unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Ordinary Shares and/or C Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements.
- 9.2 None of the Ordinary Shares and/or C Shares have been or will be registered under the laws of any Restricted Jurisdiction. Accordingly, the Ordinary Shares and/or C Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Restricted Jurisdiction (subject to limited exceptions) unless an exemption from any registration requirement is available.

## **10 Miscellaneous**

- 10.1 The rights and remedies of the Company, the Adviser, Stockdale and the Registrar under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 10.2 On application, if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the First Placing and/or the Placing Programme will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.
- 10.3 Each Placee agrees to be bound by the Articles once the Ordinary Shares and/or C Shares, which the Placee has agreed to subscribe for pursuant to the First Placing and/or the Placing Programme, have been acquired by the Placee. The contract to subscribe for Ordinary Shares and/or C Shares under the First Placing and/or the Placing Programme and the appointments and authorities mentioned in this document and all disputes and claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Company, the Adviser, Stockdale and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against the Placee in any other jurisdiction.
- 10.4 In the case of a joint agreement to subscribe for Ordinary Shares and/or C Shares under the First Placing and/or the Placing Programme, references to a "placee" in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.
- 10.5 Stockdale and the Company expressly reserve the right to modify the First Placing and/or the Placing Programme (including, without limitation, the timetable and settlement) at any time before allocations are determined. The First Placing and the Placing Programme are subject to the satisfaction of the

conditions contained in the Placing and Offer Agreement and the Placing and Offer Agreement not having been terminated. Further details of the terms of the Placing and Offer Agreement are contained in paragraph 7.1 of Part 12 (*Additional Information*) of this document.



## Part 10

### Terms and conditions of application under the Offer for Subscription

#### 1 Introduction

- 1.1 Ordinary Shares are available under the Offer for Subscription at a price of 100 pence per Ordinary Share. The Ordinary Shares will, when issued and fully paid, include the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.
- 1.2 Applications to acquire Ordinary Shares must be made on the Offer for Subscription Application Form attached as Appendix 1 to this document or otherwise published by the Company.
- 1.3 In addition to completing and returning the Application Form to the Receiving Agent, you will also need to complete and return a Tax Residency Self-Certification Form. The “individual tax residency self-certification – sole holding” form can be found at Appendix 2 of this document and further copies of this form and the relevant form for joint holdings or corporate entity holdings can be requested from the Receiving Agent on 0370 707 1741 (from within the UK) or on +44 370 707 1741 (from outside the UK). The helpline is open between 8.30 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that the Receiving Agent cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. It is a condition of application that (where applicable) a completed version of that form is provided with the Offer for Subscription Application Form before any application can be accepted.

#### 2 Offer for Subscription to acquire shares

- 2.1 By completing and delivering an Application Form, you, as the applicant, and, if you sign the Application Form on behalf of another person or a corporation, that person or corporation:
  - 2.1.1 offer to subscribe for such number of Ordinary Shares specified in Box 1 on your Application Form, or any smaller amount for which such application is accepted, at the Issue Price on the terms, and subject to the conditions, set out in this document, including these terms and conditions of application and the Articles;
  - 2.1.2 agree that, in consideration for the Company agreeing that it will not offer any Ordinary Shares to any person other than by means of the procedures referred to in this document, your application may not be revoked, subject to your statutory right of withdrawal in the event of publication of a supplementary prospectus by the Company, and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by the Receiving Agent of your Application Form;
  - 2.1.3 undertake to pay the subscription amount specified in Box 1 on your Application Form in full on application and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to receive a share certificate for the Ordinary Shares applied for in certificated form or be entitled to commence dealing in Ordinary Shares applied for in uncertificated form or to enjoy or receive any rights in respect of such Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Receiving Agent, the Company and Stockdale against all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) avoid the agreement to allot the Ordinary Shares and may allot them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund by a cheque drawn on a branch of a UK clearing bank to the bank account name from which they were first received at your risk of any proceeds of the remittance which accompanied your Application Form, without interest);
  - 2.1.4 agree that, where on your Application Form a request is made for Ordinary Shares to be deposited into a CREST account (a) the Receiving Agent may in its absolute discretion amend the form so that such Ordinary Shares may be issued in certificated form registered in the name(s) of the holder(s) specified in your Application Form (and recognise that the Receiving Agent will so amend the form if there is any delay in satisfying the identity of the applicant or the owner of the CREST account or in receiving your remittance in cleared funds); and (b) the Receiving Agent, the Company or Stockdale may authorise your financial adviser or whoever he or she may direct to send a document of title for or credit your CREST account in respect

of, the number of Ordinary Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address set out on your Application Form;

- 2.1.5 agree, in respect of applications for Ordinary Shares in certificated form (or where the Receiving Agent exercises its discretion pursuant to paragraph 2.1.4 of this paragraph 2.1 to issue Ordinary Shares in certificated form), that any share certificate to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form may become entitled (and any monies returnable to you) may be retained by the Receiving Agent:
- (a) pending clearance of your remittance;
  - (b) pending investigation of any suspected breach of the warranties contained in paragraphs 6.1, 6.2, 6.3, 6.8, 6.13, 6.15 or 6.16 below or any other suspected breach of these terms and conditions of application; or
  - (c) pending any verification of identity which is, or which the Receiving Agent considers may be, required for the purpose of the Money Laundering Regulations and any other regulations applicable thereto, and any interest accruing on such retained monies shall accrue to and for the benefit of the Company;
- 2.1.6 agree, on the request of the Receiving Agent, to disclose promptly in writing to it such information as the Receiving Agent may request in connection with your application and authorise the Receiving Agent to disclose any information relating to your application which it may consider appropriate;
- 2.1.7 agree that if evidence of identity satisfactory to the Receiving Agent is not provided to the Receiving Agent within a reasonable time (in the opinion of the Receiving Agent) following a request therefor, the Receiving Agent or the Company may terminate the agreement with you to allot Ordinary Shares and, in such case, the Ordinary Shares which would otherwise have been allotted to you may be re-allotted or sold to some other party and the lesser of your application monies or such proceeds of sale (as the case may be, with the proceeds of any gain derived from a sale accruing to the Company) will be returned by a cheque drawn on a branch of a UK clearing bank to the bank account name on which the payment accompanying the application was first drawn without interest and at your risk;
- 2.1.8 agree that you are not applying on behalf of a person engaged in money laundering;
- 2.1.9 undertake to ensure that, in the case of an Application Form signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form together with full identity documents for the person so signing;
- 2.1.10 undertake to pay interest at the rate described in paragraph 3.3 below if the remittance accompanying your Application Form is not honoured on first presentation;
- 2.1.11 authorise the Receiving Agent to procure that there be sent to you definitive certificates in respect of the number of Ordinary Shares for which your application is accepted or if you have completed section 5 on your Application Form or, subject to paragraph 2.1.4 above, to deliver the number of Ordinary Shares for which your application is accepted into CREST, and/or to return any monies returnable by a cheque drawn on a branch of a UK clearing bank to the bank account name from which such monies were first received without interest and at your risk;
- 2.1.12 confirm that you have read and complied with paragraph 8 below;
- 2.1.13 agree that all subscription cheques and payments will be processed through a bank account (the “**Acceptance Account**”) in the name of “**CIS PLC re Gore Street Energy Storage Fund plc OFS Acceptance a/c**” opened by the Receiving Agent;
- 2.1.14 agree that your Application Form is addressed to the Company and the Receiving Agent; and
- 2.1.15 agree that any application may be rejected in whole or in part at the sole discretion of the Company.

### **3 Acceptance of your offer**

- 3.1 The Receiving Agent may, on behalf of the Company, accept your offer to subscribe (if your application is received (accompanied by the validly completed Tax Residency Self-Certification Form), valid (or treated as valid), processed and not rejected) by notifying the UK Listing Authority through a Regulatory Information Service of the basis of allocation (in which case the acceptance will be on that basis).
- 3.2 The basis of allocation will be determined by Stockdale in consultation with the Company and the Adviser. The right is reserved, notwithstanding the basis as so determined, to reject in whole or in part and/or scale back any application. The right is reserved to treat as valid any application not complying

fully with these terms and conditions of application or not in all respects completed or delivered in accordance with the instructions accompanying the Application Form. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Application Form where you have agreed with the Company in some other manner to apply in accordance with these terms and conditions of application.

- 3.3 The Receiving Agent will present all cheques and bankers' drafts for payment on receipt and will retain documents of title and surplus monies pending clearance of successful applicants' payment. The right is also reserved to reject in whole or in part, or to scale down or limit, any application. The Receiving Agent may, as agent of the Company, require you to pay interest or its other resulting costs (or both) if the payment accompanying your application is not honoured on first presentation. If you are required to pay interest you will be obliged to pay the amount determined by the Receiving Agent to be the interest on the amount of the payment from the date on which all payments in cleared funds are due to be received until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by the Receiving Agent plus 4 per cent. per annum.
- 3.4 All payments must be in pounds Sterling and cheques or banker's drafts should be payable to "**CIS PLC re Gore Street Energy Storage Fund plc OFS Acceptance a/c**". Cheques or banker's drafts must be drawn on an account where the applicant has sole or joint-title to the funds and on an account at a branch of a bank or building society in the United Kingdom which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the Committees of Scottish or Belfast clearing houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner. Third party cheques may not be accepted, with the exception of building society cheques or banker's drafts where the building society or bank has inserted the full name of the building society or bank account holder and have added the building society or bank branch stamp. The name of the building society or bank account holder must be the same as the name of the current shareholder or prospective investor. Please do not send cash. Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. It is a term of the Offer for Subscription that cheques shall be honoured on first presentation, and the Company may elect in its absolute discretion to treat as invalid acceptances in respect of which cheques are not so honoured.
- 3.5 For applicants sending subscription monies by electronic bank transfer (CHAPS), payment must be made for value by no later than 1.00 p.m. on 6 April 2018. Applicants wishing to make a CHAPS payment should contact Computershare stating "**GORE OFS**" by email at OFSpaymentqueries@computershare.co.uk for full bank details or telephone the shareholder helpline on 0370 707 1741 (from within the UK) or on +44 370 707 1741 (if calling from outside the UK) for further information. Applicants will be provided with a unique reference number which must be used when making the payment.
- 3.6 Should you wish to apply for Ordinary Shares by delivery versus payment method ("**DVP**"), you will need to match your instructions to Computershare Investor Services PLC's Participant Account 8RA30 by no later than 1.00 p.m. on 6 April 2018 allowing for the delivery and acceptance of your Ordinary Shares to your CREST account against payment of the Issue Price through the CREST system upon the relevant settlement date, following the CREST matching criteria set out in the Application Form.
- 3.7 By returning your Application Form you agree that you will do all things necessary to ensure that you or your settlement agent/custodian's CREST account allows for the delivery and acceptance of Ordinary Shares to be made prior to 1.00 p.m. on 6 April 2018 against payment of the Issue Price. Failure by you to do so will result in you being charged interest at the rate of two percentage points above the then published bank base rate of a clearing bank selected by the Receiving Agent.

#### **4 Conditions**

- 4.1 The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional upon:
- (a) First Admission occurring by 8.00 a.m. on 12 April 2018 (or such later time or date as the Company and Stockdale may agree (not being later than 30 June 2018)); and
  - (b) the Placing and Offer Agreement becoming otherwise unconditional in all respects, and not being terminated in accordance with its terms before First Admission; and
  - (c) the Minimum Net Proceeds being raised.
- 4.2 In the event that the Company, in consultation with the Adviser and Stockdale, wishes to waive condition (b) referred to above, the Company will be required to publish a supplementary prospectus (including a working capital statement based on a revised minimum net proceeds figure).

- 4.3 You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you may have.

## **5 Return of Application Monies**

Where application monies have been banked and/or received, if any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned without interest by returning your cheque, or by crossed cheque in your favour, by post at the risk of the person(s) entitled thereto, without interest within 14 days. In the meantime, application monies will be retained by the Receiving Agent in a separate account.

## **6 Warranties**

By completing an Application Form, you:

- 6.1 undertake and warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary;
- 6.2 warrant, if the laws of any territory or jurisdiction outside the UK are applicable to your application, that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action or omitted to take any action which will result in the Company or the Receiving Agent or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside of the UK in connection with the Offer for Subscription in respect of your application;
- 6.3 confirm that (save for advice received from your financial adviser (if any)) in making an application you are not relying on any information or representations in relation to the Company other than those contained in this document (on the basis of which alone your application is made) and accordingly you agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such other information or representation;
- 6.4 agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations contained therein;
- 6.5 acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, Stockdale, the Adviser or the Receiving Agent;
- 6.6 warrant that you are not under the age of 18 on the date of your application;
- 6.7 agree that all documents and monies sent by post to, by or on behalf of the Company or the Receiving Agent, will be sent at your risk and, in the case of documents and returned application cheques and payments to be sent to you, may be sent to you at your address (or, in the case of joint holders, the address of the first-named holder) as set out in your Application Form;
- 6.8 confirm that you have reviewed the restrictions contained in paragraph 8 below and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or complied with the provisions therein;
- 6.9 agree that, in respect of those Ordinary Shares for which your Application Form has been received and processed and not rejected, acceptance of your Application Form shall be constituted by the Company instructing the Registrar to enter your name on the Register;
- 6.10 agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription and any non-contractual obligations existing under or in connection therewith shall be governed by and construed in accordance with the laws of England and Wales and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;

- 6.11 irrevocably authorise the Company, Stockdale or the Receiving Agent or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed by or issued to you into your name and authorise any representatives of the Company and/or Stockdale and/or the Receiving Agent to execute any documents required therefor and to enter your name on the Register;
- 6.12 agree to provide the Company with any information which it, Stockdale or the Receiving Agent may request in connection with your application or to comply with any other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations;
- 6.13 warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, Stockdale, the Adviser or the Receiving Agent acting in breach of the regulatory or legal requirements of any territory in connection with the Offer for Subscription or your application;
- 6.14 agree that Stockdale and the Receiving Agent are acting for the Company in connection with the Offer for Subscription and for no-one else and that they will not treat you as their customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of the Ordinary Shares or concerning the suitability of the Ordinary Shares for you or be responsible to you for the protections afforded to their customers;
- 6.15 warrant that the information contained in the Application Form is true and accurate; and
- 6.16 agree that if you request that Ordinary Shares are issued to you on a date other than First Admission and such Ordinary Shares are not issued on such date that the Company and its agents and Directors will have no liability to you arising from the issue of such Ordinary Shares on a different date.

## **7 Money Laundering**

- 7.1 You agree that, in order to ensure compliance with the Money Laundering Regulations, the Receiving Agent may at its absolute discretion require verification of identity of you as the applicant lodging an Application Form and further may request from you and you will assist in providing identification of:
- 7.1.1 the owner(s) and/or controller(s) (the “**payor**”) of any bank account not in the name of the holder(s) on which is drawn a payment by way of banker’s draft or cheque; or
- 7.1.2 where it appears to the Receiving Agent that a holder or the payor is acting on behalf of some other person or persons, such person or persons.
- 7.2 Failure to provide the necessary evidence of identity may result in your application being rejected or delays in the despatch of documents or CREST account being credited.
- 7.3 Without prejudice to the generality of this paragraph 7, verification of the identity of holders and payors will be required if the value of the Ordinary Shares applied for, whether in one or more applications considered to be connected, exceeds €15,000 (approximately £13,000). If, in such circumstances, you use a building society cheque or banker’s draft you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the cheque or banker’s draft and adds its stamp. If, in such circumstances, the person whose account is being debited is not a holder you will be required to provide for both the holder and payor an original or copy of that person’s passport or driving licence certified by a solicitor and an original or certified copy of two of the following documents, no more than 3 months old, a gas, electricity, water or telephone (not mobile) bill, a recent bank statement or a council tax bill, in their name and showing their current address (which originals will be returned by post at the addressee’s risk) together with a signed declaration as to the relationship between the payor and you, the applicant.
- 7.4 For the purpose of the UK’s Money Laundering Regulations, a person making an application for Ordinary Shares will not be considered as forming a business relationship with either the Company or with the Receiving Agent but will be considered as effecting a one-off transaction with either the Company or with the Receiving Agent.
- 7.5 The person(s) submitting an application for Ordinary Shares will ordinarily be considered to be acting as principal in the transaction unless the Receiving Agent determines otherwise, whereupon you may be required to provide the necessary evidence of identity of the underlying beneficial owner(s).
- 7.6 If the amount being subscribed exceeds €15,000 (approximately £13,000) you should endeavour to have the declaration contained in Box 7 of the Application Form signed by an appropriate firm as described in that box.



## **8 Non United Kingdom investors**

- 8.1 If you receive a copy of the Prospectus or an Application Form in any territory other than the United Kingdom, you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to you or an Application Form could lawfully be used without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the UK and wish to make an application for Ordinary Shares under the Offer for Subscription, to satisfy yourself as to full observance of the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 8.2 None of the Ordinary Shares have been or will be registered under the laws of Canada, Japan, the Republic of South Africa, Australia or under the US Securities Act or with any securities regulatory authority of any state or other political subdivision of the United States, Canada, Japan, the Republic of South Africa or Australia. Accordingly, unless an exemption under such act or laws is applicable, the Ordinary Shares may not be offered, sold or delivered, directly or indirectly, within Canada, Japan, the Republic of South Africa, Australia or the United States (subject to limited exceptions) (as the case may be). If you subscribe for Ordinary Shares you will, unless the Company and the Registrar agree otherwise in writing, be deemed to represent and warrant to the Company that you are not a US Person or a resident of Canada, Japan, the Republic of South Africa, Australia or a corporation, partnership or other entity organised under the laws of the US or Canada (or any political subdivision of either) or Japan, the Republic of South Africa or Australia and that you are not subscribing for such Ordinary Shares for the account of any US Person or resident of Canada, Japan, the Republic of South Africa or Australia and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Ordinary Shares in or into the United States, Canada, Japan, or Australia or to any US Person or resident of Canada, Japan, the Republic of South Africa or Australia (subject to limited exceptions). No application will be accepted if it shows the applicant or a payor having an address in the United States, Canada, Japan, the Republic of South Africa or Australia (subject to limited exceptions).

## **9 The Data Protection Act**

Each applicant acknowledges and agrees that, pursuant to The Data Protection Act 1998 (the “**DP Act**”) the Company and/or the Registrar and/or the Administrator, may hold personal data (as defined in the DP Act) relating to past and present shareholders. Personal data may be retained on record for a period exceeding six years after it is no longer used. The Registrar and the Administrator will only process such information for the purposes set out below (collectively, the “**Purposes**”), being to:

- (a) process its personal data (including sensitive personal data as defined in the DP Act) to the extent and in such manner as is necessary for the performance of their obligations under their respective service contracts, including as required by or in connection with its holding of Ordinary Shares, including processing personal data in connection with credit and money laundering checks on it;
- (b) communicate with it as necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares;
- (c) provide personal data to such third parties as the Registrar and/or the Administrator may consider necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares or as the DP Act may require, including to third parties outside the European Economic Area;
- (d) without limitation, provide such personal data to their affiliates, the Company or the Adviser and their respective associates for processing, notwithstanding that any such party may be outside the European Economic Area; and
- (e) process its personal data for the Registrar’s and/or the Administrator’s internal administration.

By becoming registered as a holder of Ordinary Shares a person becomes a data subject (as defined in the DP Act) and is deemed to have consented to the processing by the Company, the Registrar or the Administrator of any personal data relating to them in the manner described above. In providing the Registrar and the Administrator with information, it hereby represents and warrants to the Registrar and the Administrator that it has obtained the consent of any data subject to the Registrar and the Administrator, and their respective affiliates and group companies, holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the Purposes set out above in this paragraph 9).

## **10 United States purchase and transfer restrictions**

- 10.1 By participating in the Offer for Subscription, each applicant acknowledges and agrees that it will be further deemed to represent and warrant to each of the Company, the Adviser, the Receiving Agent and the Registrar that:



- 10.1.1 it is not a US Person and it is acquiring the Ordinary Shares in an offshore transaction meeting the requirements of Regulation S and it is not acquiring the Ordinary Shares for the account or benefit of a US Person;
- 10.1.2 it acknowledges that the Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons absent registration or an exemption from registration under the US Securities Act;
- 10.1.3 it acknowledges that the Company has not registered under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not and will not be required to register under the Investment Company Act;
- 10.1.4 unless the Company expressly consents otherwise in writing, no portion of the assets used to purchase, and no portion of the assets used to hold, the Ordinary Shares or any beneficial interest therein constitutes or will constitute the assets of: (a) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (b) a “plan” as defined in Section 4975 of the US Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the US Code; or (c) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the US Code. In addition, if an applicant is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the US Code, its purchase, holding, and disposition of the Ordinary Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
- 10.1.5 if any Ordinary Shares offered and sold pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect, unless otherwise determined by the Company in accordance with applicable law:
- “GORE STREET ENERGY STORAGE FUND PLC (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US INVESTMENT COMPANY ACT OF 1940, AS AMENDED. IN ADDITION, THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.”;**
- 10.1.6 if in the future the applicant decides to offer, sell, transfer, assign or otherwise dispose of its Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act and under circumstances which will not require the Company to register under the US Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;
- 10.1.7 it is purchasing the Ordinary Shares for its own account for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares in any manner that would violate the US Securities Act, the Investment Company Act or any other applicable securities laws;
- 10.1.8 it acknowledges that the Company reserves the right to make inquiries of any holder of the Ordinary Shares or interests therein at any time as to such person’s status under US federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under US securities laws to transfer such Ordinary Shares or interests in accordance with the Articles;
- 10.1.9 it acknowledges and understands that the Company is required to comply with FATCA and agrees to furnish any information and documents the Company may from time to time request, including but not limited to information required under FATCA;
- 10.1.10 it is entitled to acquire the Ordinary Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, the Adviser, or their respective directors, officers,

agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Offer for Subscription or its acceptance of participation in the Offer for Subscription; and

- 10.1.11 it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Ordinary Shares to within the United States or to any US Persons, nor will it do any of the foregoing.
- 10.2 The Company, the Adviser, the Registrar and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.
- 10.3 If any of the representations, warranties, acknowledgments or agreements made by the applicant are no longer accurate or have not been complied with, the applicant will immediately notify the Company.

## **11 Miscellaneous**

- 11.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Ordinary Shares and the Offer for Subscription.
- 11.2 The rights and remedies of the Company, the Adviser and the Receiving Agent under these terms and conditions of application are in addition to any rights and remedies which would otherwise be available to any of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 11.3 The Company reserves the right to extend the closing time and/or date of the Offer for Subscription from 1.00 p.m. on 6 April 2018. In that event, the new closing time and/or date will be notified through a Regulatory Information Service.
- 11.4 The Company may terminate the Offer for Subscription in its absolute discretion at any time prior to First Admission. If such right is exercised, the Offer for Subscription will lapse and any monies will be returned as indicated without interest at the risk of the applicant.
- 11.5 You agree that Stockdale and the Receiving Agent are acting for the Company in connection with the Issue and no-one else and that none of Stockdale and the Receiving Agent will treat you as its customer by virtue of such application being accepted or owe you any duties concerning the price of the Ordinary Shares or concerning the suitability of the Ordinary Shares for you or otherwise in relation to the Offer for Subscription or for providing the protections afforded to their customers.
- 11.6 Save where the context requires otherwise, terms used in these terms and conditions of application bear the same meaning as where used elsewhere in this document.
- 11.7 If you have any questions please contact the Receiving Agent on 0370 707 1741 (from within the UK) or on +44 370 707 1741 (from outside the UK). The helpline is open between 8.30a.m. – 5.30p.m., Monday to Friday excluding public holidays in England and Wales. Please note that the Receiving Agent cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

## Part 11

### UK Taxation

#### 1 General

The following comments do not constitute tax advice and are intended only as a guide to current UK law and HMRC's published practice as at the date of this document (both of which are subject to change at any time, possibly with retrospective effect). They relate only to certain limited aspects of the UK tax treatment of Shareholders.

Except insofar as express reference is made to the treatment of non-UK residents, the comments are intended to apply only to Shareholders who for UK tax purposes are resident in and, in the case of individuals, domiciled in the UK and to whom "split year" treatment does not apply.

The comments apply only to Shareholders who are the absolute beneficial owners of their Ordinary Shares and/or C Shares and the dividends payable on them.

The comments apply only to Shareholders who hold their Ordinary Shares and/or C Shares as investments and may not apply to certain categories of Shareholder such as dealers in securities, insurance companies and collective investment schemes, Shareholders who are exempt from taxation (or who hold their Ordinary Shares and/or C Shares through an ISA) and Shareholders who have (or are deemed to have) acquired their Ordinary Shares and/or C Shares by virtue of any office or employment. Such persons may be subject to special rules.

**Prospective investors are strongly advised to consult their own professional advisers.**

#### 2 The Company

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions necessary for it to be approved by HMRC as an investment trust, and that such approval is sought and obtained from HMRC. However, neither the Adviser nor the Directors can guarantee that this approval will be granted or maintained. In respect of each accounting period for which the Company is and continues to be approved by HMRC as an investment trust the Company will be exempt from UK corporation tax on its chargeable gains. The Company will however (subject to what follows) be liable to UK corporation tax on its income in the normal way.

It is expected that the majority of the Company's income will be dividend income. In principle, the Company will be liable to UK corporation tax on its dividend income. However, there are broad-ranging exemptions from this charge which the Company expects to be applicable in respect of dividends it receives.

Approved investment trusts are able to elect to take advantage of modified UK tax treatment in respect of their "qualifying interest income" for an accounting period (referred to here as the "streaming" regime). Under such treatment, the Company may designate as an "interest distribution" all or part of the amount it distributes to Shareholders as dividends, to the extent that it has "qualifying interest income" for the accounting period. Were the Company to designate any dividend it pays in this manner, Shareholders would (broadly speaking) be taxed as if the dividend received were a payment of interest and the Company would be able to deduct such interest distributions from its income in calculating its taxable profit for the relevant accounting period. Given the nature of its investment portfolio, the Company does not expect to generate a significant amount of "qualifying interest income" and, accordingly, the Directors do not currently anticipate that the streaming regime would be used. The statements below regarding the taxation of dividends received by Shareholders from the Company assume that the streaming regime does not apply.

#### 3 Shareholders

##### Taxation of dividends

The Company is not required to withhold UK tax when paying a dividend on the Ordinary Shares and/or C Shares.

##### Individuals

In outline, UK resident individual shareholders will pay tax on dividends received over the annual dividend allowance at the following rates (for tax year 2017/18):

- 7.5 per cent. on dividend income within the basic rate band;
- 32.5 per cent. on dividend income within the higher rate band; and
- 38.1 per cent. on dividend income within the additional rate band.

## **Companies**

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally be subject to UK corporation tax on dividends paid by the Company on the Ordinary Shares and/or C Shares.

Other Shareholders within the charge to UK corporation tax will not be subject to corporation tax on dividends paid by the Company on the Ordinary Shares and/or C Shares so long as the dividends fall within an exempt class and certain conditions are met. Although it is likely that dividends paid by the Company on the Ordinary Shares and/or C Shares would qualify for exemption from corporation tax, it should be noted that the exemption is not comprehensive and is subject to anti-avoidance rules. Shareholders should therefore consult their own professional advisers where necessary.

## **Taxation of chargeable gains**

### *Disposals of Ordinary Shares and/or C Shares – general*

A disposal of Ordinary Shares and/or C Shares by a Shareholder who is resident in the UK for tax purposes may, depending on the Shareholder’s circumstances, and subject to any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.

For Shareholders within the charge to UK corporation tax, indexation allowance may reduce the amount of any chargeable gain arising on a disposal of Ordinary Shares and/or C Shares (but cannot give rise to or increase the amount of an allowable loss). The Autumn Budget announced on 22 November 2017 stated that the indexation allowance would be frozen at 31 December 2017, and therefore, although legislation has not yet been enacted, the expectation (as at the date of publication of this document) is that indexation will not be available on a disposal of such Shares.

Shareholders that are not resident in the UK for tax purposes (and not only temporarily non-resident) will not generally be subject to UK taxation of chargeable gains on a disposal of their Ordinary Shares and/or C Shares, provided that their Ordinary Shares and/or C Shares are not and have not been acquired, held or used in or for the purposes of any trade, profession or vocation carried on by the Shareholder in the UK through a branch, agency or permanent establishment. It should however be noted that, in certain circumstances, an individual Shareholder who is only temporarily non-UK resident may, on re-establishing UK tax residence, be subject to capital gains tax in respect of disposals which occurred in the period of temporary non-residence.

### *Conversion of C Shares*

A Conversion of C Shares into new Ordinary Shares should, for the purposes of UK taxation of chargeable gains, generally be treated as a reorganisation of the share capital of the Company with the new Ordinary Shares being treated as the same asset as the Shareholder’s original C Shares and as having been acquired at the same time as the C Shares are treated as having been acquired. To the extent that reorganisation treatment applies, the Conversion will not be treated as giving rise to a disposal of the Shareholder’s C Shares for the purposes of UK taxation of chargeable gains.

## **ISAs**

Ordinary Shares acquired pursuant to the Offer for Subscription, the Intermediaries Offer or in the secondary market (but not shares acquired directly under the First Placing or any Subsequent Placing) should be eligible for inclusion in an ISA, subject to applicable annual subscription limits.

**Individuals wishing to invest in Ordinary Shares through an ISA should contact their professional advisers regarding their eligibility.**

## **Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

The following comments in relation to UK stamp duty and SDRT apply to Shareholders wherever they are resident or domiciled. They are intended only as a general guide and (except to the extent stated) do not relate to persons such as market makers, brokers, dealers, intermediaries or persons connected with depositary arrangements or clearance services, to whom special rules may apply.

## **Placing Programme**

The issue of Ordinary Shares and/or C Shares pursuant to the First Issue and the Placing Programme (whether in certificated form outside the CREST system or credited in uncertificated form to an account in CREST) will not give rise to stamp duty or SDRT.

## **Subsequent transfers of Ordinary Shares and/or C Shares**

Stamp duty at the rate of 0.5 per cent. (rounded up, if necessary, to the nearest £5) of the amount or value of the consideration given will generally be payable in respect of an instrument transferring Ordinary Shares and/or C Shares. An exemption from stamp duty is available for instruments transferring shares where the amount or value or aggregate amount or value if it is part of a larger transaction or series of transactions, of

the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by it does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will also arise in respect of an unconditional agreement to transfer Ordinary Shares and/or C Shares (at the rate of 0.5 per cent. of the amount or value of the consideration for the shares). However, if an instrument of transfer is executed in pursuance of the agreement and duly stamped within six years of the date on which the agreement became unconditional, the SDRT charge will generally be cancelled and any SDRT which has already been paid can generally be reclaimed.

#### **Ordinary Shares and/or C Shares held through CREST**

Paperless transfers of Ordinary Shares and/or C Shares within CREST are generally subject to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. The SDRT on such transactions will generally be collected through the CREST system. Deposits of Ordinary Shares and/or C Shares into CREST will generally not be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration.

#### **Information reporting**

The UK has entered into international agreements with a number of jurisdictions which provide for the exchange of information in order to combat tax evasion and improve tax compliance. These include, but are not limited to, an Inter-governmental Agreement with the US in relation to FATCA and International Tax Compliance Agreements with Guernsey, Jersey, the Isle of Man and Gibraltar. The UK has also introduced legislation implementing other international exchange of information arrangements, including the Common Reporting Standard developed by the Organisation for Economic Co-operation and Development and the EU Directive on Administrative Cooperation in Tax Matters. In connection with such agreements and arrangements the Company may, among other things, be required to collect and report to HMRC certain information regarding Shareholders and other account holders of the Company and HMRC may pass this information on to the authorities in other jurisdictions.

## Part 12

### Additional Information

#### 1 The Company, the AIFM and the Adviser

- 1.1 The Company was incorporated in England and Wales on 19 January 2018 with registered number 11160422 as a public company limited by shares under the Act. The Company is registered as an investment company under section 833 of the Act. The Company has an indefinite life. The Company is domiciled in England and Wales and currently has no employees.
- 1.2 The principal place of business and registered office of the Company is 7<sup>th</sup> Floor, 9 Berkeley Street, Mayfair, London W1J 8DW and its telephone number is +44 20 7409 0181.
- 1.3 The principal legislation under which the Company operates is the Act. The Company will not be regulated as a collective investment scheme by the FCA. However, from First Admission, the Ordinary Shares will be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. The Company will be subject to the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation and to the rules of the London Stock Exchange.
- 1.4 The Subsidiary is a wholly owned subsidiary of the Company. The Subsidiary was incorporated in England and Wales on 22 January 2018 with registered number 11161391 as a private company limited by shares under the Act. Conditional on First Admission, NK Energy Storage Solutions Ltd will become a wholly owned subsidiary of the Subsidiary.
- 1.5 The Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. In summary, the key conditions that must be met for approval by HMRC for any given accounting period as an investment trust are that:
  - (i) all or substantially all of the business of the Company is investing its funds in shares, land or other assets with the aim of spreading investment risk and giving members the benefit of the results of the management of its funds;
  - (ii) the Company is not a close company at any time during the accounting period for which approval is sought;
  - (iii) the Company is resident in the UK throughout that accounting period;
  - (iv) the Company's ordinary share capital is admitted to trading on a regulated market throughout the accounting period; and
  - (v) the Company must not retain in respect of the accounting period an amount greater than the higher of: (a) 15 per cent. of its income for the period; and (b) the amount of any income which the Company is required to retain in respect of the period by virtue of a restriction imposed by law. However, where the Company has relevant accumulated losses brought forward from previous accounting periods of an amount equal to or greater than the higher of the amounts mentioned in (a) and (b) above, it may retain an amount equal to the amount of such losses.
- 1.6 The AIFM, Mirabella Financial Services LLP, is registered as a limited liability partnership in England and Wales (registered number OC309035) and is authorised and regulated by the FCA (firm reference number 415559). The principal place of business of the AIFM is Cordium, Norfolk House, 31 St James's Square, London SW1Y 4JJ. The AIFM's telephone number is +44 (0) 207 408 2448. The AIFM is regulated in the conduct of investment business by the FCA. The AIFM is, for the purposes of the AIFMD and the rules of the FCA, a "full scope" UK alternative investment fund manager with a Part 4A permission for managing AIFs such as the Company.
- 1.7 The Adviser is a private limited company registered in England and Wales with number 09707413. The address of the registered office of the Adviser is Michelin House, 81 Fulham Road, London SW3 6RD and its telephone number is +44 20 3826 0290.

#### 2 Share Capital

- 2.1 As at the date of this document, the issued share capital of the Company is £0.01 represented by one Ordinary Share held by the subscriber to the Company's memorandum of association..



2.2 Set out below is the issued share capital of the Company as at the date of this document:

	<b>Nominal Value (£)</b>	<b>Number</b>
Redeemable Preference Shares	50,000	50,000
Ordinary Shares	0.01	1

The Ordinary Share is fully paid up. To enable the Company to obtain a certificate of entitlement to conduct business and to borrow under Section 761 of the Act, on 1 February 2018, 50,000 Redeemable Preference Shares were allotted to the Adviser. The Redeemable Preference Shares are paid up as to one quarter of their nominal value and will be redeemed immediately following First Admission out of the proceeds of the First Issue.

2.3 Set out below is the issued share capital of the Company as it will be immediately following the First Issue (assuming that the First Issue is subscribed as to £100 million):

	<b>Nominal Value (£)</b>	<b>Number</b>
Ordinary Shares	1,000,000	100,000,000
Redeemable Preference Shares	—	—

All Ordinary Shares will be fully paid.

2.4 By special resolutions passed on 1 February 2018:

- (A) the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot Ordinary Shares up to an aggregate nominal amount of £1,500,000 in connection with the First Issue, such authority to expire immediately following First Admission, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired;
- (B) the Directors were generally empowered (pursuant to section 570 of the Act) to allot Ordinary Shares for cash pursuant to the authority referred to in paragraph 2.4(A) above as if section 561 of the Act did not apply to any such allotment, such power to expire immediately following First Admission, save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power had not expired;
- (C) the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot up to 100 million Ordinary Shares and/or C Shares in aggregate following First Admission, such authority to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired;
- (D) the Directors were empowered (pursuant to sections 570 and 573 of the Act) to allot Ordinary Shares and C Shares and to sell Ordinary Shares from treasury for cash pursuant to the authority referred to in paragraph 2.4(C) above as if section 561 of the Act did not apply to any such allotment or sale, such power to expire at the conclusion of the first annual general meeting of the Company, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold from treasury after the expiry of such power, and the Directors may allot or sell from treasury equity securities in pursuance of such an offer or an agreement as if such power had not expired;
- (E) the Company was authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares, provided that the maximum number of Ordinary Shares authorised to be purchased is 14.99 per cent. of the issued Ordinary Shares immediately following First Admission. The minimum price which may be paid for an Ordinary Share is £0.01. The maximum price which may be paid for an Ordinary Share shall be the higher of: (a) 5 per cent. above the average of the mid-market values of the Ordinary Shares for the five Business Days before the purchase is made; and (b) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time. Such authority will expire on the earlier of the conclusion of the first annual general meeting of the Company and the date which is 18 months after the date on which the resolution

was passed save that the Company may contract to purchase its Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority and may purchase its Ordinary Shares in pursuance of such contract; and

- (F) the Company resolved that, conditional upon First Admission and subject to the confirmation of the Court, the amount standing to the credit of the share premium account of the Company immediately following completion of the First Issue be cancelled, and the amount of the share premium account so cancelled be credited to a reserve.
- 2.5 In accordance with the authority referred to in paragraph 2.4(A) above, it is expected that the Ordinary Shares in respect of the First Issue will be allotted pursuant to a resolution of the Board to be passed shortly before, and conditional upon, First Admission.
- 2.6 The provisions of section 561 of the Act (which, to the extent not disapplied pursuant to section 570 or section 573 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment or sale of equity securities for cash) shall apply to any unissued share capital of the Company, except to the extent disapplied by the resolutions referred to in paragraphs 2.4(B) and 2.4(D) above.
- 2.7 Save as disclosed in this paragraph 2, since the date of its incorporation: (i) there has been no alteration in the share capital of the Company; (ii) save in respect of the First Issue no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued for cash or any other consideration; and (iii) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital and no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.
- 2.8 The Shares, expected to be issued on 12 April 2018 in the case of the First Issue and in the period from 13 April 2018 to 8 March 2019 in the case of the Placing Programme, will be in registered form. Temporary documents of title will not be issued.

### **3 Articles of Association**

A summary of the main provisions of the Articles is set out below.

#### **3.1 Objects**

The Articles do not provide for any objects of the Company and accordingly the Company's objects are unrestricted.

#### **3.2 Variation of rights**

Subject to the provisions of the Act as amended and every other statute for the time being in force concerning companies and affecting the Company (the "**Statutes**"), if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class (but not otherwise) and may be so varied either whilst the Company is a going concern or during or in contemplation of a winding-up. At every such separate general meeting the necessary quorum shall be at least two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question (but at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum), any holder of shares of the class present in person or by proxy may demand a poll and every such holder shall on a poll have one vote for every share of the class held by him. Where the rights of some only of the shares of any class are to be varied, the foregoing provisions apply as if each group of shares of the class differently treated formed a separate class whose rights are to be varied.

#### **3.3 Alteration of share capital**

The Company may by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;
- (ii) sub-divide its shares, or any of them, into shares of smaller nominal value than its existing shares; and
- (iii) determine that, as between the shares resulting from such a sub-division, one or more shares may, as compared with the others, have any such preferred, deferred or other rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares.

#### **3.4 Issue of shares**

Subject to the provisions of the Act and without prejudice to any rights attaching to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine (or if the Company has not so determined, as the Directors may determine).

### 3.5 **Dividends**

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the shareholders but no dividends shall exceed the amount recommended by the Directors. Subject to the provisions of the Act, the Directors may pay interim dividends, or dividends payable at a fixed rate, if it appears to them that they are justified by the profits of the Company available for distribution. If the Directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

Subject to the rights of persons (if any) entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for dividend accordingly. In any other case, dividends shall be apportioned and paid proportionately to the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid.

### 3.6 **Voting rights**

Subject to any rights or restrictions attached to any shares, on a show of hands every shareholder present in person has one vote, every proxy present who has been duly appointed by a shareholder entitled to vote has one vote and every corporate representative present who has been duly authorised by a corporation has the same voting rights as the corporation would be entitled to. On a poll every shareholder (whether present in person or by proxy or by corporate representative) has one vote for every share of which he is the holder. A shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way. In the case of joint holders, the vote of the senior who tenders a vote shall be accepted to the exclusion of the vote of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register.

No shareholder shall have any right to vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid.

Where a shareholder vote is required to be taken in accordance with the Listing Rules, that vote must be decided by a resolution of the holders of the shares that have been admitted to the premium listing. Where the provisions of the Listing Rules require that any resolution must, in addition, be approved by the independent shareholders (as defined in the Listing Rules), only independent shareholders who hold shares that have a premium listing shall be entitled to vote on the relevant resolution.

### 3.7 **Transfer of shares**

A share in certificated form may be transferred by an instrument of transfer, which may be in any usual form or in any other form approved by the Directors, executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee. A share in uncertificated form may be transferred by means of the relevant electronic system concerned.

In their absolute discretion, the Directors may refuse to register the transfer of a share in certificated form which is not fully paid provided that if the share is listed on the Official List such refusal does not prevent dealings in the shares from taking place on an open and proper basis. The Directors may also refuse to register a transfer of a share in certificated form unless the instrument of transfer:

- (i) is lodged, duly stamped, at the registered office of the Company or such other place as the Directors may appoint and is accompanied by the certificate for the share to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (ii) is in respect of only one class of share; and
- (iii) is not in favour of more than four transferees.

The Directors may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse to register the transfer under the CREST Regulations provided that such refusal does not prevent dealings in the shares from taking place on an open and proper basis.

If the Directors refuse to register a transfer of a share, they shall within two months after the date on which the transfer was lodged with the Company or, in the case of an uncertificated share, the date on which the appropriate instruction was received by or on behalf of the Company in accordance with the CREST Regulations send to the transferee notice of refusal.

No fee shall be charged for the registration of any instrument of transfer or other document or instruction relating to or affecting the title to any share.

If at any time the holding or beneficial ownership of any shares in the Company by any person (whether on its own or taken with other shares), in the opinion of the Directors: (i) would cause the assets of the Company to be treated as “plan assets” of any Benefit Plan Investor; (ii) would or might result in the Company and/or its shares and/or any of its appointed investment managers or investment advisers being required to be registered or qualified under the US Investment Company Act and/or the US Investment Advisers Act of 1940 and/or the US Securities Act of 1933 and/or the US Exchange Act of 1934 and/or any similar legislation (in any jurisdiction) that regulates the offering and sale of securities; (iii) may cause the Company not to be considered a “Foreign Private Issuer” under the US Exchange Act of 1934; (iv) may cause the Company to be a “controlled foreign corporation” for the purpose of the US Code; or (v) may cause the Company to become subject to any withholding tax or reporting obligation under FATCA or any similar legislation in any territory or jurisdiction, or to be unable to avoid or reduce any such tax or to be unable to comply with any such reporting obligation (including by reason of the failure of the shareholder concerned to provide promptly to the Company such information and documentation as the Company may have requested to enable the Company to avoid or minimise such withholding tax or to comply with such reporting obligation), then the Directors may declare the Shareholder in question a “Non-Qualified Holder” and the Directors may require that any shares held by such Shareholder (“**Prohibited Shares**”) shall (unless the Shareholder concerned satisfies the Directors that he is not a Non-Qualified Holder) be transferred to another person who is not a Non-Qualified Holder, failing which the Company may itself dispose of such Prohibited Shares at the best price reasonably obtainable and pay the net proceeds to the former holder.

### 3.8 ***Distribution of assets on a winding-up***

If the Company is wound up, with the sanction of a special resolution and any other sanction required by law and subject to the Act, the liquidator may divide among the shareholders in specie the whole or any part of the assets of the Company and for that purpose may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders. With the like sanction, the liquidator may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the shareholders as he may with the like sanction determine, but no shareholder shall be compelled to accept any shares or other securities upon which there is a liability.

### 3.9 ***Restrictions on rights: failure to respond to a Section 793 notice***

If a shareholder, or any other person appearing to be interested in shares held by that shareholder, fails to provide the information requested in a notice given to him under section 793 of the Act by the Company in relation his interest in shares (the “**default shares**”) within 28 days of the notice (or, where the default shares represent at least 0.25 per cent. of their class, 14 days of the notice), sanctions shall apply unless the Directors determine otherwise. The sanctions available are the suspension of the right to attend or vote (whether in person or by representative or proxy) at any general meeting or any separate meeting of the holders of any class or on any poll and, where the default shares represent at least 0.25 per cent. of their class (excluding treasury shares), the withholding of any dividend payable in respect of those shares and the restriction of the transfer of those shares (subject to certain exceptions).

### 3.10 ***Untraced shareholders***

Subject to various notice requirements, the Company may sell any of a shareholder’s shares if, during a period of 12 years, at least three dividends (either interim or final) on such shares have become payable and no cheque for amounts payable in respect of such shares has been presented and no warrant or other method of payment has been effected and no communication has been received by the Company from the shareholder or person concerned.

### 3.11 ***Appointment of Directors***

Unless the Company determines otherwise by ordinary resolution, the number of Directors (other than alternate Directors) shall not be subject to any maximum but shall not be less than two.

Subject to the Articles, the Company may by ordinary resolution appoint a person who is willing to act as, and is permitted by law to do so, to be a Director either to fill a vacancy or as an additional Director. The Directors may appoint a person who is willing to act, and is permitted by law to do so, to be a Director, either to fill a vacancy or as an additional Director. A person appointed as a Director by the other Directors is required to retire at the Company’s next annual general meeting and shall then be eligible for reappointment.

### 3.12 ***Powers of Directors***

The business of the Company shall be managed by the Directors who, subject to the provisions of the Articles and to any directions given by special resolution to take, or refrain from taking, specified action, may exercise all the powers of the Company.

Any Director may appoint any other Director, or any other person approved by resolution of the Directors and willing to act and permitted by law to do so, to be an alternate Director.

3.13 ***Borrowings***

The Board on behalf of the Company may exercise all the powers of the Company to borrow money, to indemnify, to guarantee and to mortgage or charge its undertaking property and uncalled capital and (subject to the provisions of the Statutes regarding authority to allot debentures convertible into shares) to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.14 ***Voting at board meetings***

No business shall be transacted at any meeting of the Directors unless a quorum is present and the quorum may be fixed by the Directors; unless so fixed at any other number the quorum shall be two. A Director shall not be counted in the quorum present in relation to a matter or resolution on which he is not entitled to vote but shall be counted in the quorum present in relation to all other matters or resolutions considered or voted on at the meeting. An alternate Director who is not himself a Director shall, if his appointor is not present, be counted in the quorum.

Questions arising at a meeting of the Directors shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

3.15 ***Restrictions on voting***

Subject to any other provision of the Articles, a Director shall not vote at a meeting of the Directors on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company) unless his interest arises only because the case falls within certain limited categories specified in the Articles.

3.16 ***Directors' interests***

Subject to the provisions of the Act and provided that the Director has disclosed to the other Directors the nature and extent of any material interest of his, a Director, notwithstanding his office, may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is interested.

3.17 ***Indemnity***

Subject to the provisions of the Act, the Company may indemnify any person who is a Director, secretary or other officer (other than an auditor) of the Company, against (a) any liability whether in connection with any negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated company or (b) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers and/or otherwise in relation to or in connection with his duties, powers or office; and purchase and maintain insurance for any person who is a Director, secretary, or other officer (other than an auditor) of the Company in relation to anything done or omitted to be done or alleged to have been done or omitted to be done as Director, secretary or officer.

3.18 ***General meetings***

In the case of the annual general meeting, twenty-one clear days' notice at the least shall be given to all the members and to the auditors. All other general meetings shall also be convened by not less than twenty-one clear days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen clear days has been passed in which case a general meeting may be convened by not less than fourteen clear days' notice in writing.

No business shall be transacted at any meeting unless a quorum is present. Two persons entitled to vote upon the business to be transacted, each being a shareholder or a proxy for a shareholder or a duly authorised representative of a corporation which is a shareholder (including for this purpose two persons who are proxies or corporate representatives of the same shareholder), shall be a quorum.

A shareholder is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at a meeting of the Company. A shareholder may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. Subject to the provisions of the Act, any corporation (other than the Company itself) which is a shareholder may, by resolution of its directors or other governing body, authorise such person(s) to act as its representative(s) at any meeting of the Company, or at any separate meeting of the holders of any class of shares.

Delivery of an appointment of proxy shall not preclude a shareholder from attending and voting at the meeting or at any adjournment of it.



Directors may attend and speak at general meetings and at any separate meeting of the holders of any class of shares, whether or not they are shareholders.

A poll on a resolution may be demanded at a general meeting either before a vote on a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared. A poll may be demanded by the Chairman or by: (a) not less than five members having the right to vote at the meeting; or (b) a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (c) a member or members holding shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

### 3.19 **C Shares and Deferred Shares**

The rights and restrictions attaching to the C Shares and the Deferred Shares arising on their conversion are summarised below.

(l) The following definitions apply for the purposes of this paragraph 3.19 only:

“**Calculation Date**” means the earliest of the:

- (i) close of business on the date to be determined by the Directors occurring not more than 10 Business Days after the day on which the Adviser shall have given notice to the Directors that at least 90 per cent. of the Net Proceeds (or such other percentage as the Directors and the Adviser may agree) shall have been invested; or
- (ii) close of business on the date falling 12 calendar months after the allotment of the C Shares or if such a date is not a Business Day the next following Business Day; or
- (iii) close of business on the day on which the Directors resolve that Force Majeure Circumstances have arisen or are imminent;

“**Conversion**” means conversion of the C Shares into Ordinary Shares and Deferred Shares in accordance with paragraph VIII below;

“**Conversion Date**” means the close of business on such Business Day as may be selected by the Directors falling not more than 10 Business Days after the Calculation Date;

“**Conversion Ratio**” is the ratio of the net asset value per C Share to the net asset value per Ordinary Share, which is calculated as:

$$\text{Conversion Ratio} = \frac{A}{B}$$

$$A = \frac{C - D}{E}$$

$$B = \frac{F - C - I - G + D + J}{H}$$

Where:

**C** is the aggregate of:

- (a) the value of the investments of the Company attributable to the C Shares of the relevant class, calculated by reference to the Directors’ belief as to an appropriate current value for those investments on the Calculation Date in accordance with any valuation policy adopted by the Company from time to time; and
- (b) the amount which, in the Directors’ opinion, fairly reflects, on the Calculation Date, the value of the current assets of the Company attributable to the relevant class of C Shares (excluding the investments valued under (i) above but including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature), calculated in accordance with any valuation policy adopted by the Company from time to time;

**D** is the amount (to the extent not otherwise deducted from the assets attributable to the relevant class of C Shares) which, in the Directors’ opinion, fairly reflects the amount of the liabilities of the Company attributable to the relevant class of C Shares on the Calculation Date (including the amounts of any declared but unpaid dividends in respect of such Shares);

**E** is the number of C Shares of the relevant class in issue on the Calculation Date;

**F** is the aggregate of:



- (a) the value of all the investments of the Company, calculated by reference to the Directors' belief as to an appropriate current value for those investments on the Calculation Date in accordance with any valuation policy adopted by the Company from time to time; and
- (b) the amount which, in the Directors' opinion, fairly reflects, on the Calculation Date, the value of the current assets of the Company (excluding the investments valued under (a) above but including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature), calculated in accordance with any valuation policy adopted by the Company from time to time;

**G** is the amount (to the extent not otherwise deducted in the calculation of F) which, in the Directors' opinion, fairly reflects the amount of the liabilities of the Company on the Calculation Date (including the amounts of any declared but unpaid dividends); and

**H** is the number of Ordinary Shares in issue on the Calculation Date (excluding any Ordinary Shares held in treasury);

**I** is the aggregate of:

- (a) the value of the investments of the Company attributable to all other class(es) of C Shares in issue other than the class of C Shares as referred to in C above (the "**Other Class(es) of C Shares**"), calculated by reference to the Directors' belief as to an appropriate current value for those investments on the Calculation Date in accordance with any valuation policy adopted by the Company from time to time; and
- (b) the amount which, the Directors' opinion, fairly reflect, on the Calculation Date, the value of the current assets of the Company attributable to the Other Class(es) of C Shares (excluding the investments valued under (a) above but including cash and deposits with or balances at a bank and including any accrued income less accrued expenses and other items of a revenue nature), calculated in accordance with any valuation policy adopted by the Company from time to time; and

**J** is the amount (to the extent not otherwise deducted from the assets attributable to the Other Class(es) of C Shares) which, in the Directors' opinion, fairly reflects the amount of the liabilities of the Company attributable to the Other Class(es) of C Shares on the Calculation Date;

provided that the Directors shall make such adjustments to the value or amount of A and B as the Auditors shall report to be appropriate having regard among other things, to the assets of the Company immediately prior to the date on which the Company first receives the Net Proceeds relating to the relevant class of C Shares and/or to the reasons for the issue of the relevant class of C Shares;

"**Deferred Shares**" means deferred shares of £0.01 each in the capital of the Company arising on Conversion;

"**Existing Ordinary Shares**" means the Ordinary Shares in issue immediately prior to Conversion;

"**Force Majeure Circumstances**" means (i) any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable; (ii) the issue of any proceedings challenging, or seeking to challenge, the power of the Company and/or its Directors to issue the C Shares with the rights proposed to be attached to them and/or to the persons to whom they are, and/or the terms upon which they are proposed to be issued; or (iii) the giving of notice of any general meeting of the Company at which a resolution is to be proposed to wind up the Company, whichever shall happen earliest; and

"**Net Proceeds**" means the net cash proceeds of the issue of the C Shares (after deduction of those commissions and expenses relating thereto and payable by the Company).

References to the Auditors confirming any matter should be construed to mean confirmation of their opinion as to such matter whether qualified or not.

References to ordinary shareholders, C Shareholders and deferred shareholders should be construed as references to holders for the time being of Ordinary Shares, C Shares and Deferred Shares respectively.

- (II) The holders of the Ordinary Shares, the Redeemable Preference Shares, the C Shares and the Deferred Shares shall, subject to the provisions of the Articles, have the following rights to be paid dividends:
  - (a) the Deferred Shares (to the extent that any are in issue and extant) shall entitle the holders thereof to a cumulative annual dividend at a fixed rate of one per cent. of the nominal amount thereof, the first such dividend (adjusted *pro rata* temporis) (the "**Deferred Dividend**") being payable on the date six months after the Conversion Date on which such

Deferred Shares were created in accordance with paragraph VIII (the “**Relevant Conversion Date**”) and on each anniversary of such date payable to the holders thereof on the register of members on that date as holders of Deferred Shares but shall confer no other right, save as provided herein, on the holders thereof to share in the profits of the Company. The Deferred Dividend shall not accrue or become payable in any way until the date six months after the Conversion Date and shall then only be payable to those holders of Deferred Shares registered in the register of members of the Company as holders of Deferred Shares on that date. It should be noted that given the proposed repurchase of the Deferred Shares as described below, it is not expected that any dividends will accrue or be paid on such shares;

- (b) the C Shareholders shall be entitled to receive in that capacity such dividends as the Directors may resolve to pay out of net assets attributable to the C Shares and from income received and accrued which is attributable to the C Shares;
  - (c) a holder of Redeemable Preference Shares shall be entitled (in priority to any payment of dividend on any other class of share) to a fixed cumulative preferential dividend of 0.01 per cent. per annum on the nominal amount of the Redeemable Preference Shares held by him, such dividend to accrue annually and to be payable in respect of each accounting reference period of the Company within 21 days of the end of such period;
  - (d) the Existing Ordinary Shares shall confer the right to dividends declared in accordance with the Articles;
  - (e) the Ordinary Shares into which C Shares shall convert shall rank *pari passu* with the Existing Ordinary Shares for dividends and other distributions made or declared by reference to a record date falling after the Calculation Date; and
  - (f) no dividend or other distribution shall be made or paid by the Company on any of its shares (other than any Deferred Shares for the time being in issue) between the Calculation Date and the Conversion Date relating to such C Shares (both dates inclusive) and no such dividend shall be declared with a record date falling between the Calculation Date and the Conversion Date (both dates inclusive).
- (III) The holders of the Ordinary Shares, the Redeemable Preference Shares, the C Shares and the Deferred Shares shall, subject to the provisions of the Articles, have the following rights as to capital:
- (a) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) at a time when any C Shares are for the time being in issue and prior to the Conversion Date relating to such C Shares, be applied (after having deducted therefrom an amount equivalent to (C-D) in respect of each class of C Shares in issue using the methods of calculation of C and D given in the definition of Conversion Ratio set out above save that the “Calculation Date” shall be such date as the liquidator may determine, which amount attributable to each class shall be applied amongst the C Shareholders of such class *pro rata* according to the nominal capital paid up on their holdings of C Shares), first, amongst the Redeemable Preference Shareholders *pro rata* according to the nominal capital paid up on their holdings of Redeemable Preference Shares and, second, amongst the existing Ordinary Shareholders *pro rata* according to the nominal capital paid up on their holdings of Existing Ordinary Shares provided however that the holders of the Redeemable Preference Shares shall only receive an amount up to the capital paid up on such Redeemable Preference Shares and the Redeemable Preference Shares shall not confer the right to participate in any surplus remaining following payment of such amount; and
  - (b) the surplus capital and assets of the Company shall on a winding-up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) at a time when no C Shares are for the time being in issue be applied as follows:
    - (i) first, if there are Deferred Shares in issue, in paying to the deferred shareholders £0.01 in aggregate in respect of every 1,000,000 Deferred Shares (or part thereof) of which they are respectively the holders; and
    - (ii) secondly, the surplus shall be divided, first, amongst the holders of Redeemable Preference Shares *pro rata* according to the nominal capital paid up on their holdings of Redeemable Preference Shares and, second, amongst the Ordinary Shareholders *pro rata* according to the nominal capital paid up on their holdings of Ordinary Shares provided however that the holders of the Redeemable Preference Shares shall only receive an amount up to the capital paid up on such Redeemable Preference Shares and the Redeemable Preference Shares shall not confer the right to participate in any surplus remaining following payment of such amount.

- (IV) As regards voting:
- (a) the C Shares shall carry the right to receive notice of and to attend and vote at any general meeting of the Company. The voting rights of holders of C Shares will be the same as that applying to holders of Existing Ordinary Shares as set out in the Articles as if the C Shares and Existing Ordinary Shares were a single class; and
  - (b) the Deferred Shares and the Redeemable Preference Shares shall not carry any right to receive notice of nor to attend or vote at any general meeting of the Company.
- (V) The following shall apply to the Deferred Shares:
- (a) the C Shares shall be issued on such terms that the Deferred Shares arising upon Conversion (but not the Ordinary Shares arising on Conversion) may be repurchased by the Company in accordance with the terms set out herein;
  - (b) immediately upon Conversion, the Company shall repurchase all of the Deferred Shares which arise as a result of Conversion for an aggregate consideration of £0.01 for every 1,000,000 Deferred Shares and the notice referred to in paragraph (VIII) (b) below shall be deemed to constitute notice to each C Shareholder (and any person or persons having rights to acquire or acquiring C Shares on or after the Calculation Date) that the Deferred Shares shall be repurchased immediately upon Conversion for an aggregate consideration of £0.01 for each holding of 1,000,000 Deferred Shares. On repurchase, each Deferred Share shall be treated as cancelled in accordance with section 706 of the Act without further resolution or consent; and
  - (c) the Company shall not be obliged to: (i) issue share certificates to the deferred shareholders in respect of the Deferred Shares; or (ii) account to any deferred shareholder for the repurchase moneys in respect of such Deferred Shares.
- (VI) Without prejudice to the generality of the Articles, for so long as any C Shares are for the time being in issue it shall be a special right attaching to the Existing Ordinary Shares as a class and to the C Shares as a separate class that without the sanction or consent of such holders given in accordance with the Company's Articles:
- (a) no allotment or issue will be made of any security convertible into or carrying a right to subscribe for any share capital of the Company other than the allotment or issue of further C Shares; and
  - (b) no resolution of the Company shall be passed to wind-up the Company.
- For the avoidance of doubt but subject to the rights or privileges attached to any other class of shares, the previous sanction of a special resolution of the holders of Existing Ordinary Shares and C Shares, as described above, shall not be required in respect of:
- (i) the issue of further Ordinary Shares ranking *pari passu* in all respects with the Existing Ordinary Shares (otherwise than in respect of any dividend or other distribution declared, paid or made on the Existing Ordinary Shares by the issue of such further Ordinary Shares); or
  - (ii) the sale of any shares held as treasury shares (as such term is defined in section 724 of the Act) in accordance with sections 727 and 731 of the Act or the purchase or redemption of any shares by the Company (whether or not such shares are to be held in treasury).
- (VII) For so long as any C Shares are for the time being in issue, until Conversion of such C Shares and without prejudice to its obligations under applicable laws the Company shall:
- (a) procure that the Company's records, and bank and custody accounts shall be operated so that the assets attributable to the C Shares can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall, without prejudice to any obligations pursuant to applicable laws, procure that separate cash accounts, broker settlement accounts and investment ledger accounts shall be created and maintained in the books of the Company for the assets attributable to the C Shares;
  - (b) allocate to the assets attributable to the C Shares such proportion of the income, expenses and liabilities of the Company incurred or accrued between the date on which the Company first receives the Net Proceeds and the Calculation Date relating to such C Shares (both dates inclusive) as the Directors consider to be attributable to the C Shares; and
  - (c) give or procure the giving of appropriate instructions to the Adviser to manage the Company's assets so that such undertakings can be complied with by the Company.
- (VIII) The C Shares for the time being in issue shall be sub-divided and converted into Ordinary Shares and Deferred Shares on the Conversion Date in accordance with the following provisions of this paragraph VIII:

- (a) the Directors shall procure that as soon as reasonably practicable and in any event within one month of the Calculation Date:
  - (i) the Conversion Ratio as at the Calculation Date and the numbers of Ordinary Shares and Deferred Shares to which each C Shareholder shall be entitled on Conversion shall be calculated; and
  - (ii) the Auditors shall be requested to confirm that such calculations as have been made by the Company have, in their opinion, been performed in accordance with the Articles and are arithmetically accurate whereupon such calculations shall become final and binding on the Company and all holders of the Company's shares and any other securities issued by the Company which are convertible into the Company's shares, subject to the proviso immediately after the definition of H in paragraph I above.
- (b) The Directors shall procure that, as soon as practicable following such confirmation and in any event within one month of the Calculation Date, a notice is sent to each C Shareholder advising such C Shareholder of the Conversion Date, the Conversion Ratio and the numbers of Ordinary Shares and Deferred Shares to which such C Shareholder will be entitled on Conversion.
- (c) On conversion each C Share shall automatically subdivide into 10 conversion shares of £0.01 each and such conversion shares of £0.01 each shall automatically convert into such number of Ordinary Shares and Deferred Shares as shall be necessary to ensure that, upon such Conversion being completed:
  - (i) the aggregate number of Ordinary Shares into which the same number of conversion shares of £0.01 each are converted equals the number of C Shares in issue on the Calculation Date multiplied by the Conversion Ratio (rounded down to the nearest whole Ordinary Share); and
  - (ii) each conversion share of £0.01 which does not so convert into an Ordinary Share shall convert into one Deferred Share.
- (d) The Ordinary Shares and Deferred Shares arising upon Conversion shall be divided amongst the former C Shareholders *pro rata* according to their respective former holdings of C Shares (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to Ordinary Shares and Deferred Shares arising upon Conversion including, without prejudice to the generality of the foregoing, selling any Ordinary Shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company).
- (e) Forthwith upon Conversion, the share certificates relating to the C Shares shall be cancelled and the Company shall issue to each former C Shareholder new certificates in respect of the Ordinary Shares which have arisen upon Conversion to which he or she is entitled. Share certificates in respect of the Deferred Shares will not be issued.
- (f) The Directors may make such adjustments to the terms and timing of Conversion as they in their discretion consider are fair and reasonable having regard to the interests of all Shareholders.

### 3.20 **Life of the Company**

The Articles contain a provision requiring the Directors to propose an ordinary resolution that the Company continue in existence as an investment company at the annual general meeting of the Company to be held in 2023 and, if passed, every five years thereafter. Upon such resolution not being passed, proposals will be put forward by the Directors within three months after the date of the resolution to the effect that the Company be wound up, liquidated, reconstructed or unitised.

## 4 **City Code on Takeovers and Mergers**

### 4.1 **Mandatory bid**

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if:

- (i) a person acquires an interest in shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interests in the shares by the acquirer or its concert parties during the previous 12 months.

#### 4.2 **Compulsory Acquisition**

Under sections 974 to 991 of the Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to holders of outstanding shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the holders of outstanding shares. The consideration offered to the holders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of outstanding shares notice of his right to be bought out within one month of that right arising. Such sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of outstanding shares notifying them of their sell-out rights. If a holder of shares exercises their rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 5 **Interests of Directors, major Shareholders and related party transactions**

- 5.1 The Directors intend to subscribe for Ordinary Shares pursuant to the First Issue in the amount set out below:

Name	Number of Ordinary Shares	Percentage of issued Ordinary Share capital*
Patrick Cox	50,000	0.050
Caroline Banzsky	15,000	0.015
Malcolm King	25,000	0.025
Thomas Murley	25,000	0.025

\*Assuming that the First Issue is subscribed as to 100 million Ordinary Shares

Save as disclosed in this paragraph, immediately following First Admission, no Director will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company.

- 5.2 Other than is set out below, the Company is not aware of any person who, immediately following First Admission, would be directly or indirectly interested in three per cent. or more of the Company's issued share capital:

Shareholder	Number of Ordinary Shares to be held	Percentage held (based on £100 million First Issue)
NEC ES	8,000,000	8%
NK	6,000,000	6%

- 5.3 Directors of the Company and directors and certain shareholders of the Adviser intend to invest approximately £2.4 million, in aggregate, pursuant to the First Issue. The Ordinary Shares issued to the directors and certain shareholders of the Adviser will be subject to the provisions of a Lock-up and Orderly Market Deed.

- 5.4 No Director has a service contract with the Company, nor are any such contracts proposed, each Director having been appointed pursuant to a letter of appointment entered into with the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. The Directors are subject to retirement by rotation in accordance with the Articles.

There is no notice period specified in the letters of appointment or Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (i) written resignation; (ii) unauthorised absences from board meetings for six consecutive months or more; or (iii) written request of all of the other Directors.

- 5.5 Save for the Chairman of the Board and the Chairman of the Audit Committee, the Directors' remuneration is currently £30,000 per annum for each Director per annum. The Chairman's current fee is £55,000 per annum and the fee for the Chairman of the Audit Committee is currently £35,000 per annum.

There are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits.

- 5.6 The Company has not made any loans to the Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director or the Directors collectively.
- 5.7 Over the five years preceding the date of this document, the Directors hold or have held the following directorships (apart from their directorships of the Company) or memberships of the following administrative, management or supervisory bodies and/or partnerships:

<b>Name</b>	<b>Current</b>	<b>Previous</b>
Patrick Cox	Alliance Française Dublin Appian Asset Management Ltd Budmo Limited Institute of International and European Affairs Michelin Tyre Company Ltd Third Age Foundation Yalta European Strategy	CAPA Ltd Limerick Capital of Culture
Caroline Banszky	3i Group plc The British Neurological Research Trust The Caledonian Club Trust Limited The UK Stem Cell Foundation	Beagle Nominees Limited EMC Funding (Options) Ltd Law Debenture Corporate Services Limited Law Debenture Finance plc Law Debenture Governance Services Limited Law Debenture Guarantee Limited Law Debenture Investment Management Limited Law Debenture Overseas (No.1) Limited Law Debenture Trustees Limited L.D. Pension Plan Trustee Limited LDC (NCS) Limited L.D.C. Reporting Services Limited L.D.C. Trust Management Limited Parsa Corporate Advisory Limited Safecall Limited Safecall Training Limited The Law Debenture Corporation plc The Law Debenture Intermediary Corporation plc The Law Debenture Trust Corporation plc The Law Debenture Pension Trust Corporation plc The Sole Trustee plc The Whistleblowing Company Limited TMF Agency Solutions Limited UK Stem Cell Foundation
Malcolm King	Ecofin Global Utilities & Infrastructure Trust plc Henderson Opportunities Trust plc	N/A
Thomas Murley	Norwegian Wind Energy Association UK Green Investment Bank plc	Amliden Vindkraft AB Havsnas Vindkraft AB Havsnas Vindkraft Elnat AB Ridge Wind Holdings Sarl Vindkraft I Ytterberg AB



- 5.8 Save as disclosed in paragraph 5.9 below, the Directors in the five years before the date of this document:
- (i) do not have any convictions in relation to fraudulent offences;
  - (ii) have not been associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; and
  - (iii) do not have any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administration, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.
- 5.9 Patrick Cox was a director of CAPA Ltd which was put into members' voluntary liquidation on 24 October 2016.
- 5.10 As at the date of this document, insofar as known to the Company, there are no persons known to have a notifiable interest under English law in the Company's capital or voting rights.
- 5.11 All Shareholders have the same voting rights in respect of shares of the same class in the share capital of the Company.
- 5.12 Pending the allotment of Ordinary Shares pursuant to the First Issue, the issued share capital of the company is £0.01 represented by one Ordinary Share held by the subscriber to the memorandum of association, as described in paragraph 2.1 of this Part 12 above. 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.
- 5.13 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.
- 5.14 The Company has not entered into any related party transaction at any time since incorporation.
- 5.15 None of the Directors has any conflict of interest or potential conflicts of interest between any duties to the Company and his private interests and any other duties. The Adviser, any of its directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an "**Interested Party**") may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit from any such services. For example, an Interested Party may acquire on behalf of a client an investment in which the Company may invest.

## **6 Investment restrictions**

- 6.1 The Company will at all times invest and manage its assets with the objective of spreading risk and in accordance with its published investment policy as set out in Part 2 (*The Company*) of this document.
- 6.2 In order to comply with the Listing Rules, the Company will not invest more than 10 per cent. of its Gross Asset Value in other listed closed-ended investment funds, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15 per cent. of their Gross Asset Value in other listed closed-ended investment funds.
- 6.3 In the event of a breach of the investment policy set out in Part 2 (*The Company*) of this document and the investment restrictions set out therein, the Adviser shall inform the Board and the Depositary upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.
- 6.4 The Company must not conduct any trading activity which is significant in the context of its group as a whole.

## **7 Material contracts**

Save as described below, the Company has not: (i) entered into any material contracts (other than contracts in the ordinary course of business) since its incorporation; or (ii) entered into any contracts that contain provisions under which the Company has any obligation or entitlement that is material to the Company as at the date of this document.

### **7.1 *Placing and Offer Agreement***

The Placing and Offer Agreement dated 9 March 2018 between the Company, the Adviser, the Directors and Stockdale whereby Stockdale has undertaken, as agent for the Company, to use its reasonable endeavours to procure subscribers under the First Placing for Ordinary Shares and the

Placing Programme for Ordinary Shares and/or C Shares at the relevant issue price. In the event of oversubscription of the First Issue, applications under the First Placing, Offer for Subscription and/or the Intermediaries Offer will be scaled back at Stockdale's discretion (in consultation with the Company and the Adviser). In the event of oversubscription of any Subsequent Placing, applications under such Subsequent Placing will be scaled back at Stockdale's discretion (in consultation with the Company and the Adviser).

The Placing and Offer Agreement is subject to, *inter alia*, the Ordinary Shares to be issued pursuant to the First Issue being admitted to the premium segment of the Official List and to trading on the premium segment of the London Stock Exchange's main market by 12 April 2018 (or such later date as may be agreed between Stockdale and the Company but not later than 8.00 a.m. on 30 June 2018).

In consideration for its services in relation to the First Issue and conditional upon completion of the First Issue, Stockdale is entitled to receive a commission of 1.25 per cent. of the value of the Ordinary Shares issued under the First Issue, excluding any Ordinary Shares subscribed for by the Adviser and any member of the Adviser's group and by any investor introduced to the First Issue by the Adviser. Stockdale is also entitled to receive a commission of 1.25 per cent. of the value of any Ordinary Shares and/or C Shares issued to Placees under the Placing Programme, excluding any Ordinary Shares and/or C Shares subscribed for by the Adviser and any member of the Adviser's group.

Under the Placing and Offer Agreement, which may be terminated by Stockdale in certain circumstances prior to First Admission or any Subsequent Admission, the Company and the Adviser have given certain warranties and indemnities to Stockdale and the Directors have given certain warranties to Stockdale. These warranties and indemnities are customary for an agreement of this nature.

Under the Placing and Offer Agreement, Stockdale may, at its discretion and out of its own resources at any time rebate to some or all investors, or to other parties, part or all of its fees relating to the First Issue or the Placing Programme. Stockdale is also entitled under the Placing and Offer Agreement to retain agents and may pay commission in respect of the First Issue or the Placing Programme to any or all of those agents out of its own resources.

The Placing and Offer Agreement is governed by the laws of England and Wales.

## 7.2 **AIFM Agreement**

The AIFM Agreement dated 9 March 2018 between the Company and the AIFM, pursuant to which the AIFM is appointed to act as alternative investment fund manager of the Company for the purposes of the AIFMD subject to the overall control and supervision of the Board. The AIFM has delegated responsibility for the management of the Company's portfolio to the Adviser by way of the Advisory and Services Agreement (summarised below at paragraph 7.3).

Pursuant to the terms of the AIFM Agreement and with effect from First Admission, the AIFM shall be entitled to receive from the Company an initial fee of £10,000 plus a monthly fee of £7,500 for the term of the agreement. In addition, the AIFM shall be entitled to fees for Annex IV reporting of £1,000 in respect of the first reporting schedule and £667 for each subsequent filing. The AIFM is also entitled to reimbursement of reasonable expenses incurred by it in the performance of its duties.

The AIFM Agreement is terminable by either the AIFM or the Company giving to the other not less than 6 months' written notice. The AIFM Agreement may be terminated with immediate effect on the occurrence of certain events, including insolvency, on a change of control of the AIFM or in the event of a material breach which fails to be remedied within 30 days of receipt of notice. The AIFM shall transfer or assign its rights and obligations under the AIFM Agreement to the Adviser, subject to the Adviser having obtained all necessary regulatory authorisations and approvals from the FCA to act as an AIFM to the Company.

The Company has agreed to hold harmless and indemnify the AIFM against all actions, proceedings, claims and costs, demands and expenses incidental thereto which may be brought against, suffered or incurred by the AIFM by reason of the proper performance of its duties in accordance with the terms of the AIFM Agreement in each case including all reasonable legal, professional and other expenses properly incurred in connection therewith, except as shall arise from the fraud, wilful default or negligence of the AIFM or directly from any material breach of the AIFM Agreement or the rules of the FCA by the AIFM.

The AIFM Agreement is governed by the laws of England and Wales.

## 7.3 **Advisory and Services Agreement**

The Advisory and Services Agreement dated 9 March 2018 between the Company, the AIFM and the Adviser, pursuant to which the Adviser is appointed to provide advice and support to the AIFM and the Company in all aspects of its duties in respect of the Company's assets in accordance with the Company's investment policy.

Nothing in the Advisory and Services Agreement shall authorise or permit or require the Adviser to undertake any activity which would require it to be an authorised person under FSMA. To the extent that an activity necessary in connection with the management, investment and re-investment of the Company's assets can only be undertaken by a person authorised under FSMA such activity will be undertaken by the AIFM and not the Adviser.

With effect from First Admission, the Adviser is entitled to receive from the Company in respect of its services provided under the Advisory and Services Agreement, an advisory fee. In addition to the advisory fee, the Adviser shall also be entitled to receive a performance fee. The advisory fee and performance fee are more fully described in paragraph 5 of Part 5 (*Directors and Management*) of this document.

The Advisory and Services Agreement shall continue until terminated by either the AIFM or the Adviser giving to the other not less than 12 months' written notice, such notice to expire, in the case of notice given by the AIFM to the Adviser, on or at any time after the fifth anniversary of First Admission. The Advisory and Services Agreement may be terminated with immediate effect on the occurrence of certain events, including insolvency, on a change of control of the Adviser or in the event of a material breach which fails to be remedied within 30 days of receipt of notice. The Advisory and Services Agreement shall terminate immediately if the AIFM Agreement is terminated for whatever reason. The Advisory and Services Agreement may also be terminated by the AIFM on not less than six months' notice in writing to the Adviser if, without the prior written consent of the Company, a Key Man Event occurs prior to the third anniversary of First Admission. For these purposes, a "Key Man Event" will be deemed to occur if: (a) Alex O'Conneide ceases to be employed full time by the Adviser or any member of its group; or (b) Alex O'Conneide ceases to be actively involved in respect of the Adviser's obligations under the Advisory and Services Agreement.

The Company has given an indemnity in favour of the Adviser in respect of the Adviser's potential losses in carrying on its responsibilities under the Advisory and Services Agreement, except as shall arise from the fraud, wilful default or negligence of the Adviser or any material breach of the Advisory and Services Agreement by the Adviser.

The Advisory and Services Agreement is governed by the laws of England and Wales.

#### 7.4 **Share Purchase Agreement**

Under the Share Purchase Agreement entered into between NK and the Company and dated 9 March 2018, NK has agreed to sell and the Company has agreed to purchase the entire issued share capital of NK Energy Storage Solutions Ltd and all loans ("**Loans**") advanced by NK to NK Energy Storage Solutions Ltd that are outstanding at the date of completion.

The consideration payable for the sale and purchase of the shares of NK Energy Storage Solutions Ltd is an amount estimated to be equal to £7,501,875.17 less the amount of the Loans and less the aggregate of all amounts paid in respect of VAT (100 per cent. of any such amount in respect of NK Boulby Energy Storage Limited and 49 per cent. of any such amount in respect of Kiwi Power ES B Limited); and less an amount equal to the pro-rated amount of the asset management fee payable by NK Energy Storage Solutions Ltd to the Adviser pursuant to the terms of an asset management agreement entered into between them, that relates to the period between the date of completion and 30 November 2018 (the "**Asset Management Fee Amount**"),

together, the "**Share Consideration**")

The Loans will be acquired at face value plus accrued interest (in aggregate, estimated to be approximately £6.7 million).

The VAT Refund Amount shall be paid by the Company within five days of the date of its receipt by the relevant entity or the date on which such refund is applied by the relevant entity to reduce any VAT liability. The Cash Amount shall be paid by the Company within one Business Day from the date of completion. The Asset Management Fee Amount shall be paid by the Company within one Business Day from the date of completion.

Between the date of the Share Purchase Agreement and the date of completion, NK has agreed to procure that each of NK Energy Storage Solutions Ltd and NK Boulby Energy Storage Limited will, and NK has agreed to procure that NK Energy Storage Solutions Ltd will use all reasonable endeavours to procure that Kiwi Power ES B Limited shall, not without the consent of the Company, *inter alia*:

- (i) make any material change in the nature or organisation of its business;
- (ii) discontinue or cease to operate all or a material part of its business;
- (iii) dispose of, or agree to dispose of, any asset; or
- (iv) incur any additional borrowings or incur any other indebtedness in the nature of the borrowings.

Further, pursuant to the terms of the Share Purchase Agreement, NK makes a number of warranties as to the sale of the shares in NK Energy Storage Solutions Ltd, including that NK Energy Storage Solutions Ltd has no liabilities and is the legal and beneficial owner of the interests in the assets comprising the Boulby Project and the Cenin Project. The Company also makes certain standard warranties to NK as to its authority to enter into the Share Purchase Agreement and that, conditional on First Admission and the Minimum Net Proceeds being raised, it will have available funds in order to pay to NK the Share Consideration.

The Share Purchase Agreement is conditional on First Admission and the Minimum Net Proceeds being raised.

The Share Purchase Agreement is governed by the laws of England and Wales.

#### 7.5 ***Lock-Up and Orderly Market Deed***

Each of NEC ES, NK, Alex O’Cinneide, Suminori Arima, Peter Gutman, Daniel Mudd, Franciscus Wouters, Piers Lindsay-Fynn and certain shareholders of the Adviser, has entered into a Lock-up and Orderly Market Deed with the Company and Stockdale dated 9 March 2018. Pursuant to the terms of this deed each of NEC ES, NK, Alex O’Cinneide, Suminori Arima, Peter Gutman, Daniel Mudd, Franciscus Wouters, Piers Lindsay-Fynn and certain shareholders of the Adviser has agreed that they will not sell, grant options over or otherwise dispose of any interest in any Ordinary Shares acquired by them under the First Issue for a period of 12 months from the date of First Admission. Thereafter, each of NEC ES, NK, Alex O’Cinneide, Suminori Arima, Peter Gutman, Daniel Mudd, Franciscus Wouters, Piers Lindsay-Fynn and certain shareholders of the Adviser has agreed to only effect disposals of their respective Ordinary Shares through Stockdale (or such other broker as may be appointed by the Company from time to time) for a further 12 months. Each Lock-up and Orderly Market Deed is governed by the laws of England and Wales.

#### 7.6 ***Project Sourcing Agreements***

References to “projects” in this paragraph 7.6 mean energy storage projects identified as being within the Company’s stated investment policy and together with references to a specific geographical site and grid connection details for such project.

##### ***NEC ES Agreement***

Pursuant to the terms of the NEC ES Agreement entered into between NEC ES and the Adviser dated 5 February 2018 and a deed of adherence between NEC ES, the Adviser and the Company dated 9 March 2018, NEC ES has committed to invest the lower of (i) 10 per cent. of the total gross proceeds of the First Issue and (ii) £8 million, conditional on First Admission and the Minimum Net Proceeds having been raised (the “**NEC ES Investment**”) pursuant to the First Placing. The Ordinary Shares issued to NEC ES pursuant to the First Issue will be subject to the provisions of a Lock-up and Orderly Market Deed, the terms of which are summarised in paragraph 7.5 above.

Conditional on First Admission, the Company has committed to invest into projects that involve NEC ES providing, directly or indirectly, a supply of products, equipment and/or services required for those projects within 18 months from the date of First Admission, provided that NEC ES has the ability to meet the requirements of such projects and the terms and pricing of the products, equipment and/or services to be provided are on standard market terms (as determined by the Company) (the “**NEC ES Commitment**”). The Company’s obligations in respect of the NEC ES Commitment shall be discharged once NEC ES and/or any of its affiliates have received contractual commitments in respect of the relevant projects in an amount equal to or greater than the NEC ES Investment.

Further, conditional on First Admission, the Company has agreed to pay an advance of £4.5 million to NEC ES to be used in connection with the Company’s purchase of products, equipment and/or services from NEC ES for projects in which the Company will invest. The Company’s purchase of such products, equipment and/or services from NEC ES is conditional upon NEC ES’ ability to meet the requirements of the Company’s projects and is subject to market standard terms and pricing (as determined by the Company). If NEC ES is unable to supply the Company with products, equipment and/or services of at least £4.5 million within 12 months of First Admission, NEC ES has committed to repay to the Company the balance of the advance payment and interest on the balance accrued from the date of First Admission at a rate of 3 per cent. per annum.

For so long as the Company has not fully invested the net proceeds of the First Issue, (a) where NEC ES becomes involved in a project that requires equity financing and falls within the parameters of the Company’s stated investment policy and is invited to participate in that project (by the provision of services, products or otherwise), NEC ES shall use reasonable endeavours to ensure that the Company is offered the opportunity to provide equity financing for such project before any further person is offered such opportunity by NEC ES. Where such project is expected to be developed by NEC ES, NEC ES shall procure that the Company has the opportunity to provide equity financing for the project, on terms satisfactory to NEC ES, before any further person is offered such opportunity.

For so long as the Company has not fully invested the net proceeds of the First Issue, where NEC ES or any of its affiliates provides an introduction to a project that is recommended by the Adviser to the Board for investment by the Group, the Adviser shall be required to obtain a proposal from NEC ES for the provision of products, equipment and services that are required for that project, details of which shall be included in the recommendation to the Board. NEC ES shall have 15 Business Days from the date on which it is contacted by the Adviser for its proposal to provide such proposal to the Adviser. For the avoidance of doubt, the Adviser shall not be entitled to seek (a) proposal(s) from other third party supplier(s) in connection with such project. The Board will consider the recommendation for investment in the project from the Adviser and shall, in its absolute discretion, decide whether to invest in the project. Prior to Admission, NEC ES and the Adviser shall agree upon an approved list of initial projects that NEC ES intends to introduce to the Company in connection with NEC ES' obligations.

Where (i) the Company seeks to invest in a project that was not introduced to the Company by NEC ES, (ii) NEC ES has not sold or otherwise transferred any of the NEC ES Shares (save as may be permitted by the terms of the Lock-up and Orderly Market Deed) and (iii) the Company has not yet satisfied its obligations pursuant to the NEC ES Commitment, the following provisions apply:

- (1) no later than 50 Business Days prior to the Adviser making a recommendation to the Board in connection with the acquisition of the project by the Group, the Adviser shall give written notice to NEC ES setting out details of the project (the "**NEC ES Project Notice**");
- (2) within 10 Business Days of receipt of the NEC ES Project Notice, NEC ES shall be entitled to notify the Adviser that it wishes to make an offer to supply the project with products, equipment and/or services (the "**NEC ES Participation Notice**");
- (3) within 10 Business Days of receipt of a NEC ES Participation Notice from NEC ES the Adviser, in consultation with the Company, may, but is not obliged to, seek to obtain proposals for the provision of products, equipment and/or services from alternative suppliers (not including NEC ES) ("**Alternative Suppliers**") (the "**Alternative Supplier Proposals**");
- (4) once proposals have been received from the Alternative Suppliers, the Adviser shall ask NEC ES to provide its written proposal for the provision of products, equipment and/or services for the project within 10 Business Days of the date of such request (the "**NEC ES Proposal**");
- (5) the NEC ES Proposal and the Alternative Supplier Proposals will be submitted to the Board for consideration. If the Board considers, in its discretion, that the NEC ES Proposal is the most beneficial, having regard to the interests of the Group and the interests of Shareholders, the Board may elect to proceed with the NEC ES Proposal;
- (6) if the Board does not consider the NEC ES Proposal to be the most beneficial, the Board shall provide NEC ES with the details of the Alternative Supplier Proposal that it considers to be the most beneficial for the Company (except that the name of the supplier shall not be provided to NEC ES under any circumstances) and NEC ES shall be given 5 Business Days to provide a revised proposal to the Company (the "**Revised NEC ES Proposal**") that at least matches the terms of the relevant Alternative Supplier Proposal (the "**NEC ES Match Right**");
- (7) if the Revised NEC ES Proposal at least matches the terms of the relevant Alternative Supplier Proposal the Board will accept the Revised NEC ES Proposal. If the Revised NEC ES Proposal does not at least match the terms of the relevant Alternative Supplier Proposal or NEC ES elects not to exercise its NEC Match Right or if NEC ES does not reply in time, the Board may accept the terms of the relevant Alternative Supplier Proposal;
- (8) in the event that NEC ES does not serve the Company with an NEC ES Participation Notice the Company shall be entitled to work with other suppliers in connection with the project without further reference to NEC ES.

Where (i) the Company seeks to invest in a project that was not introduced to the Company by NEC ES; (ii) the Company has met its obligations pursuant to the NEC ES Commitment; (iii) the Company has not yet fully invested the net proceeds of the First Issue; and (iv) NEC ES has not sold or otherwise transferred any of the NEC ES Shares (save as may be permitted pursuant to the terms of the Lock-up and Orderly Market Deed), the following provisions shall apply:

- (1) no later than 20 Business Days prior to the Adviser making a recommendation to the Board in connection with the project, the Adviser shall seek an NEC ES Proposal from NEC ES as well as Alternative Supplier Proposals from Alternative Suppliers;
- (2) the NEC ES Proposal and Alternative Supplier Proposals will be submitted to the Board for consideration. If the Board considers, in its discretion, that the NEC ES Proposal is the most beneficial, having regard to the interests of the Group and the interests of Shareholders, the Board may elect to proceed with the NEC ES Proposal. If the Board considers, in its discretion, that one of the Alternative Supplier Proposals is the most beneficial, the Board may elect to proceed with that Alternative Supplier Proposal.



For the avoidance of doubt, NEC ES will not receive details of the Alternative Supplier Proposals that have been obtained by the Adviser. The Company shall not be obliged to provide NEC ES with an NEC ES Match Right where the Board considers that an Alternative Supplier Proposal is the most beneficial.

Where the Company commits to an investment in a project in which NEC ES is involved, NEC ES shall provide the Company and the Adviser with engineering support and advice, as reasonably required, in connection with the implementation of the Company's investment at no further cost to the Company.

The NEC ES Agreement is governed by the laws of England and Wales.

### **NK Agreement**

Pursuant to the terms of the NK Agreement entered into between NK and the Adviser dated 5 February 2018 and a deed of adherence between NK, the Adviser and the Company dated 9 March 2018, conditional on First Admission and the Minimum Net Proceeds being raised NK has committed to invest £6 million in the Company pursuant to the Offer for Subscription (the "**NK Investment**"). The Ordinary Shares issued to NK will be subject to the provisions of a Lock-up and Orderly Market Deed, the terms of which are summarised in paragraph 7.5 above.

Under the terms of the NK Agreement, the Company has committed to invest an amount equal to the NK Investment into projects that involve NK providing a supply of products, equipment or services within 18 months from the date of First Admission, provided that NK has the ability to meet the requirements of such projects and the terms and pricing of the products, equipment or services to be provided are on market standard terms (as determined by the Company) (the "**NK Commitment**").

For so long as the Company has not fully invested the net proceeds of the First Issue, where NK provides an introduction to a project to the Adviser, the Adviser shall be obliged to obtain a proposal from NK (and no other third party supplier(s)) for the provision of products, equipment and/or services that are necessary for that project, details of which shall be included in the recommendation to the Board. For the avoidance of doubt, the Adviser shall not be entitled to seek (a) proposal(s) from other third party supplier(s) in connection with such project but shall be under no obligation to proceed with the acquisition of any such project.

Where (i) the Company seeks to invest in a project that was not introduced to the Company by NK, (ii) NK has not sold or otherwise transferred any of the NK Shares (save as may be permitted by the terms of the Lock-up and Orderly Market Deed) and (iii) the Company has not yet satisfied its obligations pursuant to the NK Commitment, the following provisions apply:

- (1) no later than 50 Business Days prior to the Adviser making a recommendation to the Board in connection with the acquisition of the project by the Group, the Adviser shall give written notice to NK setting out details of the project (the "**NK Project Notice**");
- (2) within 10 Business Days of receipt of the NK Project Notice, NK shall be entitled to notify the Adviser that it wishes to make an offer to supply the project with products, equipment and/or services (the "**NK Participation Notice**");
- (3) within 10 Business Days of receipt of an NK Participation Notice from NK the Adviser, in consultation with the Company, may, but is not obliged to, seek to obtain proposals for the provision of products, equipment and/or services from alternative suppliers (not including NK) ("**Alternative Suppliers**") (the "**Alternative Supplier Proposals**");
- (4) once proposals have been received from the Alternative Suppliers, the Adviser shall ask NK to provide its written proposal for the provision of products, equipment and/or services for the project within 10 Business Days of the date of such request (the "**NK Proposal**");
- (5) the NK Proposal and the Alternative Supplier Proposals will be submitted to the Board for consideration. If the Board considers, in its discretion, that the NK Proposal is the most beneficial, having regard to the interests of the Group and the interests of Shareholders, the Board may elect to proceed with the NK Proposal;
- (6) if the Board does not consider the NK Proposal to be the most beneficial, the Board shall provide NK with the details of the Alternative Supplier Proposal that it considers to be the most beneficial for the Company (except that the name of the supplier shall not be provided to NK under any circumstances) and NK shall be given 5 Business Days to provide a revised proposal to the Company (the "**Revised NK Proposal**") that at least matches the terms of the relevant Alternative Supplier Proposal (the "**NK Match Right**");
- (7) if the Revised NK Proposal at least matches the terms of the relevant Alternative Supplier Proposal the Board will accept the Revised NK Proposal. If the Revised NK Proposal does not at least match the terms of the relevant Alternative Supplier Proposal or NK elects not to exercise its NK Match Right or if NK does not reply in time, the Board may accept the terms of the relevant Alternative Supplier Proposal;



- (8) in the event that NK does not serve the Company with an NK Participation Notice the Company shall be entitled to work with other suppliers in connection with the project without further reference to NK.

Where (i) the Company seeks to invest in a project that was not introduced to the Company by NK; (ii) the Company has met its obligations pursuant to the NK Commitment; (iii) the Company has not yet fully invested the net proceeds of the First Issue; and (iv) NK has not sold or otherwise transferred any of the NK Shares (save as may be permitted pursuant to the terms of the Lock-up and Orderly Market Deed), the following provisions shall apply:

- (1) no later than 20 Business Days prior to the Adviser making a recommendation to the Board in connection with the project, the Adviser shall seek an NK Proposal from NK as well as Alternative Supplier Proposals from Alternative Suppliers;
- (2) the NK Proposal and Alternative Supplier Proposals will be submitted to the Board for consideration. If the Board considers, in its discretion, that the NK Proposal is the most beneficial, having regard to the interests of the Group and the interests of Shareholders, the Board may elect to proceed with the NK Proposal. If the Board considers, in its discretion, that one of the Alternative Supplier Proposals is the most beneficial, the Board may elect to proceed with that Alternative Supplier Proposal.

For the avoidance of doubt, NK will not receive details of the Alternative Supplier Proposals that have been obtained by the Adviser. The Company shall not be obliged to provide NK with an NK Match Right where the Board considers that an Alternative Supplier Proposal is the most beneficial.

Where the Company commits to an investment in a project in which NK is involved, NK shall provide the Company and the Adviser with engineering support and advice, as reasonably required, in connection with the implementation of the Company's investment at no further cost to the Company.

The NK Agreement is governed by the laws of England and Wales.

In the event that both NEC ES and NK seek to exercise their respective Right of Last Look in respect of any project, following receipt of their proposals, the Board shall have discretion to select the proposal which is the most beneficial, having regard to the interests of the Company and the Shareholders.

#### **7.7 Administration and Company Secretarial Services Agreement**

The Administration and Company Secretarial Services Agreement between the Company and JTC dated 9 March 2018, pursuant to which JTC has agreed: (i) to provide certain company secretarial services to the Company and is the named company secretary of the Company; and (ii) to provide certain administrative services to the Company (including the calculation of the NAV, bookkeeping and the preparation of the accounts).

Under the terms of the Administration and Company Secretarial Services Agreement, the Administrator is entitled to an annual administration fee of £50,000 based on Net Asset Value of up to £200 million and an *ad valorem* fee of 0.04 per cent. on Net Asset Value in excess of £200 million. In respect of its role as company secretary, JTC is entitled to receive an annual fee of £60,000 and a fee of £6,000 per subsidiary of the Company.

The Administrator shall, in addition, be entitled to make reasonable charges based on time spent for work performed in connection with the issue of any C Shares and the administration of any C Share portfolios.

The Administrator will also be entitled to reimbursement of all reasonable out of pocket expenses incurred by it in providing its services under the agreement.

Either party may terminate the Administration and Company Secretarial Services Agreement on six months' written notice. The agreement is also subject to immediate termination on the occurrence of certain events, including material and continuing breach or insolvency.

The Company has agreed to indemnify, defend and hold harmless the Administrator, its directors, officers, employees, agents, sub-contractors or delegates from and against all liabilities, obligations, losses, damages, penalties, actions, judgements, suits, costs, legal costs, reasonable expenses or disbursements (other than those resulting from fraud, negligence or wilful default on the part of the Administrator and any agent, sub-contractor or delegate appointed by it), which may be imposed on, incurred by or asserted against the Administrator as a result of or in connection with performing its services under the agreement. This indemnity is customary for an agreement of this nature.

The Administration and Company Secretarial Services Agreement is governed by the laws of England and Wales.

#### **7.8 Depositary Agreement**

The Depositary Agreement between the Company, the AIFM and the Depositary, dated 9 March 2018, pursuant to which the Depositary is appointed as the Company's depositary for the purposes of the AIFM Directive.

Under the terms of the Depositary Agreement, the Depositary is entitled to be paid customary fees as set out under the heading “*Fees and expenses*” in Part 5 (*Directors and Management*) of this document.

The Depositary Agreement provides for the Depositary and its employees, officers and (each, an “**Indemnified Person**”) to be indemnified by the Company against any liability or loss suffered or incurred by an Indemnified Person as a result of or in connection with the proper provision of the Depositary services and any costs and expenses reasonably incurred in defending any proceedings relating to the Depositary services whether civil or criminal, in which judgment is given in favour of the Indemnified Person or it is acquitted, in each case, other than as a result of the fraud, wilful default, negligence, or bad faith on the part of an Indemnified Person.

In accordance with the terms of the Depositary Agreement, and subject to the provisions of the AIFM Directive, the Depositary may delegate its safe-keeping functions in relation to financial instruments and other assets of the Company. The liability of the Depositary shall in principle not be affected by any delegation of its custody function and the Depositary shall be liable to the Company or its investors for the loss of financial instruments by the Depositary or a third party to whom the custody of financial instruments has been delegated. The Depositary may discharge its responsibility in case of a loss of a financial instrument: (i) in the event it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary; (ii) where it has contractually discharged its responsibility in compliance with article 21(13) of the AIFM Directive; or (iii) in compliance with the conditions set out under article 21(14) of the AIFM Directive where the laws of a third country require that certain financial instruments be held by a local entity and there are no local entities that satisfy the delegation requirements of article 21(11) of the AIFM Directive. Save as aforesaid, the Depositary shall be liable to the Company for any loss or liability incurred by the Company as a consequence of the Depositary’s fraud, wilful default, negligence, or bad faith in failing to properly fulfil its obligations pursuant to the AIFM Directive. In the absence of the Depositary’s fraud, wilful default, negligence, or bad faith in failing to properly fulfil its obligations pursuant to the AIFM Directive, the Depositary shall not be liable to the Company or any other person with respect to any act or omission in connection with the services provided under the Depositary Agreement. Indirect and/or consequential damages are excluded.

The Depositary Agreement is terminable by the Company, the AIFM or the Depositary giving to the other parties not less than three months’ written notice. In accordance with the AIFM Rules, the Depositary’s notice of retirement shall not take effect except upon the appointment of a successor depositary taking effect.

The Depositary Agreement is governed by the laws of England and Wales.

#### 7.9 **Receiving Agent Agreement**

The Receiving Agent Agreement between the Company and the Receiving Agent dated 9 March 2018, pursuant to which the Receiving Agent has agreed to provide receiving agent duties and services to the Company in respect of the First Issue.

Under the terms of the Receiving Agent Agreement, the Receiving Agent is entitled to fees in connection with the Offer for Subscription including: (a) a set up management fee; (b) processing fees per item processed per application form; and (c) various other fees in relation to certain matters. The Receiving Agent is also entitled to reimbursement of all out-of-pocket expenses reasonably incurred by it in connection with its duties. The Company has given certain market standard indemnities in favour of the Receiving Agent in respect of the Receiving Agent’s potential losses in carrying on its responsibilities under the agreement. The Receiving Agent’s liability under the Receiving Agent Agreement is subject to a cap.

The Receiving Agent Agreement is governed by the laws of England and Wales.

#### 7.10 **Registrar Agreement**

The Registrar Agreement between the Company and the Registrar dated 9 March 2018, pursuant to which the Registrar has been appointed as registrar to the Company.

Under the terms of the Registrar Agreement, the Registrar is entitled to a monthly maintenance fee per Shareholder account, subject to a minimum fee. The fee is subject to increase in line with the CPI. The Registrar is also entitled to activity fees under the Registrar Agreement.

The Registrar Agreement may be terminated on six months’ notice and is also terminable on written notice in the event of, *inter alia*, breach of the agreement (which has not been remedied within 21 days’ written notice of such breach) or insolvency. The Company has given certain market standard indemnities in favour of the Registrar in respect of the Registrar’s potential losses in carrying on its responsibilities under the Registrar Agreement. The Registrar’s liability under the Registrar Agreement is subject to a cap.

The Registrar Agreement is governed by the laws of England and Wales.

## **8 Litigation**

There have been no governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened, since its incorporation which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Company and/or the Group.

## **9 Significant change**

As at the date of this document, there has been no significant change in the financial or trading position of the Group since the Company's, or in relation to the Subsidiary, the Subsidiary's, date of incorporation.

## **10 Working capital**

The Company is of the opinion that, taking into account the Minimum Net Proceeds, the working capital available to it is sufficient for its present requirements, that is for at least 12 months from the date of this document.

If the Minimum Net Proceeds are not raised, the First Issue may only proceed where a supplementary prospectus (including a working capital statement based on a revised minimum net proceeds figure) has been prepared in relation to the Company and approved by the UKLA. In the event that the Company does not wish to prepare and publish a supplementary prospectus incorporating a working capital statement based on a revised minimum net proceeds figure the First Issue will not proceed, the arrangements in respect of the First Issue will lapse and any monies received in respect of the First Issue will be returned to applicants and Placees without interest at applicants'/investors' risk.

## **11 Capitalisation and indebtedness**

As at the date of this document, the Company has no guaranteed, secured, unguaranteed or unsecured debt and no indirect or contingent indebtedness and there have been no material changes to the Company's capitalisation from the date of incorporation to the date of this document.

## **12 General**

- 12.1 Where information has been sourced from third parties, the Company confirms that this information has been accurately reproduced and that, so far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The sources of information have been disclosed.
- 12.2 The AIFM has given and not withdrawn its written consent to the publication of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 12.3 The Adviser has given and not withdrawn its written consent to the inclusion in this document of references to its name and to the information referred to at paragraph 12.4 below, each in the form and context in which they appear.
- 12.4 The Adviser accepts responsibility for the information contained in Part 1 (*The Investment Opportunity*) paragraphs 5 ("Investment process and risk management") and 6 ("Seed Portfolio and pipeline of proposed investments") of Part 2 (*The Company*) of this document, Part 3 (*Market Background*) Part 4 (*Seed Portfolio and pipeline of proposed investments*) of this document and paragraph 2 (*Adviser*) of Part 5 (*Directors and Management*) of this document, and declares that, having taken all reasonable care to ensure that such is the case, the information attributed to it in this document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. All such information is included in this document, in the form and context in which it appears, with the consent of the Adviser.
- 12.5 Stockdale is acting as sponsor and placing agent to the Issues and intermediaries offer adviser in relation to the Intermediaries Offer and has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 12.6 BDO LLP has given and not withdrawn its written consent to the inclusion in this document of its report in Part 6 (*BDO LLP Valuation Opinion Letter*) of this document and has authorised the contents of its report in Part 6 (*BDO LLP Valuation Opinion Letter*) of this document, in the form and context in which it appears.
- 12.7 The effect of the First Issue will be to increase the net assets of the Company. On the assumption that the First Issue is subscribed as to 100 million Ordinary Shares, the fundraising is expected to increase the net assets of the Company by approximately £98 million.

### **13 Auditors**

The auditors to the Company are PricewaterhouseCoopers LLP whose registered office is at 1 Embankment Place, London WC2N 6RH, United Kingdom. PricewaterhouseCoopers LLP is registered to carry on audit work by The Institute of Chartered Accountants in England and Wales (ICAEW).

### **14 Depositary**

The Depositary is INDOS Financial Limited, whose registered office is located at St Clement's House, 27-28 Clements Lane, London EC4N 7AE. The Depositary is a private limited company incorporated in England and Wales with company registration number 08255973 and its telephone number is +44(0) 203 319 1589. The Depositary maintains its registered office and place of central administration in the United Kingdom. The Depositary is authorised and regulated by the FCA.

The Depositary is not involved, directly or indirectly, with the business affairs, organization, sponsorship or management of the Company and is not responsible for the preparation of this document and accepts no responsibility for any information contained in this document.

The principal business of the Depositary is the provision of depositary services to alternative investment funds.

### **15 Intermediaries**

The Intermediaries authorised at the date of this document to use this document in connection with the Intermediaries Offer are:

AJ Bell Securities Limited, Trafford House, Chester Road, Manchester M32 0RS.

Alliance Trust Savings Limited, PO Box 164, 8 West Marketgait, Dundee DD1 9YP.

Barclays Bank plc, 1 Churchill Place, London EC14 5HP.

Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Interactive Investor Services Limited, Exchange Court, Duncombe Street, Leeds LS1 4AX.

Jarvis Investment Management Limited, 78 Mount Ephraim, Royal Tunbridge Wells, Kent TN4 8BS.

Any new information with respect to financial intermediaries unknown at the date of this Prospectus will be notified via a Regulatory Information Service.

### **16 Documents on display**

The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH until 8 March 2019:

16.1 this document; and

16.2 the Articles.

Dated 9 March 2018

## Part 13

### Definitions

<b>Act</b>	the Companies Act 2006, as amended from time to time
<b>Administration and Company Secretarial Services Agreement</b>	the administration and company secretarial services agreement dated 9 March 2018, between the Company and the Administrator, summarised in paragraph 7.7 of Part 12 ( <i>Additional Information</i> ) of this document
<b>Administrator</b>	JTC (UK) Limited
<b>Admission</b>	the admission of any Ordinary Shares and/or C Shares: (i) to the premium segment of the Official List; and (ii) to trading on the London Stock Exchange's main market for listed securities, becoming effective in accordance with the Listing Rules and the admission and disclosure standards of the London Stock Exchange, as applicable
<b>Adviser</b>	Gore Street Capital Limited
<b>Advisory and Services Agreement</b>	the advisory and services agreement dated 9 March 2018, between the AIFM, the Adviser and the Company, summarised in paragraph 7.3 of part 12 ( <i>Additional Information</i> ) of this document
<b>Aggregate Project Value</b>	the value of NK Energy Storage Solutions Ltd's interests in the Boulby Project and the Cenin Project and the expected CAPEX payments for the Lower Road Project in the opinion of the Reporting Accountant, based on market conditions at 9 March 2018 and certain assumptions, being £11.2 million
<b>AIC</b>	the Association of Investment Companies
<b>AIC Code</b>	the Association of Investment Companies' Code of Corporate Governance, as amended from time to time
<b>AIC Guide</b>	the Association of Investment Companies' Corporate Governance Guide for Investment Companies, as amended from time to time
<b>AIF</b>	alternative investment fund
<b>AIFM</b>	alternative investment fund manager, being, at the date of this document and in respect of the Company, Mirabella Financial Services LLP
<b>AIFM Agreement</b>	the AIFM agreement dated 9 March 2018, between the Company, the Adviser and the AIFM, summarised in paragraph 7.2 of Part 12 ( <i>Additional Information</i> ) of this document
<b>AIFM Directive or AIFMD</b>	Directive 2011/61/EU on Alternative Investment Fund Managers
<b>AIFM Rules</b>	the AIFM Directive and all applicable rules and regulations implementing the AIFM Directive in the UK
<b>Application Form</b>	the form of application as appended to this document by which application may be made under the Offer for Subscription
<b>Articles</b>	the articles of association of the Company as at the date of this document or, in the context of the Placing Programme, as at the date of the relevant issue under the Placing Programme
<b>Auditors</b>	PricewaterhouseCoopers LLP or such other auditor as the Company may appoint from time to time
<b>Benefit Plan Investor</b>	a "benefit plan investor" as defined in Section 3(42) of ERISA and any regulations promulgated by the US Department of Labor thereunder, being "employee benefit plans" as defined in Section 3(3) of ERISA that are subject to Title I of ERISA, "plans" that are subject to the prohibited transaction provisions of Section 4975 of the US Internal Revenue Code, and entities the assets of which are treated as "plan assets" under Section 3(42) of ERISA and any regulations promulgated thereunder
<b>Boulby Project</b>	the 6 MW batteries installed in the Cleveland Potash Mine in North Yorkshire, to be acquired by the Company as part of the Seed Portfolio
<b>Business Day</b>	a day (excluding Saturdays and Sundays or public holidays in England and Wales) on which banks generally are open for business in London for the transaction of normal business

<b>C Shares</b>	C shares of £0.10 each in the capital of the Company having the rights and restrictions set out in paragraph 3.19 of Part 12 ( <i>Additional Information</i> ) of this document
<b>Capacity Market Rules</b>	the capacity market rules providing the detail for implementing the operating framework set out in regulations
<b>CAPEX</b>	capital expenditure
<b>Cenin Project</b>	the full turnkey design, supply, installation, commissioning and testing of the 4 MW battery storage system and ancillary equipment installed at Parc Stormy, Stormydown, in respect of which the Company will acquire 49 per cent. of the economic interests as part of the Seed Portfolio
<b>certificated form</b>	not in uncertificated form
<b>Company</b>	Gore Street Energy Storage Fund plc
<b>Company Secretary</b>	JTC (UK) Limited
<b>Conversion</b>	the conversion of C Shares into new Ordinary Shares, as described in paragraph 3.19 of Part 12 ( <i>Additional Information</i> ) of this document
<b>CPI</b>	Consumer Price Index
<b>CREST</b>	the relevant system as defined in the CREST Regulations in respect of which Euroclear is the operator (as defined in the CREST Regulations) in accordance with which securities may be held in uncertificated form
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended
<b>Deferred Shares</b>	deferred ordinary shares of £0.01 each in the capital of the Company arising on Conversion
<b>Depositary</b>	INDOS Financial Limited
<b>Depositary Agreement</b>	the depositary agreement dated 9 March 2018, between the Company, the AIFM and the Depositary, summarised in paragraph 7.8 of Part 12 ( <i>Additional Information</i> ) of this document
<b>Directors or Board</b>	the board of directors of the Company
<b>Disclosure Guidance and Transparency Rules</b>	the disclosure guidance and transparency rules contained in the FCA's Handbook of Rules and Guidance
<b>DP Act</b>	The Data Protection Act 1998, as amended
<b>DUoS</b>	Distribution Use of System
<b>EEA</b>	European Economic Area
<b>EPC Contract</b>	engineering, procurement and construction contract
<b>ERISA</b>	the United States Employee Retirement Income Security Act of 1974, as amended
<b>FATCA</b>	The US Foreign Account Tax Compliance Act
<b>FCA</b>	Financial Conduct Authority
<b>First Admission</b>	Admission of the Ordinary Shares issued pursuant to the First Issue
<b>First Issue</b>	the First Placing, the Offer for Subscription and the Intermediaries Offer
<b>First Placing</b>	the conditional placing of Ordinary Shares by Stockdale at the Issue Price pursuant to the Placing and Offer Agreement as described in Part 7 ( <i>The First Issue</i> ) of this document
<b>FSMA</b>	the UK Financial Services and Markets Act 2000, as amended
<b>GB</b>	Great Britain
<b>Grid Code</b>	the Grid Code administered by National Grid, which specifies the technical requirements for connection to, and use of, the National Electricity Transmission System
<b>Gross Asset Value</b>	the value of the gross assets of the Company as determined in accordance with the accounting principles adopted by the Company from time to time
<b>Gross Proceeds</b>	the gross proceeds of the First Issue
<b>Group</b>	the Company and its subsidiaries from time to time



<b>GW</b>	Gigawatts, Unit of electric power equal to one billion watts
<b>HMRC</b>	HM Revenue and Customs
<b>Hz</b>	hertz
<b>IFRS</b>	International Financial Reporting Standards
<b>Intermediaries</b>	the entities listed in paragraph 15 of Part 12 ( <i>Additional Information</i> ) of this document, together with any other intermediary (if any) that is appointed by the Company in connection with the Intermediaries Offer after the date of this document and “ <b>Intermediary</b> ” shall mean any one of them
<b>Intermediaries Booklet</b>	the booklet entitled “Gore Street Energy Storage Fund plc Initial Public Offering: Information for Intermediaries” and containing, among other things, the Intermediaries Terms and Conditions
<b>Intermediaries Offer</b>	the offer of Ordinary Shares by the Intermediaries
<b>Intermediaries Offer Adviser</b>	Stockdale Securities Limited
<b>Intermediaries Terms and Conditions</b>	the terms and conditions agreed between the Intermediaries Offer Adviser, the Company, the Adviser and the Intermediaries in relation to the Intermediaries Offer and contained in the Intermediaries Booklet
<b>IRR</b>	internal rate of return
<b>Issue Price</b>	the price at which Ordinary Shares are issued, being 100 pence per Ordinary Share in the case of the First Issue and being the relevant Placing Programme Price in the case of the Placing Programme
<b>Issues</b>	the First Issue and any subsequent issue under the Placing Programme and each an “ <b>Issue</b> ”
<b>JTC</b>	JTC (UK) Limited
<b>Listing Rules</b>	the listing rules made by the UK Listing Authority under section 73A of FSMA
<b>Lock-up and Orderly Market Deed</b>	the lock-up and orderly market deed entered into between the Company and Stockdale and each of NEC ES, NK, Alex O’Cinneide, Suminori Arima, Peter Gutman, Daniel Mudd, Franciscus Wouters, Piers Lindsay-Fynn and certain shareholders of the Adviser as summarised in paragraph 7.5 of Part 12 ( <i>Additional Information</i> ) of this document
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Lower Road Project</b>	the greenfield site in Brentwood, Essex which has the benefit of a 10 MW grid connection
<b>Market Abuse Regulation</b>	the Market Abuse Regulation (EU) No. 596/2014
<b>Member State</b>	any member state of the European Economic Area
<b>Minimum Net Proceeds</b>	the minimum net proceeds of the First Issue, being £75 million
<b>Money Laundering Directive</b>	the Money Laundering Directive (2005/60/EC) of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing
<b>Money Laundering Regulations</b>	the Money Laundering, Terrorism Financing and Transfer of Funds (Information on the Payer) Regulations 2017
<b>National Grid</b>	National Grid plc, the high-voltage electric energy transmission network in Great Britain
<b>NAV or Net Asset Value</b>	the value of the assets of the Company less its liabilities, determined in accordance with the accounting principles adopted by the Company from time to time
<b>NAV per Ordinary Share or Net Asset Value per Ordinary Share</b>	the Net Asset Value attributable to the Ordinary Shares divided by the number of Ordinary Shares in issue (excluding treasury shares)
<b>NEC</b>	NEC Corporation
<b>NEC ES</b>	NEC Energy Solutions Inc., a company incorporated in the United States whose principal office is at 155 Flanders Road, Westborough MA 01581, USA

<b>NEC ES Agreement</b>	the agreement entered into between the Company and NEC ES dated 5 February 2018 in connection with, <i>inter alia</i> , the NEC ES Investment and the NEC ES Commitment, as summarised in paragraph 7.6 of Part 12 ( <i>Additional Information</i> ) of this document
<b>NEC ES Investment</b>	the lower of (i) 10 per cent. of the total gross proceeds of the First Issue and (ii) £8 million
<b>NEC ES Shares</b>	the Ordinary Shares to be issued to NEC ES pursuant to the First Placing
<b>Net Assets</b>	the assets of the Company less its liabilities as determined in accordance with the accounting principles adopted by the Company from time to time and the Articles
<b>NK</b>	Nippon Koei Co., Ltd., a company incorporated under the laws of Japan with its registered address at 4, Kojimachi 5-chome, Chiyoda-ku, Tokyo, Japan
<b>NK Agreement</b>	the agreement entered into between the Company and NK dated 5 February 2018 in connection with, <i>inter alia</i> , NK's investment in the Company and the NK Commitment, as summarised in paragraph 7.6 of Part 12 ( <i>Additional Information</i> ) of this document
<b>NK Investment</b>	£6 million
<b>O&amp;M</b>	operation and maintenance
<b>Offer for Subscription</b>	the offer for subscription of Ordinary Shares at the Issue Price as described in this document
<b>Official List</b>	the official list maintained by the UK Listing Authority
<b>Ofgem</b>	Office of Gas and Electricity Markets
<b>Ordinary Shares</b>	ordinary shares of £0.01 each in the capital of the Company
<b>Origami</b>	Origami Storage Limited
<b>Placee</b>	a person subscribing for Ordinary Shares and/or C Shares under the First Placing and/or a Subsequent Placing
<b>Placing Agent</b>	Stockdale Securities Limited
<b>Placing and Offer Agreement</b>	the conditional agreement dated 9 March 2018, between the Company, the Adviser, the Directors and Stockdale, summarised in paragraph 7.1 of Part 12 ( <i>Additional Information</i> ) of this document
<b>Placing Programme</b>	the conditional programme of placings of Ordinary Shares and/or C Shares by Stockdale pursuant to the Placing and Offer Agreement as described in Part 8 ( <i>The Placing Programme</i> ) of this document
<b>Placing Programme Price</b>	the applicable price at which new Ordinary Shares are issued under the Placing Programme, being not less than the prevailing Net Asset Value (cum income) per Ordinary Share and/or £1.00 per C Share
<b>Project Sourcing Agreements</b>	the NEC ES Agreement and the NK Agreement, as summarised in paragraph 7.6 of Part 12 ( <i>Additional Information</i> ) of this document
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and of the Council of the European Union and any relevant implementing measure in each Relevant Member States
<b>Prospectus Rules</b>	the rules and regulations made by the FCA under Part VIII of FSMA
<b>Receiving Agent</b>	Computershare Investor Services PLC
<b>Receiving Agent Agreement</b>	the receiving agent services agreement between the Company and the Receiving Agent summarised in paragraph 7.9 of Part 12 ( <i>Additional Information</i> ) of this document
<b>Redeemable Preference Shares</b>	redeemable preference shares of £1.00 each in the capital of the Company, having the rights and being subject to the restrictions set out in the Articles, which are summarised in paragraph 3 of Part 12 ( <i>Additional Information</i> ) of this document
<b>Register</b>	the register of members of the Company
<b>Registrar</b>	Computershare Investor Services PLC

<b>Registrar Agreement</b>	the agreement dated 9 March 2018, between the Company and the Registrar, summarised in paragraph 7.10 of Part 12 ( <i>Additional Information</i> ) of this document
<b>Regulatory Information Service</b>	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange
<b>Relevant Member State</b>	each Member State which has implemented the Prospectus Directive or where the Prospectus Directive is applied by the regulator
<b>Reporting Accountant</b>	BDO LLP
<b>Restricted Jurisdiction</b>	each of Australia, Canada, Japan, the Republic of South Africa and the United States
<b>SEC</b>	the United States Securities and Exchange Commission
<b>Seed Portfolio</b>	100 per cent. of the issued share capital of NK Energy Storage Solutions Ltd, to be acquired by the Company pursuant to the terms of the Share Purchase Agreement and, subject to agreeing final legally binding terms with Origami and a satisfactory result in the frequency auction in April 2018, the right to construct and operate the Lower Road Project
<b>Shareholder</b>	a holder of Shares
<b>Shares</b>	Ordinary Shares and/or C Shares, as the context may require
<b>Share Purchase Agreement</b>	the share purchase agreement entered into between NK and the Company on 9 March 2018 in connection with the transfer of the Boulby Project and the Cenin Project from NK to the Subsidiary, summarised in paragraph 7.4 of Part 12 ( <i>Additional Information</i> ) of this document
<b>Sterling or £ or GBP</b>	pounds sterling, the legal currency of the United Kingdom
<b>Stockdale</b>	Stockdale Securities Limited, the Company's sponsor, broker, placing agent and intermediaries offer adviser
<b>Subsequent Admission</b>	Admission of any Ordinary Shares and/or C Shares issued pursuant to the Placing Programme
<b>Subsequent Placing</b>	any placing of Ordinary Shares and/or C Shares pursuant to the Placing Programme described in this document
<b>Subsidiary</b>	GSES 1 Limited
<b>Takeover Code</b>	The City Code on Takeovers and Mergers
<b>Tax Residency Self-Certification Form</b>	the tax residency self-certification form required to be completed by all new investors in the Company for FATCA reporting purposes
<b>TNUoS</b>	Transmission Network Use of System
<b>Triad</b>	the three half-hour periods of highest demand on the GB electricity transmission system between November and February each year
<b>UK</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UK Listing Authority or UKLA</b>	the FCA acting in its capacity as the competent authority for the purposes of admissions to the Official List
<b>uncertificated or in uncertificated form</b>	a Share recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>Underlying Applicants</b>	investors who wish to acquire Ordinary Shares under the Intermediaries Offer who are clients of any Intermediary
<b>United States or US</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
<b>US Code</b>	the US Internal Revenue Code of 1986, as amended
<b>US Investment Company Act</b>	the United States Investment Company Act of 1940, as amended
<b>US Person</b>	a US Person as defined for the purposes of Regulation S promulgated under the Securities Act
<b>US Securities Act</b>	the United States Securities Act of 1933, as amended
<b>Valuation Opinion Letter</b>	the BDO LLP Valuation Opinion Letter set out in Part 6 of this document

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## Appendix 1

### Application Form for the Offer for Subscription

Please send this completed form by post to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH or by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received no later than 1.00 p.m. (London time) on 6 April 2018.

FOR OFFICIAL USE  
ONLY

Log No.

The Directors may, with the prior approval of Stockdale, alter such date and thereby shorten or lengthen the offer period. In the event that the offer period is altered, the Company will notify investors of such change.

Important: Before completing this form, you should read the Prospectus dated 9 March 2018 and the Terms and Conditions of Application under the Offer for Subscription set out in the Prospectus and accompanying notes to this form.

Box 1 (minimum of £1,000  
and in multiples of £1000  
thereafter)

To: Gore Street Energy Storage Fund plc and the Receiving Agent

#### 1. APPLICATION

I/We the person(s) detailed in section 2A below offer to subscribe the amount shown in Box 1 for Ordinary Shares subject to the Terms and Conditions of Application under the Offer for Subscription set out in the Prospectus dated 9 March 2018 and subject to the articles of incorporation of the Company in force from time-to-time.

#### 2A. DETAILS OF HOLDER(S) IN WHOSE NAME(S) ORDINARY SHARES WILL BE ISSUED

(BLOCK CAPITALS)

1:	Mr, Mrs, Ms or Title:	Forenames (in full):
----	-----------------------	----------------------

Surname/Company name:
-----------------------

Address (in full):
--------------------

Postcode:	Designation (if any):
-----------	-----------------------

2:	Mr, Mrs, Ms or Title:	Forenames (in full):
----	-----------------------	----------------------

Surname/Company name:
-----------------------

Address (in full):
--------------------

Postcode:	Designation (if any):
-----------	-----------------------



3:	Mr, Mrs, Ms or Title:	Forenames (in full):
----	-----------------------	----------------------

Surname/Company name:
-----------------------

Address (in full):
--------------------

Postcode:	Designation (if any):
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4:	Mr, Mrs, Ms or Title:	Forenames (in full):
----	-----------------------	----------------------

Surname/Company name:
-----------------------

Address (in full):
--------------------

Postcode:	Designation (if any):
-----------	-----------------------

**2B. CREST ACCOUNT DETAILS INTO WHICH ORDINARY SHARES ARE TO BE DEPOSITED (IF APPLICABLE)**

Only complete this section if Ordinary Shares allotted are to be deposited in a CREST Account which must be in the same name as the holder(s) given in Section 2A.

(BLOCK CAPITALS)

CREST Participant ID: 

--	--	--	--	--	--

CREST Member Account ID: 

--	--	--	--	--	--	--	--	--	--

**3. SIGNATURE(S): ALL HOLDERS MUST SIGN**

By completing box 3 below you are deemed to have read the Prospectus and agreed to the terms and conditions in Part 10 of the Prospectus (Terms and Conditions of Application under the Offer for Subscription) and to have given the warranties, representations and undertakings set out therein.

First Applicant Signature:	Date
Second Applicant Signature:	Date
Third Applicant Signature:	Date
Fourth Applicant Signature:	Date

**Execution by a Company**

Executed by (Name of Company):		Date
Name of Director:	Signature:	Date
Name of Director/Secretary:	Signature:	Date
If you are affixing a company seal, please mark a cross <input type="checkbox"/>	Affix Company Seal here:	



#### 4. SETTLEMENT

Please tick the relevant box confirming your method of payment

##### 4A. CHEQUES/BANKER'S DRAFT

If you are subscribing for Ordinary Shares and paying by cheque or banker's draft, pin or staple to this form your cheque or banker's draft for the number of Ordinary Shares shown in Box 1 made payable to "CIS PLC re Gore Street Energy Storage Fund plc OFS Acceptance a/c" and crossed "A/C payee only". Cheques and banker's payments must be drawn in sterling on an account at a bank branch in the United Kingdom and must bear a United Kingdom bank sort code number in the top right hand corner. If you use a banker's draft or a building society cheque you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the banker's draft or cheque and adds its stamp.

##### 4B. ELECTRONIC BANK TRANSFER

If you are subscribing for Ordinary Shares and sending subscription monies by electronic bank transfer (CHAPS), payment must be made for value by 1.00 p.m. on 6 April 2018. Please contact Computershare Investor Services PLC stating [GORE OFS] by email at OFSpaymentqueries@computershare.co.uk for full bank details. You will be provided with a unique reference number which must be used when making the payment.

Please enter below the sort code of the bank and branch you will be instructing to make such payment for value by 1.00 p.m. on 6 April 2018, together with the name and number of the account to be debited with such payment and the branch contact details.

Sort Code:	Account Number:
Account Name:	Bank Name and Address:

##### 4C. SETTLEMENT BY DELIVERY VERSUS. PAYMENT (DVP)

Only complete this section if you choose to settle your application within CREST, that is delivery versus payment (DVP).

Please indicate the CREST Participant ID from which the DEL message will be received by the Receiving Agent for matching, which should match that shown in 2B above, together with the relevant Member Account ID.

(BLOCK CAPITALS)

CREST Participant ID:

CREST Member Account ID:

You or your settlement agent/custodian's CREST account must allow for the delivery and acceptance of Ordinary Shares to be made against payment at the Issue Price per Ordinary Share, following the CREST matching criteria set below:

Trade Date: 10 April 2018  
Settlement Date: 12 April 2018  
Company: Gore Street Energy Storage Fund plc  
Security Description: Ordinary Shares of £0.01  
SEDOL: BG0P0V7  
ISIN: GB00BG0P0V73

Should you wish to settle DVP, you will need to match your instructions to Computershare's Participant account 8RA30 by no later than 1.00 p.m. on 6 April 2018.

You must also ensure that you or your settlement agent/custodian have a sufficient "debit cap" within the CREST system to facilitate settlement in addition to your/their own daily trading and settlement requirements.



**5. RELIABLE INTRODUCER DECLARATION**

Completion and signing of this declaration by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 6 of this form.

The declaration below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the "firm") which is itself subject in its own country to operation of 'know your customer' and anti-money laundering regulations no less stringent than those which prevail in the United Kingdom.

**DECLARATION:**

**To the Company and the Receiving Agent**

With reference to the holder(s) detailed in section 2A, all persons signing at section 3 and the payor identified in section 6 if not also a holder (collectively the "subjects") WE HEREBY DECLARE:

- 1. we operate in the United Kingdom, or in a country where money laundering regulations under the laws of that country are, to the best of our knowledge, no less stringent than those which prevail in the United Kingdom and our firm is subject to such regulations;
- 2. we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
- 3. each of the subjects is known to us in a business capacity and we hold valid identity documentation on each of them and we undertake to immediately provide to you copies thereof on demand;
- 4. we confirm the accuracy of the names and residential business address(es) of the holder(s) given at section 2A and if a CREST Account is cited at section 2B that the owner thereof is named in section 2A;
- 5. having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the Ordinary Shares mentioned; and
- 6. where the payor and holder(s) are different persons we are satisfied as to the relationship between them and reason for the payor being different to the holder(s).

The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of this firm or its officials.

Signed:	Name:	Position:
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Name of regulatory authority:	Firm's licence number:
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Website address or telephone number of regulatory authority:
STAMP of firm giving full name and business address:

**6. IDENTITY INFORMATION**

If the declaration in section 5 cannot be signed and the value of your application is greater than €15,000 (or the sterling equivalent), please enclose with that Application Form the documents mentioned below, as appropriate. Please also tick the relevant box to indicate which documents you have enclosed, all of which will be returned by the Receiving Agent to the first named Applicant.

In accordance with internationally recognised standards for the prevention of money laundering, the documents and information set out below must be provided:

Holders				Payor
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Tick here for documents provided

**A. For each holder being an individual enclose:**

- (1) an original or a certified clear photocopy of one of the following identification documents which bear both a photograph and the signature of the person: current passport – Government or Armed Forces identity card – driving licence; and
- (2) an original or certified copies of at least two of the following documents no more than 3 months old which purport to confirm that the address given in section 2A is that person’s residential address: a recent gas, electricity, water or telephone (not mobile) bill – a recent bank statement – a council rates bill – or similar document issued by a recognised authority; and
- (3) if none of the above documents show their date and place of birth, enclose a note of such information; and
- (4) details of the name and address of their personal bankers from which the Receiving Agent may request a reference, if necessary.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

**B. For each holder being a company (a “holder company”) enclose:**

- (1) a certified copy of the certificate of incorporation of the holder company; and
- (2) the name and address of the holder company’s principal bankers from which the Receiving Agent may request a reference, if necessary; and
- (3) a statement as to the nature of the holder company’s business, signed by a director; and
- (4) a list of the names and residential addresses of each director of the holder company; and
- (5) for each director provide documents and information similar to that mentioned in A above; and
- (6) a copy of the authorised signatory list for the holder company; and
- (7) a list of the names and residential/registered address of each ultimate beneficial owner interested in more than 5 per cent. of the issued share capital of the holder company and, where a person is named, also complete C below and, if another company is named (hereinafter a “beneficiary company”), also complete D below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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**C. For each person named in B(7) as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in A(1) to (4).**

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------

**D. For each beneficiary company named in B(7) as a beneficial owner of a holder company enclose:**

- (1) a certified copy of the certificate of incorporation of that beneficiary company; and
- (2) a statement as to the nature of that beneficiary company’s business signed by a director; and
- (3) the name and address of that beneficiary company’s principal bankers from which the Receiving Agent may request a reference, if necessary; and
- (4) a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent. of the issued share capital of that beneficiary company.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------	--------------------------	--------------------------



**E. If the payor is not a holder and is not a bank providing its own cheque or banker's payment on the reverse of which is shown details of the account being debited with such payment (see note 5 on how to complete this form) enclose:**

- (1) if the payor is a person, for that person the documents mentioned in A(1) to (4); or
- (2) if the payor is a company, for that company the documents mentioned in B(1) to (7); and
- (3) an explanation of the relationship between the payor and the holder(s).

The Receiving Agent reserves the right to ask for additional documents and information.

**7. CONTACT DETAILS**

To ensure the efficient and timely processing of this application please enter below the contact details of a person the Receiving Agent may contact with all enquiries concerning this application. Ordinarily this contact person should be the person signing in section 3 on behalf of the first named holder. If no details are provided here but a regulated person is identified in section 5, the Receiving Agent will contact the regulated person. If no details are entered here and no regulated person is named in section 5 and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Contact name:	E-mail address:
Contact address:	
	Postcode:
Telephone No:	Fax No:

## **NOTES ON HOW TO COMPLETE THE OFFER FOR SUBSCRIPTION APPLICATION FORM (APPENDIX 1) AND THE TAX RESIDENCY SELF-CERTIFICATION FORM (APPENDIX 2)**

All applicants must complete Appendix 1.

All applicants who are individuals, excluding any applicants who intend to hold Ordinary Shares in CREST, must complete the Tax Residency Self-Certification Form at Appendix 2.

Any individual applicant who is a joint holder and who does not intend to hold Ordinary Shares in CREST should not complete Appendix 2 and should contact the Receiving Agent to request the relevant Tax Residency Self-Certification Form to complete as set out in the following paragraph.

In the case of applicants who are: (i) joint holders; or (ii) entities, please contact the Receiving Agent on 0370 707 1741 or from outside the UK on +44 370 707 1741 to request the relevant Tax Residency Self-Certification Form.

Applications (including Appendix 2, if applicable or any other Tax Residency Self-Certification Form provided by the Receiving Agent on request by the applicant) should be returned so as to be received no later than 1.00 p.m. (London time) on 6 April 2018.

**HELP DESK:** If you have a query concerning completion of the Application Form or the Tax Residency Self-Certification Form please call the Receiving Agent on 0370 707 1741 or from outside the UK on +44 370 707 1741.

### **APPENDIX 1**

#### **1. APPLICATION**

Fill in (in figures) in Box 1 the number of Ordinary Shares you wish to subscribe for at the Issue Price being 100 pence per Ordinary Share. The number being subscribed for must be a minimum of £1,000 and thereafter in multiples of £1000. Financial intermediaries who are investing on behalf of clients should make separate applications or, if making a single application for more than one client, provide details of all clients in respect of whom application is made in order to benefit most favourably from any scaling back should this be required or to benefit most favourably from any commission arrangements.

#### **2A. HOLDER DETAILS**

Fill in (in block capitals) the full name and address of each holder. Applications may only be made by persons aged 18 or over. In the case of joint holders only the first named may bear a designation reference and the address given for the first named will be entered as the registered address for the holding on the share register and used for all future correspondence. A maximum of four joint holders is permitted. All holders named must sign the Application Form at section 3.

#### **2B. CREST**

If you wish your Ordinary Shares to be deposited in a CREST Account in the name of the holders given in section 2A enter in section 2B the details of that CREST Account. Where it is requested that Ordinary Shares be deposited into a CREST Account please note that payment for such Ordinary Shares must be made prior to the day such Ordinary Shares might be allotted and issued. Should you wish to apply for Ordinary Shares by delivery versus payment method (DVP) you will need to match you instructions to Computershare Investor Services PLC's Participant Account 8RA30 by no later than 1.00 p.m. on 6 April 2018 allowing for the delivery and acceptance of your Ordinary Shares to your CREST account against payment of the Issue Price through the CREST system upon the relevant settlement date, following the CREST matching criteria set out in the Application Form.

#### **3. SIGNATURE**

All holders named in section 2A must sign section 3 and insert the date. The Application Form may be signed by another person on behalf of each holder if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection (which originals will be returned by post at the addressee's risk). A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Application Form.

#### **4. SETTLEMENT**

##### **(a) Cheque/Banker's Draft**

Payments must be made by cheque or banker's draft in sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of these companies.



Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds should be made payable to CIS PLC re Gore Street Energy Storage Fund plc OFS Acceptance a/c. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping and endorsing the cheque/banker's draft to such effect.

The account name should be the same as that shown on the application.

**(b) Electronic Bank Transfers**

For applicants sending subscription monies by electronic bank transfer (CHAPS), payment must be made for value by no later than 1.00 p.m. on 6 April 2018. Applicants wishing to make a CHAPS payment should contact Computershare stating [GORE OFS] by email at paymentqueries@computershare.co.uk for full bank details. Applicants will be provided with a unique reference number which must be used when making the payment.

**(c) CREST Settlement**

The Company will apply for the Ordinary Shares issued pursuant to the Offer for Subscription in uncertificated form to be enabled for CREST transfer and settlement with effect from Admission (the "**Settlement Date**"). Accordingly, settlement of transactions in the Ordinary Shares will normally take place within the CREST system.

The Application Form in Appendix 1 contains details of the information which Computershare will require from you in order to settle your application within CREST, if you so choose. If you do not provide any CREST details or if you provide insufficient CREST details for Computershare to match to your CREST account, Computershare will deliver your Ordinary Shares in certificated form provided payment has been made in terms satisfactory to the Company.

The right is reserved to issue your Ordinary Shares in certificated form should the Company, having consulted with Computershare, consider this to be necessary or desirable. This right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST or any part of CREST or on the part of the facilities and/or system operated by Computershare in connection with CREST.

The person named for registration purposes in your Application Form (which term shall include the holder of the relevant CREST account) must be: (i) the person procured by you to subscribe for or acquire the relevant Ordinary Shares; or (ii) yourself; or (iii) a nominee of any such person or yourself, as the case may be. Neither Computershare nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. Computershare, on behalf of the Company, will input a DVP instruction into the CREST system according to the booking instructions provided by you in your Application Form. The input returned by you or your settlement agent/custodian of a matching or acceptance instruction to our CREST input will then allow the delivery of your Ordinary Shares to your CREST account against payment of the Issue Price per Ordinary Share through the CREST system upon the Settlement Date.

By returning the Application Form you agree that you will do all things necessary to ensure that you or your settlement agent/custodian's CREST account allows for the delivery and acceptance of Ordinary Shares to be made prior to 8.00 a.m. on 12 April 2018 against payment of the Issue Price per Ordinary Share. Failure by you to do so will result in you being charged interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling plus 2 per cent. per annum.

To ensure that you fulfil this requirement it is essential that you or your settlement agent/custodian follow the CREST matching criteria set out below:

Trade Date:	10 April 2018
Settlement Date:	12 April 2018
Company:	Gore Street Energy Storage Fund plc
Security Description:	Ordinary Shares of £0.01
SEDOL:	BG0P0V7
ISIN:	GB00BG0P0V73

Should you wish to settle DVP, you will need to match your instructions to Computershare's Participant account 8RA30 by no later than 1.00 p.m. on 6 April 2018.

You must also ensure that you or your settlement agent/custodian has a sufficient "debit cap" within the CREST system to facilitate settlement in addition to your/its own daily trading and settlement requirements.



In the event of late CREST settlement, the Company, after having consulted with Computershare, reserves the right to deliver Ordinary Shares outside CREST in certificated form provided payment has been made in terms satisfactory to the Company and all other conditions in relation to the Offer for Subscription have been satisfied.

## **5. RELIABLE INTRODUCER DECLARATION**

Applications will be subject to the UK's verification of identity requirements. This will involve you providing the verification of identity documents listed in section 6 of the Application Form UNLESS you can have the declaration provided at section 5 of the Application Form given and signed by a firm acceptable to the Receiving Agent. In order to ensure your application is processed timely and efficiently all applicants are strongly advised to have the declaration provided in section 5 of the Application Form completed and signed by a suitable firm.

## **6. IDENTITY INFORMATION**

Applicants need only consider section 6 of the Application Form if the declaration in section 5 cannot be completed. Notwithstanding that the declaration in section 5 has been completed and signed the Receiving Agent reserves the right to request of you the identity documents listed in section 6 and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time your application might be rejected or revoked. Where certified copies of documents are provided such copy documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the firm should be clearly identified on each document certified.

## **7. CONTACT DETAILS**

To ensure the efficient and timely processing of your Application Form, please provide contact details of a person the Receiving Agent may contact with all enquiries concerning your application. Ordinarily this contact person should be the person signing in section 3 on behalf of the first named holder. If no details are provided here but a regulated person is identified in section 5, the Receiving Agent will contact the regulated person. If no details are entered here and no regulated person is named in section 5 and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

## **APPENDIX 2**

### **1. INSTRUCTIONS FOR COMPLETION**

The law requires the Company to collect, retain and report certain information about its Shareholders, including their tax residence. For this purpose, the Shareholder is the person whose name appears on the share register. This may not necessarily be the same as the person who is entitled to dividends or the sale proceeds of the Shares, for example where Shares are held by a nominee. For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders <https://www.gov.uk/government/publications/exchangeof-information-account-holders>.

- To enable the Company to comply with its obligation to report to HMRC which may then share it with other tax authorities, you are required to provide certain information, including your country of residence for tax purposes.
- Please complete parts 1, 2 and 3 in Appendix 2 below as directed and provide any additional information requested.
- If your declared country/countries of residence for tax purposes is not the UK and is on the OECD list of countries with which the UK has agreed to exchange information <http://www.oecd.org/tax/exchangeof-tax-information/MCAA-Signatories.pdf>, the Company will be obliged to share this information with HMRC who may then share it with other relevant local tax authorities.
- **If you have any remaining questions about how to complete the Tax Residency Self-Certification Form or about how to determine your tax residency you should contact your tax adviser.**
- **If any of the information in the Tax Residency Self-Certification Form about your tax residency changes, you are required to provide the Company with a new, updated, Tax Residency Self-Certification Form within 30 days of such change in circumstances. Please contact Computershare Investor Services PLC to request a new Tax Residency Self-Certification Form in such circumstance.**



## 2. NOTES – DEFINITIONS

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (“**The Common Reporting Standard**”) <http://www.oecd.org/tax/automatic-exchange/common-reportingstandard/> contains definitions for the terms used within it. However, the following definitions are for general guidance only to help you in completing the Tax Residency Self-Certification Form.

**If you have any questions about these definitions or require further details about how to complete this form then please contact your tax adviser. NOTHING IN THE TAX RESIDENCY SELF-CERTIFICATION FORM CAN BE CONSIDERED TO BE TAX ADVICE.**

“**Country/Countries of residence for tax purposes**” You are required to list the country or countries in which you are resident for tax purposes, together with the tax reference number which has been allocated to you, often referred to as a tax identification number (“**TIN**”). Special circumstances (such as studying abroad, working overseas, or extended travel) may cause you to be resident elsewhere or resident in more than one country at the same time (dual residency). The country/countries in which you might be obliged to submit a tax return are likely to be your country/countries of tax residence. If you are a US citizen or hold a US passport or green card, you will also be considered tax resident in the US even if you live outside the US.

“**Tax Identification Number or TIN**” The number used to identify the Shareholder in the country of residence for tax purposes. Some jurisdictions do not issue a TIN or do not issue a TIN to all residents. Depending on the country or jurisdiction these can include functional equivalent references such as a national insurance number, social security number or resident registration number. Some jurisdictions that do issue TINs have domestic law that does not require the collection of the TIN for domestic reporting purposes so that a TIN is not required to be completed by a Shareholder resident in such jurisdictions.

**INSTRUCTIONS FOR DELIVERY OF COMPLETED APPLICATION FORMS AND TAX RESIDENCY SELF-CERTIFICATION FORMS** – Completed Application Forms and, if applicable, Tax Residency Self-Certification Forms should be returned, by post to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH or by hand (during normal business hours), to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received no later than 1.00 p.m. (London time) on 6 April 2018, together with payment in full in respect of the application. If you post your Application Form and, if applicable, Tax Residency Self-Certification Form, you are recommended to use first class post and to allow at least two days for delivery. Application Forms and Tax Residency Self-Certification Forms received after this date may be returned.

## Appendix 2

### Tax Residency Self-Certification Form (Individuals)

Please send this completed form by post to Computershare Investor Services PLC, Corporate Actions Projects, The Pavilions, Bridgwater Road, Bristol BS99 6AH or by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received no later than 1.00 p.m. (London time) on 6 April 2018.

To: Gore Street Energy Storage Fund plc and the Receiving Agent

#### 1. IDENTIFICATION OF INDIVIDUAL SHAREHOLDER

##### A. Please provide the Residence Address

(BLOCK CAPITALS)

House Name .....

Street/Road Name .....

Town/City .....

County .....

Country .....

Postal or ZIP Code .....

B. Date of Birth DD/MM/YY

#### 2. COUNTRY/COUNTRIES OF RESIDENCE FOR TAX PURPOSES

Country of residence for tax purposes	Tax Identification Number (see Definition)

#### 3. DECLARATIONS AND SIGNATURE

I acknowledge that the information contained in this form and information regarding my Shares may be reported to the local tax authority and exchanged with tax authorities of another country or countries in which I may be tax resident where those countries have entered into Agreements to exchange Financial Account information.

I undertake to advise Gore Street Energy Storage Fund plc within 30 days of any change in circumstances which causes the information contained herein to become incorrect and to provide Gore Street Energy Storage Fund plc with a suitably updated Declaration within 30 days of such change in circumstances.

I certify that I am the Shareholder (or am authorised to sign for the Shareholder).

I declare that all statements made in this declaration are, to the best of my knowledge and belief, correct and complete.

Signature: .....

Print Name: .....

Date: .....

- If signing under a power of attorney, please also attach a copy of the power of attorney.



