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HydrogenOne Capital Growth plc

Annual Report & Accounts
31 December 2021

HydrogenOne Capital Growth plc is pleased to announce its audited results for the period from incorporation on 16 April 2021 to 31 December 2021.

Investment objective, highlights and financial information

Background

HydrogenOne Capital Growth Plc ("HGEN", "the Company") was established to provide investors with opportunities in clean hydrogen and energy storage for the energy transition. As leaders in the hydrogen sector, we have first mover advantage in a new green energy technology, addressing Net Zero, air quality and energy security.

Investment objective and policy

The Company's investment objective is to deliver an attractive level of capital growth by investing, directly or indirectly, in a diversified portfolio of hydrogen and complementary hydrogen focussed assets whilst integrating core ESG principles into its decision-making and ownership process.

The Company will seek to achieve this objective through investment in a diversified portfolio of hydrogen and complementary hydrogen focussed assets, with an expected focus in developed markets in Europe, North America and Asia Pacific. The Company intends to implement its investment policy through the acquisition of Private Hydrogen Assets and Listed Hydrogen Assets.

Our purpose

- Leadership in a new sector from the first London listed hydrogen fund. Significant growth potential identified by the first mover in a new green energy technology sector, addressing Net Zero, air quality and energy security.
- A unique offering to investors. Track record in energy and capital markets. We have a pipeline to deliver 10-15% per annum NAV growth.
- Ambition to address the complexity and scale in a major new energy sector.

At a glance

Operational highlights

- Listed on the London Stock Exchange Premium segment on 30 July 2021, raising net proceeds of £105.2 million
- During the period from listing to 31 December 2021, the Company successfully completed investment in three Private Hydrogen Assets for £39.2 million. A further three investments have been completed post period end for total consideration of £20.5 million
- In addition the Company acquired a portfolio of 19 Listed Hydrogen Assets for total consideration of £9.5 million
- At 31 December 2021, c. 46% of the equity raised at listing had been deployed
- The Company has deployed material capital into low carbon growth, with portfolio companies contributing to avoided greenhouse gas emissions
- Ongoing Charges for the period to 31 December 2021 amount to 2.06% of the Net Asset Value ("NAV")
- The Company's NAV as at 31 December 2021 was £102.8 million or 95.75 pence per Ordinary Share
- Share price return per share to 31 December 2021 is 19.5%
- Green Economy Mark awarded by the London Stock Exchange which awards companies that derive more than 50% of their revenues from products and services that are contributing to environmental objectives

About Clean Hydrogen

- Clean hydrogen displaces fossil fuels, reducing CO_2 emissions and improving air quality
- Clean hydrogen is an energy carrier that addresses renewables intermittency and energy storage

- Clean hydrogen demand could increase by over 200 times between 2019 and 2030 as the energy transition gathers pace, abating some 6 billion tonnes/year of CO_2 emissions by 2050[1]

With the adoption of legislated Net Zero targets by governments around the world, the focus has shifted to how exactly these targets can be met.

In addition, the growing share of renewables in the energy mix has created an urgent need for energy storage. Clean hydrogen can help us to deal with the intermittency of renewables by converting power to a storable, usable gas to replace hydrocarbons, reduce greenhouse gas emissions and improve air quality. All of this enables the world to deliver its climate change mitigation ambitions. At the same time, hydrogen combined with renewables such as wind and solar provides a domestic energy supply option for many countries, reducing reliance on imported energy.

Decarbonising the energy system

Clean hydrogen is the only Net Zero energy gas and this has been recognised in the plans adopted to date by the EU and individually by Germany, France, Spain and Portugal – all of which have committed to the use of clean hydrogen to decarbonise industry and to improve air quality. They have backed this commitment with multi-billion Euro funding to kick-start the process. Similar plans are in place in several Asian countries, and other countries including the United Kingdom are expected to follow suit.

This means that markets for clean hydrogen, and its production processes, are growing fast and accelerating. The potentially enormous market to replace hydrogen produced from hydrocarbons in the current hydrogen supply chain is being addressed already by the falling costs of renewable energy and electrolysis as well as by carbon capture and storage pilots.

Responsible investment

At the 2015 United Nations Climate Change Conference 196 countries agreed to reduce their carbon output as soon as possible and to do their best to keep global warming to well below 2 degrees celsius, and pursue efforts to limit the increase to 1.5 degrees celsius. There is broad consensus that this will require emissions to be Net Zero by latest 2050. Clean hydrogen has a vital role to play in this, and it can displace fossil fuels and hence reduce greenhouse gas emissions in transport, power generation, industrial energy, as a feedstock, and in heating.

The Company's investment objective is to deliver an attractive level of returns while integrating core ESG principles into its decision-making and ownership process.

We have a powerful environment – social – governance investment case (ESG), closely aligned with seven of the United Nations Sustainable Development Goals. By excluding sectors such as fossil fuels producers, focusing strongly on energy transition themes, and proactively engaging with our investments and other stakeholders more broadly, we aim to deliver attractive returns and a positive societal impact.

Chairman's Statement

"On behalf of the Board, I am delighted to introduce the first annual report of HydrogenOne Capital Growth plc for the period from inception to the end of our first financial period on 31 December 2021. The Company successfully listed on 30 July 2021, raising £105.2 million, post costs of the launch, and since then your company has been investing the equity raised in a diverse portfolio of assets in the clean energy space."

Simon Hogan *Chairman*

We have delivered what we said we would when we listed, and done so ahead of schedule. Since the formation of your company, it has become clear the macro environment has been moving quickly. Clean energy, and hydrogen in particular, has a key role to play in achieving the ambitious Net Zero target. This was emphasised at COP26 in Glasgow last November where hydrogen was highlighted as an integral part of the energy transition with numerous declarations made supporting the acceleration of demand and investment.

There is wide support and agreement that clean hydrogen is critical to achieving a Net Zero outcome. In public policy terms, Europe has developed a coherent hydrogen strategy, and a total of 39 countries have now published hydrogen roadmaps. In the UK, the phase out of diesel in heavy goods vehicles by 2035-40 is one of many similar policy shifts that further supports the hydrogen sector. Hydrogen energy is clearly gaining traction, but there is a long way to go, and the sector is in need of further investment.

This backdrop is enabling us as a business to identify a range of opportunities with interested parties and to invest across the whole energy transition value chain. At the end of 2021, there were at least 500 hydrogen projects announced world-wide, an increase of over 100% in the year. Full value chain spending on clean hydrogen could reach $700bn by 2030[1]. The Company is democratising investment in a large universe, which to date has predominantly been funded by private investment.

This also, however, shows how underinvested the hydrogen market is today and highlights that we must pick up the pace in order for hydrogen to play its part in the post-COP26 world.

For you, our investors, this is a good moment to enter this market and to be patient for the future rewards as we deploy our capital into our target portfolio. We are grateful to those who saw the exciting potential when we created the Company and who will be able to participate in the interesting opportunities ahead.

Results

Since listing the Company has begun deploying fresh capital into the hydrogen sector. At 31 December 2021, the Company has made investments into three Private Hydrogen Assets and a portfolio of listed holdings. The Company has deployed 46% of the equity raised and has a strong pipeline of investment opportunities.

The Net Asset Value ("NAV") per share at 31 December 2021 was 95.75 pence, compared with 98.0p at listing on 30 July 2021. The main driver for the NAV per share reduction has been the fall in global listed hydrogen focussed stocks in December. We hold these investments for the long term and our expectation is that these losses will be recovered once sentiment in the sector changes.

The loss after tax for the period was £2.4 million resulting in a loss per share of 3.78 pence since listing.

Investment performance

During the period from inception to 31 December 2021, shareholders have seen a share price total return of 19.5%, whilst over the same period the NAV total return per share reduced by 2.3%. The share price has consistently traded at a premium to NAV since the July 2021 IPO.

Dividends

The Company's dividend policy is to only pay dividends in order to satisfy the ongoing requirements under the Investment Trust (Approved Company) (Tax) Regulations 2011. The Company has paid no dividend during the period, as the Company continues to focus on growth investments.

Acquisitions

During the period under review, the Company announced the acquisitions of equity in Sunfire AG, HiiROC Limited and NanoSUN Limited. Further details of these investments are provided in the Investments Adviser's Report. In addition the Company has acquired a portfolio of 19 listed stocks.

Post period end, the Company has made further investments in Bramble Energy Limited for £10.0 million, Gen2 Energy for £3.5 million and Cranfield Aerospace Solutions Ltd for £7.0 million. This results in total deployment of 66% of the equity raised as at the date of this statement and the Company remains on track for full deployment in Q2 2022.

Valuation

The Net Asset Value at 31 December 2021 is £102.8 million, comprising £68.8 million portfolio valuation, £34.0 million of cash held by the Company, together with negative working capital balances of £0.1 million.

The Investment Adviser has prepared a fair market valuation of the portfolio as at 31 December 2021. This valuation is based on the price of recent investments for the Private Hydrogen Assets held and has been calibrated with a discounted cash flow analysis of the future expected equity cash flows accruing to the Company from each portfolio investment.

This valuation uses key assumptions which are recommended by the Investment Adviser using its experience and judgement, having taken into account available comparable market transactions and financial market data in order to arrive at a fair market value.

Listed Hydrogen Assets are valued at fair value, which is the bid market price, or, if bid price is unavailable, last traded price on the relevant exchange.

The Directors have satisfied themselves as to the methodology used and the assumptions adopted and have approved the valuation of the portfolio of 22 investments as at 31 December 2021.

Share capital

In July 2021, the Company successfully listed on the LSE and raised £105.2m million post costs.

ESG

From the outset, the Company has been determined to combine its funding of low carbon growth with wider ESG principles. As set out in the IPO prospectus, particular focus is placed on engagement to deliver effective Boards and the encouragement of sustainable business practices. These, and other issues, are reviewed and integrated prior to any investment decision, and will be managed thereafter through close relationships with our private company investments in particular (including a preference for Board representation, or observer status). In terms of metrics, the Investment Adviser considers the potential for impact through the lens of the fossil emissions that new hydrogen technologies can avoid, and continues to work on an appropriate methodology for publication. Meanwhile, all investments are mapped to the UN Sustainable Development Goals, and checked against frameworks such as the UN Global Compact and the UN Principles of Responsible Investment. The Company was very pleased to be awarded the London Stock Exchange's Green Economy Mark in 2021.

Risks and uncertainties

While it is the Investment Adviser that manages the risks facing the Company on a day-to-day basis, it is the Board of the Company which retains ultimate responsibility.

The Company's Audit and Risk Committee, which report to the Board, regularly reviews the effectiveness of the Company's (and that of the Investment Adviser, Alternative Investment Fund Manager ("AIFM"), Administrator and other third-party service providers as it deems fit) internal control policies and procedures for the identification, assessment and reporting of risks.

The Board considers that the principal risks and uncertainties for the Company have not materially altered from those set out in the last published Prospectus in July 2021. The Prospectus is available on the Company's website, and a summary of the principal risks and uncertainties is included in the Strategic Report.

Annual general meeting

The Annual General Meeting will be held on 24 May 2022 at 12.30pm at the Company's registered office, 6th floor, 125 London Wall, London EC2Y 5AS. This will be my first AGM as Chairman and we look forward to welcoming shareholders to the event in person. The meeting will consider the formal business of the AGM, as set out in the Notice of the AGM, and thereafter the Investment Adviser will provide a presentation on the Company's portfolio.

Board matters

As announced on 9 February 2022, Caroline Cook is stepping down as director on 7 April 2022 due to the increased responsibilities in sustainable investment in her expanding executive role, and to avoid any potential conflict of interest with the Company's future activities. We thank Caroline for her contribution on the Board and are pleased that she will join the Investment Adviser's Advisory Board later in 2022. We welcome Abigail Rotheroe, as Non-Executive Director of the Company, and look forward to benefitting from her expertise.

As Chair of the Company, I would also like to thank all the Directors of the Company, the Investment Adviser and our other advisers for their support and guidance in our coming to market and the execution of our strategy going forward.

I am excited by the progress we have made in the last eight months, and I believe we are in a unique position to benefit from the growing importance of hydrogen both in the UK and internationally. The Company continues to consider options for fundraising over the course of 2022 in order to fund its significant and growing pipeline of opportunities.

Simon Hogan
Chairman

31 March 2022

Investment Adviser's Report

"HydrogenOne Capital LLP was founded in 2020 by JJ Traynor and Richard Hulf as an alternative investment firm focussed specifically on investing in hydrogen assets and their role in the energy transition."

"With a pipeline of potential investments in excess of £500 million in hand today, the Company is well positioned to address the scale and complexity of a substantial new energy industry."

Background

The Company's Alternative Investment Fund Manager ("AIFM"), Sanne Fund Management (Guernsey) Limited, (part of Sanne Group), has appointed HydrogenOne Capital LLP as the Investment Adviser to the AIFM in respect of the Company. Its key responsibilities are to originate, analyse, assess and recommend suitable investments within the hydrogen sector, and advise the AIFM accordingly.

Additionally, the Investment Adviser performs asset management services in relation to the investments in the portfolio or, to the extent asset management is delegated to third parties, oversees and monitors such asset management.

HydrogenOne Capital LLP was founded in 2020 by JJ Traynor and Richard Hulf as an alternative investment firm focussed specifically on investing in hydrogen assets and their role in the energy transition. As a responsible investor, HydrogenOne Capital LLP is committed to contributing to the energy transition through the financing of sustainable investments and by providing investment solutions that reduce carbon emissions.

HydrogenOne Capital LLP employs a fully integrated investment and asset management approach and integrates its focus on ESG criteria throughout the entire investment process.

The Principals of the Investment Adviser

The Principals of the Investment Adviser have in excess of 60 years of combined experience and a track record of success in the energy industry and capital markets which are directly applicable to the hydrogen industry, including acquisitions, mergers and divestments, development of growth energy projects, supervision of profitable energy production, ESG track record, investments in both listed and private companies and board advisory.

The Investment Adviser's team

The Principals have assembled an experienced team to support the Company. This group brings a mixture of finance, technical and sector skills to

support the Investment Adviser in its day to day activity. The Investment Adviser has established a team which is responsible for financial modelling, corporate and asset valuation analysis, and opportunity assessment for the Company. The Principals anticipate a further increase in headcount as the Company continues to grow its activities.

Advisory Board of the Investment Adviser

The Principals of the Investment Adviser are supported by an experienced team which comprises the Advisory Board. The Advisory Board has been carefully selected to provide expert advice to the Investment Adviser on the hydrogen sector, project finance and capital markets. The Investment Adviser has appointed the members of the Advisory Board to provide it with advice from time to time. No members of the Advisory Board are directors, officers, employees or consultants of the Company, the AIFM or the Investment Adviser. It is envisaged that the Advisory Board will expand over time, with additional experts being added or substituted as and when required.

Strategy

A highly differentiated strategy, 100% focussed on clean hydrogen

Clean hydrogen has emerged as a key element of decarbonisation, as governments, companies and society come together to address the climate change underway today caused by human activities, particularly the burning of fossil fuels. The 2015 Paris Agreement set out a pathway for the world to address these challenges, and this, combined with further government commitments on emissions, is driving an energy transition to a low carbon economy. Further momentum at the 2021 COP26 meeting adds to the imperative for clean hydrogen. The "Breakthrough Agenda", launched at COP26, includes a 'hydrogen breakthrough' goal, which is to ensure affordable low-carbon hydrogen is globally available by 2030. Hydrogen has a vital role to play in the energy transition, in air quality and in energy security. Recent EU announcements on energy security ("REPowerEU"), triggered by the Russia-Ukraine war, include plans for a substantially increased role for clean hydrogen – now expected to reach 20 million tonnes per year in 2030, compared to 5.6 million tonnes projected earlier in the 'Fit for 55' plan. The scale of the challenge, and the impetus to move faster, cannot be understated.

The Company was established to provide investors with opportunities in clean hydrogen and energy storage for the energy transition.

The Company offers distinctive access to private investments, across the full hydrogen value chain, and across the OECD. The investment objective is to deliver an attractive level of capital growth by investing, directly or indirectly, in a diversified portfolio of hydrogen and complementary hydrogen focussed assets whilst integrating core ESG principles into our decision making and ownership process.

As the first UK listed investment company specialising in this sector, the Company has a clear competitive advantage as an early mover into a complex sector, and offers its investors a unique window into the private hydrogen asset market. With its emphasis on Private Hydrogen Assets, the Company, gives investors an opportunity to be exposed to liquidity and portfolio diversity in hydrogen companies and projects, hard to access elsewhere, with strong growth potential.

A focus on material ESG factors, and especially the deployment of capital to deliver the energy transition to a low carbon economy, is at the heart of what the Investment Adviser does, running hand in hand with a strategy to deliver the target 10-15% per annum NAV growth for the investors.

With a pipeline of potential investments in excess of £500 million in hand today, the Company is well positioned to address the scale and complexity of a substantial new energy industry.

The Investment Adviser is a specialist investor in this complex and rapidly-developing growth sector. The Company believes that this specialised approach is a competitive advantage that will only grow over time.

An investment in the Company offers exposure to the broader hydrogen sector whilst, at the same time, diversifying risk for an investor in the sector. By targeting a diversified portfolio of listed and private investments across different jurisdictions and different technologies, the Company seeks to spread some of the key underlying risks relating to clean hydrogen.

The UK and Europe are currently seeing a high level of political and societal support for Net Zero and the role of hydrogen in delivering that goal.

The Company currently intends to focus its investments in these jurisdictions as a priority.

By excluding companies or projects that generate revenues from the extraction or production of fossil fuels (mining, drilling or other such extraction of thermal coal, oil or gas deposits) from the portfolio and taking on further ESG screens, the portfolio is expected to be an early mover to Net Zero in the energy transition, and will not be encumbered by the legacy greenhouse gas emissions inherent in other players in the hydrogen sector.

The Investment Adviser expects the hydrogen market to grow substantially in the coming years, and for the production scale of individual hydrogen projects to increase over time. The Company is well positioned to take advantage of this growth, by deploying capital in the best quality companies and assets, and adopting a long term investment approach.

The clean hydrogen industry in the short term is dominated by bespoke sources of supply, financed by specialised offtakers, typically at 5MW to 100MW scale. In the period from 2025 to 2030 the Investment Adviser expects these facilities to be up-scaled to 100MW to 500MW scale, and ultimately to 1GW to 5GW. The Investment Adviser also believes that energy storage and Carbon Capture and Storage ("CCS") projects will also increase in scale in this timeframe, with the development of compressed air energy storage followed by hydrogen storage and long-distance transport through pipelines, as liquid hydrogen or as ammonia on ships.

Hydrogen market and investment opportunities

Policy makers and industry are converging on clean hydrogen as a core technology to deliver Net Zero and improved air quality. The Paris Agreement has led 39 countries to set out hydrogen policies and $70 billion of funding as part of Net Zero targets to deliver the Energy Transition to a low carbon economy.

As an example, Denmark announced a 'Hydrogen and Power-to-X' strategy in March 2022, calling for 4-6GW of installed hydrogen electrolysis by 2030, using wind and solar power, putting DKK 1.25 billion of subsidy funding in place, and the policy and regulatory frameworks that are required for this.

As a further example, in 2019 the Netherlands set targets for 3-4GW of electrolysis by 2030 with multi-billion Euro funding support announced by the Netherlands government. The government is providing EUR750m of funding support for a 'hydrogen backbone', retrofitting existing natural gas pipelines to transport hydrogen between five industrial clusters in the Netherlands, and at cross-border connection points.

Burning fossil fuels for energy releases green-house gas and poisonous particulates. More than 20 countries have announced sales bans on internal combustion engine vehicles before 2035, and over 25 cities have pledged to buy only zero-emission buses from 2025 onwards. This is driven by Net Zero agendas, plus the imperative to reduce poisonous emissions from diesel in urban environments.

According to the World Health Organisation ("WHO"), some 4.2 million deaths per year are caused by poor ambient air quality, and 91% of the world's population live in places exceeding the WHO's air quality guidelines. Much of this pollution is as a result of emissions from internal combustion engines and fossil fuel power plants.

Access to clean hydrogen is a priority for refiners and steel and ammonia producers as they address GHG emissions. These heavy industries are under tremendous pressure to reduce or eliminate grey hydrogen from processes, to reduce the GHG emissions that result from this. Much of today's demand for clean hydrogen is basically a clean-up of grey hydrogen.

In the future, clean hydrogen can displace fossil fuels in hard to decarbonise sectors, either by burning it in power plants to replace natural gas, coal and oil, or by converting it to electricity through hydrogen fuel cells. Water vapour is the only by-product of using hydrogen as a fuel.

Hydrogen can store and transport intermittent renewable power at a grid scale. As wind and solar become a large percentage of electricity supply over time, the electric grid will need large scale electricity storage to offset periods of low wind and low light. By converting electricity to hydrogen, the energy can be stored over long periods of time either in pipelines and tanks, or in underground salt caverns.

The hydrogen sector has $1 trillion[2] market potential by 2040. A 200x increase in clean hydrogen supply is anticipated from 2019 to 2030[3] in order to achieve Net Zero, as the scale-up of renewable power alongside the phase-out of fossil fuels, improves the economics of established hydrogen technologies. Clean hydrogen could be 20% of the energy mix by 2050.

A series of technology developments in recent decades are rapidly reaching the stage where they can be deployed commercially, and at scale, to clean up today's hydrogen feedstock sector and to use hydrogen as a low emission fuel.

Sources of hydrogen

Green hydrogen: in order to manufacture hydrogen without the use of fossil fuels as a feedstock, the 'green' hydrogen process takes electricity sourced from renewables such as wind and solar, and uses electrolysis to split water into oxygen and hydrogen. These technologies are well established and the Investment Adviser believes that the industry is on the cusp of a significant phase of growth.

Blue hydrogen: capturing the GHG emissions derived from SMR and other manufacturing processes and storing them geologically using CCS results in a cleaner form of hydrogen, known as 'blue' hydrogen.

Turquoise hydrogen: methane pyrolysis (or 'turquoise' hydrogen) which uses pyrolysis of natural gas to make hydrogen with a solid carbon by-product.

Grey hydrogen: over 95% of today's industrial hydrogen is manufactured by reforming of fossil fuels – coal, oil and, particularly, natural gas. This source of hydrogen is generally termed 'grey' hydrogen, and is made in large scale industrial sites using techniques such as Steam Methane Reforming ("SMR"). With GHG emissions unabated, grey hydrogen is not an investment target for the Company.A combination of factors is driving strong growth in the uptake of green hydrogen for the future, including upscaling and consequent lower unit costs in renewable electricity and electrolysers, increased penalties and regulatory barriers to further growth in fossil fuels and the potential to use green hydrogen as a storage medium for intermittent renewable power and as a long distance energy carrier.

Emerging clean hydrogen technologies: there are a number of emerging technologies that could result in low-cost clean hydrogen supplies in the future. These include, atmospheric distillation, SMR with CCS facilities, gasification or plasma processes applied to city and agricultural waste to produce methane and hydrogen. Surplus electricity from nuclear power plants can be converted to hydrogen via electrolysis ('yellow' hydrogen). The Investment Adviser intends to monitor these developments for potential investment by the Company in the longer term.

Clean hydrogen is made at industrial sites with access to low-cost green electricity ('green') or natural gas and geological CO_2 storage sites ('blue'). The hydrogen is shipped or stored in industries such as oil refining, hydrogen is used in the desulphurization of crude oil, amongst other processes. Alternatively, fuel cells are used to convert the hydrogen to electricity or heat – this can take place in trucks, trains and buses via hydrogen tanks, or in large buildings such as hotels and offices, using combined heat and power units.

Investment objectives and policy

The Company's investment objective is to deliver an attractive level of capital growth by investing, directly or indirectly, in a diversified portfolio of hydrogen and complementary hydrogen focussed assets whilst integrating core ESG principles into its decision making and ownership process.

The Company seeks to achieve its investment objective through investment in a portfolio, primarily in developed markets in Europe, North America, the GCC and Asia Pacific, comprising:

(i) assets that produce and supply clean hydrogen;

(ii) large scale energy storage asset;

(iii) carbon capture, use and storage assets;

(iv) hydrogen distribution infrastructure assets;

(v) assets involved in hydrogen supply chains, such as electrolysers and fuel cells; and

(vi) businesses that utilise hydrogen applications such as transport, power generation, feedstock and heat, which may be operational companies or hydrogen projects (completed or under construction).

The Company intends to implement its investment policy through the acquisition of Private Hydrogen Assets and Listed Hydrogen Assets. Over time, the Company will overwhelmingly invest in Private Hydrogen Assets, with 10% or less in Listed Hydrogen Assets .

No investments will be made in companies or projects that generate revenues from the extraction or production of fossil fuels.

Investment process

The Company follows a proven and successful process in order to access and execute its distinctive deal flow. The Investment Adviser has specialist insights and strong industry and market networks to access potential investment opportunities. The Company typically invests alongside some of the world's largest industrial corporations and investors. The Investment Adviser's clear investment and ESG policies underpin and guide everything that it does. The Investment Adviser, the Advisory Board, the technical advisors, regulatory and legal counsel all combine to deliver the optimal deal structures for the shareholders.

Investment portfolio and valuation

During 2021, the Company has invested a total of £48.6 million in hydrogen sector companies, which are the foundation of a diversified, multi-asset portfolio for investors in clean hydrogen and related technologies. The large majority of this investment is into Private Hydrogen Assets.

£39.2 million has been invested in three Private Hydrogen Assets; Sunfire GmbH, HiiROC Limited and NanoSUN Limited. A further £9.4 million has been invested in a portfolio of 19 Listed Hydrogen Assets .

Uninvested funds of £34.0 million are currently held in cash and cash equivalents in the Company's Liquidity Reserve, ahead of investment.

Private Hydrogen Assets acquisitions

Sunfire

In October 2021, the Company invested £20 million (€24 million) in Sunfire GmbH's equity share capital, and has a board observer seat. The Company's investment in Sunfire formed part of a €109 million fundraising round, introducing other new investors including Planet First Partners, Lightrock and Carbon Direct Capital Management, alongside existing strategic investors.

Germany-based Sunfire is, a private company specialising in the production of electrolysers. Sunfire has recently announced plans for the rapid deployment of its pressurised alkaline electrolysis technology, building a large-scale electrolyser production site in Germany with an annual manufacturing capacity of 500 MW by 2023. Sunfire intends to significantly expand its electrolyser manufacturing capacity to multi-gigawatt scale in the coming years. In addition, Sunfire is pioneering the use of its proprietary solid oxide technologies to the manufacture of clean 'e-fuels', which can be used in jet aviation, through ownership in industry joint ventures.

HiiROC

In November 2021, the Company invested £10 million in UK- based HiiROC Limited ("HiiROC"), a private company, which has patented technology that manufactures clean hydrogen from natural gas.

HiiROC's proven technology converts biomethane or natural gas into clean hydrogen and solid carbon, through a proprietary electrolysis process using thermal plasma. This results in zero CO_2 hydrogen production, known as 'turquoise hydrogen', at a cost comparable to the predominant, but high emission, steam methane reforming process, and using only one fifth of the energy required by water electrolysis. The solid carbon by-product, known as carbon black, has applications ranging from tyres, building materials and as a soil enhancer. HiiROC has shown growth potential in a number of hydrogen sectors including grid injection and electricity generation.

The Company's investment in HiiROC's equity share capital forms part of a c. £26 million fundraising round, introducing other new investors including Melrose Industries, Centrica, Hyundai and Kia, alongside existing strategic investors Wintershall Dea and VNG. The Company has a board seat.

NanoSun

In December 2021, the Company invested £9 million in UK- based NanoSUN Limited ("NanoSUN").

NanoSUN develops hydrogen distribution and mobile refuelling equipment. Based in Lancaster, its vision is for hydrogen to become the major energy vector in a decarbonised world. In order to achieve this, NanoSUN's founders aim to accelerate hydrogen use with their innovative technologies by bridging the gap between the hydrogen supply industry and the needs of hydrogen users for convenient, low-cost, simple-to-use and safe fuelling systems. NanoSUN's novel mobile Pioneer Hydrogen Refuelling Stations provide a flexible and low-cost connection between hydrogen customers such as truck stops, and concentrated hydrogen supply sources. NanoSUN has identified substantial demand for its products, and will increase its manufacturing capability, and develop larger units.

The Company has invested in NanoSun's equity share capital as part of a £12 million equity round that included Westfalen, and has a right to a board seat.

Listed Hydrogen Assets portfolio

The Company has invested in 19 global hydrogen sector listed equities with an average market capitalisation of £1.5 billion with minimum market capitalisation of £200 million. The aggregate investment in these listed companies was £9.5 million at the time of investment, in the second half of 2021. These companies are key players in the electrolysis, fuel cell and clean hydrogen projects sectors.

These are long term strategic holdings in companies that the Investment Adviser expects will be the eventual leaders in the listed hydrogen market.

Post year end acquisitions

Since 1 January 2022, the Company has made three further investments in Private Hydrogen Assets, in Bramble Energy Limited, Gen2 Energy Limited and Cranfield Aerospace Solutions Limited.

Bramble Energy

UK-based Bramble Energy is pioneering revolutionary fuel cell design and manufacturing techniques, and has developed the unique Printed Circuit Board ("PCB") fuel cell – the PCBFC™. This patent protected fuel cell can be manufactured in almost all PCB factories worldwide. Bramble Energy have launched a portable power product range and are developing their high-power density, liquid-cooled fuel cell systems under the same scalable low-cost technology platform.

The Company's £10 million investment in Bramble Energy's equity share capital formed part of a £35 million fundraising round, including existing Bramble investors IP Group, BGF, Parkwalk and UCL Technology Fund. The Company has a board seat.

Gen2 Energy

Norway-based Gen2 Energy has the ambition to manufacture green hydrogen, at scale, by connecting to the abundant and low cost renewable power which is being generated in excess of market demand in the region. Hydroelectric power, the key constituent in the power mix in Norway, has the additional advantage of very high uptimes compared to green electricity from wind and solar sources, meaning Gen2 Energy's electrolysers could operate virtually 24/7, with lower unit costs of hydrogen as an outcome. By converting this electricity to green hydrogen, and shipping the hydrogen to industrial customers, the company aims to become a regional supplier of low cost clean fuel and feedstock. Gen2 Energy Limited has a series of projects in its pipeline, totalling an estimated initial 700MW, in Norway to begin with, which could commence production in 2024-2026.

The Company invested c. £3.5 million investment in Gen2 Energy alongside existing industrial backers Vitol, Höegh LNG, HyCap and the Knutsen Group. The Company has a board seat.

Cranfield Aerospace

UK-based Cranfield Aerospace Solutions Ltd ("CAeS") is an aerospace market leader in the design and manufacture of new aircraft design concepts, complex modifications to existing aircraft and integration of cutting-edge technologies to meet the most challenging issues facing the aerospace industry today. CAeS has refocused the company on Project Fresson, in order to unlock commercial turboprop flight using clean hydrogen fuel. In the early stages, CAeS will focus on CAA certification of the Britten-Norman Islander passenger aircraft using hydrogen fuel cell power. Over time, CAeS intends to take these learnings into larger airframes, pioneering the way in the decarbonisation of flight.

HydrogenOne has invested £7 million in CAeS alongside Safran, a world leader in aviation technology. In parallel with its investment, Safran has signed an MOU with CAeS spanning the area of hydrogen fuel cell powered, electric propulsion for aviation. The Company has a board seat.

Valuation

As set out in note 3 of the financial statements, the Investment Adviser has carried out fair market valuations of the Private Hydrogen Assets at 31 December 2021, which have been reviewed by the Valuation Committee, and the Directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and the valuation. All Private Hydrogen Assets at 31 December 2021 have been valued using the Price of Recent Investment methodology as described by the International Private Equity and Venture Capital Valuation 2018 ("IPEV") Guidelines, and have been calibrated with a discounted cash flow analysis of the future expected cash flows accruing to the Company from each portfolio investment.

Listed Hydrogen Assets are valued at fair value, which is the bid market price, or, if bid price is unavailable, last traded price on the relevant exchange.

Net assets

Net assets decreased from £105.2 million at listing on 30 July 2021 to £102.8 million at 31 December 2021, primarily driven by the fall in global stocks generally and the hydrogen sector more specifically.

The net assets of £102.8 million comprise £68.8 million portfolio value of investments, including the holding in the HydrogenOne Capital Growth Investments (1) LP ("Limited Partnership"), and the Company's cash balances of £34.0 million, and other net liabilities of £0.1 million.

The Limited Partnership's net assets of £60.6 million comprise £39.2 million portfolio value of investments, cash balances of £21.5 million, and other net liabilities of £0.1 million.

Cash

At 31 December 2021, the Group had a total cash balance of £55.5 million, including £34.0 million in the Company's balance sheet and £21.5 million in the Limited Partnership, which is included in the Company's balance sheet within 'investments held at fair value through profit or loss'.

Loss for period

The Company's total loss before tax for the period ended 31 December 2021 is £2.4 million, generating losses of 3.8 pence per Ordinary Share.

In the period to 31 December 2021, the losses on fair value of investments was £1.6 million.

The expenses included in the income statement for the year were £0.8 million, in line with expectations. These comprise £0.3 million Investment Adviser fees and £0.5 million operating expenses. The details on how the Investment Adviser fees are charged are as set out in note 5 to the financial statements.

Ongoing charges

The 'ongoing charges' ratio is an indicator of the costs incurred in the day-to-day management of the Company.

The ongoing charges percentage for the period to 31 December 2021 was 2.06%. The ongoing charges have been calculated, in accordance with AIC guidance, as annualised ongoing charges (i.e. excluding acquisition costs and other non-recurring items) divided by the average published undiluted Net Asset Value in the period. The ongoing charges percentage has been calculated on the consolidated basis and therefore takes into consideration the expenses of Limited Partnership as well as the Company.

HydrogenOne Capital LLP believes this to be competitive for the market in which the Company operates and the stage of development and size of the Company.

Investment pipeline

At the end of 2021, the Investment Adviser had identified an Investible Universe of over £17 billion in Private Hydrogen Assets, in operational companies and hydrogen projects. This large and distinctive opportunity set has only continued to grow, with over 200 Private Hydrogen Assets opportunities now identified, compared to 120 at the time of the 2021 IPO, and the sizes of potential investments has also increased. The Investment Adviser believes that the Investible Universe represents less than 25% of the total worldwide hydrogen opportunities, and represents a 'long list' of potential investments for the Company that have been reviewed by the Investment Adviser.

The Company today has an active Pipeline of over £500 million of private opportunities for potential investment including a near term pipeline in excess of £200 million of potential transactions under NDA. This is a strong and distinctive opportunity set for investors and underscores the Company's strong growth potential.

Portfolio Summary
Details of individual holdings
as at 31 December 2021

Company	Country of main listing	Market value £'000	% of net assets
Listed Hydrogen investments			
Aker Horizons AS	Norway	593	0.6
Doosan Fuel Cell Co Ltd	South Korea	566	0.6
Powercell Sweden AB	Sweden	559	0.6
NEL ASA	Norway	531	0.5
AFC Energy plc	United Kingdom	524	0.5
SFC Energy AG-BR	France	507	0.5
McPhy Energy SA	France	500	0.5
Hydrogen-Refueling-Solutions SA	Germany	454	0.4
Plug Power Inc	United States	446	0.4
Green Hydrogen Systems A/S	Denmark	444	0.4
Bloom Energy Corp	United States	427	0.4
Ceres Power Holdings plc	United Kingdom	418	0.4
ITM Power plc	United Kingdom	411	0.4
Hexagon Purus ASA	Norway	391	0.4
S-Fuelcell Co Ltd	South Korea	391	0.4
Cell Impact AB	Sweden	378	0.4
Fuelcell Energy Inc	United States	348	0.3
Ballard Power Eystems Inc	Canada	320	0.3
Enapter AG	Germany	2	5 0.0
Total listed investments		8,233	8.0

Private Assets investment
HydrogenOne Capital Growth

Investments (1) LP	United Kingdom	60,597	59.0
Total investments		68,830	–
Cash		34,019	33.1
Other net assets		(63)	(0.1)
Total net assets		102,786	100.0

All investment is in equity securities unless otherwise stated.

Private hydrogen assets held by the HydrogenOne Capital Growth Investments (1) LP

Company	Country of incorporation	Value of investment £'000
Sunfire GmbH	Germany	20,180
HiiROC Limited	United Kingdom	10,001
NanoSUN Limited	United Kingdom	9,050
Total		39,231

Environmental,SocialandGovernance("ESG")

ESG Policy: The Company has set out that when it invests, that ESG criteria will be fully considered in its investment and divestment decisions, and in its asset monitoring. The Board has oversight of and monitors the compliance of the AIFM, and the Investment Adviser and any undertaking advised by the Investment Adviser in which it invests, with the Company's ESG policy, and ensures that the ESG policy is kept up-to-date with developments in industry and society.

Our ESG principles: The Company has embedded four ESG principles into its policy:

Objectives	*Principal risks*	*2021 progress*
1 Allocating capital to low-carbon growth	The Company is focused on investing for a climate-positive environmental impact, accelerating the energy transition and the drive for cleaner air. The Directors will prioritise this long-term goal over short-term maximisation of Shareholder returns or corporate profits. The Company will enable investors to back innovators in low carbon industries by supporting the access of such companies to the capital markets.	*HGEN has invested £48.6 million in low-carbon growth in 22 companies across its private and listed portfolios in 2021.*
2 Engagement to deliver effective boards	The Company prioritises positive and proactive engagement with the boards of its Private Hydrogen Assets. The Directors recognise that structure and composition cannot be uniform, but must be aligned with long term investors while supporting managements to innovate and grow. The presence of effective and diverse independent directors is important to the Company, as are simple and transparent pay structures that reward superior outcomes.	*The Investment Adviser is represented on all of the three Boards of its Private Hydrogen Assets, either as a Director or a Board Observer, and is actively engaged in ESG matters in these businesses. The Company and the Investment Adviser support the UK Stewardship code issued by the Financial Reporting Council and the Investment Adviser on behalf of the Company votes at all meetings where they are able to exercise the Company's vote.*
3 Encourage sustainable business practices	The Company expects its Hydrogen Assets to be transparent and accountable and to uphold strong ethical standards. This includes a demonstrated awareness of the interests of material stakeholders and engagement to deliver positive impacts on the environment and society. Hydrogen Assets should support the letter, and spirit, of regional laws and regulations. The Company and the Investment Adviser will encourage adoption of initiatives such as the Task Force on Climate-related Financial Disclosures and the EU Sustainable Finance Taxonomy, and will encourage transparency and alignment of lobbying activities.	*The Investment Adviser is actively and constructively engaged with the invested companies in implementation of sustainable business practices.*

4 ESG in the Company

Given the nature of its investments, the Company intends to disclose key performance metrics (“KPIs”) that describe the environmental impact of its portfolio. The Company is particularly focused on the greenhouse gas emissions from investments and the emissions that have been avoided (“avoided emissions”) as a result of the investments, and intends to actively engage with portfolio companies to be able to adopt an appropriate reporting framework in this area. The Company frames its investments around positive contributions to UN Sustainable Development Goals (“UN SDGs”), and works within responsible frameworks such as those promoted by the UN Global Compact (“UN GC”), the London Stock Exchange's Green Economy Mark, and the UN Principles for Responsible Investment (“UN PRI”). The Company manages its own direct carbon footprint.

The Company has no employees, physical assets, property or operations of its own, does not provide goods or services and does not have its own customers. It follows that the Company has little to no direct environmental impact. Consequently, the Company is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

As an investment trust the fundamental environmental impact the Company makes is indirectly through the investments in its portfolio.

The Investment Adviser has implemented ESG screening on key metrics and UN SDGs, spanning 22 assessments within the Company's four ESG principals. This results in an aggregate scoring of ESG performance, which frames engagement with invested companies to drive continuous improvement, and in some cases may mean the Company decides not invest in the relevant company.

The estimation of the emissions that might be avoided through the deployment of new hydrogen and related technologies forms an important part of the investment assessments made by the Investment Adviser. These estimates complement perspectives on total addressable markets in revenue terms. Work continues on an avoided emissions framework that is broad and robust enough for useful publication and comparison across assets..

The Company has elected to comply with article 8 of the Sustainable Finance Disclosure Regulation (“SFDR”) and relevant SFDR disclosures will be included in any annual /periodic reports published on or after 1 January 2022.

ESG screens applied to invested assets

As part of the investment process, the Investment Adviser scores each proposed investment against the criteria set out below, which align with the four ESG principles into its policy. These criteria have been established by the Investment Adviser and approved by the Board.

Each investment is scored against these criteria in the initial investment review, and investments which do not meet the expected level of the Board and Investment Adviser are not progressed.

After investment, each investee company is regularly reviewed against these criteria to ensure the company is meeting expectations in accordance with the ESG principles.

	ESG screens for the investments	
Allocating capital to carbon growth	• Significant revenue from hydrogen and cycle) related technologies production	• Avoided GHG emissions (annual/life • Excludes fossil fuels extraction or
Engagement for effective Boards	• Effective board • Alignment with long term minorities diversity) • Alignment of Executive pay with long term shareholders	• Independence of Audit Committee • Board qualifications (skills, tenure,

Encourage sustainable business practices	• Board oversight of HSSE process and reporting • Transparency incl. Task Force on Climate-Related Financial Disclosures ("TCFD")	• Company policy and disclosure of supply chain practices • UN GC
Mapping vs. UN SDGs	• 3.9 Reduce deaths from pollution • 7.1 Increase access to electricity • 7.2 Increase renewables in the energy mix • 7.3 Increase energy efficiency • 9.4 Upgrade industries for sustainability	• 9.5 Increase R&D in industrial technologies • 11.6 Reduce environmental impact of cities • 12.6 Adopt sustainable practices and reporting • 14.3 Reduce acidification (water) • 15.3 Desertification and land degradation

Green Economy Mark

The Company has been awarded the London Stock Exchange's Green Economy Mark, which recognises companies that derive 50% or more of their total annual revenues from products and services that contribute to the global green economy. The underlying methodology incorporates the Green Revenues data model developed by FTSE Russell, which helps investors understand the global industrial transition to a green and low carbon economy with consistent, transparent data and indexes.

UN Principles for Responsible Investment

The UN Principles for Responsible Investment is a United Nations- supported international network of investors working together to implement its six aspirational principles. The goal of the UN PRI is to understand the implications of sustainability for investors, and to facilitate incorporating these issues into their investment decision- making and ownership practices.

United Nations Sustainable Development Goals

In 2015, the member states of the United Nations adopted Agenda 2030. A key component of the Agenda 2030 are the seventeen UN SDGs. These long-term goals are designed to end poverty, improve health and education, reduce inequality, create sustainable economic growth and combat climate change. They are intended to create incentives to implement measures in the interests of people, the planet and prosperity, and therefore contribute to changing the world significantly by 2030.

The Company's investment objective and investment policy is closely aligned with seven of these goals, namely Good Health and Wellbeing (Goal 3), Affordable and Clean Energy (Goal 7), Industry, Innovation and Infrastructure (Goal 9), Sustainable cities and communities (Goal 11), Responsible Production and Consumption (Goal 12) Life Below Water (Goal 14), and Life on Land (Goal 15).

Goal	UN SDG target	*The Company's focus*
3 GOLD HEALTH AND WELL BEING	• Reduce deaths from pollution (3.9)	*Fuel cell vehicles to displace diesel and fuel oil. Direct use in industrial activities to displace fuel oil and coal.*
7 AFFORDABLE AND CLEAN ENERGY	• Increase renewable energy in the global energy mix (7.2) • Increase access to electricity (7.1) • Increase energy efficiency (7.3)	*Enable the expansion of renewable energy through direct use of clean hydrogen and as a form of energy storage. Exclude those involved in the production of fossil fuels.*
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Upgrade industries for sustainability (9.4) • Increase R&D in industrial technologies (9.5)	*Enabling the decarbonisation of processes in heavy industry and enhancing innovation for a more circular economy,*
11 SUSTANABLE CITIES AND COMMUNITIES	• Reduce the environmental impacts of cities (11.6)	*Enabling the adoption of cleaner fuels for transportation and in heavy industry to reduce pollution and advance a more sustainable economy,*
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Adopt sustainable practices and reporting (12.6)	*Engagement for good governance and transparency across the portfolio,*
14 LIFE BELOW WATER	• Reduce acidification (14.3)	*Enabling the replacement of fossil fuels, to reduce CO_2 emissions and the corresponding negative impacts on ocean chemistry,*
15 LIFE ON LAND	• Combatting desertification and land degradation (15.3)	*Enabling the replacement of fossil fuels to reduce GHG emissions and the associated acceleration of global warming,*

Section 172 Statement: Company Sustainability and Stakeholders

The Directors have a statutory duty to promote the success of the Company, whilst also having regard to certain broader matters, including the need to engage with employees, suppliers, customers, and others, and to have regard to their interests. However, the Company has no employees and no customers in the traditional sense. In accordance with the Company's nature as an investment trust the Board's principal concern is the interests of the Company's shareholders taken as a whole. In doing so, it has due regard to the impact of its actions on shareholders, the environment and the wider community. The Company's engagement with key stakeholders and the key decisions that were made by the Board during the period are set out below.

	Stakeholder group	Methods of engagement	Benefits of engagement
Shareholders	A well-informed and supportive shareholder base is crucial to the long-term sustainability of the business. Understanding the views and priorities of shareholders is, therefore, fundamental to retaining their continued support and to have the potential to access equity capital in order to continue to expand the Company's portfolio over time in order to further diversify the investment portfolio and create economies of scale.	The Company engages with its shareholders through the issue of regular portfolio updates in the form of RNS announcements, quarterly factsheets, daily NAVs and as well as other useful information posted on its website. The Company provides in-depth commentary on the investment portfolio, corporate governance and corporate outlook in its annual and interim reports. In addition, the Company, through its broker and Investment Adviser undertake regular meetings to meet with existing and prospective investors to solicit their feedback, understand any areas of concern, and share forward looking investment commentary. The Chairman may also meet with major shareholders in conjunction with its broker. The Company holds its Annual General Meeting in London which provides shareholders with the opportunity to listen to a presentation by the Investment Adviser and meet with the Directors and representatives of the AIFM. The Board receives semi-annual feedback from its broker in respect of their investor engagement and investor sentiment.	Shareholder engagement was rewarded by support for the Company's growth and diversification strategy through the successful listing of the Company in July 2021.
Service providers	The Company does not have any direct employees; however, it works closely with a number of service providers (the Investment Adviser, Administrator, Company Secretary, auditor, broker and other professional advisers). The independence, quality and timeliness of their service provision is critical to the success of the Company.	The Company has identified its key service providers and will undertake on an annual basis a review of performance based on a questionnaire through which it also seeks feedback. Furthermore, the Board and its committees engage regularly with its service providers on a formal and informal basis. The Company will also regularly review all material contracts for service quality and value.	The feedback given by the service providers is used to review the Company's policies and procedures to ensure open lines of communication, and operational efficiency. The Company is able to identify and resolve problems with service provider relationships via this process.
Portfolio companies	The Company held an operational portfolio of 19 Listed Hydrogen Assets listed investments and three Private Hydrogen Assets with the portfolio displaying strong geographical diversity.	The Board reviews the financial and operating performance of its portfolio companies on a regular basis. In many cases, investments in Private Hydrogen Assets are linked to operational and financial targets, which the Board monitors. A quarterly update on performance of portfolio companies is provided in the Investment Adviser's Report within the Board Packs.	The feedback given by the Investment Adviser is used to review the Company's policies and procedures to ensure open lines of communication, and operational efficiency regarding its Portfolio Companies.

Community and environment	The Company does not have any direct employees. However, ensuing the Company's investment creates a positive social impact is core to the sustainability approach.	The Company aims to maximise its positive environmental impact.	The Investment Adviser and other clean energy providers are doing their part to reduce the carbon emissions, however there are already damaging long term effects which may impact the Investment Adviser during its life. The control of such an outcome is largely out of the Investment Adviser's control. The Company and the Directors are minimising air travel by making maximum use of video conferencing for Company related matters.

Other Matters

Modern slavery disclosure

The Company is committed to maintaining the highest standards of ethical behaviour and expects the same of its business partners. The use of slavery and human trafficking is unacceptable and entirely incompatible with its ethics as a business. The Company believes that all efforts should be made to eliminate it from its supply chains.

The majority of services supplied to or on behalf of the Company are from the financial services, energy and construction industries and other services associated with those industries. Given what the Company understands to be a low risk profile of anyone supplying it with services being involved in slavery and/or human trafficking, it believes its current procedures and ability to rely on regulatory oversight in relation to professional services are sufficient in this regard.

Social, community and human rights issues

The Investment Adviser screens the Company's investable universe as part of the Environmental Social and Governance analysis for any breaches of the principles of the UN Global Compact, including human rights, labour rights, environmental breaches and corruption. Any non-compliant companies are excluded from investment.

Anti-bribery and corruption

In accordance with the UK Bribery Act 2010, the Company has developed appropriate anti-bribery policies and procedures. The Company has a zero-tolerance policy towards bribery and is committed to carrying out its business fairly, honestly and openly. The anti-bribery policies and procedures apply to all its officers and to those who represent the Company (including its business partners). The Company expects those providing services to it, or on its behalf, to undertake their business without bribery.

Prevention of the facilitation of tax evasion

The Criminal Finances Act (Commencement No. 1) Regulations 2017 (SI 2017/739) brought Part 3 of the Criminal Finances Act 2017, the corporate offences of failure to prevent facilitation of tax evasion, into force on 30 September 2017. The Company does not tolerate tax evasion in any of its forms in its business. The Company complies with the relevant UK law and regulation in relation to the prevention of facilitation of tax evasion and supports efforts to eliminate the facilitation of tax evasion worldwide, and works to make sure its business partners share this commitment.

Investment policy, results and other information

Company information

HydrogenOne Capital Growth plc (the "Company" or "Parent") was incorporated in England and Wales on 16 April 2021 with registered number 13340859 as a public company limited by shares and is an investment company within the terms of Section 833 of the Companies Act 2006 (the "Act"). The Company is listed and began trading on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List on 30 July 2021 (the "IPO"). The Company is an approved investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999.

Business model

Any material change to the investment policy requires shareholder approval.

The Company is the first UK listed investment company with a mandate to invest in a diversified portfolio of hydrogen and complementary hydrogen focussed assets principally in developed markets in Europe, North America, the GCC and Asia Pacific. The Company's differentiated strategy provides exposure to the broader hydrogen sector whilst, at the same time, diversifying risk for an investor, through a diversified portfolio of listed and private investments across different jurisdictions and different technologies.

The Company makes its investment in unquoted Hydrogen Assets ("Private Hydrogen Assets") through HydrogenOne Capital Growth Investments (1) LP (the "HydrogenOne Partnership" or the "Limited Partnership"), in which the Company is the sole limited partner. The Company may also acquire Private Hydrogen Assets directly or by way of holdings in special purpose vehicles or intermediate holding entities.

The General Partner of the Limited Partnership is HydrogenOne Capital Growth (GP) Limited (the "General Partner"), a wholly owned subsidiary of the Company. Details of the Company and Group structure are given in note 1 to the Financial Statements. Other than where specified, references to the Company in this document refer to the Company together with its wholly-owned subsidiary and investment as sole limited partner in the Limited Partnership.

The Company is governed by a Board of Directors (the "Board"), all of whom are non-executive, and it has no employees. The business model adopted by the Board to achieve the Company's objective has been to contract the services of Sanne Fund Management (Guernsey) Limited (formerly International Fund Management Limited) as the alternative investment fund manager of the Company, pursuant to the AIFM Agreement (the "AIFM"). The AIFM has appointed HydrogenOne Capital LLP to provide investment advisory services in respect of the Company (the "Investment Adviser"). The Investment Adviser will advise on the portfolio in accordance with the Board's strategy and under its and the AIFM's oversight. The Principals of the Investment Adviser responsible for the day-to-day monitoring of the portfolio are Dr John Joseph "JJ" Traynor and Richard Hulf. The Board and the AIFM monitor adherence to the Company's investment policy and regularly reviews the Company's performance in meeting its investment objective.

All administrative support is provided by third parties under the oversight of the Board. Company secretarial and administration services have been delegated to Sanne Fund Services (UK) Limited (formerly PraxisIFM Fund Services (UK) Limited ("Sanne" or the "Administrator"); custody services to Northern Trust Company ("Northern Trust"); registrar services to Computershare Investor Services plc ("Computershare"); and the Company's broker is Panmure Gordon (UK) Limited ("Panmure Gordon" or the "Broker").

The Board reviews the performance of the AIFM, the Investment Adviser and other key service providers on an ongoing basis. Further details of the material contracts of the Company are given in note 13 to the Financial Statements.

Investment objective and policy

Investment objective

The Company's investment objective detailed in the Strategic Report.

Investment policy

The Company seeks to achieve its investment objective through investment in a diversified portfolio of hydrogen and complementary hydrogen focussed assets, primarily in developed markets in Europe, North America, the GCC and Asia Pacific, comprising:

(i) assets that supply clean hydrogen;

(ii) large scale energy storage assets;

(iii) carbon capture, use and storage assets;

(iv) hydrogen distribution infrastructure assets;

(v) assets involved in hydrogen supply chains, such as electrolysers and fuel cells; and

(vi) businesses that utilise hydrogen applications such as transport, power generation, feedstock and heat (together "Hydrogen Assets").

The Company intends to implement its investment policy through the acquisition of hydrogen and complementary hydrogen focussed assets. No investments will be made in companies or projects that generate revenues from the extraction or production of fossil fuels.

Private Hydrogen Assets

The Company will invest in unquoted Hydrogen Assets, which may be operational companies or hydrogen projects (completed or under construction). Investments are expected to be mainly in the form of equity, although investments may be made by way of debt and/or convertible securities. The Company may acquire a mix of controlling and non-controlling interests in Private Hydrogen Assets, however the Company intends to invest principally in non-controlling positions (with suitable minority protection rights to, inter alia, ensure that the Private Hydrogen Assets are operated and managed in a manner that is consistent with the Company's investment policy).

Given the time frame required to fully maximise the value of an investment, the Company expects that investments in Private Hydrogen Assets will be held for the medium to long term, although short term disposals of assets cannot be ruled out in exceptional or opportunistic circumstances. The Company intends to re-invest the proceeds of disposals in accordance with the Company's investment policy. The Company will observe the following investment restrictions, assessed at the time of an investment, when making investments in Private Hydrogen Assets:

- no single Private Hydrogen Asset will account for more than 20 per cent of Gross Asset Value;
- Private Hydrogen Assets located outside developed markets in Europe, North America, the GCC and Asia Pacific will account for no more than 20 per cent of Gross Asset Value; and
- at the time of an investment, the aggregate value of the Company's investments in Private Hydrogen Assets under contract to any single offtaker will not exceed 40 per cent of Gross Asset Value.

The Company will initially acquire Private Hydrogen Assets via the HydrogenOne Partnership, a wholly owned subsidiary undertaking of the Company structured as an English limited partnership which is controlled by the Company and advised by the

Investment Adviser. The HydrogenOne Partnership's investment policy and restrictions are the same as the Company's investment policy and restrictions for Private Hydrogen Assets and cannot be changed without the Company's consent. In due course, the Company may acquire Private Hydrogen Assets directly or by way of holdings in special purpose vehicles or intermediate holding entities (including successor limited partnerships established on substantially the same terms as the HydrogenOne Partnership) or, if the Company is considered a 'feeder fund' under the Listing Rules, other undertakings advised by the Investment Adviser and, in such circumstances, the investment policy and restrictions will also be applied on a look-through basis and such undertaking(s) will also be managed in accordance with the Company's investment policy.

Listed Hydrogen Assets

The Company will also invest in quoted or traded Hydrogen Assets, which will predominantly be equity securities but may also be corporate debt and/or other financial instruments (Listed Hydrogen Assets). The Company will be free to invest in Listed Hydrogen Assets in any market or country with a market capitalisation (at the time of investment) of at least US$200 million. The Company's approach is to be a long-term investor and will not ordinarily adopt short-term trading strategies.

The Company will observe the following investment restrictions, assessed at the time of an investment, when making investments in Listed Hydrogen Assets:

- no single Listed Hydrogen Asset will account for more than 3 per cent of the Gross Asset Value, with a targeted average stock weighting of 1.5 per cent of the Gross Asset Value;
- the portfolio of Listed Hydrogen Assets will comprise no fewer than 15 Listed Hydrogen Assets at times when the Company is substantially invested; and
- each Listed Hydrogen Asset must derive at least 50 per cent of revenues from hydrogen and/or related technologies.

Liquidity reserve

The Company intends to allocate the relevant net proceeds of any capital raise/realisation of Private Hydrogen Assets to cash (in accordance with the Company's cash management policy set out below) and/or to additional Listed Hydrogen Assets and related businesses pending subsequent investment in Private Hydrogen Assets (the Liquidity Reserve). The Company anticipates holding cash to cover the near-term capital requirements of the pipeline of Private Hydrogen Assets and in periods of high market volatility.

It is anticipated that, once the Initial Net Proceeds are fully invested (with the Liquidity Reserve having been subsequently invested in Private Hydrogen Assets), at least 70% of the Company's assets will be invested in Private Hydrogen Assets with the balance invested in Listed Hydrogen Assets. Over the medium term, it is expected that the weighting to Listed Hydrogen Assets will reduce further, to approximately 10% of the Company's assets, as the allocation to Private Hydrogen Assets grows, with Listed Hydrogen Assets primarily focussed on strategic equity holdings derived from the listing of operational companies within the Private Hydrogen Assets portfolio over time.

Investment restrictions

The Company, in addition to the investment restrictions set out above, comply with the following investment restrictions when investing in Hydrogen Assets:

- the Company will not conduct any trading activity which is significant in the context of the Company as a whole;
- the Company will, at all times, invest and manage its assets
  (i) in a way which is consistent with its object of spreading investment risk; and
  (ii) in accordance with its published investment policy;
- the Company will not invest in other UK listed closed-ended investment companies; and
- no investments will be made in companies or projects that generate revenues from the extraction or production of fossil fuels (mining, drilling or other such extraction of thermal coal, oil or gas deposits).

Compliance with the above restrictions will be measured at the time of investment and non-compliance resulting from changes in the price or value of Hydrogen Assets following investment will not be considered as a breach of the investment policy or restrictions.

Borrowing policy

The Company may take on debt for general working capital purposes or to finance investments and/or acquisitions, provided that at the time of drawing down (or acquiring) any debt (including limited recourse debt), total debt will not exceed 25% of the prevailing Gross Asset Value at the time of drawing down (or acquiring) such debt. For the avoidance of doubt, in calculating gearing, no account will be taken of any investments in Hydrogen Assets that are made by the Company by way of a debt investment.

Gearing may be employed at the level of an SPV or any intermediate subsidiary undertaking of the Company (such as the HydrogenOne Partnership) or, if the Company is considered a 'feeder fund' under the Listing Rules, other undertakings advised by the Investment Adviser in which the Company has invested or the Company itself. The limits on debt shall apply on a consolidated and look-through basis across the Company, the SPVs or any such intermediate holding entities (such as the Limited Partnership) or, if the Company is considered a 'feeder fund' under the Listing Rules, other undertakings advised by the Investment Adviser in which the Company has invested but intra-group debt will not be counted.

Gearing of one or more Hydrogen Assets in which the Company has a non-controlling interest will not count towards these borrowing restrictions. However, in such circumstances, the matter will be brought to the attention of the Board who will determine the appropriate course of action.

Currency and hedging policy

The Company has the ability to enter into hedging transactions for the purpose of efficient portfolio management. In particular, the Company may engage in currency, inflation, interest rates, energy prices and commodity prices hedging. Any such hedging transactions will not be undertaken for speculative purposes.

Cash management

The Company may hold cash on deposit and may invest in cash equivalent investments, which may include short-term investments in money market type funds ("Cash and Cash Equivalents"). There is no restriction on the amount of Cash and Cash Equivalents that the Company may hold and there may be times when it is appropriate for the Company to have a significant Cash and Cash Equivalents position. For the avoidance of doubt, the restrictions set out above in relation to investing in UK listed closed-ended investment companies do not apply to money market type funds.

Dividends and dividend policy

The Ordinary Shares carry a right to receive dividends. Interim dividends are determined by the Board and a final dividend is subject to shareholder approval at the AGM.

(i) Dividend policy

The Company is targeting a Net Asset Value total return of 10 to 15% per annum over the medium to long-term with further upside potential. The Company intends to invest in Hydrogen Assets with cash flow typically re-invested for further accretive growth.

The Company only intends to pay dividends in order to satisfy the ongoing requirements under the Investment Trust (Approved Company) (Tax) Regulations 2011 for it to be approved by HMRC as an investment trust save that, in the medium term, the Company's Hydrogen Assets may also generate free cash flow which the Company may decide not to re-invest and, in such case(s), the Company currently intends to distribute these amounts to Shareholders.

The Company's revenue return after tax for the period amounted to a loss of £805,000. The Company made a capital loss after tax of £1,612,000. Therefore the total return after tax for the Company was a loss of £2,417,000. No dividends have been paid or are proposed for the period to 31 December 2021.

Other Information

Principal risks and uncertainties

The Board, through delegation to the Audit and Risk Committee, has carried out a robust assessment of the emerging and principal risks facing the Company. These include those that would threaten its business model, future performance, solvency and liquidity. The Audit and Risk Committee reviews ongoing monitoring of both risks and controls. This ensures heightened and emerging risks are identified outside of the normal cycle of Board and Audit and Risk Committee meetings. The Audit and Risk Committee undertook a comprehensive review of the Company's risk management framework and controls during the period. The risks are documented on a risk register and each risk is rated by impact and probability with the assessed risk given a risk score and a residual rating. The risk register is reviewed on an ongoing basis in an attempt to capture all risks and put appropriate mitigation in place. The review takes into account changing factors including, but not restricted to, changes to markets (both macro and micro), stakeholders, operations, regulation and emerging risks. The top risks identified by this process are set out in the table below together with the mitigated approach, and the Board considers these to be the principal risks of the Company.

Principal Risks and Uncertainties	Mitigation
Regulatory Changes in political or environmental conditions in the hydrogen sector (for example, changes in government policy or support) could affect the Company's prospects.	The Board and Investment Adviser has significant experience in the energy sector and is familiar with its volatile political and regulatory environment. Extensive contacts across the sector inform its ongoing monitoring of these risks, which are reported to the Board at least quarterly. More specific due diligence occurs prior to any investments and during the lifetime of their ownership. The Administrator has a strong track record in administering listed companies and the various rules and regulation required to be adhered to.
Policy support The technologies required to produce and use green hydrogen need policy support to underpin the scale needed to drive stand-alone cost competitiveness. Governments worldwide are showing such support today, but that may be volatile over the investment time horizon of the Company.	As noted under 'regulatory', the Investment Adviser has longstanding experience in the energy sector and monitors the policy environment closely. Such experience and awareness is also present among the Company's Non-Executive Directors. It is the intent of the Investment Adviser to access a range of hydrogen projects in different countries and at different points in the emerging value chain, to further mitigate the risk of policy volatility.

Power price The income and value of the Company's investments may be affected by changes in the market prices of electricity and hydrogen, both current and expected. Risks include refinancing risk, exposure to interest rate risk due to fluctuations in the prevailing market rates, covenant breaches and possible enhanced loss on poor performing assets.	The Investment Adviser monitors the outlook for electricity and hydrogen prices. The Company may hedge the exposure to fluctuating electricity and hydrogen prices in respect of its investments. As a result, the Investment Adviser oversee power revenues and monitor regularly against expectations. Portfolio allocations are monitored on an ongoing basis by both the Investment Adviser and AIFM, to ensure compliance with investment limits. Reporting by the Investment Adviser and AIFM are provided to the Board at least quarterly.
Operational Initial pre-deal due diligence may not uncover all risks associated to a transaction. Investments are subject to operating and technical risks. While the Company will seek investments with creditworthy and appropriately insured counterparties who bear the majority of these risks, there can be no assurance that all risks can be mitigated. In addition, the long-term profitability of hydrogen investments will be partly dependent upon the efficient operation and maintenance of the assets. Inefficiency, or limitations in the skills, experience or resources of operating companies, may reduce revenue. As a result, profitability of the Company may be impaired leading to reduced returns for Shareholders.	The Investment Adviser conducts a vigorous due diligence process and works very closely with external and technically skilled consultancy firms to review all potential transactions, with an aim to provide a fully scoped and informed recommendation. The portfolio is constantly monitored by the Investment Adviser and the AIFM to address risks as they are identified. Diversification in counterparties and service providers ensures any impact is limited. Furthermore, the Company invests in a diversified portfolio.
Performance Underperforming investment or investment strategy can lead to underperformance to the Company's target return and ultimate investment objective.	The Board reviews at least quarterly, the portfolio performance as well as underlying key asset risks identified as part of the Company's risk register and how those risks are actively being mitigated which include but is not limited to: • Non Controlling interest risk • Market risk • Interest rate risk • Inflation risk At each Board meeting a report on risks, portfolio performance and any macro and micro considerations is provided by the Investment Adviser and the AIFM, and reviewed accordingly with the aim to mitigate such risks. New investment recommendations are reviewed and approved in line with the investment policy agreed with the Company and key parties.

Principal Risks and Uncertainties	Mitigation
Future acquisitions and capital raises Ongoing capital raises are intended. Should there be a deterioration of the intended investment pipeline and the capital unable to be deployed into suitable opportunities in the expected time frame, this will result in 'cash drag'. Cash drag will have the potential to impact on the ongoing dividend target and investment objective.	The Board and AIFM oversee the investment pipeline and monitor its progress in relation to Company targets. Certain assets will be identified in advance by the Investment Adviser as being potentially available for acquisition by the Company. The pipeline is managed by the Investment Adviser and monitored by the AIFM, with onward reporting to the Board. The Board is unlikely to agree to capital raises without a strong pipeline.
Refinancing The operational risks of the company including market, counterparty, credit and liquidity risk. Extreme market volatility can disrupt capital raising process and ability to raise monies to repay a debt demand in full.	The Investment Adviser closely monitors the liquidity in the market. Should new credit not be forthcoming, liquidity may be gained through a capital raise, or liquidation of an asset.
Service providers Disruption to, or failure of the Company's Administrator or other parties to complete their role efficiently, on time and in line with expectation	All counterparties to the Company are reviewed as part of the risk register. A material credit risk is that of banks holding un-invested cash, the credit rating and credit worthiness of these are considered. A review of operational counterparties such as the Administrator for operational procedures, disaster recovery and system security is undertaken. Counterparties of Company's Special Purpose Vehicles ("SPV") and underlying assets are carried out as part of the investment due diligence process.

Portfolio valuation Risk that portfolio asset valuations published do not represent the Fair Market Values in accordance with the accounting requirements. Investment valuations are based on modelling / financial projections for the relevant investments. Projections will primarily be based on the Investment Adviser's assessment and are only estimates of future results based on assumptions made at the time of the projection. Actual results may vary significantly from the projections, which may reduce the profitability of the Company leading to reduced returns to Shareholders.	The Investment Adviser has significant experience in valuation of these assets. The valuation polices will be considered by the Valuation Committee on a quarterly basis, together with signing offon the Private Hydrogen Asset values.
Key person The Investment Adviser is a newly formed Company, with minimum employees. As such, there are significant Key Person risks at this time and should they become unavailable, this could have a negative impact on the Company's ability to achieve its investment objective.	The Investment Adviser is committed to expand its business / staffing levels in order to diversify knowledge across the expanding team. This risk is covered in the risk register and reported on at each Board meeting.
Tax Breaches of Section 1158 of the Corporation Tax Act could result in loss of investment trust status. Changes in tax legislation such as BEPS, WHT rules and structural requirements result in increased tax and resulting	The corporate structure of the Company is reviewed periodically by the Company and its advisors. All investments receive professional structural advice prior to investment.
Political and associated economic risk Exposure to Russia and/or Ukraine within the investment portfolio could lead to losses on investments. The impact on the global equity markets, and hydrogen stocks in particular, of a prolonged downturn caused by the situation, could lead to reduced valuations of the Company	The Board and Investment Adviser have reviewed the portfolio for exposure and will continue to keep this under review.

Other Information

Viability statement

The Directors have assessed the viability of the Group for the period to 31 December 2026 (the "Viability Period"). The Board believes that the Viability Period, being approximately five years, is an appropriate time horizon over which to assess the viability of the Group, particularly when taking into account the long-term nature of the Group's investment strategy, the principal risks and the next continuation vote.

In accordance with the Articles, the continuation of the Company is subject to the approval of shareholders every five years, with the first vote to be proposed as an ordinary resolution at the Company's AGM in 2026. If passed, the Articles provide that the Directors propose an ordinary resolution that the Company continue its business as presently constituted at each fifth annual general meeting thereafter.

In its assessment of the prospects of the Group, the Board carried our a robust assessment of the emerging and principal risks and considered each of the uncertainties which included consideration of severe but plausible downside scenarios (such as a market downturn and the liquidity and solvency of the Group). The Board also considered the Group's income and expenditure projections and cash projections. These metrics were subjected to stress testing of the assumptions to evaluate the potential impact on the Company, including long term downturn of the listed equity markets, longer investment hold periods and increased inflation. Portfolio changes, market developments, level of premium / discount to NAV and share buybacks / share issues are discussed at quarterly Board meetings. The internal control framework of the Group is subject to a formal review on at least an annual basis.

The level of the ongoing charges is dependent to a large extent on the level of net assets, the most significant contributor being the Investment Adviser fee. The Group's cash realisable from the sale of its investments and expected dividend income from investments provide substantial cover to the Group's operating expenses, and any other costs likely to be faced by the Company over the Viability Period of their assessment.

Since admission to the London Stock Exchange on 30 July 2021 ("Admission"), the Company's shares have traded at a premium to NAV.

The Directors' assessment also considered the market and operational risks associated with the COVID-19 pandemic and subsequent lifting of restrictions. The ongoing economic impact of measures introduced to combat its spread were discussed and monitored by the Board throughout the period. The Investment Adviser and other key service providers have provided regular updates on operational resilience in light of the pandemic. The Board is satisfied that the key service providers have the ability to continue their operations efficiently in a remote or hybrid working environment.

The Director's assessment considered the market risks associated with the Russian invasion of Ukraine in February 2022. The ongoing market volatility and uncertainty this has caused, has been discussed and will continue to be monitored. The Investment Adviser has reviewed the investment portfolio for exposure and while limited exposure has been identified the Board will keep the situation under continued review.

Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue to operate and to meet its liabilities as they fall due over the Viability Period.

Employees

The Company has no employees. As at the date of this report, the Company had five Directors, of whom two are male and three are female.

Outlook

The outlook for the Company is described in the Chairman's Statement and the Investment Adviser's Report.

Strategic report

The Strategic Report was approved by the Board of Directors on 31 March 2022.

For and on behalf of the Board

Simon Hogan
Chairman

31 March 2022

Parent and consolidated statement of comprehensive income

For the period from incorporation on 16 April 2021 to 31 December 2021

Period ended 31 December 2021

		Period ended 31 December 2021		
	Note	Revenue £'000	Capital £'000	Total £'000
Losses on investments	*4*	—	(1,608)	(1,608)
Gains on currency movements		—	1	1
Gross investment losses		—	(1,607)	(1,607)
Income		—	—	—
Total loss		—	(1,607)	(1,607)
Investment Adviser fee	*5*	(265)	—	(265)
Other expenses	*6*	(540)	(5)	(545)
Loss before finance costs and taxation		(805)	(1,612)	(2,417)
Finance costs		—	—	—
Operating loss before taxation		(805)	(1,612)	(2,417)
Taxation	*7*	—	—	—
Loss for the period		(805)	(1,612)	(2,417)
Return per Ordinary Share (basic and diluted)	*11*	(1.26)p	(2.52)p	(3.78)p

There is no other comprehensive income and therefore the 'Loss for the period' is the total comprehensive income for the period.

The total column of the above statement is the Parent and Consolidated Statement of Comprehensive Income, including the return per Ordinary Share, which has been prepared in accordance with IFRS. The supplementary revenue and capital columns, including the return per Ordinary Share, are prepared under guidance from the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

Parent and consolidated statement of financial position

At 31 December 2021

	Note	31 December 2021 £'000
Assets		
Non-current assets		
Investments held at fair value through profit or loss	*4*	68,830
Current assets		
Cash and cash equivalents		34,019

Trade and other receivables	*8*	183
Total current assets		34,202
Total assets		103,032

Current liabilities		
Trade and other payables	*9*	(246)
Total liabilities		(246)
Net assets		102,786

Equity		
Share capital	*10*	1,074
Share premium account		104,129
Capital reserve		(1,612)
Revenue reserve		(805)
Total equity		102,786
Net asset value per Ordinary Share	*12*	95.75p

Approved by the Board of Directors on and authorised for issue on 31 March 2022 and signed on their behalf by:

Simon Hogan
Director

HydrogenOne Capital Growth plc is incorporated in England and Wales with registration number 13340859.

Parent and consolidated statement of changes in equity

For the period from incorporation on 16 April 2021 to 31 December 2021

	Notes	Share Capital £'000	Share premium account £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening balance as at 16 April 2021		—	—	—	—	—
Issue of Ordinary Shares	*10*	1,074	106,276	—	—	107,350
Ordinary Share issue costs		—	(2,147)	—	—	(2,147)
Loss for the period		—	—	(1,612)	(805)	(2,417)
Closing balance as at 31 December 2021		1,074	104,129	(1,612)	(805)	102,786

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Parent and consolidated statement of cash flows

For the period from incorporation on 16 April 2021 to 31 December 2021

	Period ended 31 December 2021 £'000
Cash flows from operating activities	
Management expenses	(810)
Foreign exchange gains	1
Increase in trade and other receivables	(183)
Increase in trade and other payables	246
Net cash flow used in operating activities	(746)

Cash flows from investing activities	
Purchase of investments	(70,438)

Net cash flow used in investing activities	(70,438)

Cash flows from financing activities	
Proceeds from issue of Ordinary Shares	107,350
Ordinary Share issue costs	(2,147)
Net cash flow from financing activities	105,203
Increase in cash and cash equivalents	34,019
Cash and cash equivalents at start of period	—
Cash and cash equivalents at end of period	34,019

Notes to the financial statements

(1) General information

Company information

HydrogenOne Capital Growth plc (the "Company" or "Parent") was incorporated in England and Wales on 16 April 2021 with registered number 13340859 as a public company limited by shares and is an investment company within the terms of Section 833 of the Companies Act 2006 (the "Act"). The Company is listed and began trading on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List on 30 July 2021 (the "IPO"). The Company has applied for and been accepted as an approved investment trust under sections 1158 and 1159 of the Corporation Tax Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999.

Sanne Fund Management (Guernsey) Limited acts as the Company's Alternative Investment Fund Manager ("AIFM").

Sanne Fund Services (UK) Limited (the "Company Secretary and Administrator") provides administrative and company secretarial services to the Company.

The Company's Investment Adviser is HydrogenOne Capital LLP.

The Company's registered office is 6th Floor, 125 London Wall, London, EC2Y 5AS.

Investment objective

The Company's investment objective is to deliver an attractive level of capital growth by investing, directly or indirectly, in a diversified portfolio of hydrogen and complementary hydrogen focussed assets whilst integrating core environmental, social and governance ("ESG") principles into its decision making and ownership process.

Company structure

The Company makes its investment in unquoted Hydrogen Assets ("Private Hydrogen Assets") through HydrogenOne Capital Growth Investments (1) LP (the "Limited Partnership"), in which the Company is the sole Limited Partner. The Limited Partnership registered as a private fund limited partnership in England and Wales under the Limited Partnerships Act 1907 with registered number LP021814. The Limited Partnership has been established pursuant to the Limited Partnership Agreement dated 5 July 2021 as amended and restated on 26 November 2021 (the "Limited Partnership Agreement") in order to make investments pursuant to the investment policy of the Limited Partnership. The Limited Partnership's investment policy and restrictions are consistent with the Company's investment policy and restrictions for Private Hydrogen Assets.

The General Partner of the Limited Partnership is HydrogenOne Capital Growth (GP) Limited (the "General Partner"), a wholly owned subsidiary of the Company. The General Partner was incorporated in England and Wales on 19 May 2021 with company registered number 13407844. The General Partner undertakes the responsibility for the management, operation and administration of the business and affairs of the Limited Partnership. The General Partner's Profit Share for each accounting period shall be an amount equal to 1.5% per annum of the prevailing NAV of the Limited Partnership, which shall be allocated to the General Partner as a first charge on the profits of the Limited Partnership. For so long as the Company is the sole Limited Partner, the General Partner's Profit Share shall be allocated and distributed to the Company rather than the General Partner.

The carried interest partner of the Limited Partnership is HydrogenOne Capital Growth (Carried Interest) LP (the "Carried Interest Partner") which, in certain circumstances, will receive carried interest on the realisation of Private Hydrogen Assets by the Limited Partnership. The Carried Interest Partner has been set up for the benefit of the principals of the Investment Adviser.

Private Hydrogen Assets

The Company invests via the Limited Partnership in Private Hydrogen Assets, which may be operational companies or hydrogen projects. Investments are mainly in the form of equity, although investments may be made by way of debt and/or convertible securities. The Company may acquire a mix of controlling and non-controlling interests in Private Hydrogen Assets, however the Company invests principally in non-controlling positions (with suitable minority protection rights to, inter alia, ensure that the Private Hydrogen Assets are operated and managed in a manner that is consistent with the Company's investment policy).

The Company will initially acquire Private Hydrogen Assets via the Limited Partnership. In due course, the Company may acquire Private Hydrogen Assets directly or by way of holdings in special purpose vehicles or intermediate holding entities (including successor limited partnerships established on substantially the same terms as the Limited Partnership) or, if the Company is considered a 'feeder fund' under the Listing Rules, other undertakings advised by the Investment Adviser and, in such circumstances, the investment policy and restrictions will also be applied on a look-through basis and such undertaking(s) will also be managed in accordance with the Company's investment policy.

Listed Hydrogen Assets

The Company also invests directly in quoted or traded Hydrogen Assets, which are predominantly equity securities but may also be corporate debt and/or other financial instruments ("Listed Hydrogen Assets"). The Company has the ability to invest in Listed Hydrogen Assets in any market or country with a market capitalisation (at the time of investment) of at least US$200 million. The Company's approach is to be a long-term investor and will not ordinarily adopt short-term trading strategies.

Liquidity reserve

During the initial Private Hydrogen Asset investment period after a capital raise (currently anticipated to be up to 18 months in respect of the IPO) and/or a realisation of a Private Hydrogen Asset, the Company intends to allocate the relevant net proceeds of such capital raise/realisation to cash (in accordance with the Company's cash management policy) and/or to additional Listed Hydrogen Assets and related businesses pending subsequent investment in Private Hydrogen Assets (the "Liquidity Reserve"). The Company anticipates holding cash to cover the near-term capital requirements of the pipeline of Private Hydrogen Assets and in periods of high market volatility. The Investment Adviser anticipates that the Liquidity Reserve will be allocated to cash for the foreseeable future.

(2) Basis of preparation

The principal accounting policies are set out below:

Reporting entity

These Parent and Consolidated Financial Statements (the "Financial Statements") present the results of both the Parent; and the Parent and the General Partner (together referred to as the "Group").

As at 31 December 2021, the statement of financial position of the General Partner consisted of issued share capital and corresponding share capital receivable in the amount of £1. The General Partner had no income, expenditure or cash flows for the period.

Due to the immaterial balances of the General Partner there is no material difference between the results of the Parent and the results of the Group. As a result, the Financial Statements as presented represent both the Parent's and the Group's financial position, performance and cash flows.

Basis of accounting

The Financial Statements have been prepared in accordance with UK-adopted international accounting standards ("IFRS") and the applicable legal requirements of the Companies Act 2006.

The Financial Statements have also been prepared as far as is relevant and applicable to the Company and Group in accordance with the Statement of Recommended Practice ('SORP') issued by the Association of Investment Companies ("AIC") in April 2021.

The Financial Statements are prepared on the historical cost basis, except for the revaluation of financial instruments measured at fair value through profit or loss.

Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company and Group take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Financial Statements is determined on such a basis.

The Financial Statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company and Group operate.

The principal accounting policies adopted are set out below. These policies are consistently applied.

Accounting for subsidiaries

The Board of Directors has determined that the Company has all the elements of control as prescribed by IFRS 10 in relation to:

(1) the Limited Partnership; as the Company is the sole limited partner in the Limited Partnership (100% of the Limited Partnership's commitments are held by the Company), is exposed to and has rights to the returns of the Limited Partnership, and has the ability through its control of the General Partner to affect the amount of its returns from the Limited Partnership; and

(2) the General Partner; as the Company wholly owns the General Partner, is exposed to and has rights to the returns of the General Partner, and has the ability through its control of the General Partner's activities to affect the amount of its returns from the General Partner.

The Investment entities exemption requires that an investment entity that has determined that it is a parent under IFRS 10 shall not consolidate certain of its subsidiaries; instead, it is required to measure its investment in these subsidiaries at fair value through profit or loss in accordance with IFRS 9. The criteria which define an investment entity are as follows:

(i) the company obtains funds from one or more investors for the purpose of providing those investors with investment management services;

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

(iii) the company measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company is an investment company, providing investors exposure to a diversified portfolio of hydrogen and complementary hydrogen focussed assets that are managed for investment purposes. The investments were made in line with the stated objective of the Company to deliver an attractive level of capital growth in accordance with the strategy that has been set by the Directors. The Directors assessed each new investment carefully to determine whether the Company as a whole still meets the definition of an investment entity.

In assessing whether the Company meets the definition of an investment entity set out in IFRS 10 the Directors' note that:

(i) the Company has multiple investors with shares issued publicly on the London Stock Exchange and obtains funds from a diverse group of shareholders who would otherwise not have access individually to investing in hydrogen focussed assets;

(ii) the Company's purpose is to invest funds for capital appreciation but with potential for some investment income. The Limited Partnership has a ten-year life however the underlying assets have minimal residual value because they do not have unlimited lives, are not to be held indefinitely and have appropriate exit strategies in place; and

(iii) the Company measures and evaluates the performance of all of its investments on a fair value basis which is the most relevant for investors in the Company. The Directors use fair value information as a primary measurement to evaluate the performance of all of the investments and in decision making.

The Board of Directors has determined that the Company meets all the typical characteristics of an investment entity and therefore meets the definition set out in IFRS 10.

Accounting for the Limited Partnership

The Limited Partnership serves as an asset holding entity and does not provide investment-related services. Therefore, when the Limited Partnership is assessed based on the overall structure as a means of carrying out the Company's activities, the Board of Directors has determined that the Limited Partnership meets the definition of an investment entity. Accordingly, the Company is required under IFRS 10 to hold its investment in the Limited Partnership at fair value through the Statement of Comprehensive Income rather than consolidate them. The Company has determined that the fair value of the Limited Partnership is its net asset value and has concluded that it meets the definition of an unconsolidated subsidiary under IFRS 12 and has made the necessary disclosures in these Financial Statements.

Accounting for the General Partner

The General Partner provides investment related services to the Limited Partnership on behalf of the Company. IFRS 10 requires subsidiaries that provide services that relate to the investment entity's investment activities to be consolidated. Accordingly, the Company is required under IFRS 10 to consolidate the results of the General Partner.

The Directors agree that the investment entity accounting treatment outlined above appropriately reflects the Company's activities as an investment trust and provides the most relevant information to investors.

Going concern

The Directors consider that it is appropriate to adopt the going concern basis in preparing the Financial Statements. In forming this opinion, the Directors have considered the ongoing impact of the COVID-19 pandemic and impact as restrictions begin to be lifted in the UK and other jurisdictions, on the going concern and viability of the Company and Group. In making their assessment, the Directors have reviewed income and expense projections and the liquidity of the investment portfolio, and considered the mitigation measures which key service providers, including the Investment Adviser, have in place to maintain operational resilience particularly in light of COVID-19.

The Company and Group continue to meet day-to-day liquidity needs through its cash resources. The Company and Group had unrestricted cash of £34.0 million as well as £8.2 million in Listed Hydrogen Assets at 31 December 2021. The Company and Group's net assets at 31 December 2021 were £102.8 million and total expenses for the period ended 31 December 2021 were £0.8 million, which represented approximately 0.8% of the average net assets value of the Company in the period from the Company's IPO on 22 June 2021 to the 31 December 2021 (£104,565,796). At the date of approval of these financial statements, the Company and Group had cash resources of £33.4 million and annual expenses are estimated to be £1.7 million.

The Directors also recognise that the continuation of the Company is subject to the approval of shareholders at the Annual General Meeting ("AGM") in 2026, and every fifth AGM thereafter. Since the Company's IPO, the shares have traded at a premium to NAV, reflecting strong shareholder support for the Company and market demand for its shares.

Since the period end date, the Russian invasion of Ukraine has resulted in considerable market volatility and uncertainty. However the Board and the Investment Adviser have reviewed the investment portfolio and have identified limited direct impact on the portfolio, but continues to monitor situation and impact on the Company's investment portfolio.

Based on the foregoing, the Directors have adopted the going concern basis in preparing the Financial Statements. The Directors have a reasonable expectation that the Company and Group have adequate operational resources to continue in operational existence for at least twelve months from the date of approval of these Financial Statements.

Critical accounting judgements, estimates and assumptions

The preparation of Financial Statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of income and expense during the period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period and future periods if the revision affects both current and future periods.

Judgements

Investment entity

In accordance with the Investment Entities exemption contained in IFRS 10, the Board has determined that the Company satisfies the criteria to be regarded as an investment entity and that the Company provides investment related services and, as a result, measures its investment in the Limited Partnership at fair value.

The Limited Partnership serves as an asset holding entity and does not provide investment-related services. Therefore, when the Limited Partnership is assessed based on the overall structure as a means of carrying out the Company's activities, the Board of Directors has determined that the Limited Partnership meets the definition of an investment entity. Accordingly, the Company is required under IFRS 10 to hold its investment in the Limited Partnership at fair value through the Statement of Comprehensive Income rather than consolidate them.

The General Partner provides investment related services to the Limited Partnership on behalf of the Company. IFRS 10 requires subsidiaries that provide services that relate to the investment entity's investment activities to be consolidated. Accordingly, the Board of Directors have determined that the Company is required under IFRS 10 to consolidate the results of the General Partner. As described in the Reporting Entity section, the Financial Statements as presented represent both the Parent's and the Group's financial position, performance and cash flows.

These conclusions involved a degree of judgement and assessment as to whether the Company, the Limited Partnership and the General Partner met the criteria outlined in the accounting standards.

Estimates

Investment valuations

The key estimate in the Financial Statements is the determination of the fair value of the Private Hydrogen Assets, held by the Limited Partnership, by the Investment Adviser for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the Limited Partnership at the period end. The fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The key inputs considered in the valuation are described in note 14.

Comparatives

There are no comparatives as this is the first accounting period.

New standards, interpretations and amendments adopted from 1 January 2021

A number of new standards, amendments to standards are effective for the annual periods beginning after 1 January 2021. None of these have had a significant effect on the measurement of the amounts recognised in the Financial Statements.

New standards and amendments issued but not yet effective

The relevant new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Financial Statements are disclosed below. These standards are not expected to have a material impact on the entity in future reporting periods and on foreseeable future transactions.

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023.

(3) Significant accounting policies

(a) Financial instruments

Financial assets – Classification, recognition, derecognition and measurement

The Company and Group's financial assets principally comprise of: investments held at fair value through profit or loss (Listed Hydrogen Assets and the Limited Partnership); and trade and other receivables, which are initially recognised at fair value and subsequently measured at amortised cost.

Financial assets are recognised in the Statement of Financial Position when the Company or Group become a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Gains and losses resulting from the movement in fair value are recognised in the Statement of Comprehensive Income at each valuation point within 'gains/(losses) on investments'.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company or Group have transferred substantially all risks and rewards of ownership.

Financial liabilities – Classification, recognition, derecognition and measurement

The Company and Group's financial liabilities include trade and other payables and other short term monetary liabilities which are initially recognised at fair value and subsequently measured at amortised cost.

Financial liabilities are recognised in the Statement of Financial Position when the Company or Group become a party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Financial liabilities are subsequently measured at amortised cost.

A financial liability (in whole or in part) is derecognised when the Company or Group have extinguished the contractual obligations, it expires or is cancelled.

Valuation of Listed Hydrogen Assets

Upon initial recognition Listed Hydrogen Assets are classified by the Company and Group 'at fair value through profit or loss'. They are accounted for on the date they are traded and are included initially at fair value which is taken to be their cost. Subsequently they are valued at fair value, which is the bid market price, or if bid price is unavailable, last traded price on the relevant exchange.

Valuation of the Limited Partnership

The Company and Group has determined that the fair value of the Limited Partnership is the Limited Partnership's Net Asset Value ("NAV"). The NAV of the Limited Partnership is prepared in accordance with accounting policies that are consistent with IFRS and consists of the fair value of its Private Hydrogen Assets, and the carrying value of its assets and liabilities.

The Investment Adviser values the Private Hydrogen Assets according to IPEV Guidelines.

The techniques applied are predominantly market based approaches and/or discounted cash flows ("DCF") where appropriate forecasts can be done.

The market-based approaches available under IPEV Guidelines are set out below and are followed by an explanation of how they are applied to the Private Hydrogen Assets:

- Multiples;
- Industry Valuation Benchmarks; and
- Available Market Prices.

The nature of the Private Hydrogen Assets will influence the valuation technique applied. The valuation approach recognises that, as stated in the IPEV Guidelines, the price of a recent investment, if resulting from an orderly transaction, generally represents fair value as at the transaction date and may be an appropriate starting point for estimating fair value at subsequent measurement dates. However, consideration is given to the facts and circumstances as at the subsequent measurement date, including changes in the market or performance of the investee company. Milestone analysis is used where appropriate to incorporate the operational progress of the investee company into the valuation. Additionally, the background to the transaction must be considered. As a result, various multiples-based techniques are employed to assess the valuations particularly in those Private Hydrogen Assets with established revenues and/or earnings. An absence of relevant industry peers may preclude the application of the industry valuation benchmarks technique and an absence of observable prices may preclude the available market prices approach. All valuations are cross-checked for reasonableness by employing relevant alternative techniques.

Fair values for operational Private Hydrogen Assets may be derived from a DCF methodology and the results benchmarked against appropriate multiples and key performance indicators ("KPIs"), where available for the relevant sector/industry.

In a DCF valuation, the fair value represents the present value of the investment's expected future cash flows, based on appropriate assumptions for revenues and costs, and suitable cost of capital assumptions. Judgement is applied in arriving at appropriate discount rates, based on the knowledge of the market, taking into account market intelligence gained from bidding activities, discussions with financial advisers, consultants, accountants and lawyers and publicly available information.

A range of sources are reviewed in determining the underlying assumptions to apply in a DCF valuation used in calculating the fair value of a Private Hydrogen Asset. These sources include but are not limited to:

- macroeconomic projections adopted by the market as disclosed in publicly available resources;
- macroeconomic forecasts provided by expert third party economic advisers;
- discount rates publicly disclosed in the global renewables sector;
- discount rates applicable to comparable infrastructure asset classes, which may be procured from public sources or independent third-party expert advisers;
- discount rates publicly disclosed for comparable market transactions of similar assets; and
- capital asset pricing model outputs and implied risk premia over relevant risk free rates.

Where available, assumptions are based on observable market and technical data.

The Private Hydrogen Assets have been valued at 31 December 2021 using the price of recent investment which was calibrated/ cross-checked using a DCF valuation.

The Company may make investments in Private Hydrogen Assets directly, via the Limited Partnership and/or by way of holdings in special purpose vehicles or intermediate holding entities. These vehicles will be measured at fair value through profit or loss based on their NAV at the period end, which is principally derived from the valuation of their Private Hydrogen Assets.

(b) Foreign currency

Functional and presentation currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the entity operates, the functional currency. The Financial Statements are presented in Pounds Sterling which is the Company and Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Pounds Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(c) Income

Investment income has been accounted for on an ex-dividend basis or when the right to the income is established. Special dividends are credited to capital or revenue in the Statement of Comprehensive Income, according to the circumstances surrounding the payment of the dividend. Overseas dividends are included gross of withholding tax recoverable.

(d) Dividend payable

Interim dividends are recognised when the Company pays the dividend. Final dividends are recognised in the period in which they are approved by the shareholders.

(e) Expenses

All expenses are accounted for on an accruals basis. Expenses directly related to the acquisition or disposal of an investment (transaction costs) are taken to the Statement of Comprehensive Income as a capital item. All other expenses, including Investment Adviser fees, are taken to the Statement of Comprehensive Income as a revenue item.

(f) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the financial reporting date.

Where expenses are allocated between capital and revenue any tax relief in respect of the expenses is allocated between capital and revenue returns on the marginal basis using the Company's effective rate of corporation taxation for the relevant accounting period.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the timing differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

Since the General Partner does not have any income or expenditure in the period, the Group tax position is the same as the Company tax position.

(g) Segmental reporting

The Board has considered the requirements of IFRS 8 – 'Operating Segments'. The Company has entered into an Investment Advisory Agreement with the Investment Adviser under which the Investment Adviser is responsible for the management of the Company's investment portfolio, subject to the overall supervision of the Board of Directors. Subject to its terms and conditions, the Investment Advisory Agreement requires the Investment Adviser to manage the Company's investment portfolio in accordance with the Company's investment guidelines as in effect from time to time, including the authority to purchase and sell investments and to carry out other actions as appropriate to give effect thereto. However, the Board retains full responsibility to ensure that the Investment Adviser adheres to its mandate. Moreover, the Board is fully responsible for the appointment and/or removal of the Investment Adviser. Accordingly, the Board is deemed to be the 'Chief Operating Decision Maker' of the Company.

The Directors are of the opinion that the Company is engaged in a single segment of business being investment into the hydrogen focussed investments. Segment information is measured on the same basis as that used in the preparation of the Company's Financial Statements.

(i) Cash and cash equivalents

Cash comprises cash and demand deposits. Cash equivalents, include bank overdrafts, and short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(j) Nature and purpose of equity and reserves:

Share capital represents the 1p nominal value of the issued share capital.

The share premium account arose from the net proceeds of new shares issued. Costs directly attributable to the issue of new shares are charged against the value of the ordinary share premium.

The capital reserve reflects any:

- gains or losses on the disposal of investments;
- exchange movements of a capital nature;
- the increases and decreases in the fair value of investments which have been recognised in the capital column of the Statement of Comprehensive Income; and
- expenses which are capital in nature.

The revenue reserve reflects all income and expenditure recognised in the revenue column of the Statement of Comprehensive Income and is distributable by way of dividend.

The Company's distributable reserves consist of the revenue reserve and the capital reserve. However any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve and are non-distributable.

Ordinary Shares are classified as equity.

(4) Investments held at fair value through profit or loss

(a) Summary of valuation

	As at 31 December 2021 £'000
Investments held at fair value through profit or loss	
Listed Hydrogen Assets	8,233
Limited Partnership	60,597
Closing valuation of financial assets at fair value through profit or loss	68,830

(b) Movements in valuation

	£'000
Opening valuation of financial assets at fair value through profit or loss	—
Opening unrealised gains on investments	—
Opening cost of financial assets at fair value through profit or loss	—
Additions, at cost – Listed Hydrogen Assets	9,461
Additions, at cost – Limited Partnership	60,977
Cost of financial assets at fair value through profit or loss at the end of the period	70,438
Loss on investments – Listed Hydrogen Assets	(1,228)
Loss on investments – Limited Partnership	(380)
Closing valuation of financial assets at fair value through profit or loss	68,830

(c) Loss on investments

	£'000
Movement in unrealised loss – Listed Hydrogen Assets	(1,228)
Movement in unrealised loss – Limited Partnership	(380)
Total loss on investments	(1,608)

Under IFRS 13 'Fair Value Measurement', an entity is required to classify investments using a fair value hierarchy that reflects the significance of the inputs used in making the measurement decision.

The following shows the analysis of financial assets recognised at fair value based on:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the change has occurred. There have been no transfers between levels during the period ended 31 December 2021.

The classification of the Company and Group's investments held at fair value through profit or loss is detailed in the table below:

	31 December 2021			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed Hydrogen Assets	8,233	–	–	8,233
Limited Partnership	–	–	60,597	60,597
	8,233	–	60,597	68,830

The Company and Group's Level 3 investment is the investment in the Limited Partnership. The NAV of the Limited Partnership as of 31 December 2021 is £60,597,000. The movement on the Level 3 investments during the period is shown below:

	31 December 2021 £'000
Opening balance	–
Investment in Limited Partnership	60,977
Unrealised loss on investment in Limited Partnership	(380)
Closing balance	60,597

Look-through financial information

The NAV of the Limited Partnership consists of the fair value of its Private Hydrogen Assets and the carrying value of its assets and liabilities. As at the period end, the Limited Partnership held three Private Hydrogen Assets.

The following table reconciles the fair value of the Private Hydrogen Assets and the NAV of the Limited Partnership.

	31 December 2021 £'000
Investment in Private Hydrogen Assets	39,231
Plus: net current assets	21,366
NAV of the Limited Partnership	60,597

The Level 3 Private Hydrogen Assets are valued by the Investment Adviser in accordance with IPEV Guidelines, as outlined in note 3. The key inputs considered in the valuation are described in note 14. At 31 December 2021, the valuation of the Limited Partnership's underlying investment in Private Hydrogen Assets was determined as follows:

Name	Country of Incorporation	Value of Investment £’000	Primary valuation technique	Significant unobservable inputs	Range input
Sunfire GmbH	Germany	20,180	Price of recent Investment	Third-party pricing (without adjustment)	n/a
HiiROC Limited	United Kingdom	10,001	Price of recent Investment	Third-party pricing (without adjustment)	n/a
NanoSUN Limited	United Kingdom	9,050	Price of recent Investment	Third-party pricing (without adjustment)	n/a

The investments have been fair valued using the price of a recent investment based on unadjusted third-party pricing information. Therefore, the Company is not required to disclose any quantitative information regarding the unobservable inputs as they have not been developed by the Company and are not reasonably available to the Company.

(5) Investment Adviser fee

	Period ended 31 December 2021		
	Revenue £’000	Capital £’000	Total £’000
Investment Adviser fee	265	—	265

At 31 December 2021 an amount of £48,349 was payable to the Investment Adviser in respect of the Investment Adviser fee. Additionally, the Company has agreed with the Investment Adviser that the costs and expenses of the IPO would be capped at 2% of the gross proceeds received, with any cost above this amount to be paid by the Investment Adviser by way of rebate of its adviser fee. At 31 December 2021, £141,493 in respect of excess issue costs is due to be received from the Investment Adviser.

Investment Adviser fee

The Company has entered into an Investment Adviser Agreement dated 5 July 2021 between the Company, the AIFM and the Investment Adviser (the “Investment Adviser Agreement”), pursuant to which the Investment Adviser has been given responsibility for investment advisory services in respect of any Private Hydrogen Assets the Company invests in directly and the Listed Hydrogen Assets (including Listed Hydrogen Assets forming part of the Liquidity Reserve and uninvested cash) in accordance with the Company's investment policy, subject to the overall control and supervision of the AIFM.

Under the Investment Adviser Agreement, the Investment Adviser receives from the Company, quarterly in advance, an advisory fee equal to:

(i) 1.0% of the Net Asset Value per annum of the Listed Hydrogen Assets up to £100 million:

(ii) 0.8% of the Net Asset Value per annum of the Listed Hydrogen Assets from £100 million (save that the Investment Adviser has agreed to reduce this fee to 0.5% in respect of the Liquidity Reserve pending their investment in Private Hydrogen Assets for 18 months following Admission to 30 January 2023);

(iii) 1.5% of the Net Asset Value per annum of any Private Hydrogen Assets held by the Company directly (i.e. not held by the Limited Partnership or any other undertaking advised by the Investment Adviser where the Investment Adviser is receiving a separate advisory fee); and

(iv) for so long as the Company is not considered a ‘feeder fund' for the purposes of the Listing Rules, 1.5% per annum of the Net Asset Value of the Private Hydrogen Assets held by the Limited Partnership.

The Limited Partnership has entered into a Limited Partnership Investment Adviser Agreement dated 5 July 2021 (the “Limited Partnership Investment Adviser Agreement”) between the General Partner (in its capacity as general partner of the Limited Partnership), the AIFM and the Investment Adviser, pursuant to which the Investment Adviser has been given responsibility for investment advisory services in respect of the Private Hydrogen Assets in accordance with the investment policy of the Limited Partnership, subject to the overall control and supervision of the AIFM.

Under the Limited Partnership Investment Adviser Agreement, the Investment Adviser, if the Company was considered a ‘feeder fund' for the purposes of the Listing Rules by virtue of additional investors co-investing via the Limited Partnership in the future, shall receive from the Limited Partnership an advisory fee equal to 1.5% per annum of the Net Asset Value of the Private Hydrogen Assets held by the Limited Partnership, payable quarterly in advance. Advisory fees paid or payable by the Limited Partnership are reflected through the NAV of the Limited Partnership.

No performance fee is paid or payable to the Investment Adviser under either the Investment Adviser Agreement or the Limited Partnership Investment Adviser Agreement but the principals of the Investment Adviser are, subject to certain performance conditions being met, entitled to carried interest fees from the Limited Partnership. Refer to ‘Carried Interest Partner Fees' section below.

Carried Interest Partner Fees

Pursuant to the terms of the Limited Partnership Agreement dated 5 July 2021 as amended and restated on 26 November 2021 (the "Limited Partnership Agreement"), the Carried Interest Partner is, subject to the limited partners of the Limited Partnership receiving an aggregate annualised 8% realised return (i.e. the Company and, in due course, any additional co-investors), entitled to a carried interest fee in respect of the performance of the Private Hydrogen Assets.

Subject to certain exceptions, the Carried Interest Partner will receive, in aggregate, 15% of the net realised cash profits from the Private Hydrogen Assets held by the Limited Partnership once the limited partners of the Limited Partnership (i.e. the Company and, in due course, any additional co-investors) have received an aggregate annualised 8% realised return. This return is subject to a 'catch-up' provision in Carried Interest Partner's favour. Any realised or unrealised carried interest fee paid or payable to the Carried Interest Partner is reflected through the NAV of the Limited Partnership. During the period there was no realised or unrealised carried interest fee paid or payable.

20% of any carried interest received (net of tax) will be used by the principals of the Investment Adviser to acquire Ordinary Shares in the market. Any such acquired shares will be subject to a 12-month lock-up from the date of purchase.

General Partner's priority profit share

Under the Limited Partnership Agreement, the General Partner of the Limited Partnership shall be entitled to a General Partner's Profit Share ("GPS"). The GPS for each accounting period shall be an amount equal to 1.5% of the prevailing NAV of the Limited Partnership. For so long as the Company is the sole limited partner of the Limited Partnership, the GPS shall be distributed to the Company rather than the General Partner. The Company is currently the sole limited partner of the Limited Partnership. Therefore, under the Investment Adviser Agreement, the investment adviser fee in relation to the Private Hydrogen Assets held by the Limited Partnership is settled by the Company which for the period totalled £71,558. During the period the Limited Partnership did not call any GPS from the Company as the net effect of the calling and distributing GPS from/to the Company is £nil.

(6) Other expenses

	For the period ended 31 December 2021 £'000
Administration & Secretarial Fees	94
AIFM Fees	45
Directors' Fees	101
Custodian Charges	21
Brokers Fees	24
Registrar's Fees	9
Legal Fees	8
Audit Fees	135
D & O Insurances	21
PR & Marketing	36
Other expenses	46
Total revenue expenses	540
Expenses charged to capital:	
Capital transaction costs	5
Total expenses	545

Prior to appointment as the Company and Group's Auditor, the auditors received £138,000 (including VAT of £23,000) for non-audit initial public offering-related services, which have been treated as a capital expense and included in 'share issue costs' disclosed in the Statement of Changes in Equity. This service is required by law or regulation and is therefore a permissible non-audit service under the FRC Ethical Standard.

(7) Taxation

(a) Analysis of charge in the period

	For the period ended 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000
Withholding tax expense	—	—	—
Total tax charge for the period	—	—	—

(b) Factors affecting total tax charge for the period

	For the period ended 31 December 2021

	Revenue £'000	Capital £'000	Total £'000
Loss on ordinary activities before taxation	(805)	(1,612)	(2,417)
Corporation tax at 19%	(153)	(306)	(459)
Effects of:			
Deferred tax asset not recognised	153	—	153
Loss on investments held at fair value not taxable	—	306	306
	—	—	—

The Company is not liable to tax on capital gains due to its status as an investment trust. The Company and Group has an unrecognised deferred tax asset of £201,000 based on the long term prospective corporation tax rate of 25%. The March 2021 Budget announced an increase to the main rate of corporation tax to 25% from 1st April 2023. This increase in the standard rate of corporation tax was substantively enacted on 24th May 2021.

This asset has accumulated because deductible expenses exceeded taxable income for the period ended 31 December 2021. No asset has been recognised in the Financial Statements because, given the composition of the Company and Group's portfolio, it is not likely that this asset will be utilised in the foreseeable future.

(8) Trade and other receivables

	As at 31 December 2021 £'000
Prepayments	24
Other receivables	159
	183

(9) Trade and other payables

	As at 31 December 2021 £'000
Amounts falling due within one year:	
Accrued expenses	246
	246

(10) Share capital

	As at 31 December 2021	
Allotted, issued and fully paid:	No. of shares	Nominal value of shares (£)
Allotted upon incorporation		
Ordinary Shares of 1p each	1	0.01
Management Shares of £1.00 each	50,000	50,000.00
Allotted/redeemed following admission to LSE		
Ordinary Shares issued	107,349,999	1,073,499.99
Management Shares redeemed	(50,000)	(50,000.00)
Closing balance as at 31 December 2021	107,350,000	1,073,500.00

The Company is permitted to hold Ordinary Shares acquired by way of market purchase in treasury, rather than having to cancel them. Such Ordinary Shares may be subsequently cancelled or sold for cash. No Ordinary Shares have been repurchased during the period therefore there were no Treasury shares at the end of the period.

Each Ordinary Share held entitles the holder to one vote. All shares carry equal voting rights and there are no restrictions on those voting rights.

(11) Return per ordinary share

Return per share is based on the weighted average number of Ordinary Shares in issue during the period ended 31 December 2021 of 63,997,115.

For the period ended 31 December 2021

	As at 31 December 2021		
	Revenue £'000	Capital £'000	Total £'000
Loss for the period (£'000)	(805)	(1,612)	(2,417)
Return per Ordinary Share	(1.26)p	(2.52)p	(3.78)p

There is no dilution to return per share as the Company has only Ordinary Shares in issue.

(12) Net asset value per ordinary share

	As at 31 December 2021 £'000
Net Asset Value (£'000)	102,786
Ordinary Shares in issue	107,350,000
NAV per Ordinary Share	95.75p

There is no diluted Net Asset Value per share as the Company has only Ordinary Shares in issue.

(13) Related party transactions and material contracts

Directors

Fees are payable to the Directors at an annual rate of £65,000 to the Chairman, £55,000 to the Chairman of the Audit and Risk Committee and £45,000 to the other Directors with the exception of Mr Bell who is not remunerated for his role as a Non-Executive Director. These fees were effective from the date of appointment of each Director being 20 May 2021 for each Board member with the exception of Mr Bell who was appointed 1 October 2021 and Mrs Rotheroe who was appointed 8 February 2022. Details of the Directors remuneration paid during the period is given in note 6. At the period end, the Directors had the following holdings in the Company:

	Ordinary Shares at 31 December 2021
Simon Hogan	40,000
Caroline Cook	20,100
Afkenel Schipstra	10,100
Roger Bell	—
Abigail Rotheroe[1]	—

1. Abigail Rotheroe was appointed as a Non-Executive Director on 8 February 2022.

Investment Adviser

Fees payable to the Investment Adviser are shown in the Statement of Comprehensive Income. Fees details of the Investment Adviser are shown in note 5. At 31 December 2021, the principals of the Investment Adviser, Dr JJ Traynor and Mr R Hulf, each held 100,000 Ordinary Shares of the Company. Transactions between the Company and the Investment Adviser during the period are disclosed in note 5.

INEOS Energy

The Relationship and Co-Investment Agreement dated 19 June 2021 between INEOS UK E&P Holdings Limited ("INEOS Energy"), the Investment Adviser, the Company and the General Partner (acting in its capacity as the general partner of the Limited Partnership), pursuant to which the parties agreed that: (i) INEOS Energy would subscribe for and/or shall procure that its associates shall subscribe for at least 25 million Ordinary Shares in the IPO; (ii) such Ordinary Shares subscribed by INEOS Energy would be subject to a 12 month lock-up from the date of purchase pursuant to which INEOS Energy agreed that it will not sell, grant options over or otherwise dispose of any interest in any such Ordinary Shares purchased by them (subject to the usual carve-outs); (iii) INEOS Energy was entitled to nominate one Non-Executive Director for appointment to the Board; (iv) prior to making any co-investment opportunity in relation to a Private Hydrogen Assets that is a project to any limited partner of the Limited Partnership, the Company and the Investment Adviser will give INEOS Energy a right of first refusal to acquire up to 100% of such co-investment opportunity (provided that the 'related party transaction' requirements set out in the Listing Rules are complied with); (v) INEOS Energy are provided with certain information rights relating to Private Hydrogen Assets and co-investment opportunities; and (vi) INEOS Energy shall be entitled to second one or more employees to the Investment Adviser from time-to-time. INEOS Energy has agreed that all transactions between INEOS Energy and its associates and any member of the Company and Group and/or the Investment Adviser are conducted at arm's length on normal commercial terms.

At the IPO, INEOS Energy subscribed for and received 25 million Ordinary Shares of the Company. At 31 December

2021, INEOS Energy held 25 million Ordinary Shares of the Company.

Roger Bell is currently Chief Financial Officer of the INEOS Oil and Gas group of companies and was appointed as the Board representative of INEOS Energy on 1 October 2021 pursuant to the Relationship and Co-Investment Agreement entered into between, inter alia, INEOS Energy and the Company at the Company's launch.

Alternative Investment Fund Manager

Sanne Fund Management (Guernsey) Limited is appointed to act as the Company's and the Limited Partnership's alternative investment fund manager (the "AIFM") for the purposes of the UK AIFM Rules. The AIFM has delegated the provision of portfolio management services to the Investment Adviser. The AIFM, Company Secretary and Administrator are part of the same Sanne Group plc.

Under the AIFM Agreement between the AIFM and the Company dated 5 July 2021, and with effect from Admission, the AIFM shall be entitled to receive from the Company a fee of 0.05% of Net Asset Value per annum up to £250 million, 0.03% of Net Asset Value per annum from £250 million up to £500 million and 0.015% of Net Asset Value per annum from £500 million, in each case adjusted to exclude any Net Asset Value attributable to any Private Hydrogen Assets held through the Limited Partnership and subject to a minimum annual fee of £85,000.

Under the AIFM Agreement between the AIFM and the Limited Partnership dated 5 July 2021, the AIFM receives from the Limited Partnership a fee of 0.05% of the net asset value of the Limited Partnership per annum up to £250 million, 0.03% of the net asset value of the Limited Partnership per annum from £250 million up to £500 million and 0.015% of the net asset value of the Limited Partnership per annum from £500 million, subject to a minimum annual fee of £25,000. AIFM fees paid or payable by the Limited Partnership are reflected through the NAV of the Limited Partnership.

The AIFM is also entitled to reimbursement of reasonable expenses incurred by it in the performance of its duties.

Administration and Company Secretarial services fee

The Company has entered into an Administration and Company Secretarial Services Agreement dated 5 July 2021 (the "Administrator and Company Secretary Agreement") between the Company and Sanne Fund Services (UK) Limited (the "Company Secretary and Administrator") pursuant to which the Company Secretary and Administrator has agreed to act as Company secretary and administrator to the Company.

Under the terms of the Administration and Company Secretarial Services Agreement, the Company Secretary and Administrator receives a fee from the Company of 0.06% of Net Asset Value per annum up to £250 million, 0.05% of Net Asset Value per annum from £250 million up to £500 million and 0.025% of Net Asset Value per annum from £500 million and subject to a minimum annual fee of £135,000 plus a further £10,000 per annum to operate the Company's Liquidity Reserve.

Under the terms of the Limited Partnership Administration Agreement 5 July 2021, pursuant to which the Company Secretary and Administrator has agreed to act as administrator to the Limited Partnership, the Company Secretary and Administrator receives an annual fee from the Limited Partnership of £62,500 and of £15,000 in respect of the General Partner. Administration fees paid or payable by the Limited Partnership are reflected through the NAV of the Limited Partnership. For so long as the Company is the sole Limited Partner, the administration fee in respect of the General Partner shall be allocated settled by the Company rather than the General Partner.

Custodian fee

The Company has entered into a Custodian Agreement between the Company and The Northern Trust Company (the "Custodian") dated 23 June 2021 (the "Custodian Agreement"), pursuant to which the Custodian has agreed to act as custodian to the Company.

The Custodian is entitled to a minimum annual fee of £50,000 (exclusive of VAT) per annum. The Custodian is also entitled to a fee per transaction taken on behalf of the Company.

Registrar fee

The Company utilises the services of Computershare Investor Services plc (the "Registrar") as registrar to the transfer and settlement of Ordinary Shares. Under the terms of the Registrar Agreement dated 5 July 2021, the Registrar is entitled to a fee calculated based on the number of shareholders, the number of transfers processed and any Common Reporting Standard on-boarding, filings or changes. The annual minimum fee is £4,800 (exclusive of VAT). In addition, the Registrar is entitled to certain other fees for ad hoc services rendered from time to time.

(14) Financial instruments and capital disclosures

Risk Management Policies and Procedures

The Board of Directors has overall responsibility for the establishment and oversight of the Company and Group's risk management framework. The risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company and Group's activities.

The Investment Adviser, AIFM and the Administrator report to the Board on a quarterly basis and provide information to the Board which allows it to monitor and manage financial risks relating to its operations. The Company and Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and operational risk. These risks are monitored by the AIFM. Below is a non-exhaustive summary of the risks that the Company and Group are exposed to as a result of its use of financial instruments:

The objectives, policies and processes for managing the risks, and the methods used to measure the risks, are set out below.

Market Risks

(i) Currency risk

Foreign currency risk is defined as the risk that the fair values of future cashflows will fluctuate because of changes in foreign exchange rates. The financial assets and liabilities are predominantly denominated in Pounds Sterling and substantially all revenues and expenses are in Pounds Sterling. As at the 31 December 2021, the Company and Group had the following currency exposures, all of which are included in the Statement of Financial Position at fair value based on the exchanges rates at the period end.

	Investments £'000	Cash £'000	Other assets & liabilities £'000	Total £'000
Currency				
Danish Krone	444	—	—	444
Euro	1,485	—	—	1,485
Korean Won	957	—	—	957
Norwegian Krone	1,515	—	—	1,515
Swedish Krone	937	—	—	937
US Dollar	1,541	—	—	1,541
	6,879	—	—	6,879

The Company and Group mitigate the risk of loss due to exposure to a single currency by way of diversification of the portfolio.

At 31 December 2021, an exchange rate movement of +/-5% against Pounds Sterling, which is a reasonable approximation of possible changes based on observed volatility during the period, would have increased or decreased net assets and total return by £344,000.

(ii) Interest rate risk

The Company and Group's interest rate risk on interest bearing financial assets is limited to interest earned on cash balances. At the period end, the Company had cash balances of £34,019,000. An increase in interest rates of 0.5% would impact the profit or loss and net assets of the Company positively by £170,095, with a decrease of 0.5% having an equal and opposite effect.

The Company and Group's interest and non-interest bearing assets and liabilities as at 31 December 2021 are summarised below:

	Interest bearing £'000	Non-interest bearing £'000	Total £'000
Assets			
Cash and cash equivalents	34,019	—	34,019
Trade and other receivables	—	183	183
Investments held at fair value through profit or loss – Listed Hydrogen Assets	—	8,233	8,233
Investments held at fair value through profit or loss – Limited Partnership	—	60,597	60,597
Total assets	34,019	69,013	103,032
Liabilities			
Trade and other payables	—	(246)	(246)
Total liabilities	—	(246)	(246)

(iii) Price risk

Listed Hydrogen Assets

Price risk is defined as the risk that the fair value of a financial instrument held by the Company or Group will fluctuate. Listed Hydrogen Assets are measured at fair value through profit or loss. As of 31 December 2021, the Company and Group held Listed Hydrogen Assets with an aggregate fair value of £8,233,000.

All other things being equal, the effect of a 10% increase or decrease in the value of the investments held at the period end would have been an increase or decrease of £823,300 in the Company and Group's loss after taxation for the period ended 31 December 2021 and the Company and Group's net assets at 31 December 2021.

At 31 December 2021, the sensitivity rate of 10% is regarded as reasonable due to the actual market price volatility experienced as a result of the economic impact on the Listed Hydrogen Assets.

Private Hydrogen Assets

The Limited Partnership's portfolio of Private Hydrogen Assets is not necessarily affected by market performance, however the valuations may be affected by the performance of the underlying investments in line with the valuation criteria in note 3.

The Private Hydrogen Assets sensitivity analysis recognises that the valuation methodologies employed involve different levels of subjectivity in their inputs primarily driven by recent transactions and expenses accrued.

Key variable inputs of Private Hydrogen Assets

The variable inputs applicable to each broad category of valuation basis will vary depending on the particular circumstances of each Private Hydrogen Asset valuation. An explanation of each of the key variable inputs is provided below and includes an indication of the range in value for each input, where relevant.

Selection of appropriate discount rates

The selection of an appropriate discount rate is assessed individually for each Private Hydrogen Asset. Publicly disclosed discount rates in the relevant sector, comparable asset classes, which may be procured from public sources or independent third-party expert advisers or for comparable market transactions of similar assets are used where available.

Selection of appropriate benchmarks

The selection of appropriate benchmarks is assessed individually for each Private Hydrogen Asset. The industry and geography of each Private Hydrogen Asset are key inputs to the benchmark selection, with either one or two key indices or benchmarks being used for comparison.

Selection of comparable companies

The selection of comparable companies is assessed individually for each Private Hydrogen Asset at the point of investment, and the relevance of the comparable companies is continually evaluated at each valuation point. The key criteria used in selecting appropriate comparable companies are the industry sector in which they operate and the geography of the Private Hydrogen Asset's operations.

Application of valuation basis

Each Private Hydrogen Asset is assessed, and the valuation basis applied will vary depending on the circumstances of each Private Hydrogen Asset. For those Private Hydrogen Assets where a trading multiples approach can be taken, the methodology will factor in revenue, earnings or net assets as appropriate for the Private Hydrogen Asset. Discounted cash flows will be considered where appropriate forecasts are available. The valuation will also consider any recent transactions, where appropriate.

Estimated sustainable earnings and cash flows

The selection of sustainable revenue or earnings and cash flows will depend on whether the Private Hydrogen Asset is sustainably profitable or not, and where it is not then sustainable revenues will be used in the valuation. The valuation approach will typically assess Private Hydrogen Assets based on the last twelve months of revenue or earnings, as they are the most recent available and therefore viewed as the most reliable. Where a Private Hydrogen Asset has reliably forecasted earnings previously or there is a change in circumstance at the business which will impact earnings going forward, then forward estimated revenue or earnings may be used instead.

Application of liquidity discount

A liquidity discount may be applied either through the calibration of a valuation against the most recent transaction, or by application of a specific discount.

Credit risk

The Company and Group are exposed to credit risk in respect of Listed Hydrogen Assets, Private Hydrogen Assets, trade and other receivables and cash at bank. For risk management reporting purposes, the Company and Group considers and aggregates all elements of credit risk exposure (such as individual obligation default risk, country risk and sector risk).

	As at 31 December 2021 £'000
Investments at fair value through profit or loss – Listed Hydrogen Assets	8,233
Investments at fair value through profit or loss – Limited Partnership	60,597
Trade and other receivables	183
Cash and cash equivalents	34,019
Total	103,032

At 31 December 2021 the Listed Hydrogen Assets of the Company and Group, excluding their investment into the Limited Partnership, are held by Northern Trust Bank (the "Custodian"). Bankruptcy or insolvency of the Custodian may cause the Company and Group's rights with respect to securities held by the Custodian to be delayed or limited. This risk is managed by monitoring the credit quality and financial positions of the Custodian.

Credit risk of the Private Hydrogen Assets held by the Limited Partnership is assessed from time to time by the Investment Adviser on a look-through basis. The Company and Group's policy on credit risk mirrors that of the Limited Partnership, which is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the Company's prospectus. The Investment Adviser seeks to manage this risk by providing diversification in terms of underlying investments, issuer section, geography and maturity profile.

As of the 31 December 2021, three Private Hydrogen Assets are held by the Limited Partnership as shown in note 15.

The cash and cash equivalents are held with Northern Trust Bank, EFG International Bank, Royal Bank of Scotland and through the Goldman Sachs- Liquid reserve fund. The Fitch Rating credit rating of Northern Trust Bank is AA, EFG international Bank is A, Royal Bank of Scotland A+ and the Goldman Sachs Liquid reserve fund is AAA.

At the period end there were no trade and receivables past due. The credit risk exposure is minimised by dealing with financial institutions with investment grade credit ratings.

Liquidity risks

Liquidity risk is the risk that the Company or Group may not be able to meet a demand for cash or fund an obligation when due. The Investment Adviser, AIFM and the Board continuously monitor forecast and actual cashflows from operating, financing and investing activities to consider payment of dividends, or further investing activities.

Financial assets and liabilities by maturity at the period end are shown below:

	Less than 1 year £'000	1-5 years £'000	Total £'000
Assets			
Investments at fair value through profit or loss – Listed Hydrogen Assets	8,233	—	8,233
Investments at fair value through profit or loss – Limited Partnership	—	60,597	60,597
Trade and other receivables	183	—	183
Cash and cash equivalents	34,019	—	34,019
Total assets	42,435	60,597	103,032
Liabilities			
Trade and other payables	(246)	—	(246)
Total liabilities	(246)	—	(246)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the activities relating to financial instruments, either internally or on the part of service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

Operational risk is managed so as to balance the limiting of financial losses and reputational damage with achieving the investment objective of generating returns to investors. The AIFM works with the Board to identify the risks facing the Company and the Limited Partnership. The key risks are documented and updated in the Risk Matrix by the AIFM. The primary responsibility for the development and implementation of controls over operational risk rests with the Board.

This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers. The Directors' assessment of the adequacy of the controls and processes in place at service providers with respect to operational risk is carried out through having discussions with and reviewing reports, including those on their internal controls, from the service providers.

Capital Management Policies and Procedures

The Company and Group's capital management objectives are to ensure that the Company and Group will be able to continue as a going concern while maximising the return to equity shareholders.

In accordance with the investment objective, the principal use of cash (including the proceeds of the IPO and placings) is investing in hydrogen focussed assets, as well as expenses related to the share issue when they occur, ongoing operational expenses and payment of dividends and other distributions to shareholders in accordance with the Company's dividend policy.

The Company and Group considers their capital to comprise share capital, distributable reserves and retained earnings. The Company and Group are not subject to any externally imposed capital requirements. The Company and Group's share capital, distributable reserves and retained earnings are shown in the Statement of Financial Position at a total £102,786,000.

(15) Subsidiary and related entities

Subsidiary

The Company owns 100% HydrogenOne Capital Growth (GP) Limited.

Subsidiary name	Effective ownership	Country of ownership	Principal activity	Issued share capital	Registered address
HydrogenOne Capital Growth (GP) Limited	100%	United Kingdom	General partner of HydrogenOne Capital Growth Investments (1) LP	£1	6th Floor, 125 London Wall, London, EC2Y 5AS

Related entities

The Company holds Private Hydrogen Assets through its investment in the Limited Partnership, which has not been consolidated as a result of the adoption of IFRS 10: Investment entities exemption to consolidation. There are no cross guarantees amongst related entities. Below are details of the unconsolidated Private Hydrogen Asset held through the Limited Partnership.

Name	Effective ownership by the Limited Partnership	Purpose of the entity	Country of Incorporation	Value of Investment £'000	Total assets as at 31 December 2021 (unaudited) £'000	Registered address
Sunfire GmbH	4.92%	Electrolyser producer	Germany	20,180	141,674	Gasanstaltstraße 2 01237 Dresden, Germany
HiiROC Limited	5.91%	Supplier of clean hydrogen production technology	United Kingdom	10,001	27,137	22 Mount Ephraim, Tunbridge Wells, Kent, TN4 8AS
NanoSUN Limited	22.91%	Supplier of mobile hydrogen storage and refuelling systems	United Kingdom	9,050	14,454	Abraham Heights Farm, Westbourne Road, Lancaster, LA1 5EF

The maximum exposure to loss from the unconsolidated entities is the carrying amount of the financial assets held.

During the period the Company did not provide financial support and has no intention of providing financial or other support to the subsidiary and the unconsolidated Private Hydrogen Assets held through the Limited Partnership.

(16) Post balance sheet events

On 20 December 2021, investment of £10,015,000 was made through the Limited Partnership in respect of Bramble Energy Limited, an unlisted fuel cell innovation company. This was purchased by the Limited partnership for £10,000,000 on 14 February 2022.

On 2 March 2022, the Limited Partnership signed definitive agreements for an investment of NOK 40,000,000 (£3,500,000) in Gen2 Energy AS, a Norwegian green hydrogen development company.

On 21 March 2022, a commitment of £7,000,000 was made through the Limited Partnership in respect of Cranfield Aerospace Solutions Ltd ("CAeS"), an unlisted fuel cell innovation company. UK-based CAeS is an aerospace market leader in the design and manufacture of new aircraft design concepts. The first £4.2 million was invested by the Limited Partnership in March 2022.

Abigail Rotheroe was appointed as a Non-Executive Director on 8 February 2022 and Caroline Cook will retire as a Non-Executive Director effective 7 April 2022.

Since the period end date, the Russian invasion of Ukraine has resulted in market volatility. The Board and the Investment Adviser have reviewed the investment portfolio and have identified limited direct impact on the portfolio but continue to monitor any impact to the Company and Group and its investee companies and the valuation.

FINANCIAL INFORMATION

This announcement does not constitute the Company's statutory accounts. The financial information for 2021 is derived from the statutory accounts for 2021, which will be delivered to the registrar of companies shortly. The auditors have reported on the 2021 accounts; their reports were unqualified and did not include a statement under Section 498(2) or (3) of the Companies Act 2006.

The Annual Report for the year ended 31 December 2021 was approved on 31 March 2022. The full Annual Report can be accessed via the Company's website at: https://hydrogenonecapitalgrowthplc.com

The Annual Report will be submitted to the National Storage Mechanism and will shortly be available for inspection at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism

This announcement contains regulated information under the Disclosure Guidance and Transparency Rules of the FCA.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held at its registered office, 6th Floor, 125 London Wall, London, EC2Y 5AS on 24 May 2022 at 12:30pm.

All shareholders are encouraged to cast their vote and to appoint the "Chairman of the Meeting" as their proxy ahead of the AGM. Details of how to vote, either electronically, by proxy form or through CREST, can be found in the Notes to the Notice of AGM.

1 April 2022

For further information contact:

Secretary and registered office:

Sanne Fund Services (UK) Limited

6th Floor, 125 London Wall, London, EC2Y 5AS