



HARMONY ENERGY  
INCOME TRUST PLC

# Annual Report and Accounts

## For the year ended 31 October 2023



# POWERING A SUSTAINABLE FUTURE

## Strategic Report

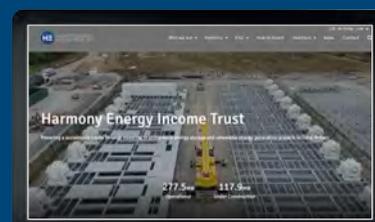
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# Overview



Harmony Energy Income Trust Plc (the “Company”) offers Shareholders the opportunity to participate in the transition to net zero by investing in commercial scale battery energy storage systems (“BESS”) and renewable energy generation projects, with an initial focus on a diversified portfolio of BESS assets located in Great Britain. As at 31 October 2023, the Company had five operational, one cold commissioned and two “under construction” 2-hour duration BESS projects, with a total capacity of 790.8 MWh / 395.4 MW.

2023 has seen Harmony Energy Income Trust plc (“HEIT” or the “Company”) make huge leaps forward with its operational portfolio, with five projects coming online, building on the success of the previous two years, including the Bumpers project (the Company’s largest BESS project, and the largest in Europe by MWh). The Company now owns two of the three largest operational BESS assets in Europe (by MWh), including the multi-award winning Pillswood site that was energised in November 2022.

Conditions in the energy storage market and wider economy have been challenging and the current short-term weakness in revenues will require prudent management. However, independent revenue forecasts still predict that the Company can generate attractive returns, whilst contributing to net zero and delivering positive social and environmental impacts.

## COMPANY HIGHLIGHTS AT 31/10/2023

(as at 31/10/2022 – restated)

**Total Portfolio**  
**790.8 MWh / 395.4 MW**  
 (2022: 625 MWh / 312.5 MW)

**Operational Portfolio**  
**70%**  
**555 MWh / 277.5 MW**  
 (2022: zero)

**Tonnes of CO<sub>2</sub>e emissions avoided**  
**15,415 estimated**  
 (2022: N/A)

**NAV per Ordinary Share**  
**115.40p**  
 (2022: 120.55p)

**Dividend declared and paid in relation to the Period**  
**8p per Ordinary Share**  
 (2022: 2p per Ordinary Share)

**Adjusted Net Asset Value\***  
**£262.12m**  
 (2022: £267.70m)

As at the close of business on 26 February 2024, the latest practicable date prior to the publication of this document, the Ordinary Share price was 39.50 pence and the NAV was 115.40 pence per Ordinary Share as at 31 October 2023.



The 40 MWh / 20 MW Farnham project was the third to be energised in the Company’s portfolio.

\* See glossary for definition of Adjusted NAV. Adjusted Net Asset Value and the Dividend per Ordinary Share are Alternative Performance Measures. The full table of KPIs and Performance Measures is set out on page 22 of this report. “NAV Growth” has been removed from the Highlights section of the prior year Annual Report and Accounts.

# A Diversified Portfolio Across Great Britain

Portfolio Composition as at the date of this report

**1 PILLSWOOD**  
196 MWh / 98 MW  
STATUS: OPERATIONAL

**2 BROADDITCH**  
22 MWh / 11 MW  
STATUS: OPERATIONAL

**3 FARNHAM**  
40 MWh / 20 MW  
STATUS: OPERATIONAL

**4 RUSHOLME**  
70 MWh / 35 MW  
TARGET COD: Q2 2024  
STATUS: COLD COMMISSIONED

**5 BUMPERS**  
198 MWh / 99 MW  
STATUS: OPERATIONAL

**6 LITTLE RAITH**  
99 MWh / 49.5 MW  
STATUS: OPERATIONAL

**7 WORMALD GREEN**  
66 MWh / 33 MW  
TARGET COD: Q2 2024  
STATUS: UNDER CONSTRUCTION

**8 HAWTHORN PIT**  
99.8 MWh / 49.9 MW  
TARGET COD: Q2 2024  
STATUS: UNDER CONSTRUCTION

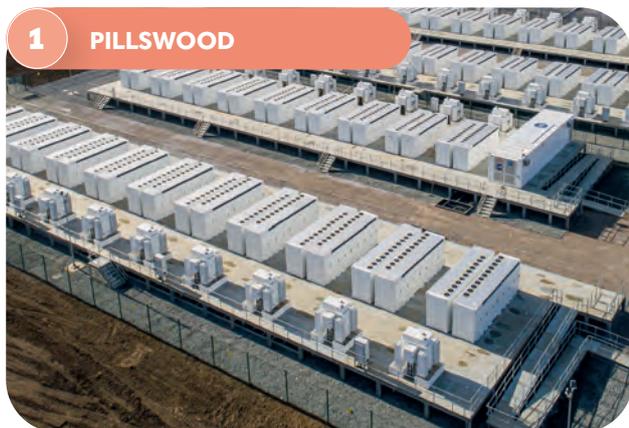
● OPERATIONAL ASSETS (555 MWh / 277.5 MW)

● UNDER CONSTRUCTION/COLD COMMISSIONED ASSETS (235.8 MWh / 117.9 MW)

"COD" COMMERCIAL OPERATIONS DATE



# Project Progress



# Chair's Statement



Welcome, on behalf of the board of directors (the "**Board**"), to the second Annual Report and Accounts of Harmony Energy Income Trust plc ("**HEIT**" or the "**Company**") for the year ending 31 October 2023 (the "**Period**").



**NORMAN CRIGHTON**  
CHAIR

The Period has seen both successes and challenges.

Impressive progress has been made in building out our portfolio, with 70% now operational. The sale of the Company's Rye Common project in September 2023 at a premium to carrying value demonstrated the quality of the Company's portfolio. Our supplier concentration risk has been reduced with the forming of new partnerships with suppliers of BESS equipment and revenue optimisation. Real progress has been made with our Environmental, Social, and Governance ("**ESG**") strategy and reporting. The Company's operational assets are supporting the UK's net zero ambition and helping to secure a more resilient and affordable domestic energy supply. The Company has declared and paid dividends totalling 8 pence per Ordinary Share in relation to the Period.

Whilst the portfolio has established a leading position relative to peers, a more challenging environment for BESS assets has emerged through 2023, limiting revenue opportunities. This challenging environment led to a reduction in revenue assumptions in late 2023 which was the primary reason that the Adjusted NAV per share fell

4.5% during the Period (against the restated figure). Actual revenues achieved have been weaker than independent forecasts and, coupled with higher interest rates, this has driven a reduction in the share price of the Company over the Period. Post-Period end, the Company announced a number of initiatives which the Board considered appropriate given the prevailing revenue environment. These initiatives include:

- progressing towards a fully operational portfolio and continuing to focus on maximising income, including ongoing engagement with National Grid Energy System Operator ("**National Grid ESO**") on its planned process improvements through which it intends to increase the utilisation of BESS in the Balancing Mechanism ("**BM**");
- a renegotiation of the Company's debt facilities to reflect the predominantly operating nature of the portfolio, reducing cost and structuring the tenor and covenant thresholds to secure the Company's long term financial health. This was completed on 21 February 2024;

- a postponement of the first quarterly dividend of the current financial year. According to independent forecasters, the Company was expected to generate sufficient revenue to meet its target of 8 pence per Share (on a fully covered basis) in 2023. Due to the historic seasonality of BESS revenues, a material portion of the Company's returns were expected to be generated in autumn and winter 2023, coinciding with the completion of the construction of two large projects. However, the price volatility witnessed since the start of the Ukraine conflict has resulted in periods where revenues have been both significantly higher and significantly lower than independent forecasts. Unfortunately for the Company, the first period of operating performance of the Company's assets has coincided with a period of lower-than-expected revenues. Whilst the Board remains committed to meeting our objective of providing Shareholders with attractive and sustainable levels of returns over the medium to long term, the Board will review the dividend policy during H1 2024; and
- consideration of the most effective methods of delivering value to Shareholders over the short term. As part of this initiative, the Board has instructed the Investment Adviser to explore the sale of one or more assets, with the aim of demonstrating to the market the true value of the portfolio and the continuing disconnect with the Share price. The proceeds of any sale would be applied, at least partly, to reduce gearing. Depending on the level of proceeds the Board will also consider buying back Shares if the extreme discount to NAV at which the Ordinary Shares are trading persists. This strategy reflects the feedback we have received from Shareholders over recent weeks.

We will continue to engage proactively with Shareholders and to reflect on the range of views and preferences communicated, and will provide additional updates on strategy and trading in due course.

## GROWTH OF OPERATING PORTFOLIO AND MULTIPLE AWARD WINS

Despite the challenges referred to above, it is important to highlight the achievements of the Company during the Period.

Having acquired nine projects, either at or since IPO, the focus for this year was on delivery of the portfolio through construction and ramping up of operations. In this respect, the Board is pleased with the progress achieved, with multiple BESS projects completing construction. The 196 MWh / 98 MW Pillswood project was the first to

commence operations in November 2022, with a further 359 MWh / 179.5 MW (across four projects) commencing commercial operations over the rest of the Period.

The 198 MWh / 99 MW Bumpers project (energised in October 2023) is the Company's largest BESS project and the joint-largest in Europe (by MWh). As a result, the Company has moved from 0% to 70% operational within the 12 months since 31 October 2022. It is testament to the Investment Adviser's wider team, and the strength of our relationships with suppliers and Distribution Network Operators ("DNOs"), that these projects were delivered either in line with or earlier than expectations, during a challenging environment where delays in the sector have been common. To have delivered 555 MWh / 277.5 MW through construction by the second anniversary of the Company's IPO is a terrific achievement.

The Company successfully divested the 99 MW Rye Common project in September 2023 at a 1.5% premium to its carrying value. See further commentary on this in the NAV section below.

The Company's Pillswood site, which at the time of launch in November 2022 was Europe's largest BESS (by MWh), has been one of the best performing BESS sites in Great Britain during 2023. Pillswood has won multiple awards from industry stakeholders in 2023 including the "Utility Scale Storage Project of the Year" award at the Solar & Storage Live Awards, and the "Grid-scale Standalone Energy Storage Project of the Year" award at the Energy Storage Awards. The Board is confident that, as the portfolio's track record continues to grow, the Company's other assets will also outperform our peer group benchmark.

From October 2023 onwards, the Company's portfolio also began to benefit from contracted Capacity Market ("CM") payments as Pillswood, Broadditch and Farnham commenced delivery of their respective T-1 CM contracts. The early energisations of Bumpers and Little Raith have allowed the Company to procure an additional £935k of revenue (not previously budgeted) by acquiring T-1 CM contract capacity.

## KEY PARTNERSHIPS ANNOUNCED

In line with the Company's policy to mitigate supplier concentration risk, 2023 saw diversification in two key commercial areas: BESS equipment supply and revenue optimisation. Both these initiatives relate to the Company's Hawthorn Pit (99.8 MWh / 49.9 MW) and Wormald Green (66 MWh / 33 MW) projects, which are due to complete construction in the first half of 2024.

Envision Energy International UK Limited was appointed in February 2023 to supply and install BESS equipment for

## Chair's Statement continued

these two projects. In September 2023, we were further delighted to announce that bp signed an agreement with HEIT to be revenue optimiser to these two projects.

### UK BESS MARKET

After the extraordinary macro-economic conditions and geo-political events witnessed during 2021 and 2022, the revenue environment during 2023 has fallen to levels below those expected by independent forecasters. The UK market for mainstream ancillary services has moved towards saturation. In addition, sustained low gas prices have limited wholesale power spreads and volumes contracted via the BM have been low. Whilst revenues during the Period were, themselves, lower than expected, the environment deteriorated further post-Period end over the first few months of the winter of 2023/24. Despite this recent performance, independent market experts expect trading conditions to improve over the course of 2024. In particular, the continued enhancement of new systems and processes by National Grid ESO are expected to improve access to revenues via the BM. Indeed, positive results from this new system are already starting to be seen, although not yet on a consistent basis. Longer-duration 2-hour batteries have continued to outperform shorter-duration BESS and the Company is very well placed to benefit from the expected increase in demand and supply on the power network, balancing challenges, widening wholesale market spreads, and greater BM volumes. Going forward, the key will be to continue with a strong focus on best-in-class equipment, highly skilled asset management and regular, active scrutiny of revenue optimisation performance.

### DIVIDENDS

The Company declared and paid dividends totalling 8 pence per Ordinary Share relating to the Period, meaning the Company has distributed 100% of the target distributions announced at IPO. Due to the prolonged and unexpectedly low levels of income generated over the year, these payments were made predominantly from recycled capital (VAT rebates) which the Board recognises is not what Shareholders expect over the long term. In addition, for reasons stated above, the Board in consultation with the Investment Adviser has deemed it prudent to postpone the first quarterly dividend relating to the current financial year. Future dividends will depend on the level of revenue generated by our Projects. Given the depressed but volatile nature of revenue currently generated by projects, the Board will continue to monitor the performance of the portfolio closely over the rest of the Financial Year, with the aim of distributing available income to Shareholders.

### NAV PERFORMANCE

During the Period, Adjusted NAV per Ordinary Share decreased 4.5% from 120.84 pence per Ordinary Share to 115.40 pence per Ordinary Share, driven primarily by the lower revenue environment as referred to above.

During the year the Investment Adviser became aware of an error in calculating the NAV for July 2023, which had also affected some previous NAVs. Although the effect was relatively small (a reduction of 2 pence per Ordinary Share over the Period), the Board and the Investment Adviser immediately took steps to establish how the error occurred, and what processes needed to be changed to minimise the risk of such an error reoccurring. These changes were implemented shortly after the error was discovered.

### SHARE PRICE PERFORMANCE

The Company's Share price has been negatively affected by a range of factors, reducing from 111.75p to 72.5p over the Period. Rising interest rates and a reduction in risk appetite by investors during the Period had a material effect on the wider UK investment company sector (across multiple asset classes). In relation to the BESS sector particularly, the difference of appetite between the private and public markets is especially disappointing, with examples of private BESS asset transactions during the Period at levels equivalent to the Company's own valuations. The sale of the Company's own Rye Common project in September at a 1.5% premium to carrying value was one such example, and a testament to this misalignment. Since the end of the Period, the share price has come under further pressure as investors have reacted to continued deterioration of revenues (as reported by third party analysts) over the winter, coupled with uncertainty over the Company's ability to service its debt covenants. In relation to the latter point, the recent announcement of the debt refinancing may restore confidence (see below). As far as recovery of BESS revenues is concerned, the Investment Adviser's Report summarises some of the reasons behind the low revenues and also explains why there is cause for optimism over 2024 and beyond.

The level of discount to NAV that the Shares are currently trading at is unacceptable to the Board and the measures detailed above are intended as a first step to address these issues.

### POST-PERIOD END EVENTS: DEBT REFINANCING AND T-1 CAPACITY MARKET

On 21 February 2024, the Company completed the amendment and restatement of its existing debt facilities with NatWest plc ("NatWest") and Coöperatieve Rabobank U.A. ("Rabobank"). The changes include an

increase in tenor, lower margins and a re-sizing of debt covenant ratios to ensure ongoing headroom in the current revenue environment. Further details are set out in the Investment Adviser's Report. As mentioned above, the proceeds of any near-term asset sales would, at least partly, be applied to reducing gearing levels, which would further reduce ongoing debt service obligations. In addition, the Company enjoyed success with six projects bidding successfully for T-1 CM contracts on 20 February 2024. This raises the amount of contracted revenue for the 12 months from 1 October 2024 to £3.2 million, or £8k/MW/yr. Further details are set out in the Investment Adviser's Report.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

The Company's ESG strategy, which was strengthened this year, powers us towards a sustainable future through battery energy storage infrastructure that supports the UK's net zero ambition, while bolstering energy security and promoting affordability.

As noted above, the Company added 555 MWh / 277.5 MW of operational BESS to the grid during the Financial Year. This has the capacity to power around 833,000 UK homes for two hours. Our batteries stored 30,938 MWh of renewable energy and avoided an estimated 15,415 tonnes of CO<sub>2</sub>e emissions from entering the atmosphere.

With the expansion of the Company's portfolio, there comes a responsibility to develop infrastructure that is truly sustainable in every sense by considering wider environmental and social, aspects throughout the asset lifecycle.

The Company considers the local environmental and social context in which it operates and strives to make a positive impact on the communities and environment around its sites. In 2022/23, the Company put plans in place to deliver a biodiversity net gain ("BNG") of 15% across all operational sites as well as launched five community funds with a combined value of £35,000 per year, while creating skilled jobs at the heart of the energy transition.

The Company also launched its Supplier Code of Conduct ("**the Supplier Code**") to strengthen sustainability in its supply chain, with 68% of key Tier 1 suppliers signing the Supplier Code during the Period. The Company increased collaboration with suppliers and industry associations on key issues such as human rights and circularity.

As we make progress on our ESG ambitions, it's important that we enhance our disclosures to support transparency. The Company has published its inaugural integrated Taskforce on Climate-Related Financial Disclosures ("**TCFD**") and Taskforce on Nature-Related Financial

Disclosures ("**TNFD**") report. It has also submitted its first voluntary United Nations Principles for Responsible Investment ("**UN PRI**") report, ahead of publishing its first Transparency Report in the 2024 reporting cycle.

## OUTLOOK

The success of the build-out of the portfolio during the Period has been tempered by low recent revenues. The Board and its advisers are working hard to find solutions to the challenges we currently face, with our key objectives for the coming year being to finish construction of the outstanding projects, implement the initiatives detailed above to address the discount to the NAV, and maximise income. In doing so, we will continue to prove the value of BESS not only as an asset class, but also as an attractive income generating investment opportunity over the medium to long term.

Shareholders will have many questions which we will be happy to answer at the AGM to be held in April. I look forward to meeting as many of you as possible there. In the meantime, if you have any questions, please do not hesitate to contact me through our brokers Berenberg and Stifel.

**Norman Crighton**  
Chair

# Investment Adviser's Report



Harmony Energy Advisors Limited (“HEAL” or “the **Investment Adviser**”), hereby delivers its second annual Investment Adviser's Report in relation to the Company.

## HIGHLIGHTS

**555 MWh / 277.5 MW** energised during the Period, taking the portfolio to **70% operational**

Acquired **363.8 MWh / 181.9 MW** pipeline projects

**Divested the Rye Common** shovel-ready project at a **1.5% premium to carrying value**

**Diversified supplier base** through contracting with Envision and bp

Current portfolio size:  
**790.8 MWh / 395.4 MW**

**Eight** BESS projects

15,415 **tonnes of CO<sub>2</sub>e emissions avoided** (estimated)



**PAUL MASON**  
MANAGING DIRECTOR

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**MAX SLADE**  
COMMERCIAL DIRECTOR

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**PETER KAVANAGH**  
INVESTMENT DIRECTOR

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**JAMES RITCHIE-BLAND**  
INVESTMENT DIRECTOR

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The 99 MWh / 49.5 MW Little Raith BESS is the Company's first operational site in Scotland.

## Investment Adviser's Report continued

## INTRODUCTION

The Period saw significant delivery and achievement of the Company's goals and other targets set out at IPO, particularly in relation to delivery of projects through construction and commencing operations. The benefits of 2-hour duration have been evident as the portfolio has performed well relative to the wider GB BESS fleet. However, these achievements have been overshadowed by a lower-than-expected revenue landscape during the Period. This has subsequently been exacerbated by a material further deterioration in the three months post-Period end as the expected uplift over winter failed to materialise. The primary cause for this weak performance is the continued drop in wholesale gas price, narrowing the daily spread potential for BESS trading revenues. In addition, a change to ancillary service auction parameters by National Grid ESO put further pressure on pricing, whilst the much-publicised new BM software has not yet delivered in line with expectations.

The recently announced debt re-financing, reflecting the move from a company developing assets to a lower risk operating one, has also addressed near-term risks around debt service in the event that the recent low revenue environment continues. In addition, the Board has instructed the Investment Adviser to explore potential asset sales in order to reduce gearing levels which would better position the Company for long-term stability and growth. Once any asset sale process is concluded, the Company will also consider (and, if applicable, disclose details of) further initiatives to provide value to Shareholders, such as share buybacks. The Company remains confident that the revenue environment will return to more positive levels for BESS. The T-1 auction result on 20th February 2024 is a positive start, providing additional contracted income for six of the Company's projects.



## PORTFOLIO UPDATE

### PORTFOLIO UPDATE

The completion of construction and energisation of five BESS projects during the Period means that the Company's operating portfolio has jumped from zero at the start of the Period to 555 MWh / 277.5 MW by the end of the Period. This represents 70% of the Company's portfolio (by MWh), 12.2% of the operational GB market share, and places the Company as the second largest operating BESS owner in GB (by MWh).

This represents phenomenal growth from a standing start and has been underpinned by strong project management, with a number of projects delivered ahead of schedule. Where projects have been subject to minor delays, this has been largely due to grid connection constraints, and the company has worked hard with DNOs and suppliers to ensure that delays have been less significant than those experienced by many other GB BESS owners. A report by Modo Energy in January 2024 noted that 60% of BESS projects were delayed by more than nine months. Viewed in this context, the Company's delivery track record is very strong with only the Rusholme project suffering significant delays, representing 8.8% of the portfolio (by MWh).

As at the date of publication of this report, a further three projects (235.8 MWh / 117.9 MW) remain either "under construction" or "cold commissioned". The aforementioned delays to the Rusholme project (70 MWh / 35 MW) have been caused by the DNO's inability to connect the project in line with originally planned timelines. The project has been "cold-commissioned", meaning all batteries are on-site and have been tested to the extent possible. The root cause of this delay has now been successfully resolved, with the DNO having re-mobilised on site. The project is expected to energise in late Q2 2024.

The other two projects still "under construction" are Wormald Green (66 MWh / 33 MW) and Hawthorn Pit (99.8 MWh / 49.9 MW). These projects were acquired by the Company in December 2022, along with a third project, Rye Common. Post-acquisition, the Investment Adviser moved quickly to finalise key commercial contracts in relation to Wormald Green and Hawthorn Pit in February 2023. This speed of contracting was made possible thanks to the Investment Adviser proactively undertaking a comprehensive tender process in advance of acquisition. The aim was to diversify the Company's supplier base, encourage competitive tension for future tenders, and minimise the amount of time between acquisition and the start of construction.

As a result of this process, the Company procured (via relevant project SPV's) the engagement of Envision International Trading Limited and Envision Energy International UK Limited (together "**Envision**") to supply and install its ENS-L7300-3300 BESS in relation to the Wormald Green and Hawthorn Pit projects. Envision Energy International UK Limited is also contracted under long term maintenance and services agreements in relation to these two projects.

Key factors which influenced the Company's choice included Envision's track record in the renewables sector, specifically its independent battery cell manufacturing capabilities, its commitment around BESS delivery dates (in line with the Company's project energisation timetables), and its strong ESG policies and initiatives.

In relation to these two projects, the Company also appointed Keltbray Energy Limited as balance-of-plant contractor, and bp as the revenue optimiser. The latter was appointed in September 2023 following an extensive tender process involving fifteen potential suppliers. The relevant projects will be optimised utilising software developed by Open Energi (a company acquired by bp in 2021).

Similar to Rusholme, both projects have taken delivery of battery cell modules and are expected to become operational in Q2 2024. Along with the energisation of Rusholme, this will make the Company's portfolio of eight BESS projects 100% operational (790.8 MWh / 395.4 MW).

## DISPOSAL OF RYE COMMON

The third acquisition in December 2022 alongside Hawthorn Pit and Wormald Green was the Rye Common project (198 MWh / 99 MW). Similar to Wormald Green and Hawthorn Pit, this project was acquired "shovel ready", before relevant construction contracts were in place. Given the challenging capital raising environment which remained following the Government's 'mini-budget' in September 2022, it was not possible for the Company to raise the additional equity required to construct this project. Alternative funding options were considered

including potential vendor financing and other deferred capex structures, however it was ultimately determined by the Board that a sale of the project should also be explored.

The sale process took place during summer 2023 and attracted multiple bidders at attractive prices demonstrating the continued high level of interest for BESS projects and the quality of Harmony Energy Limited's pipeline. In aggregate, the proceeds of the sale (together with recycled cash previously allocated to this project) represented a 1.5% premium to its carrying value as at 30 April 2023 (as set out in the Company's interim results).

The successful sale of the project at this value demonstrated the appetite for such projects from private investors whilst also validating the Company's carrying values for projects.

## PIPELINE

The need for substantial amounts of energy storage on the GB network is widely understood. The ROFR ("**Right of First Refusal**") enables the Company to have an exclusive right of first refusal over Harmony Energy Limited's substantial and well-developed pipeline of projects. The Company has, as at the date of publication of this report, so far exercised this right in relation to 494.4 MW, leaving at least 505.6 MW still to be acquired (subject to financing).



Hawthorn Pit – one of two HEIT sites to utilise Envision Energy batteries - is set to be energised in 2024.



## FINANCING UPDATE

### DEBT FACILITIES INCREASED AND DRAWN

On 10 February 2023, the Company successfully negotiated its debt facilities with NatWest and Rabobank. This increased the Company's available debt facilities to a total of £130 million comprising a term loan of £110 million and a revolving credit facility ("RCF") of £20 million.

These debt facilities provided the Company with funding certainty to complete construction of the Bumpers, Wormald Green and Hawthorn Pit projects.

During the Period, £95 million was drawn across the two facilities with the remaining £35 million drawn as at the end of December 2023 (post-Period) in order to fund construction milestones.

### HEDGING

At the beginning of the Period, the Company had an interest rate swap (the "Swap") in place in relation to its initial debt facility of £60 million. The interest rate swap fixed the SONIA element of interest payments on this facility at a rate of 2.478% per annum. Multiple rises in Bank of England base rates since the Swap was contracted increased its value significantly. In connection with the extension of the debt facility (described above), the Company chose to break this swap in July 2023, crystallising the mark to market value at the time of £6.1 million. An interest rate cap of 5.25% was put in place in relation to the variable SONIA element of the increased facility, at a cost of £2.8 million. This interest rate cap was valued at £1.1 million as at 31 October 2023.

Post-Period, the Company restructured its debt facilities as described below. The Company broke its interest rate cap at this point (receiving a payment of £0.5 million) and replaced it with an interest rate swap for the SONIA element of this loan. The new interest rate swap fixes the SONIA element of the loan at a rate of 4.101% per annum.

### DEBT RESTRUCTURING POST-PERIOD END

On 21 February 2024, the Company successfully negotiated an amendment and restatement of its debt facilities with NatWest and Rabobank. The revised structure recognises that the Company's portfolio is evolving from a construction portfolio into an operating portfolio. The term loan and RCF have been consolidated into a single long-term facility with the following key terms:

- Facility size of £130 million (already fully drawn);
- an extension of the legal maturity date from June 2027 to February 2031;
- a reduction in margin to 275 bps over SONIA for the first two years, rising over time to a maximum of 350 bps in the final year; and
- a re-sizing of market standard debt covenant ratios against conservative revenue forecasts to ensure ongoing headroom in the current revenue environment.

The structure allows for voluntary prepayments during the term (subject to a fee) and for cash sweeps in favour of the lenders in the event of material revenue outperformance above pre-agreed thresholds, enabling an acceleration of de-gearing in a cost-efficient manner whilst also reserving operational free cash flow for shareholder distributions.

When coupled with the new interest rate swap referred to above, the aggregate cost of debt equates to 6.85% for the first two years.



## MARKET COMMENTARY

### OVERVIEW

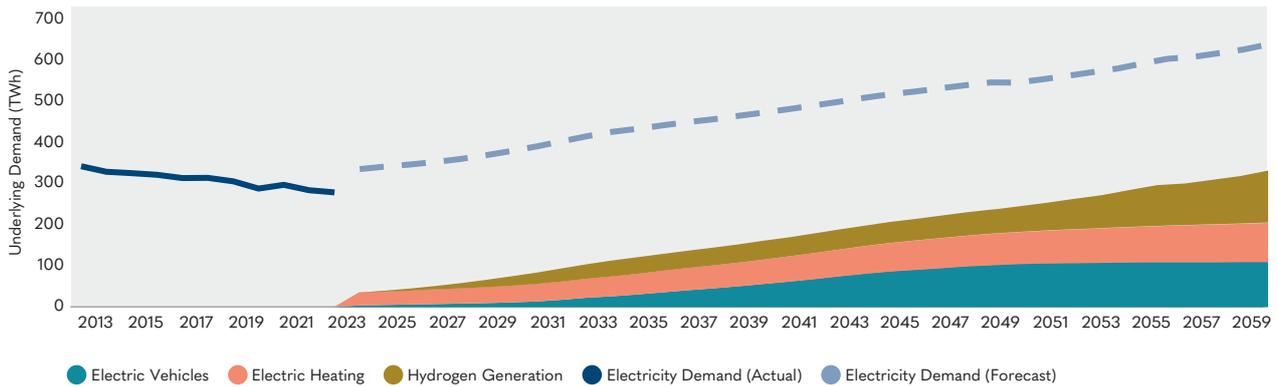
In October 2021, the UK Government set a commitment for all electricity generation to be decarbonised by 2035, subject to security of supply. To meet this target, the UK must replace fossil fuel-based electricity generation with low carbon power from renewable sources such as wind and solar. This ambition was reinforced by the UK government in a recent pledge at COP 28, together with other countries, to triple global renewable generation capacity to 11 TW by 2030.

Largely as a result of this policy, traditional UK baseload power capacity is forecast to decrease due to challenging economics and the mandated closure of coal fired power

generation whilst the installed capacity of intermittent renewables (i.e. wind and solar plant) is forecast to increase from 40 GW in 2023 to 135 GW in 2060.

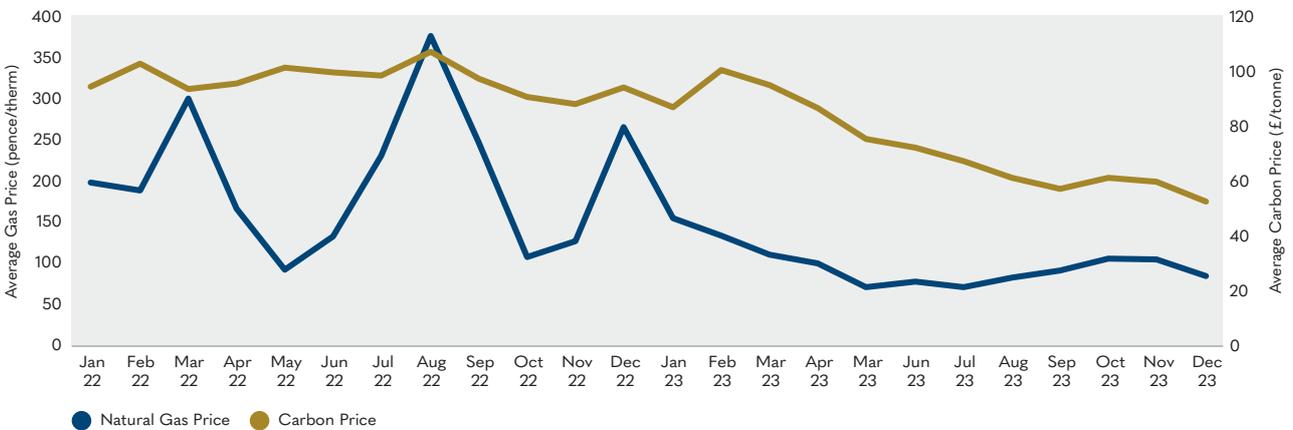
This growth in renewables necessitates an increase in flexible capacity such as BESS with installed capacity expected to increase from 3.6 GW at the end of 2023 to at least 18 GW by 2060. It should be noted that 3.6 GW is 16% below National Grid’s assumed operating capacity for their Winter Outlook 2023/24, showing that the amount of installed capacity is lagging behind current National Grid requirements.

**CHART 1: ELECTRICITY DEMAND IS FORECAST TO GROW, DRIVEN BY EVS, HEATING AND HYDROGEN GENERATION**



Source: Aurora Energy Research

**CHART 2: AVERAGE NATURAL GAS AND CARBON PRICES**



Source: Aurora Energy Research

Investment Adviser’s Report continued



MARKET COMMENTARY

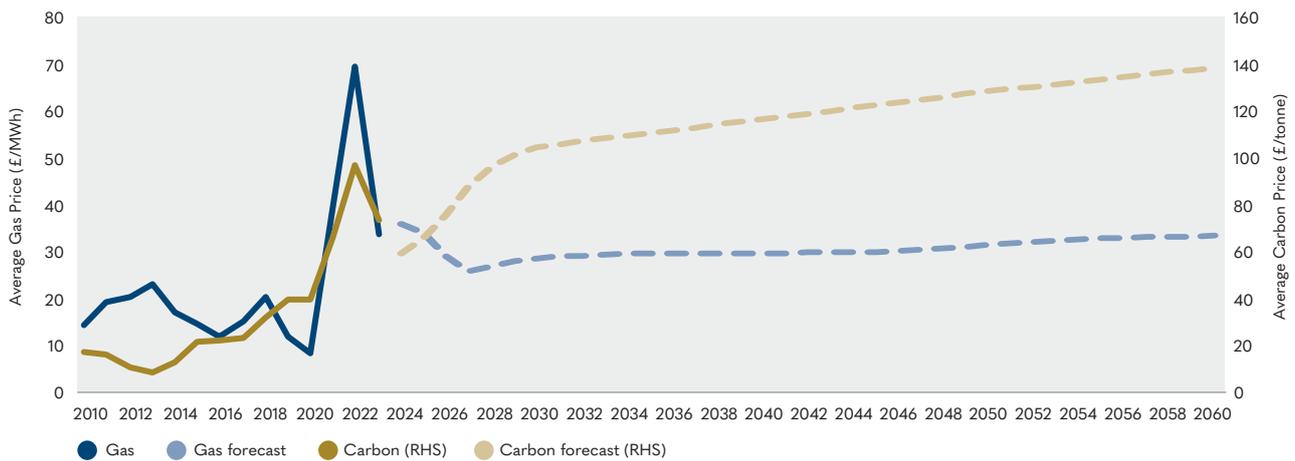
Alongside this supply-side shift to intermittent renewables supported by Flexibility, are significant changes in the expected demand profile. Electrification of heat and transport is expected to increase total demand by 90% by 2060, with peak demand forecast to increase by 48%. This is a reversal of recent trends in which electricity demand has fallen as a result of improvements in energy efficiency, the cost-of-living crisis and low global output since Covid-19.

This backdrop of increasing peak demand, coupled with greater penetration of intermittent renewables, remains central to the business case for BESS. Baseload power prices will decrease as more power is generated from renewables. However, the average spread between peak

and off-peak pricing (the “**Wholesale Price Spread**”) is forecast to increase from around £75 / MWh in 2023 to £120 / MWh in 2030 and £136 / MWh in 2060. This is driven by off-peak prices being increasingly set close to zero when renewable output is high, whilst peak prices will continue to be set by reference to commodity prices (gas and carbon) which are both forecast to increase with carbon increasing significantly throughout the rest of this decade.

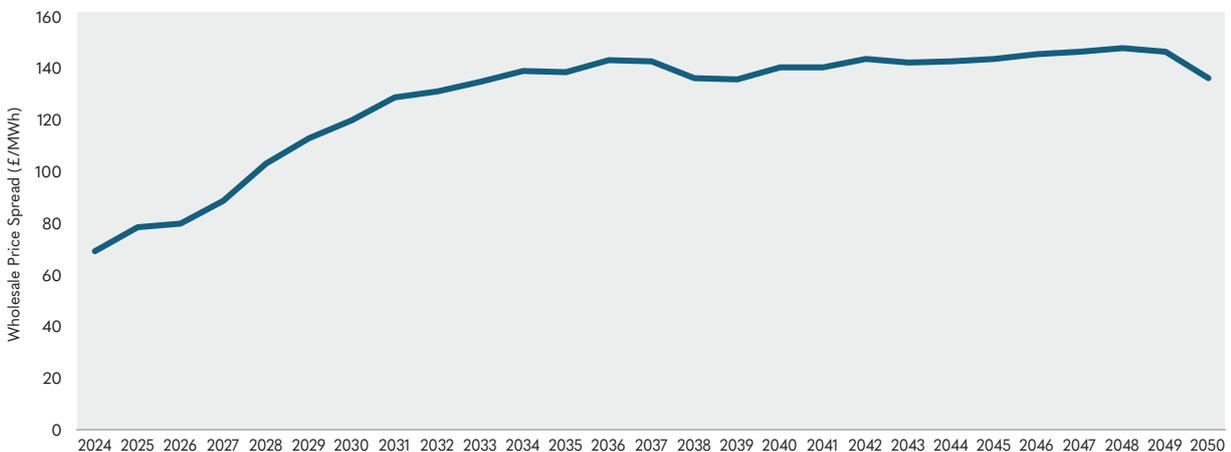
Wholesale Price Spreads therefore mirror this projected increase in commodity prices, and this is the fundamental macro driver behind the BESS business case which continues to underpin the market valuation of projects.

CHART 3: CARBON PRICE IS FORECAST TO INCREASE RAPIDLY THROUGH THE 2020s



Source: Aurora Energy Research

CHART 4: FORECAST WHOLESALE PRICE SPREAD



Source: Aurora Energy Research

## GB BESS REVENUES DURING 2023 AND RELATIVE COMPANY PERFORMANCE

BESS revenue in the Period was markedly lower than revenue generated in the same period in 2022. Whilst a reduction from the remarkable highs of 2022 was expected and built into third party revenue forecasts, the scale and the speed of the reduction has exceeded market expectations. BESS revenues in November and December 2023 and January 2024 (i.e. post-Period end), deteriorated further, contrary to expectations.

There are multiple drivers of this reduction in revenue. The first is the saturation of ancillary services which began towards the end of 2022 and is now a well-established position. This saturation was largely expected and already built into forward-looking revenue projections. The second key driver, and the most relevant to the Company, is a reduction in wholesale price volatility. 2021 and 2022 had both seen high wholesale price volatility – in 2021 this was driven by rising fuel prices and low wind output leading to frequent scarcity events which drove high peak power prices. In 2022 wind output increased, reducing scarcity events. However, a marked surge in commodity prices drove power prices higher. This combination of high renewable output and high commodity prices contributed to high spreads and created the ideal conditions for BESS revenue performance.

Wholesale Price Spreads in 2023 have narrowed due to the reduction in commodity prices (particularly gas and carbon prices), GB importing a large volume of energy from Europe (via interconnectors) and a material reduction in consumer energy demand.

The chart below shows average BESS revenues generated during the Period (as estimated by Modo Energy). The Company's portfolio performance (also as estimated by Modo Energy, for like-for-like comparison) is overlaid to demonstrate the Company's market-leading position against its 2-hour peers. More generally, and notwithstanding the saturation of ancillary services and lower average fleet performance relative to 2022, 2-hour duration BESS continued to outperform compared to 1-hour duration projects.

The revenue mix over the period varied between 1-hour and 2-hour duration BESS. The key revenues have been categorised below as follows:

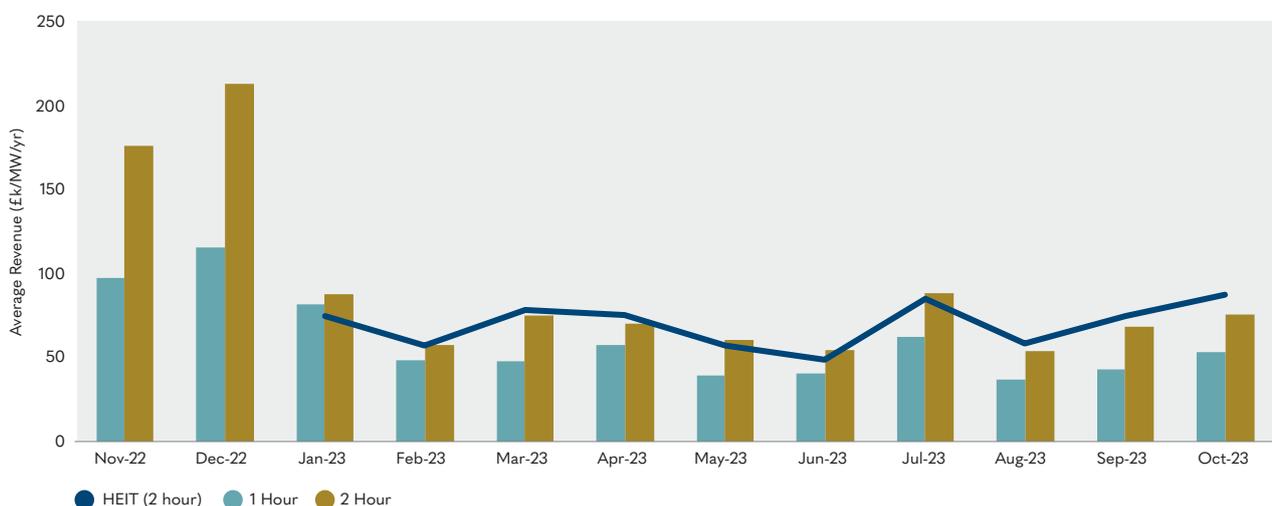
### Capacity Market

The CM consists of two annual auctions which are designed to provide security of supply for the following year (based on the T-1 auction) and for four years into the future (based on the T-4 auction). Contracted assets are paid an availability fee to guarantee availability to respond to stress events, which are periods of very high demand. This revenue stream can be combined with all other revenues and is a secure, passive part of the revenue stack. Details of the Company's CM contracts can be found in a later section of this report.

### Ancillary Services

The current suite of National Grid ESO ancillary services is referred to collectively in this section as Dynamic Frequency Response ("DFR"). These services are divided into "high" and "low" frequency services as described below. Auctions take place on a daily basis for delivery the

CHART 5: AVERAGE BESS REVENUES BY BATTERY DURATION (EXC. CM REVENUE)



Source: Modo Energy. The chart shows 2-hour BESS compared to 1-hour BESS, excluding other durations.

Investment Adviser’s Report continued



MARKET COMMENTARY

following day and prospective service providers bid by communicating to National Grid ESO how much capacity they are able to provide, and at what price.

**Dynamic Frequency Response High (“DFR(H)”):**

A high-frequency event is caused by energy supply exceeding demand, which causes the frequency to be higher than the target set by National Grid ESO. DFR(H) services are used to correct high frequency events by either increasing demand or decreasing supply in order to restore balance. BESS responds to this type of event by consuming power, i.e. charging the battery.

A key strategy for the Company’s assets over the reporting Period was to bid into this type of service for part of the day and then sell any power consumed on a scheduled, bilateral basis via the wholesale market during the evening peak period. The Company’s assets do not pay for the power consumed whilst providing DFR(H) services, and therefore a greater spread could be achieved. This explains why a large proportion of the Company’s revenues during the Period came via Dynamic Regulation – a sub-category of DFR (see section titled *Dynamic Frequency Response Low (“DFR(L)”*).

This strategy saw increased competition from both 2-hour and shorter duration BESS during 2023, despite being less effective for shorter duration BESS due to the limited volume which can be stored. The introduction of the Enduring Auction Capability in November 2023 places further pricing pressure on this strategy (see further details below). The Investment Adviser monitors such trends closely and has regular strategy meetings with Tesla’s Autobidder operators (engaged as revenue optimisers in relation to the Company’s current operating projects). The Autobidder software makes a judgement as to whether the DFR(H) clearing price(s) represent better value than charging via the wholesale markets. Until we witness a widening of peak/off-peak spreads in the wholesale markets, it is anticipated that the Company will continue to participate in DFR(H) for as long as such strategy continues to demonstrate best value. Indeed, recent analysis by Modo Energy which tracked and compared two BESS assets (one 1-hour duration and one 2-hour duration) operating the same DFR(H) & wholesale strategy concluded that the 2-hour duration BESS earned more £/MW whilst also cycling less.

**Dynamic Frequency Response Low (“DFR(L)”):**

A low frequency event is caused by energy demand exceeding supply, causing the frequency to be lower than the target. DFR(L) services are used to correct low frequency events by either increasing supply, or reducing demand. BESS responds to this type of event by generating power, i.e. discharging the battery.

As with DFR(H) services, the Company’s assets would not be paid for the energy throughput (in this case, the energy discharged from the battery) whilst participating in this service. For DFR(L), this creates an opportunity cost – the BESS could reasonably achieve better value discharging via the wholesale markets – so DFR(L) services have traditionally cleared at higher pricing levels than DFR(H) services as bidders demand higher compensation for this opportunity cost.

**Wholesale Trading**

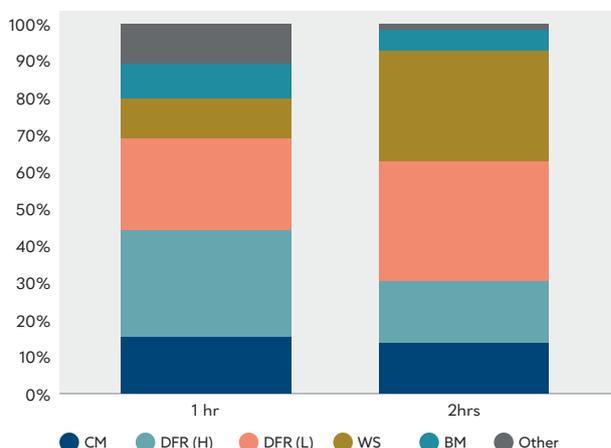
Wholesale trading refers to the buying and selling of power via the day ahead or intra-day power exchanges. In its basic form it refers to buying cheap power when demand is low (and increasingly when renewable energy generation is high), storing this power for a period of time and then selling when the price increases, profiting from the “spread” between peak and off-peak prices. The average spread in the wholesale markets is expected to increase as the growing proportion of renewable generation increasingly displaces use of older, thermal plant during periods of off-peak pricing (when it is not economic for the latter to operate), leaving peak prices linked to commodity prices such as gas and carbon.

Wholesale markets are active until one-hour prior to delivery of power (known as “Gate Closure”).

**Balancing Mechanism**

The BM is National Grid ESO’s last minute tool to balance supply and demand in real time. This is active from Gate Closure and spreads are typically significantly wider than seen in wholesale markets. To date BESS revenues from BM have been limited by National Grid ESO’s systems and ability to dispatch a large number of small assets. In response to this issue, National Grid ESO recently released the Open Balancing Platform, covered in more detail below.

CHART 6: REVENUE MIX BY BESS DURATION



Source: MODO Energy

## NATIONAL GRID'S OPEN BALANCING PLATFORM ("OBP")

The BM is National Grid ESO's primary tool for balancing supply and demand, as well as managing system needs in real time. BESS can be "dispatched" to either charge or discharge in short bursts (currently up to 15 minutes) multiple times per day. Historically, BESS has represented a small proportion of overall dispatch volumes within the BM (1.7% of total dispatches in 2023), as the National Grid ESO control room operators have favoured more established technologies which dispatch in large volumes, rather than cheaper and more efficient BESS capacity.

Being subject to strong incentives to keep balancing costs down, National Grid ESO is committed to increasing BESS dispatch rates and volumes in the BM. National Grid ESO has published its "Balancing Programme" incorporating multiple enhancements to be implemented on a staggered basis between December 2023 and Summer 2025 with the express purpose of enabling greater use of storage assets in the BM. The plan includes new control room processes and training, software updates, regulatory changes and launch of new services. The three key enhancements which are of particular interest are:

- 1) The OBP & "Bulk Dispatch" functionality: launched in early January 2024 (after an initial launch in December 2023 was aborted after a few days due to a technical fault), this new software enables National Grid ESO controllers to dispatch multiple assets simultaneously (up to a maximum of 300 instructions per hour), rather than via individual instructions (average rate of 6.5 dispatches per hour);
- 2) Fast Dispatch: expected in Spring 2024, will enhance Bulk Dispatch so that National Grid ESO can call upon BESS in the BM to respond to time-sensitive frequency-correcting actions (e.g. in response to a sudden large outage, such as an interconnector trip); and
- 3) New Storage Parameters: a change designed to give National Grid ESO controllers confidence and capability to dispatch BESS for longer than the current 15-minute limitation. This was due to be available from Winter 2024, but National Grid ESO recently announced an ambition to bring this initiative forward to 1 March 2024.

It remains too soon to forecast the net impact of the planned enhancements, and a frustrating level of inconsistency by National Grid ESO has been observed whilst OBP "teething" issues are ironed out. However, there are positive early signs, as since OBP's first launch in early December, the total BESS volume dispatched via the BM has increased. According to Modo Energy, 1.1 GWh of BESS volume was dispatched per day in January 2024, an 80% increase on November 2023.

It is already well documented that 2-hour duration BESS can outperform shorter duration BESS in the BM, as more MWh creates opportunity for more transaction volume. Modo Energy predicts that the OBP and subsequent enhancements will enable 2-hour duration BESS to enjoy an uplift in the present value of lifetime revenues by 13-20% (central/high scenarios).

## ENDURING AUCTION CAPABILITY

Post-Period end, on 2 November 2023, National Grid upgraded its auction methodology and bidding structure in relation to ancillary services. This is known as the Enduring Auction Capability ("EAC"). The changes implemented increased the linkage in pricing between services, and also enabled participants to bid negative pricing to win volume (i.e. pay to provide the service). This has increased transparency for participants and reduced the cost for National Grid ESO to procure ancillary services. It follows, however, that service pricing has been driven down, reducing revenues captured by BESS.

In relation to the Company, the EAC has impacted the DFR(H) & wholesale trading strategy commonly used during the Period (as described above). This is because the clearing price for the DFR(H) service can now be negative, meaning that the Company has to pay to charge (narrowing the potential spread achievable). As described above, a 2-hour duration BESS continues to outperform its shorter-duration peers when utilising this strategy, and the Investment Adviser is keeping the situation under close review.

## OUTLOOK

As has been previously explained, short-duration BESS is more reliant upon ancillary service revenues than 2-hour duration BESS. The continuing saturation of the ancillary services market along with EAC is, certainly, a material factor in the recent revenue performance of the whole GB fleet. However, the Investment Adviser anticipates that 2-hour duration BESS will accelerate away from ancillary services with a proportionate increase in revenue generated via the wholesale markets and BM. This should result in increasing divergence of asset performance, depending upon duration. Despite the technical teething issues in National Grid ESO's implementation of OBP, the recent increase in dispatch rates witnessed in the BM is an encouraging sign of this. More widely, other factors such as the expected increase in energy demand and the continued strong build out of intermittent renewable generation plant, coupled with the relative shortfall of GB BESS capacity, should support Wholesale Price Spread growth, reversing recent trends.

Given the Company's position as the largest portfolio of exclusively 2-hour duration BESS in GB, we are well positioned to continue to outperform the wider market and maximise emerging revenue opportunities.

## Investment Adviser's Report continued



## FINANCIAL PERFORMANCE

The NAV per share as at 31 October 2023 was £115.40 pence per Ordinary Share, a reduction of -4.5% from the Adjusted NAV per share of 120.84 pence per Ordinary Share as at 31 October 2022 as restated.

The NAV total return over the Period was 1.2%. As at 31 October 2023 NAV total return since IPO was 24.9%.

Material factors which influenced the NAV over the period included:

- lower near-term revenue assumptions based on the latest revenue forecasts published by independent providers. The revision to the forecasts is reflective of the market environment during 2023 which saw wholesale energy prices fall significantly from their historic highs in 2022;
- positive revaluations of the Company's BESS projects as they progressed through construction and commenced operations;
- dividend payments amounting to 8 pence per Ordinary Share relating to the Period, which were uncovered as the portfolio became increasingly operational;
- a correction relating to an error in valuation methodology in relation to short-term cash flows which led to a misstatement being introduced at the 31 October 2022 financial year end. It has been ascertained that this resulted in an overstatement of the NAV at 31 October 2022 of £4,653,154.

Whilst lower revenue forecasts have had a material impact on NAV, discount rates applied to the Company's "operating" and "under construction" assets remained stable throughout the Period. The relative stability experienced for BESS was supported by the Company's sale of the Rye Common asset at a 1.5% premium to carrying value in September 2023, and corroborated by the Company's Independent Valuer with reference to other market transactions. The current discount rates

used in modelling are: 10.5% for construction projects; and 10.0% for operational projects. These discount rates are applied to all revenues, with no differentiation for long-term contracted income generated through CM contracts.

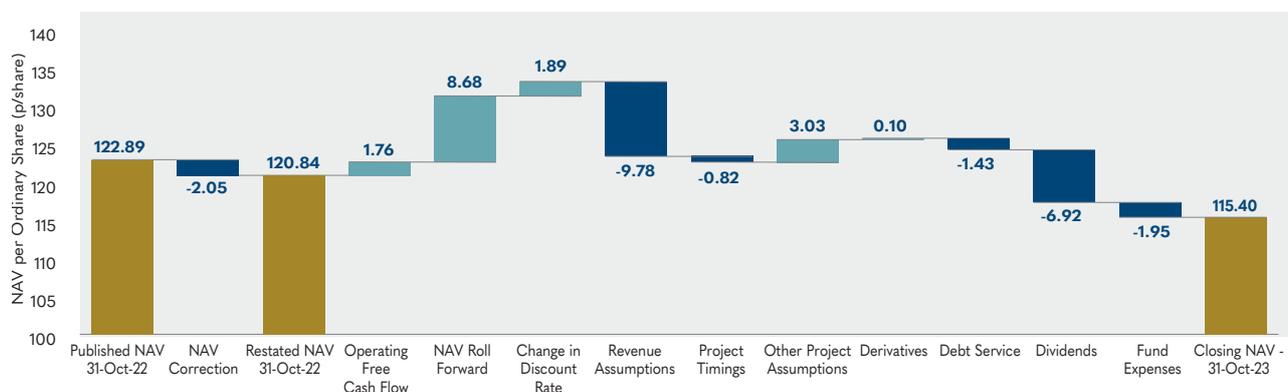
As part of the biannual valuation exercise carried out by the Independent Valuer as at 31 October 2023, the Company introduced a new discount rate of 10.25% which has since been applied to newly energised projects. This withholds an element of construction risk whilst the projects prove an absence of technical teething issues.

The below chart shows the modelled long-term revenue and cost assumptions used for calculating the NAV of the portfolio as at 31 October 2023. These figures are presented in real terms with a base date of 1st January 2023. CM revenues are included, and the years are calendar years.

### REVENUE GROWTH DRIVEN BY INCREASE IN OPERATIONAL PROJECTS

During the Period, the portfolio generated total revenue of £6.7 million (equating to £67k / MW/Yr). £5.7 million of this came from the Pillswood project which became operational in November 2022. The Broadditch and Farnham projects began contributing from May and June 2023 respectively, however they contributed less to portfolio revenue due to their relatively small scale. Bumpers and Little Raith were energised in October 2023, representing 115% increase to the portfolio's operating capacity. This increase in capacity had limited impact on revenue for the Period but positions the Company well going into the next financial year. It should be noted that the Company's projects did not benefit from CM contracts until October 2023. See section below for additional information.

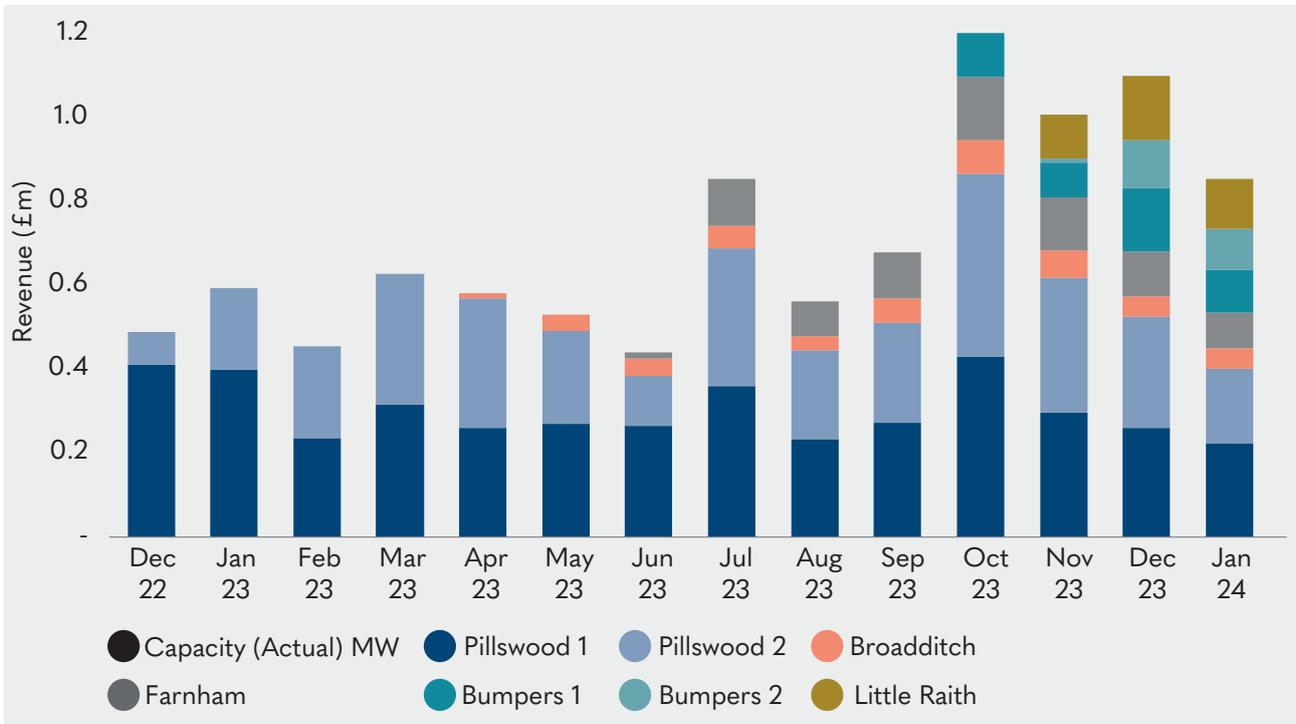
CHART 7: CHANGE IN NET ASSET VALUE PER SHARE FROM 1 NOVEMBER 2022 TO 31 OCTOBER 2023



Source: Harmony Energy Advisors Limited

The chart above shows the key drivers of Adjusted NAV change over the Period and is expressed on a per Ordinary Share basis. In order to allow a consistent approach over the Period, C-Shares in issue at 31 October 2022 are deemed included and converted to Ordinary Shares per the conversion ratio published at the point of conversion.

**CHART 8: REVENUE BY PROJECT**



Source: Harmony Energy Advisors Limited

Wholesale trading and BM accounted for 42% of portfolio revenue during the reporting Period. These revenue streams are expected to make up a more significant proportion of the Company's revenue in the future as the ancillary services markets become increasingly saturated.

Of the relevant ancillary services (Dynamic Containment, Dynamic Moderation and Dynamic Regulation), Dynamic Regulation was the most important ancillary service for the portfolio over the Period. This service favours longer-duration

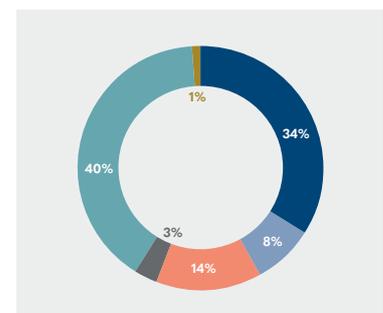
batteries and is increasingly being used in conjunction with wholesale trading: by providing the service, the BESS effectively "buys" power which can then be sold via the wholesale markets, achieving a greater spread than would be available by buying the same power wholesale. This strategy has attracted increasing competition from other BESS as other ancillary services become less attractive.

**CHART 9: HEAL REVENUE & COST ASSUMPTIONS, 2 HOUR BATTERY (£K/MW/YR, REAL, JANUARY 2023)**



Source: Harmony Energy Advisors Limited

**CHART 10: AROUND 40% OF REVENUE CAME FROM TRADING & BM DURING THE PERIOD**



● Trading ● Balancing Mechanism  
● Dynamic Containment ● Dynamic Moderation  
● Dynamic Regulation ● FFR

Source: Harmony Energy Advisors Limited

## Investment Adviser's Report continued



## FINANCIAL PERFORMANCE

In May and June 2023, the Company decided to focus the Pillswood 2 project's revenue strategy on the BM and actively chose not to participate in ancillary service markets. This strategy proved more profitable than a wholesale market only, or wholesale plus Dynamic Containment strategy (strategies being pursued by the majority of owners in GB at the time) whilst also using fewer cycles. Spreads were significantly higher than could have been achieved in the wholesale market however volume was relatively lower, limiting the amount of revenue which could be achieved.

Whilst only operating in the BM, Pillswood 2 cycled 0.6 times per day on average. National Grid ESO is actively working on improving the use of batteries in the BM, and released the first iteration of their OBP in December 2023 (see the market commentary section for more information). The Investment Adviser continues to believe that the BM will be an important market for BESS in GB with increased volume as a result of OBP being an important first step.

## CAPACITY MARKET

## T-1 Capacity Market Contract Status

In early February 2023, the Company successfully bid for T-1 CM contracts in respect of the Pillswood, Broadditch, Farnham and Rusholme projects. The clearing price for these contracts was £60 per kW/year, the second highest clearing price ever achieved and significantly higher than the T-1 revenue assumptions in the Investment Adviser's revenue projections at the time of the award. Service delivery under these contracts commenced in October 2023, providing contracted revenues to the relevant projects until 30 November 2024.

The Company's Little Raith and Bumpers projects did not participate in the T-1 auction in February 2023. This is because bidders face financial penalties in the event that the relevant projects do not pass various construction milestones in line with timetable. Rather than expose the Company to such risks, the Investment Adviser instead focused on completing construction of both projects ahead of expectations, which then allowed such projects to confidently procure T-1 CM contracts via the secondary market from third parties who are not able to fulfil their delivery obligations. The Company successfully procured additional T-1 CM Contracts to the aggregate value of £935k which is accretive to modelled cashflows over the October 2023 to September 2024 delivery year. Of this aggregate amount, £403k was secured during the Period, with the balance secured post-Period end.



The Company's 22 MWh / 11 MW Broadditch project was successfully energised in March 2023.

## T-4 Capacity Market Contract Status

In relation to T-4 CM contracts, the Company's Bumpers, Wormald Green and Hawthorn Pit projects successfully obtained 15-year duration, index linked T-4 CM contracts at the T-4 auction held on 21 February 2023. The auction cleared at a record high of £63 per kW/year, more than double the previous record high price. This revenue stream will commence from October 2026.

The above results mean that all projects in the Company's portfolio benefit from 15-year index linked T-4 contracts commencing from October 2024, October 2025 or October 2026 (depending on the project).

## Recent T-1 Auction Results

On 20 February 2024, six of the Company's projects successfully bid for T-1 CM contracts for delivery from 1 October 2024 through to end September 2025. The auction cleared at £35.79/kw/yr, lower than last year but higher than the Company's expectations. Once De-Rating (see glossary) is taken into account, this increases the Company's contracted revenue for the 12-month period ending 30 September 2024 to £3.2 million (circa £8k/MW), of which £1.7 million has not yet been factored into the Company's modelled cash flows. The Company's Broadditch and Farnham projects did not participate in this T-1 CM auction because their respective T-4 CM contracts will commence from 1 October 2024 (for delivery over 15 years) and it is not permitted for a project to hold two CM contracts in relation to the same delivery period.

## Overview

The table below shows the current contracted income (on a De-Rated basis) to be received from the CM (as at the date of publication of this report). Combined with pre-existing CM contracts, the total contracted annualised income for the portfolio is modelled to be £12k/MW until 30 September 2024, and £8k/MW for the subsequent 12 months ending 30 September 2025. Income in 2025/2026 will be increased by additional revenue from T-1 CM contracts awarded to relevant projects which do not hold T-4 CM contracts for these delivery years.

## TECHNICAL PERFORMANCE

During the Period, the Company's portfolio performed in line with expectations from a technical perspective. Across the portfolio, availability averaged 97.8% (including grid outages), with round-trip efficiency of 88.2%. Both of these measures exceed those guaranteed by the manufacturer.

"Cycles" are a common measure of battery utilisation, with one cycle being equal to the battery discharging its full energy capacity (so one cycle for a 50 MW, 2-hour battery is equal to 100 MWh).

The portfolio has averaged 0.94 cycles per day, which is lower than assumed in the Company's business plan. Lower cycling leads to lower degradation, which in turn increases the operational life of the project.

CHART 11: THE COMPANY'S CONTRACTED CAPACITY MARKET INCOME

Capacity Contract	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41
Pillswood	2.2	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	
Broadditch	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1		
Farnham	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2		
Rusholme	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	
Little Raith	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	
Bumpers	0.6	0.8		1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Wormald Green		0.3		0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Hawthorn Pit		0.4		0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
<b>Total</b>	<b>4.1</b>	<b>3.2</b>	<b>2.1</b>	<b>4.1</b>	<b>3.8</b>	<b>2.0</b>												

- T-1 contract commencing October 2023
- T-1 contract commencing October 2024
- T-4 contract commencing October 2024

- T-4 contract commencing October 2025
- T-4 contract commencing October 2026

Source: Harmony Energy Advisors Limited

## Investment Adviser's Report continued



## CONSOLIDATED OPERATIONAL PERFORMANCE AND PERFORMANCE MEASURES

As an Investment Company, HEIT does not consolidate for accounting purposes, however the Investment Adviser believes that presenting financial performance on an unaudited consolidated basis is helpful in relation to the calculation of dividend cover and to demonstrate the flow of revenue from project operations through to distributions to investors.

Dividend cover in the reporting Period is calculated as follows:

**TABLE 1: UNAUDITED CONSOLIDATED FY 2023 FINANCIALS**

Unaudited Consolidated Financials	FY2023 (£)
Revenue	6,698,540
SPV Costs	(2,477,800)
HEIT/Holdco Costs	(2,009,133)
Management Fee	(2,163,222)
Interest Costs	(3,248,173)
Tax	(26,624)
<b>Operational Free Cash Flow</b>	<b>(3,226,411)</b>
Dividend Paid in relation to FY 2023	18,170,264
Weighted Average Operational MW	100.5
Revenue (£/MW/Yr)	66,631

Based on the above, and despite having distributable reserves available, the Company's dividend was not covered by operational fee cash flow during the Period. The lack of dividend cover is predominantly due to the small number of operating projects over the period (weighted average operational MW: 101). This was compounded by lower than anticipated revenues (£67k/MW/Yr).

Operational free cash flow is expected to increase in future years as the portfolio becomes fully operational. The Company intends to distribute operational free cash flow as dividends subject to working capital requirements. The Investment Adviser and the Board intend to review the Company's dividend policy in the coming months.

The accounting policies used to determine the figures in Table 1 are consistent with those described in Note 4 to the financial statements.

**TABLE 2: KPIs AND PERFORMANCE MEASURES**

	As at 31 October 2023	As at 31 October 2022 (Restated)
<b>Key Performance Indicators</b>		
NAV (£)	262,108,092	253,156,980
NAV per Ordinary Share (p/share)	115.40	120.55
Dividends paid (£)	15,727,698	2,100,000
Dividends paid per Ordinary Share (p/share)	7p	1p
<b>Alternative Performance Measures</b>		
Adjusted NAV (£)	262,108,092	267,699,152
Adjusted NAV Total Return (%)	1.2%	23.4%
Revenues from Operations (£)	6,698,540	n/a
Dividends per Ordinary Share declared and paid in relation to period (p/share)	8p	2p
<b>Other Performance Measures</b>		
Operational Capacity (period end) (MWh/MW)	555 MWh / 277.5 MW	n/a
Weighted Average Operational Capacity (MW)	100.5	n/a
Weighted Average Revenue per MW Operational (£/MW/Year)	66,631	n/a

The multi-award winning Pillswood BESS uses a Tesla two-hour Megapack system and has the capacity to store as much as 196 MWh of electricity in one cycle.



# Alternative Investment Fund Manager's Report

## BACKGROUND

The Alternative Investment Fund Manager's Directive (the "AIFMD") came into force on 22 July 2013. The objective of the AIFMD was to ensure a common regulatory regime for funds marketed in or into the EU which are not regulated under the Undertakings for the Collective Investment in Transferable Securities regime. This was primarily for investors' protection and also to enable European regulators to obtain adequate information in relation to funds being marketed in or into the EU to assist their monitoring and control of systemic risk issues.

JTC Global AIFM Solutions Limited (the "AIFM") is a non-EU Alternative Investment Fund Manager (a "Non-EU AIFM"), the Company is a non-EU Alternative Investment Fund (a "Non-EU AIF") and the Company is currently marketed only in the UK. Although the AIFM is a non-EU AIFM, so the depositary rules in Article 21 of the AIFMD do not apply, the transparency requirements of Articles 22 (Annual report) and 23 (Disclosure to investors) of the AIFMD do apply to the AIFM and therefore to the Company. In compliance with those articles, the following information is provided to the Company's Shareholders by the AIFM.

### 1. Material Changes in the Disclosures to Investors

During the Period, there were no material changes to the information required to be made available to investors under Article 23 of the AIFMD before they invest in the Company from the information set out in the Company's prospectus dated 15 October, 2021, save as disclosed below and in certain sections of the annual financial report, those being the Integrated TCFD and the TNFD report.

### 2. Risks and Risk Management Policy

The current principal risks facing the Company and the main features of the risk management systems employed by the AIFM and the Company to manage those risks are set out in the section headed "Principal Risks and Uncertainties", the Directors' Report, the Report of the Audit and Risk Committee and in note 17 to the financial statements.

### 3. Leverage and borrowing

The Company is entitled to employ leverage in accordance with its investment policy as set out in the Company's prospectus. As at the balance sheet date, the Company (via its subsidiary, HEIT Holdings Ltd) had £130 million of senior debt facilities, consisting of a £20 million unhedged revolving credit facility and a £110 million term loan facility, hedged by way of an interest rate cap (on the SONIA element) of 5.25%. As at the balance sheet date, the Company had drawn £95 million, including £10.6 million under the revolving credit facility. Post-balance sheet date, the Company drew the remaining balance of the £130 million and, on 21 February 2024, the Company's facilities were amended and restated. See the Investment Adviser's Report for more details. There were no changes in the Company's borrowing powers and policies.

### 4. Environmental, Social, and Governance Issues

Because the AIFM is a non-EU AIFM and the Company is not marketed into the EEA, the AIFM is not required to comply with Regulation (EU) 2019/2099 on Sustainability-Related Disclosures in the Financial Services Sector (the "SFDR"). However, details of the Company's and its advisers' ESG objectives and actions taken are reported in the section of this annual financial report entitled "Environmental, Social, and Governance."

As a member of the JTC group of Companies, the AIFM's ultimate beneficial owner and controlling party is JTC Plc, a Jersey-incorporated company whose shares have been admitted to the Official List of the UK's Financial Conduct Authority ("FCA") and to trading on the London Stock Exchange's Main Market for Listed Securities (mnemonic JTC LN, LEI 213800DVUG4KLF2ASK33). In the conduct of its own affairs, the AIFM is committed to best practice in relation to ESG matters and has therefore adopted JTC Plc's ESG framework (the "ESG Framework") and a copy of the ESG Framework can be viewed online at <https://www.jtcgroup.com/esg/>.

As at the date of this report, JTC Plc is a signatory of the U.N. PRI. The JTC group is also carbon neutral, works to support the achievement of various U.N. Sustainable Development Goals and reports under TCFD and the SASB framework.

The AIFM and Harmony Energy Advisors Limited as the Company's alternative investment fund manager and investment adviser respectively do consider ESG matters in their respective capacities, as explained in the Company's prospectus dated 15 October, 2021, a copy of which can be found at Harmony Energy Income Trust PLC | JTC ([jtcgroup.com](http://jtcgroup.com)).

Since the publication of those documents, the AIFM, HEAL and the Company have continued to enhance their collective approach to ESG matters and detailed reporting on (a) enhancements made to each party's policies, procedures and operational practices and (b) our collective future intentions and aspirations, which is included in the TCFD report, the TNFD report, and the Section 172 Statement.

The AIFM also has a comprehensive risk matrix (the "Matrix"), which is used to identify, monitor and manage material risks to which the Company is exposed, including ESG and sustainability risks, the latter being an environmental, social, or governance event or condition that, if it occurred, could cause an actual or a potential material negative impact on the value of an investment. We also consider sustainability factors, those being environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The AIFM is also cognisant of the announcement published by H.M. Treasury in the UK of its intention to make mandatory by 2025 disclosures aligned with the recommendations of the Task Force on Climate-Related Disclosures, with a significant proportion of disclosures mandatory by 2023. The AIFM also notes the roadmap and interim report of the UK's Joint Government-Regulator TCFD published by H.M. Treasury on 9 November 2020. The AIFM continues to monitor developments and intends to comply with the UK's regime to the extent either mandatory or desirable as a matter of best practice.

#### **5. Remuneration of the AIFM's Directors and Employees**

During the Period, no separate remuneration was paid by the AIFM to two of its executive directors, Graham Taylor and Kobus Cronje, because they were both employees of the JTC group of companies, of which the AIFM forms part. The third executive director, Matthew Tostevin, is paid a fixed fee of £10,000 for acting as a director. Mr Tostevin is paid additional remuneration on a time spent basis for services rendered to the AIFM and its clients. During the year under review, the AIFM paid £10,000 in fixed fees and £39,637.50 in variable remuneration to Mr Tostevin. The AIFM does not pay any performance-related remuneration. Other than the directors, the AIFM has no employees. The Company has no agreement to pay any carried interest to the AIFM.

#### **6. Remuneration of the AIFM Payable by the Company**

The AIFM was during the Period paid a fee of 0.03% per annum of the equity capital raised by the Company, subject to a minimum of £30,000 per annum, such fee being payable quarterly in arrears. Subsequent secondary issues of shares of the Company in the primary market are supported on a time spent basis, subject to a cap of £10,000 per each such issue. Other significant non-routine work may be agreed between the AIFM and the Company from time to time and charged for on a time spent basis. The total fees paid to the AIFM during the Period were £67,434.00.

#### **JTC Global AIFM Solutions Limited**

Alternative Investment Fund Manager

27 February 2024

# Strategic Report

## INVESTMENT OBJECTIVE

The Company's investment objective is to provide an attractive and sustainable level of income returns, with the potential for capital growth, by investing in commercial scale storage and renewable energy generation projects, with an initial focus on a diversified portfolio of BESS located in Great Britain ("Projects").

## INVESTMENT POLICY

The Company seeks to achieve its investment objective through investment in energy storage and complementary renewable energy generation assets, with an initial focus on commercial scale BESS located in diverse locations across Great Britain.

For the purposes of this policy, unless the context otherwise requires, words and expressions defined in the Company's Prospectus shall have the same meanings where used in this policy.

The Company may invest in operational, under construction or "shovel ready" projects, and may also provide development finance to pipeline projects.

### PROJECTS WHICH ARE "SHOVEL READY" WILL HAVE IN PLACE:

completed lease, lease option or agreement for lease in relation to the land upon which that project is situated;

planning permission enabling the construction of a suitable project on that land (subject to any amendments to reflect final technical specifications);

an industry standard grid connection offer from a DNO or Transmission System Operator ("TSO"); and

a BESS supply & installation contract with material terms agreed with a reputable counterparty.



An aerial view of the 196 MWh / 98 MW Pillswood BESS prior to construction.

### PROJECTS WHICH ARE "UNDER CONSTRUCTION" WILL IN ADDITION, HAVE IN PLACE:

an agreed lease on satisfactory terms;

an accepted industry standard grid connection offer from a DNO or TSO, and having made at least one milestone payment; and

a fully executed BESS supply & installation contract with a reputable counterparty.



The Tesla Megapack batteries landed at the Bumpers BESS in May 2023.

### PROJECTS WHICH ARE "OPERATIONAL" WILL, IN ADDITION, HAVE IN PLACE:

completed lease on satisfactory terms in relation to the land upon which that project is situated;

an executed grid connection agreement with a DNO; and

satisfactory completion of relevant commissioning tests.



Five projects came operational during the reporting period, including Bumpers (pictured).

## TARGET REVENUE SOURCES

It is intended that, once operational, the main revenue streams from the Company's portfolio of Projects will be from the following sources:

- **Ancillary services** – Projects may generate revenues from short-term contracts procured via regular competitive auctions through which the Company and/or its subsidiaries will provide, on a firm basis, dynamic or non-dynamic response services to National Grid ESO as part of its efforts to cater for changes in network system frequency, balancing the grid and avoiding power outages;
- **Asset optimisation** – Projects may generate revenues from importing and exporting power in the wholesale market and the National Grid ESO-administered Balancing Mechanism ("BM"); and
- **Capacity Markets** – projects may generate revenues by access to the benefit of contracts, or through entering into new contracts, to provide back-up capacity power to National Grid ESO as the Electricity Market Reform delivery body via Capacity Market contracts of varying terms between 1 year and 15 years in duration.

The contractual arrangements which the Company will put in place in respect of its portfolio of projects are expected to benefit from diversification across a number of different income streams with various contract lengths, counterparties and return profiles.

These revenue sources will inevitably evolve as the UK energy and energy storage markets and National Grid ESO policy and practice develop, and as such the Company intends to adapt its contractual arrangements to procure what it considers to be the most advantageous revenue streams as the market develops.

## BESS TECHNOLOGY

The Company intends to invest primarily in BESS Projects using 2-hour lithium-ion battery technology, as such technology is believed by the Investment Adviser to offer the most efficient operation and return profile and has a number of advantages over shorter duration batteries. However, the Company remains agnostic as to which energy storage and generation technology is used by the projects in which it invests and will monitor projects and may invest in projects with alternative technologies (including different duration batteries and combinations and co-location of such technologies), where they meet the Company's investment objective and policy.

Each BESS project will contain a battery system with a number of battery modules in each stack, each of which is independent and can be replaced separately. This reduces the impact of failure of one or more battery modules and therefore offers protection against the potential risk of the operation of a project being interrupted.

## INVESTMENT IN AND OWNERSHIP OF PROJECTS

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

The Company may also consider investing in the re-powering of projects by replacing degraded cells in order to extend Project cash flows, or increasing the capacity of Projects where the grid connection is under-utilised.

The Company will typically achieve legal and operational control of Projects through direct or indirect stakes of 100% in the relevant Project Companies, and may use a range of investment instruments in the pursuit of its investment objective, including but not limited to debt and equity instruments.

In certain circumstances, the Company may participate in joint ventures or co-investments, including (without limitation) with other investors or entities with whom members of the Harmony Group have developed assets, where this approach enables the Company, within its investment policy, to gain exposure to assets which the Company would not otherwise be able to acquire on a wholly-owned basis. In such circumstances the Company will seek to secure its shareholder rights through contractual and other arrangements to, inter alia, ensure that the projects are operated and managed in a manner that is consistent with the Company's investment policy.

## Strategic Report continued

**DEVELOPMENT FINANCE**

The Company may provide loan finance to Pipeline Projects prior to an anticipated acquisition ("**Pre-Acquisition Development Loans**"). Such finance may be for the commissioning of design works, pre-construction studies (including but not limited to geotechnical studies), acquisition of equipment or other development costs for the furtherance of the relevant project, provided that no more than 10% of Gross Asset Value (calculated at the time that finance is provided based on the latest available valuations) may be exposed in aggregate to such loans.

The Company may also provide funding via loans or equity contributions to Project Companies which are owned by the Company ("**Post-Acquisition Development Finance**") for the purposes of:

- (a) evaluating and/or executing asset management initiatives which the Investment Adviser reasonably believes to be value accretive and supportive of the Company's overall target return, such as extension or amendment of leases and/or renegotiation of consents or grid connection agreements to increase import/export capacity; or
- (b) developing complementary renewable generation infrastructure to be owned and operated by the relevant Project Company. This funding may be used for any reasonable development expenses such as preliminary design work, planning applications and/or commercial studies,

provided in all cases that no more than 10% of Gross Asset Value (calculated at the time that finance is provided based on the latest available valuations) may be exposed in aggregate to such finance.

The total aggregate exposure of the Company to Pre-Acquisition Development Loans and Post-Acquisition Development Finance will not exceed 15% of Gross Asset Value (calculated at the time that finance is provided based on the latest available valuations).

**COMPLEMENTARY RENEWABLE GENERATION ASSETS**

Whilst the Company's primary focus under its investment policy is to invest in BESS and other energy storage projects, the Company may also invest in renewable generation assets where it would be attractive to do so. This may include projects with co-located BESS and solar PV generation sharing the same grid connection or stand-alone solar PV projects, where these would be complementary to the Company's other investments and support the Company's overall target return, subject to the investment restrictions below.

**INVESTMENT RESTRICTIONS**

The Company aims to achieve diversification principally through investing in a range of projects benefitting from different income streams with different counterparties and located in different regions of Great Britain. The Company will observe the following investment restrictions when making investments:

- following the acquisition of the Seed Projects by the Company, the acquisition price of any single project shall not exceed 20% of the Company's Gross Asset Value measured at the time of investment;
- following the acquisition of the Seed Projects, the Company will seek to ensure that it has holding interests in not less than five separate projects at any one time;
- no more than 35% of Gross Asset Value, calculated immediately following each investment, will be invested in Projects which are not BESS projects;
- no more than 25% of Gross Asset Value, calculated immediately following each investment, will be invested in assets in relation to which the Company does not hold a direct or indirect stake of 100%;
- no more than 10%, in aggregate, of the value of the total assets of the Company at Initial Admission will be invested in UK listed closed-ended investment funds;
- the Company will not conduct any trading activity which is significant in the context of the Group as a whole; and
- no investments will be made in fossil fuel assets, including fossil fuel-powered generators.

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 assets following investment will not be considered as a breach of the investment restrictions.

Individual projects will be held within special purpose vehicles into which the Company will invest through equity and/or debt instruments. It is intended that each Project Company will hold one project but a Project Company may own more than one project. The investment restrictions will be applied on a look-through basis.

## BORROWING POLICY

The Company may raise debt and may consider having leverage (at the Company level and/or the Project Company level) provided that it has sufficient assets and to the extent funding is available on acceptable terms. In addition, it may from time to time use borrowing for short-term liquidity purposes which could be achieved through a loan facility or other types of collateralised borrowing instruments. The Company is permitted to provide security to lenders in order to borrow money, which may be by way of mortgages, charges or other security interests or by way of outright transfer of title to the Company's assets. The Directors will restrict borrowing to an amount not exceeding 49% of the Company's Net Asset Value at the time of drawdown.

In circumstances where these aforementioned limits are exceeded as a result of gearing of one or more Project Companies in which the Company has a non-controlling interest, the borrowing restrictions will not be deemed to be breached. However, in such circumstances, the matter will be brought to the attention of the Board who will determine the appropriate course of action.

## CURRENCY, HEDGING POLICY AND DERIVATIVES

Efficient portfolio management techniques may be employed by the Company, and this may include (as relevant) currency hedging, interest rate hedging and power price hedging. Derivatives may be used for currency, interest rate and power price hedging purposes as set out below and for efficient portfolio management. However, the Directors do not anticipate that extensive use of derivatives will be necessary.

## 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.

## CHANGES TO AND COMPLIANCE WITH THE INVESTMENT POLICY

Any material change to the Company's investment policy set out above will require the approval of Shareholders by way of an ordinary resolution at a general meeting.

In the event of a breach of the investment guidelines and the investment restrictions set out above, the AIFM shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.

For the purposes of the investment policy, "Gross Asset Value" means the aggregate of (i) the fair value of the Company's underlying investments (whether or not subsidiaries), valued on an unlevered basis, (ii) the Company's proportionate share of the cash balances and cash equivalents of assets and non-subsidiary companies in which the Company holds an interest and (iii) other relevant assets and liabilities of the Company (including cash) valued at fair value (other than third party borrowings) to the extent not included in (i) or (ii) above.

## Strategic Report continued

**BUSINESS MODEL**

The Company expects to invest predominantly in projects at the “shovel ready” stage since these are likely to provide the most attractive returns. The Company may also invest in projects at the “operational” and “under construction” stage where such projects are available for acquisition in line with the Company’s investment policy.

The Company seeks to enhance further the efficacy of its portfolio by targeting 2-hour duration storage technologies.

The Company has the unfettered ability to purchase qualifying assets from any seller. The Investment Adviser is experienced in sourcing and advising on BESS transactions and continues to evaluate potential opportunities on the open market. However, at least over the near-term, it is anticipated that the Company will continue to take advantage of its exclusive arrangements described below.

The Company benefits from exclusive access to a well-developed pipeline of BESS projects at various stages of development in Great Britain. Each project within this pipeline is controlled by Harmony Energy Limited either solely or in conjunction with its joint venture partner, Ritchie-Bland Energy (number 2) Ltd (“RBE”) (the “Sellers”). This exclusivity is in the form of:

- a) ROFR to acquire up to 1 GW of BESS projects from the Sellers. The Company has, as at the date of publication of this report, exercised this right in relation to 494.4 MW, leaving at least 505.6 MW still capable of acquisition under the ROFR; and
- b) a right of first offer (“ROFO”) in relation to (i) BESS projects once the 1 GW ROFR threshold has been reached; (ii) BESS projects co-located with solar photovoltaics (“PV”); or (iii) stand-alone solar PV projects.

The processes under which these rights are exercised are set out in a pipeline agreement dated 14 October 2021 and entered into between the Company and the Sellers (the “Pipeline Agreement”). The Sellers have an obligation to keep the Company informed as to the development progress of potential projects. This provides the Company with an element of transparency which, in turn, allows the Company a reasonable level of certainty around funding timetable and portfolio growth planning.

The terms of the Pipeline Agreement provide that the Sellers shall be prohibited from selling any qualifying projects to any other party during the term of the agreement without first offering them to the Company. Upon any projects becoming “shovel ready”, the Sellers shall give notice of such status to the Company. The Company will then be entitled to either (i) if the ROFR applies, acquire the relevant project pursuant to the terms of the pro forma share purchase agreement (and subject to a valuation calculated using a minimum discount rate); or (ii) if the ROFO applies, make an offer to the Sellers pursuant to the Pro Forma Share Purchase Agreement.

All acquisitions are subject to satisfactory external due diligence, independent valuation and Board approval.

The Company will continue to target BESS projects with 2-hour duration capability. As demonstrated in the “Market Commentary” section, the Investment Adviser believes that 2-hour duration BESS offers potential for revenue outperformance relative to a shorter-duration BESS across a range of market conditions.

**DIVIDEND POLICY**

The Board has responded to lower than anticipated revenue performance since the end of the Period by initiating a review of the Company’s dividend policy, including the announced postponement of the Company’s first quarterly dividend of 2 pence per Ordinary Share. The review will form part of the Investment Adviser’s consideration of the most effective methods of delivering value to Shareholders over the short term, as described earlier in this report. However, the Company maintains an ambition to distribute operational free cash flow subject to working capital requirements.

In the meantime, subject to this review, the Company’s policy remains the targeting of an annual dividend of 8 pence per Ordinary Share, payable in quarterly instalments in March, June, September and December of each year. All dividends will be in the form of interim dividends. The Board reserves the right to retain within a revenue reserve a proportion of the Company’s net income in any financial year, such reserve then being available at the Board’s absolute discretion for subsequent distribution to Shareholders, subject to the requirements of any applicable regulations.

The dividend policy will be subject to Shareholder vote at the 2024 Annual General Meeting.



Europe's joint largest BESS (by MWh), the 198 MWh / 99 MW Bumpers Project was energised in October 2023.

Environmental, social,  
and governance

# POWERING A SUSTAINABLE FUTURE



Located in Yorkshire, the 66 MWh / 33 MW Wormald Green BESS is due to be energised in 2024.

## ESG HIGHLIGHTS



Operational sites have a combined capacity of **555 MWh / 277.5 MW**



capable of powering around **833,000** UK homes for two hours



**30,938 MWh** renewable energy stored



Estimated **15,415 tonnes of CO<sub>2</sub>e** emissions avoided



**Biodiversity net gain assessments completed for all assets**, with all sites on track to deliver a net gain in habitat units



**Launched the Company's first five Community Funds**, with a combined total value of £35,000 per year



**68%** of key Tier 1 suppliers signed up to the Supplier Code of Conduct



Published the Company's inaugural integrated **TCFD and TNFD report**



Submitted the Company's first **UN PRI report**



Published the Company's inaugural **Responsible Investment Policy**

# Introduction from the ESG Committee Chair

The Company strives to generate value for Shareholders and society by financing, building, and operating energy infrastructure needed to achieve a more sustainable future.

The Company's assets support the UK's net zero carbon ambition, while contributing to energy security and affordability. The Company strives to operate responsibly and promote positive environmental and social change.

**DR SHEFALY YOGENDRA,**  
CHAIR OF THE ESG COMMITTEE



Energised in October 2023, the Little Raith BESS has been designed to enable agricultural activities in the land within the site's red line boundary.



In its second year, the Company has strengthened its ESG strategy and articulated its ESG ambition: 'powering a sustainable future'. The strategy will enable the Company to manage ESG risks effectively and generate positive environmental and social impact. This report sets out how the Company has begun to deliver on its ESG priorities and discloses baseline data against a complete set of metrics to measure performance.

The path to net zero continues to be a challenging one following the Covid-19 pandemic, Ukraine war, and cost-of-living crisis.

The Company believes that the net zero transition is part of the solution to many current challenges, ultimately helping to deliver a more sustainable, healthy and prosperous future for everyone. By enabling the adoption of more renewable power, battery energy storage is integral to achieving net zero. Large-scale deployment of battery energy storage and complementary renewable generation infrastructure throughout the UK will also help to secure a more affordable domestic energy supply, while contributing to the decarbonisation of the energy system.

In 2022/23, a large proportion of the Company's initial portfolio of assets moved from "under construction" to "operational", adding 555 MWh / 277.5 MW of battery energy storage capacity to the grid. These assets can power around 833,000 UK homes for two hours. During the Financial Year, the Company's assets stored 30,938 MWh of renewable energy and avoided an estimated 15,415 tonnes of CO<sub>2</sub>e emissions from entering the atmosphere.

With the expansion of the Company's activities comes a responsibility to develop truly sustainable renewable energy infrastructure by considering wider environmental and social aspects throughout the asset lifecycle. Combined with good governance, the Company believes that consideration of environmental and social factors is integral to generating and sustaining long-term financial value.

The Company considers the environmental and social context in which it operates and strives to make a positive local impact. In 2023, the Company conducted biodiversity net gain assessments for all assets and implemented action plans to ensure that all sites are on track to deliver a net increase in habitat units, as well as having launched five community funds with a combined value of £35,000 per year, while creating skilled jobs at the heart of the energy transition.

The Company also launched its Supplier Code of Conduct (the "**Supplier Code**") to strengthen sustainability in its supply chain, with 68% of key Tier 1 suppliers signing the Code during the Period. The Company increased collaboration with suppliers and industry associations on key issues such as human rights and circularity.

As the Company makes progress on its ESG ambitions, it's important that it enhances its disclosures to support transparency. The Company's inaugural integrated TCFD and TNFD disclosure is included on pages 58-69 of this report. The Company also submitted its first voluntary UN PRI report, ahead of publishing its first public Transparency Report in the 2024 reporting cycle.

The Company and the Investment Adviser put sustainability and ESG at the heart of the business strategy, with a new Head of Sustainability joining the Investment Adviser team this year to accelerate the delivery of the ESG strategy. The Investment Adviser's dedicated and experienced team continues to drive the Company's sustainability and ESG performance. I would like to thank them for their contributions towards powering a sustainable future.

No organisation can possibly solve the myriad sustainability issues alone, but by working in partnership with government, investors, industry bodies and other stakeholders, we can make a positive contribution towards the creation of a more sustainable future - for the Company, as well as for the environment and communities in which it operates.

**Dr Shefaly Yogendra**

Chair of the ESG Committee

# Climate change and energy transition context

“

“As we head towards a net zero system, electricity storage will play a vital role in helping manage supply and demand.”

**National Grid ESO<sup>1</sup>**

## CLIMATE CHANGE

2023 was the warmest year on record, marked by unprecedented heatwaves and other extreme weather events around the world<sup>2</sup>.

To remain in line with the Paris Agreement, global greenhouse gas (“GHG”) emissions are required to decrease by at least 45% by 2030 compared to 2010 levels<sup>3</sup>. The UK has set one of the world’s most ambitious net zero targets, aiming to lower GHG emissions by 78% by 2035 compared to 1990 levels.

With energy accounting for approximately three quarters of global GHG emissions, the energy sector has the opportunity and the responsibility to respond to the world’s climate challenge<sup>4</sup>. The shift to renewable energy will play a crucial role in decarbonising the energy system and wider economy. In recognition of this, in October 2021, the UK Government set a commitment for all electricity generation to be decarbonised by 2035, subject to security of supply<sup>5</sup>. This ambition was reinforced by the UK government in a recent pledge at COP28, together with other countries, to triple global renewable generation capacity to 11 TW by 2030.

However, the increase in renewable energy sources presents a challenge for electricity system operators, who need to match varying demand with intermittent supply to maintain the stability of the system and avoid blackouts.

BESS are the missing link in the chain that can enable energy systems to run on increasing proportions of renewable electricity. BESS can solve the problem of intermittency by balancing supply and demand of electricity, and storing energy as it is generated and exporting it to the grid during times of peak demand. This prevents curtailment (i.e. renewable energy assets being paid to stop generating) and allows renewable energy sources to contribute a greater proportion of electricity, reducing the need for fossil fuel generation and lowering GHG emissions. Batteries also provide critical ancillary services to support grid stability against the backdrop of declining system inertia resulting from the increased reliance on renewables. This allows more electricity from renewable sources onto the system.

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“Developing energy storage will further strengthen the UK’s energy security by helping unlock the full potential of home-grown renewables.”

**UK Government<sup>6</sup>**

## ENERGY SECURITY AND AFFORDABILITY

Energy security rose up the global agenda after Russia’s invasion of Ukraine in February 2022, which resulted in soaring energy prices and heightened costs of living and running a business. While energy prices decreased in 2023, concerns about energy security and affordability remain due to the UK’s continued reliance on fossil fuel imports.

The net zero transition presents an opportunity to shift to clean, domestic renewable energy that bolsters energy security and helps achieve climate targets. By enabling the integration of more renewable electricity onto the system, battery energy storage helps to maximise the benefits of renewable energy and reduce reliance on polluting fossil fuels. Batteries are therefore crucial to enabling the UK to ‘keep the lights on’ and secure its energy independence, while advancing the net zero transition.

With renewables now the most cost-effective form of electricity generation, batteries can store affordable renewable power for use at peak times. This helps to reduce overall energy costs, resulting in lower energy bills for people and businesses.

## ESG REGULATION CONTEXT

ESG regulation continues to evolve at pace, with the introduction of the EU Sustainable Finance Disclosure Regulation and the UK Sustainability Disclosure Requirements (“SDR”), which aim to improve the consistency of reporting across the market and prevent greenwashing.

In 2023, the Company undertook a readiness review in relation to SFDR, with an intention to align with Article 8 of the framework on a voluntary basis in future. The FCA published the SDR after the end of the Period. In 2024, the Company will begin a review into future alignment with the SDR.

1 <https://www.nationalgrideso.com/document/273166/download>

2 <https://www.carbonbrief.org/state-of-the-climate-2023-smashes-records-for-surface-temperature-and-ocean-heat/>

3 <https://unfccc.int/news/climate-plans-remain-insufficient-more-ambitious-action-needed-now>

4 <https://www.iea.org/data-and-statistics/data-tools/greenhouse-gas-emissions-from-energy-data-explorer>

5 [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1033990/net-zero-strategy-beis.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1033990/net-zero-strategy-beis.pdf)

6 <https://www.gov.uk/government/news/energy-storage-backed-with-over-32-million-government-funding>

“

“Flexible technologies like batteries will form part of the UK’s smarter electricity grid, supporting the integration of more low-carbon power, heat and transport technologies, which it is estimated could save the UK energy system up to £40 billion by 2050.”

UK Government<sup>7</sup>



## CASE STUDY

### THE ROLE OF BESS IN MAINTAINING GRID STABILITY WHILE FACILITATING HIGHER RENEWABLE PENETRATION

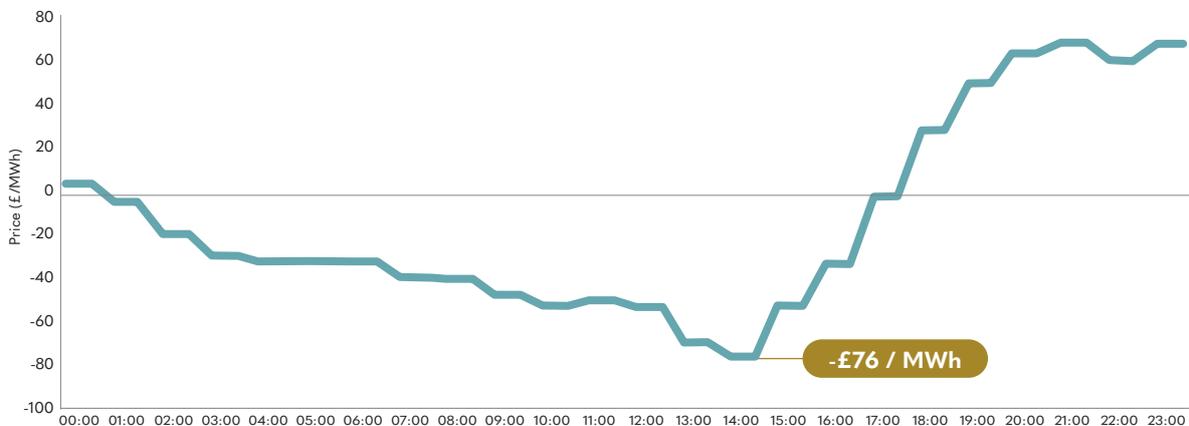
On 2 July 2023, power prices plummeted to a record low of -£76/MWh, due to an excess of power on the grid driven by high wind and solar generation combined with low demand. Negative pricing events such as this are increasingly common and usually result in wind generation being curtailed. In this scenario, the Company’s assets played a critical role in maintaining grid stability, while reducing the amount of wind which is curtailed by storing the surplus renewable energy generated and then discharging it back onto the grid when demand is higher and/or the wind has lessened.

During this day, the Company’s assets stored 67.13 MWh of renewable energy and avoided 23.05 tonnes of CO<sub>2</sub>e emissions from entering the atmosphere.

This is four times the daily average that the portfolio realised throughout the remaining days of July 2023.

At the same time, the portfolio was contracted through various ancillary services to stand available to either discharge or charge if called upon by National Grid ESO. These actions help to slow or correct deviations in frequency caused by irregular or unplanned changes in national generation patterns. On days such as 2 July when wind generation accounted for up to 54.5% of national generation, the risk of Frequency Deviations was elevated because wind is inherently volatile and difficult to predict with 100% accuracy. In this way the Company’s assets contribute meaningfully towards maintenance of grid stability.

FIGURE 1: GB POWER PRICES REACHED RECORD NEGATIVE LEVELS ON 2 JULY 2023



<sup>7</sup> <https://www.gov.uk/government/news/battery-storage-boost-to-power-greener-electricity-grid>

# Approach to ESG

The Company finances, builds and operates renewable energy infrastructure needed to achieve a more sustainable future.

## ESG STRATEGY

Delivering a more environmentally, socially and financially sustainable future will require the Company to address its key sustainability and ESG risks and opportunities. By effectively managing ESG, the Company can help to build a more sustainable and resilient future – for the business, as well as for the environment and communities in which it operates.

### Materiality assessment

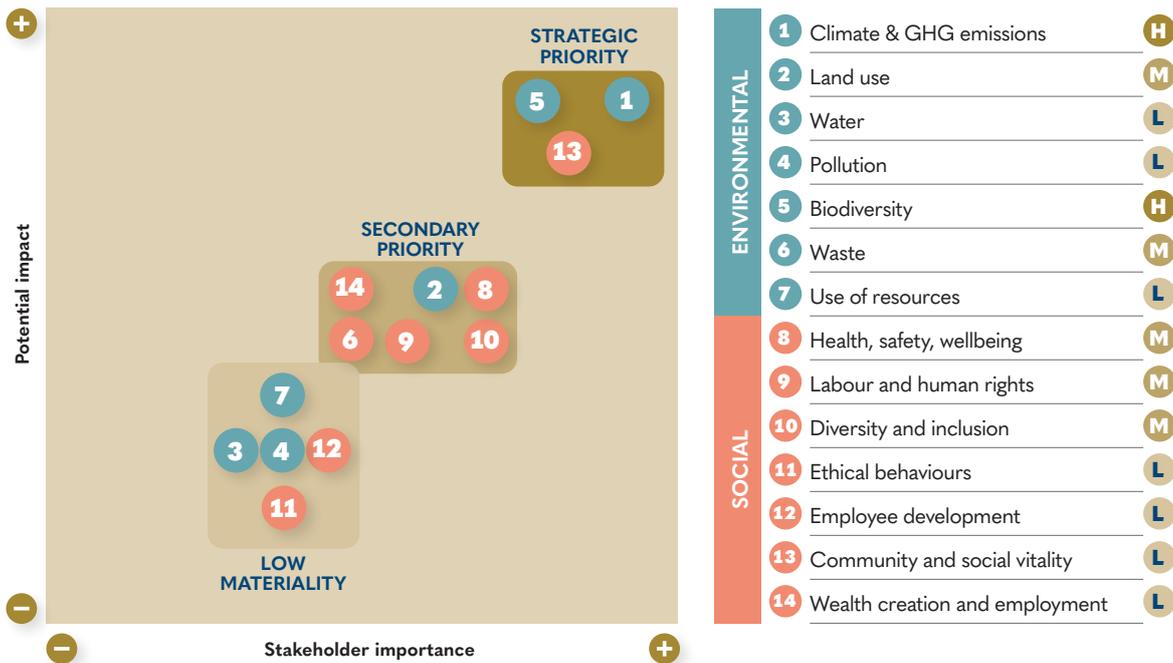
In 2022, the Company completed a materiality assessment to identify the ESG and sustainability areas most relevant to the business. Sustainability themes were scored based on market analysis and stakeholder interviews. Two criteria were considered to assess the materiality of sustainability areas:

- Importance to key stakeholders: employees, investors, customers, suppliers, partners, peers, communities; and
- Potential impact of the Company on the environment and wider communities – positive or adverse.

This helped to evaluate the ESG context in which the Company operates and included a review of industry reporting standards.

The most relevant themes were climate and GHG emissions, biodiversity and community and social vitality. The materiality assessment is presented in a matrix that compares stakeholder importance with potential impact, with the highest priorities appearing in the top right corner, as shown below.

FIGURE 2: MATERIALITY MATRIX



The Envision Energy batteries landed at Hawthorn Pit in November 2023.



## STRATEGY UPDATE

In 2023, the Company strengthened its ESG strategy and articulated its ambition to ‘powering a sustainable future’. The strategy will enable the Company to manage ESG risks effectively and generate positive environmental and social impact.

The strategy builds on the Company’s material issues as identified through the materiality assessment and has three strategic pillars: enabling a net zero energy system, enhancing our natural environment and promoting positive people impacts. The relevant United Nation Sustainable Development Goals (“SDGs”) were allocated to each of the focus areas.

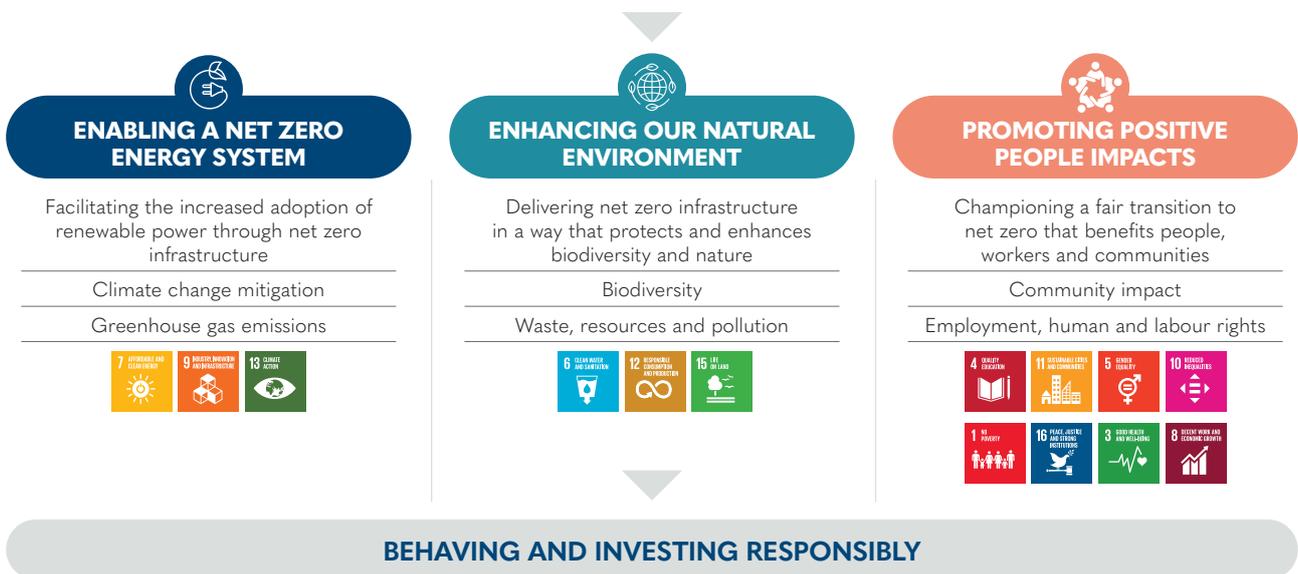
The Company has identified actions to maximise positive benefits and minimise adverse impacts of the business on the priority ESG areas. This includes the direct influence the Company can have on addressing ESG issues on BESS sites and in the Investment Adviser’s offices, as well as the role of the wider supply chain.

Over the next year the focus will be on integrating the Company’s ESG strategy. The Investment Adviser has implemented a system to collect, analyse and monitor ESG data to measure ESG performance.

FIGURE 3: ESG STRATEGY

## POWERING A SUSTAINABLE FUTURE

We generate value for Shareholders and society by financing, building and operating the energy infrastructure needed to achieve a more sustainable future. Our assets play a vital role in delivering net zero, while contributing to energy security and affordability. We strive to operate responsibly and promote positive environmental and social change. We aim to enhance biodiversity where we operate to mitigate the twin biodiversity and climate challenges.



We embed sustainability in our investment process to ensure that we use our capital to promote positive environmental and social impact whilst delivering a superior return on investment.

# Integrating ESG throughout the investment lifecycle

The Company seeks to achieve its investment objective through investing in energy storage and complementary renewable energy generation assets. The Company believes that, in combination with good governance, consideration of wider social and environmental factors is integral to its long-term financial success.

As an investor in renewable energy infrastructure, the Company's investment strategy has sustainability and responsibility at its heart. The Company recognises the fundamental link between the sound performance of wider ESG matters and the creation of long-term investment value. As such, the Company is committed to actively managing ESG-related risks and opportunities by integrating ESG considerations into the investment lifecycle.

In 2023, the Company introduced its first Responsible Investment Policy describing how ESG considerations are embedded throughout the investment process, as detailed in the diagram below.

## UN PRI

The Principles for Responsible Investment are a set of voluntary principles which promote the integration of ESG considerations into investment decision-making processes. The Company became a UN PRI signatory in 2022 and published its first voluntary UN PRI report in 2023, with the intention to publish the first Transparency Report in 2024.



In December 2023, the Bumpers BESS was showcased on BBC News for a feature titled 'Five reasons for optimism on climate'.

FIGURE 4: RESPONSIBLE INVESTMENT PROCESS



#### INVESTMENT POLICY AND RESTRICTIONS

The Company invests in renewable energy infrastructure. Investments in fossil fuels are prohibited.



#### INVESTMENT SCREENING

Target assets are assessed against the Investment Policy and investment restrictions for suitability.



#### DUE DILIGENCE

Prior to recommending any asset for acquisition, the Investment Adviser performs detailed ESG due diligence on potential investments.



#### PROJECT INVESTMENT REVIEW AND APPROVAL

The due diligence report is provided to the AIFM and the Board. The Board incorporates ESG into investment decision making.



#### MANAGEMENT, MONITORING AND REPORTING

Post-acquisition, the Company strives to play an active role in the management of its assets, ensuring that ESG risks and opportunities are managed.



#### SUPPLIER CODE OF CONDUCT

Suppliers are required to sign the Supplier Code of Conduct.



#### END-OF-LIFE

Every effort will be made to implement and track sustainable end-of-life practices.

- PRE-INVESTMENT
- ONGOING MANAGEMENT
- END-OF-LIFE

# ESG governance

## How ESG is embedded throughout the asset lifecycle

The Board has ultimate responsibility for and oversight of ESG and the Board considers ESG as part of investment decision making. Shefaly Yogendra is the Non-Executive Director with overall responsibility of ESG as Chair of the Company's ESG Committee.

The Board has delegated certain aspects of ESG oversight and operational decision-making to the ESG Committee. The role of the Committee is to monitor and review the Company's ESG-related performance and activities and to make recommendations to the Board in relation to the Company's ESG strategy.

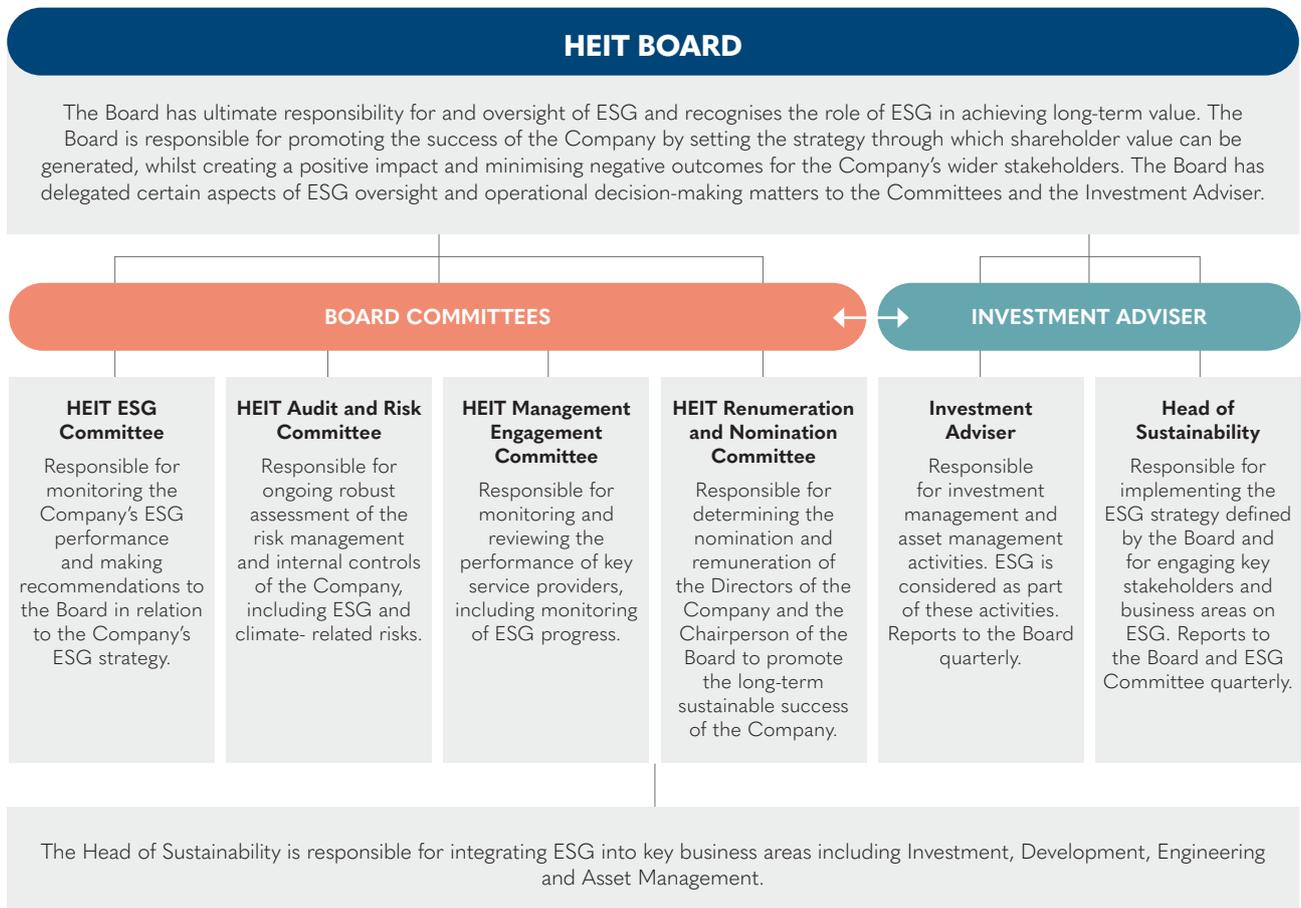
Furthermore, the Board has outsourced the day-to-day investment management and asset management activities to the Investment Adviser. ESG is considered as part of these activities. The Head of Sustainability, a

representative of the Investment Adviser, is responsible for implementing the ESG strategy defined by the Board of the Company. In addition, the Company engages external ESG consultants where additional ESG expertise is required.

ESG is monitored through regular interactions between the Board and the Investment Adviser, including through quarterly Board meetings, quarterly Board reports, ESG Committee Meetings, Committee papers, written updates and ad hoc meetings.

The Company's ESG policy, which communicates its ESG ambition and strategy, is available on its website: [www.heitp.co.uk/content/uploads/2023/09/ESG-Policy-September-2023.pdf](http://www.heitp.co.uk/content/uploads/2023/09/ESG-Policy-September-2023.pdf).

FIGURE 5: ESG GOVERNANCE STRUCTURE





## ENABLING A NET ZERO ENERGY SYSTEM

BESS infrastructure is integral to the net zero transition through its role in enabling the adoption of a greater proportion of renewable power.

As an investor in BESS and complementary renewable energy generation assets, the Company's investment policy has the net zero transition at its core and climate-related opportunities are inherently considered in business, strategic and financial planning.

## CLIMATE CHANGE MITIGATION

### Approach

The Company's BESS contribute to climate change mitigation through enabling the integration of more renewable energy onto the grid and displacing fossil fuel generation, thereby reducing the carbon intensity of the grid. On admission to the London Stock Exchange, the Company was awarded the LSE's Green Economy Mark, recognising it as a significant contributor to the transition to a net zero economy, a distinction that has been renewed every year since.

### Progress update

During the Period the Company brought its first five BESS projects into operation with a combined capacity of 277.5 MW, capable of powering around 833,000 UK homes for two hours. The Company's BESS assets stored 30,938 MWh of renewable energy and avoided an estimated 15,415 tonnes of CO<sub>2</sub>e emissions from entering the atmosphere. The methodology for calculating avoided emissions is detailed on pages 68 and 69.

### Looking ahead

- Further develop the Company's methodology for measuring the carbon avoidance potential of its BESS.



Bumpers and Little Raith (pictured) were energised in October 2023, representing a 115% increase to the portfolio's operating capacity.



## ENABLING A NET ZERO ENERGY SYSTEM

### GREENHOUSE GAS EMISSIONS

#### Approach

Though the Company's assets support the decarbonisation of the grid, it also takes responsibility for the GHG emissions it creates. The Company is committed to managing, reducing and reporting its GHG emissions annually.

The Company's analysis suggests that over the lifetime of a BESS asset, it will avoid more carbon than it emits, making the overall carbon impact net positive. However, the Company recognises its responsibility to understand and reduce its operational and supply chain emissions. The Investment Adviser is implementing initiatives to reduce the GHG emissions of the Company's assets, as well as engaging with suppliers to reduce upstream and end-of-life impacts as detailed in the following section ("**Progress update**").

#### Progress update

The Company's carbon footprint increased from 1,879 tonnes of CO<sub>2</sub>e to 154,930 tonnes of CO<sub>2</sub>e between 2021/22 and 2022/23. GHG emissions increased significantly this year due to the Company's high level of construction activity and the inclusion of construction and upstream GHG emissions in reporting for the first time. Under the methodology used, the construction and materials emissions for a project will be recognised only once the construction of that project is complete. As there were no operational projects during 2021/22, emissions reported for the prior reporting Period did not provide a representative baseline. Further details regarding the Company's carbon footprint methodology can be found on page 67.

The Investment Adviser has implemented initiatives to reduce its environmental impact, including travel policies to restrict the use of flights and encourage rail use, an electric vehicle salary sacrifice scheme and flexible working to reduce commuting. The Investment Adviser's London office uses energy from renewable sources for its electricity and heating.

In 2023, the Investment Adviser engaged with its key suppliers (including its two BESS equipment suppliers) regarding the measurement and management of supply chain climate impacts. During the Period, both BESS suppliers conducted lifecycle assessments of their batteries which were shared with the Investment Adviser for inclusion in the Company's carbon footprint assessment. Both suppliers are implementing carbon reduction initiatives such as on-site renewable electricity generation and energy efficiency measures within their own operations, as well as engaging with their suppliers to reduce upstream supply chain GHG emissions relating to mineral extraction, refining and parts manufacturing.

#### Looking ahead

- Assess climate target options, including a net zero target and a science-based carbon reduction target.
- Strengthen the Company's understanding, management and disclosure of climate-related risks and opportunities.

**TABLE 3: PRIOR YEAR AND CURRENT YEAR GHG EMISSIONS FIGURES**

GHG EMISSIONS	2021/22 DATA	2022/23 DATA
Scope 1 GHG emissions (tCO <sub>2</sub> e)	0	0
Scope 2 GHG emissions (tCO <sub>2</sub> e)	0	1,323
Scope 3 GHG emissions (tCO <sub>2</sub> e)	1,879	153,607
Total Scope, 1, 2 and 3 GHG emissions (tCO <sub>2</sub> e)	1,879	154,930
GHG intensity relative to revenue (tCO <sub>2</sub> e/£m)	NA – not reported	23,345



## CASE STUDY

### EMBEDDING SUSTAINABILITY IN THE BESS ASSET CONSTRUCTION PROCESS

The Investment Adviser engaged with a construction sub-contractor regarding the measurement and management of GHG emissions through the construction process for its Bumpers, Wormald Green and Hawthorn Pit projects (c.45% of the portfolio by MW). The sub-contractor provided energy, water, waste, material and GHG emissions data, as well as implementing low carbon initiatives on site such as energy efficient welfare cabins powered by solar diesel hybrid generators with a BESS pack, solar and wind powered lighting towers and sustainable materials such as lower carbon concrete.



The Envision Energy batteries landed at Wormald Green in November 2023.

### CLIMATE- AND NATURE-RELATED RISKS AND OPPORTUNITIES

The Task Force on Climate-related Financial Disclosures is an international initiative to assess and report climate change risks and opportunities in a financial context.

The Task Force on Nature-related Financial Disclosures builds on the model developed by TCFD. It provides a framework for organisations to report and act on evolving nature-related dependencies, impacts, risks and opportunities.

The Company does not currently fall within the scope of mandatory reporting requirements for TCFD or TNFD, however it has chosen to report in line with both frameworks on a voluntary basis. In recognition of the interrelatedness of climate and nature, the Company has conducted an integrated climate- and nature-related risk and opportunity assessment in line with TCFD and TNFD – see pages 58-59 for further information.





## ENHANCING OUR NATURAL ENVIRONMENT

The Company strives to deliver net zero infrastructure in a way that protects and enhances biodiversity and nature. The Company takes accountability for the environmental impact of its operations and supply chain, including its impact on biodiversity, waste, resources, and pollution.



## BIODIVERSITY

### Approach

The UN Conference of Biological Diversity (COP15) in December 2022 saw nations come to an historic agreement to protect a third of the planet for nature by 2030, reflecting the increasing ambition to protect and enhance biodiversity.

The Company has set a target to deliver a biodiversity net gain at all existing sites and a minimum 10% biodiversity net gain at newly acquired sites, ahead of the mandatory UK Government BNG target coming into force in 2024.

To achieve this, the Company strives to ensure that the delivery of net zero infrastructure incorporates nature and biodiversity considerations at all stages of an asset's lifecycle. Delivering BNG across the portfolio is an additional way to mitigate climate change beyond the Company's contribution to the net zero transition through energy infrastructure.

### Progress update

The close relationship between the Company and Harmony Energy Limited (via the Investment Adviser) enhances the Company's ability to implement, manage and monitor biodiversity initiatives across its portfolio, embedding them throughout the asset lifecycle, from pre-acquisition stages (site origination, planning etc.) through construction, operations and finally to decommissioning.

The Company and the Investment Adviser work with environmental specialists and ecologists to assess biodiversity impacts, dependencies and enhancement opportunities. These assessments inform asset-specific habitat creation and maintenance action plans which ensure that biodiversity considerations are embedded across the asset lifecycle. Action plans are designed to maximise biodiversity on the Company's sites, above and beyond the conservation measures required as part of planning requirements, which are typically included in a site Landscape and Environmental Management Plan ("LEMP"). This helps to ensure the creation of a positive biodiversity benefit following completion of the construction phase.

During the Period, the Company engaged independent ecologists to conduct BNG assessments in line with Defra's Biodiversity Net Gain Metric for all the Company's assets. Action plans have been put in place to ensure that all sites will achieve a biodiversity net gain. The Company is on track to deliver a combined total BNG of 15% across the portfolio once asset-level landscaping plans have been implemented.

The Company's sites are designed wherever possible to deliver multi-functional land use, such as facilitating agricultural activities, promoting biodiversity, increasing habitats and supporting the recovery of land after intensive farming. For example, the Little Raith site has been designed to enable agricultural activities in the land within the site's red line boundary.

### Looking ahead

Key future priorities include:

- Deliver a BNG at all existing sites and a minimum 10% BNG at newly acquired sites.
- Introduce a Biodiversity Policy covering 100% of assets.
- Conduct BNG assessments and put action plans in place for all sites.
- Strengthen the Company's understanding, management and disclosure of nature-related risks, opportunities, impacts and dependencies.



The Pillswood BESS is on track to deliver habitat enhancement and creation initiatives that are resulting in a 10% increase in habitat units and a 100% increase in hedgerow units.



## CASE STUDY

### PROTECTING AND ENHANCING BIODIVERSITY WHILE DELIVERING FOR NET ZERO AT BUMPERS

The Company uses the Defra BNG Metric to measure the biodiversity impact its portfolio has on developed land. The metric focuses on the change in the biodiversity value of a site, comparing the pre- and post-construction biodiversity values to ensure a positive impact overall.

The Company plans to deliver habitat enhancement and creation initiatives resulting in a 44% increase in habitat units and an 81% increase in hedgerow units at its 99 MW Bumpers site. During the next planting season, the Company will enhance 1.05 hectares of grassland habitat through the inclusion of a species-rich and diverse seed mix and plant 0.4 kilometres of native species-rich hedgerow, with some sections containing additional native trees.

In addition, prior to construction starting, work was carried out by independent ecologists to trap and safely relocate great crested newts, following identification of a pond within 100 metres of the site which may have been a newt habitat. A total of 25 days of trapping was carried out by an ecologist appointed by the Company and three great crested newts were relocated offsite.



## ENHANCING OUR NATURAL ENVIRONMENT

### WASTE, RESOURCES AND POLLUTION

#### Approach

Batteries are integral to the Company's sustainability mission. All the Company's current assets use lithium iron phosphate ("LFP") battery technology instead of nickel manganese cobalt ("NMC") technology. Use of LFP batteries increases the lifespan of projects, since LFP batteries deliver more charge cycles and suffer less degradation than NMC batteries.

Although LFP batteries avoid the need to use cobalt and nickel, they still contain raw materials including lithium, iron, phosphate, graphite and copper. As demand for more BESS projects grows globally, demand for raw materials will increase. The Company is committed to working with suppliers to drive sustainable practices in the upstream supply chain, particularly with respect to key issues such as water scarcity, water pollution, energy use and air pollution as well as improving end-of-life practices.

In addition, the Company is closely monitoring developments in alternative battery energy storage technologies that are less reliant on critical minerals and that have lower exposure to environmental and social risks.

The Company is also committed to working with sub-contractors to manage and reduce waste, resources and pollution during the construction and operational phases of the asset lifecycle.

#### Progress update

During the Period, the Investment Adviser engaged with the construction partner for the Company's Bumpers, Wormald Green and Hawthorn Pit sites to encourage the measurement and management of waste, resources and pollution during construction. Zero reportable environmental incidents were recorded at the Company's sites.

While the Company's BESS sites directly interface with the natural environment, it also recognises the environmental risks in the supply chain, including those relating to the extraction, refining and processing of minerals used in LFP batteries. The Supplier Code sets out the Company's expectations and requirements for suppliers to minimise waste and pollution and conserve resources. During the Period, the Company engaged with Tesla, the principal supplier and contractor for the Company's operational projects, to understand their work on reducing the environmental impact of materials sourcing and processing, focusing on key issues such as water scarcity and water quality.

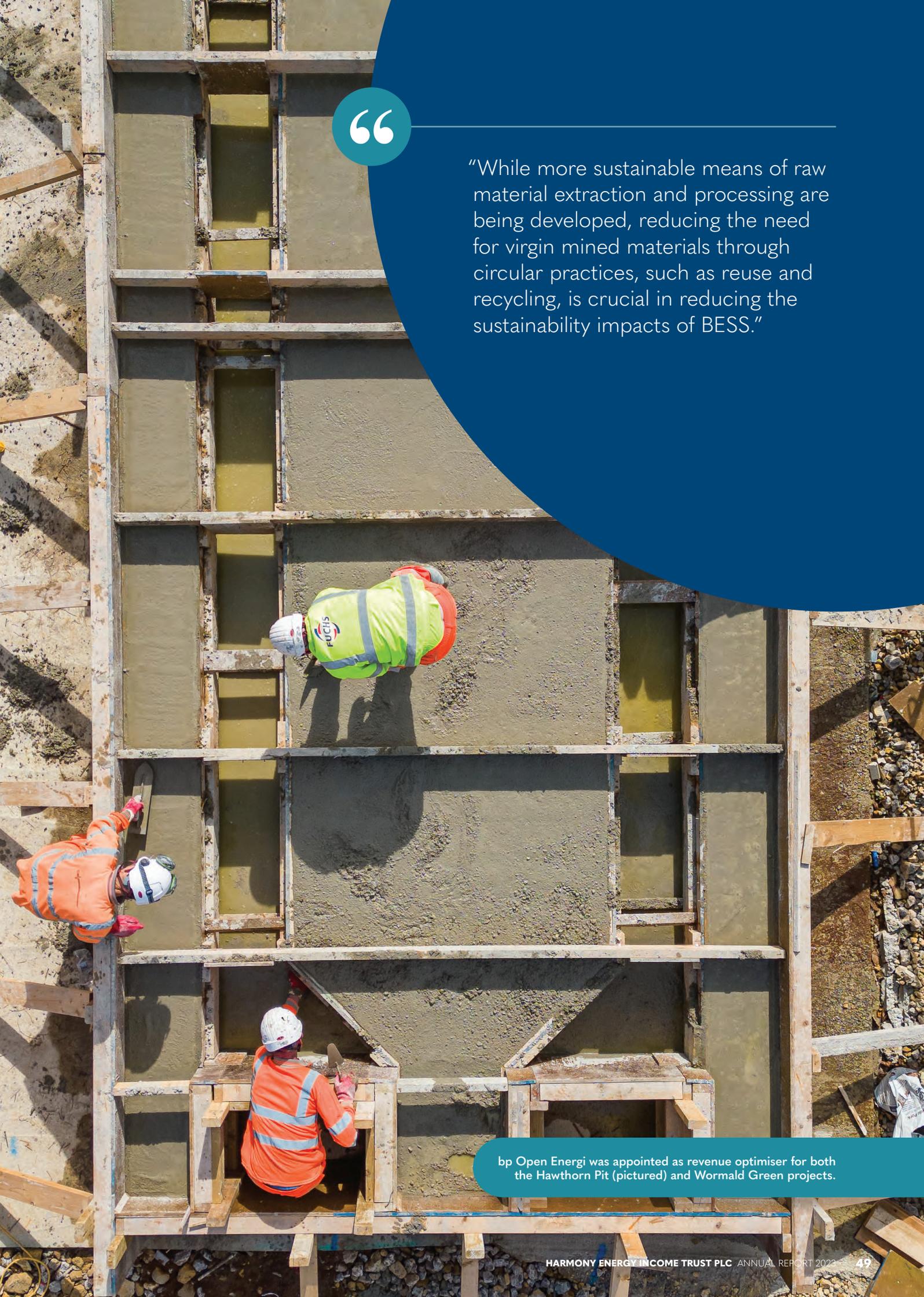
While more sustainable means of raw material extraction and processing are being developed, reducing the need for virgin mined materials through circular practices, such as reuse and recycling, is crucial in reducing the sustainability impacts of BESS. These processes can be difficult to define due to the long lifetime of renewable technology assets, which often spans several decades, and the uncertainty around future recycling practices as large-scale recycling facilities have yet to be established. However, the Company intends to make every effort to follow best practice in line with industry standards at the time of decommissioning.

In 2023, the Investment Adviser engaged with its two key BESS suppliers to better understand and encourage circular practices. Both suppliers estimate that up to approximately 95% of the battery modules can be recycled upon decommissioning. To facilitate end-of-life recycling, both suppliers are developing in-house recycling capabilities, as well as working with third-party reuse and recycling specialists. Given that the Company's first sites only became operational in 2022, there were few instances of BESS equipment replacement or removal during the Period. However, the Investment Adviser will work with equipment suppliers to ensure that future opportunities for equipment reuse and recycling are maximised.

#### Looking ahead

Key future priorities include:

- Introduce a Waste Policy covering 100% of assets.
- Develop the Company's approach to measuring waste.
- Continued engagement with suppliers and industry bodies to improve transparency of recycling processes and reporting.



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“While more sustainable means of raw material extraction and processing are being developed, reducing the need for virgin mined materials through circular practices, such as reuse and recycling, is crucial in reducing the sustainability impacts of BESS.”

bp Open Energi was appointed as revenue optimiser for both the Hawthorn Pit (pictured) and Wormald Green projects.



## PROMOTING POSITIVE PEOPLE IMPACTS

The Company champions a fair and just transition to net zero that benefits workers and communities.



## COMMUNITY IMPACT

### Approach

The Company considers the local communities in which it operates throughout the project lifecycle and strives to make a positive contribution to people that live and work nearby. The Company is typically responsible for each of its sites from site construction, through to operation and end-of-life, so it is well placed to manage community impacts throughout the asset lifecycle.

The Company and the Investment Adviser engage closely with a wide range of stakeholders throughout the project lifecycle. Harmony Energy Limited seeks to build strong relationships with local communities by keeping residents informed, consulted and empowered through the development process. From the point of acquisition, the Company engages meaningfully and openly, ensuring that stakeholders can share their views, ask questions and have issues addressed where possible. We support Harmony Energy Limited's promotion of public participation in the planning process and accessibility by using a range of engagement methods such as public drop-in events, exhibitions, online events, surveys, focus groups, interviews, leaflets and workshops.

The Company's community funds support initiatives that have a positive impact on the local community or environment throughout the lifetime of the project. The Company contributes £100 per MW every year from the start of commercial operations for each project with a minimum value of £5,000 per site per year. The Company has partnered with BizGive, a platform which links funders with community groups and third sector organisations seeking funding, to administer deployment of these funds. The Company chooses to allocate funds to initiatives benefitting the local area around each project and aligned with the priority SDGs identified from the materiality assessment.

The Investment Adviser also facilitates educational initiatives such as talks and visits, from local schools and universities, to sites, providing opportunities for people to learn about renewable energy and biodiversity.

The Company's NAV at 31 October 2023 exceeded £250 million. Therefore, in line with the commitment in the Prospectus, an additional "ESG Fund" has been established to support environmental and social initiatives within the wider investment trust and BESS industries. This fund has a budget of up to £250,000 per annum, funded from the difference between Board fees and 0.1% of the Company's NAV, based on the audited accounts for the financial year.

### Progress update

Applications for community funds for our first five operational projects were welcomed in 2023. The Pillswood community fund, totalling £10,000 annually, was the only fund to allocate donations in the Period. The other funds, which came online later in the reporting Period, will allocate funds during the next reporting Period. These five funds will contribute £35,000 per year towards local initiatives over the asset lifecycle.

In addition, the Company's ESG Fund accrued £21,000 during the Period, which will be allocated in 2024.

### Looking ahead

Key future priorities include:

- Develop a funding deployment strategy for the ESG fund.



The Pillswood community fund supported seven local charities and organisations in 2023.



## CASE STUDY

### PILLSWOOD COMMUNITY FUND: GENERATING A POSITIVE LOCAL IMPACT

The Company's multi-award winning Pillswood project supported the local area through its community fund during the Period.

The Company invited local community groups to apply for a share of the £10,000 per year fund, with grants split between initiatives. Seven local charities and organisations were supported through the fund including Environmental and Management Solutions (EMS) Yorkshire, Bag Books and Neighbourhood Network Hull.

EMS Yorkshire said: "The grant we have received has already helped hundreds of residents feed their families. We have used the funds to buy a large selection of long-life packet and tinned goods to stock the shelves of our affordable food shop. This gives residents a good choice to pick from to complement the fresh and chilled produce we have in stock."

Bag Books, a charity that enhances the lives of disabled individuals through multi-sensory books and storytelling, said: "We can't wait to get out and spread joy through our sensory storytelling!"

Neighbourhood Network Hull said: "This will make a huge difference to the Alf Marshall Community Centre and the wider community."



## PROMOTING POSITIVE PEOPLE IMPACTS

### WEALTH CREATION AND EMPLOYMENT

#### Approach

The Company aims to promote local employment and sustainable economic growth by encouraging contractors to use local suppliers and to create skilled green job opportunities for local people at the heart of the energy transition.

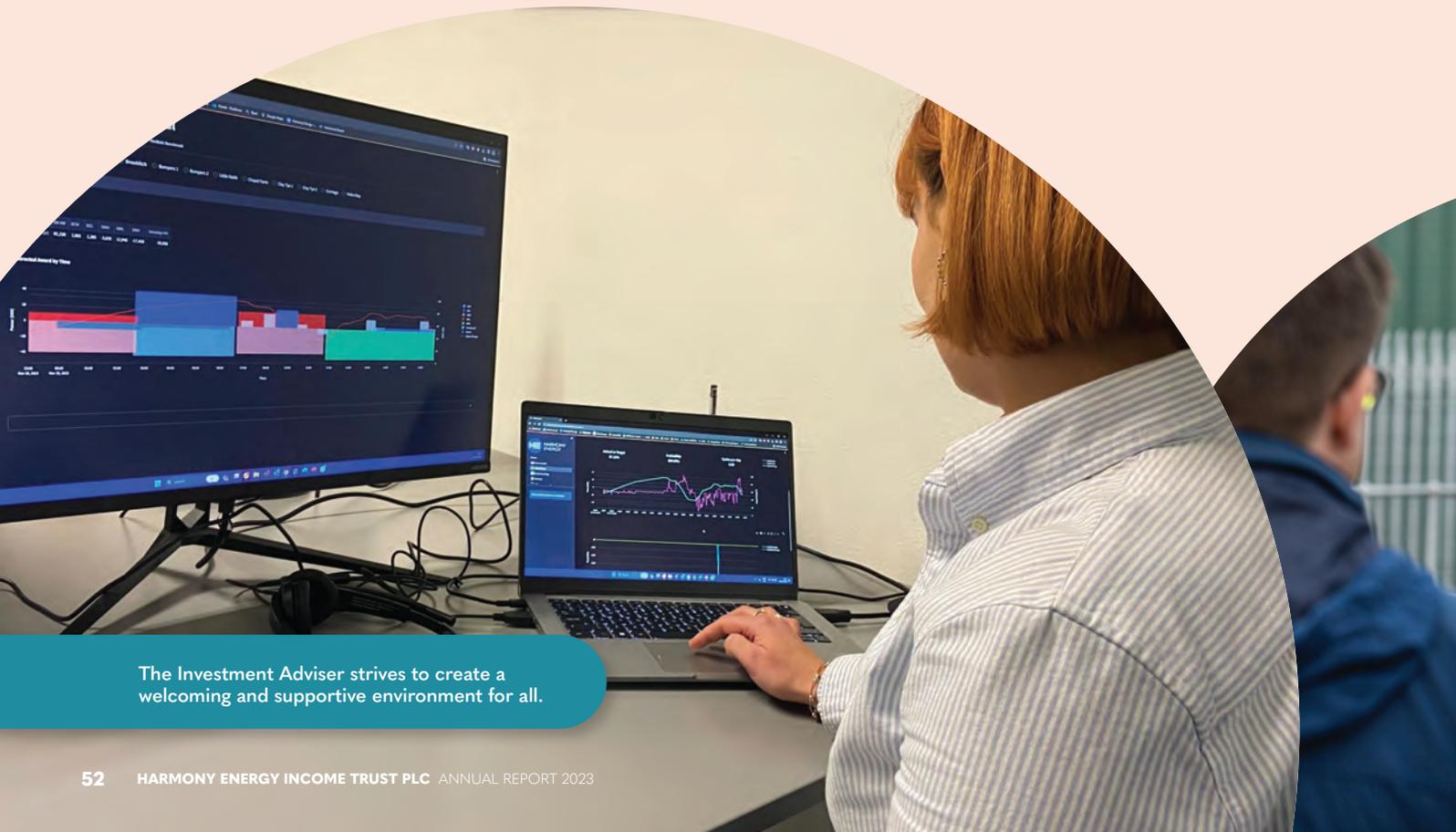
#### Progress update

The Investment Adviser strengthened its team during the Period, creating 11.2 new jobs because of the Company's activities. Jobs in the construction industry have also been supported through the construction of the Company's sites, and additional jobs created in the Company's supply chain and at the Company's service providers. The Investment Adviser will endeavour to report in more detail on indirect job creation in future reporting periods.

The Investment Adviser regularly engages with its 27 UK-based employees (as at the end of the Period), seeking feedback through employee surveys. In its summer 2023 survey, the Investment Adviser achieved an employee net promoter score of 76 (on a range

from -100 to +100), based on the likelihood employees would recommend the organisation to others as a place to work. Learning is promoted through internal knowledge-share sessions and externally facilitated training sessions, as well as employer-funded access to external training programmes.

The Investment Adviser is committed to creating a culture and working environment which encourages equality, diversity and inclusion and recognises the benefits of a diverse workforce. During the Period, an externally facilitated training session on equality, diversity and inclusion was delivered to all Investment Adviser employees, as well as inclusive recruitment training for all hiring managers. An equality, diversity and inclusion survey was sent to all staff to better understand the profile of the workforce. The data will help to identify any gaps or issues and enable the Investment Adviser to work towards improving them. At the end of the Period, 41% of the Investment Adviser's employees were female and 21% of employees were from ethnic minorities. These proportions have increased since the prior reporting Period and initiatives are planned to ensure inclusive human resources practices continue to be developed.



The Investment Adviser strives to create a welcoming and supportive environment for all.

## LABOUR AND HUMAN RIGHTS

### Approach

The renewable energy and storage industry has a responsibility to uphold social standards to ensure that the transition to a low carbon energy system is fair and just for workers and communities. Human and labour rights are important considerations for the Company. As an investment trust, the Company has no offices or employees, but it recognises the risks in the upstream BESS supply chain areas of mineral extraction, refining and parts manufacturing, and in relation to health and safety on the Company's sites.

All the Company's current assets use LFP battery technology instead of NMC technology. The absence of cobalt in the LFP batteries reduces exposure to human rights risks relating to cobalt extraction in the Democratic Republic of Congo, where most of the world's supply is sourced. However, risks remain, and the Company is committed to implementing robust due diligence processes to address these.

### Progress update

The Company promotes respect for human rights in its supply chain through the requirements set out in the Supplier Code. In 2023, the Company introduced a requirement for all new and existing key Tier 1 suppliers to sign its Supplier Code. Human rights due diligence is conducted on potential suppliers, during the procurement process, and the Investment Adviser continues to work closely with key suppliers, including its two existing

BESS suppliers, to better identify risks and mitigations, particularly in respect of the mining, refining and manufacturing stages of the BESS supply chain.

Health, safety and wellbeing is one of the Company's priority areas and it has introduced robust health and safety standards and transparent reporting. Suppliers are evaluated and scored on health and safety performance, capabilities, policies and management as part of the procurement processes for sites.

During the Period, the Investment Adviser has regularly engaged with the Company's suppliers on health and safety matters. The type of engagement varied depending on the topic and included formal meetings to discuss the health and safety legal responsibilities of each supplier, periodic site visits with the aid of health and safety specialists and informal site visits by the Investment Adviser's project management team. In addition, the Investment Adviser has introduced health and safety initiatives for promoting effective health and safety reporting, such as the site observations campaign offering monthly £50 Amazon vouchers to the staff member who submits the most effective safety observation at each site every month.

The Company is pleased to report zero RIDDOR reportable Health and Safety incidents during the Period and a high level of engagement with the Company's safety observation campaign (443 observations submitted across the portfolio).

### Looking ahead

Key future priorities include:

- Introduce a Human Rights Policy covering 100% of assets.
- Increase adoption of the Supplier Code across the supplier base.
- Further develop supply chain mapping to better understand and mitigate risks.



The Company's flagship BESS, Pillswood, hosted numerous tours in 2023.

# Operating responsibly

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“The Company behaves responsibly in order to ensure positive impacts for all stakeholders including sustainable value for its investors”

## ETHICAL BEHAVIOUR AND GOVERNANCE

As an investment trust, the Company has no executive management or employees. The Board seeks to deliver success through good decision making underpinned by robust debate. The varied professional, educational, socio-economic and cultural backgrounds of the members of the Board ensure there is rich diversity of knowledge, perspectives, and challenge in such debate. Details on the Board composition and Board diversity can be found in the Governance Report from pages 78-105.

The Company takes a zero-tolerance approach to bribery, fraud and corruption, and is committed to acting professionally, fairly, transparently, ethically and with integrity in all business dealings and relationships. The Supplier Code requires suppliers to adhere to anti-bribery and corruption policies no less stringent than those of the Company and the Company monitors key service providers' policies and approach through the annual Management Engagement Committee service provider review process. For suppliers to the project SPVs, the Investment Adviser seeks to ensure service providers have appropriate policies in place and due diligence is conducted as part of the procurement process.

The Pillswood project won three awards in 2023 including the “Utility Scale Storage Project of the Year” award at the Solar & Storage Live Awards.

## PROMOTING A MORE RESPONSIBLE AND SUSTAINABLE SUPPLY CHAIN

The Company recognises the risks in its supply chain and is working to embed responsible sourcing practices to strengthen the sustainability of its supply chain.

The supply chain provides the greatest opportunity for influence on ESG issues. Embedding sustainability in the supply chain will increase the resilience of the business and mitigate risks.

The Investment Adviser conducts ESG due diligence on potential key suppliers during the procurement process through an ESG assessment tool. Post-procurement, alongside sustainability requirements embedded in the contracts with suppliers, the Company requires key Tier 1 suppliers to sign its Supplier Code setting out the standards, principles and values that such suppliers are expected to uphold. The Supplier Code was drafted by reference to key guidance and frameworks such as the UN Global Compact, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas, the Responsible Business Alliance Code of Conduct, the Universal Declaration on Human Rights and the UK Government Buying Standards, to ensure best practice supply chain requirements were taken into account. In May 2023, the Company began the process of engaging existing key suppliers to confirm retrospectively their adherence to the Supplier Code. By the end of the Period, 68% of key Tier 1 suppliers had signed the Supplier Code.

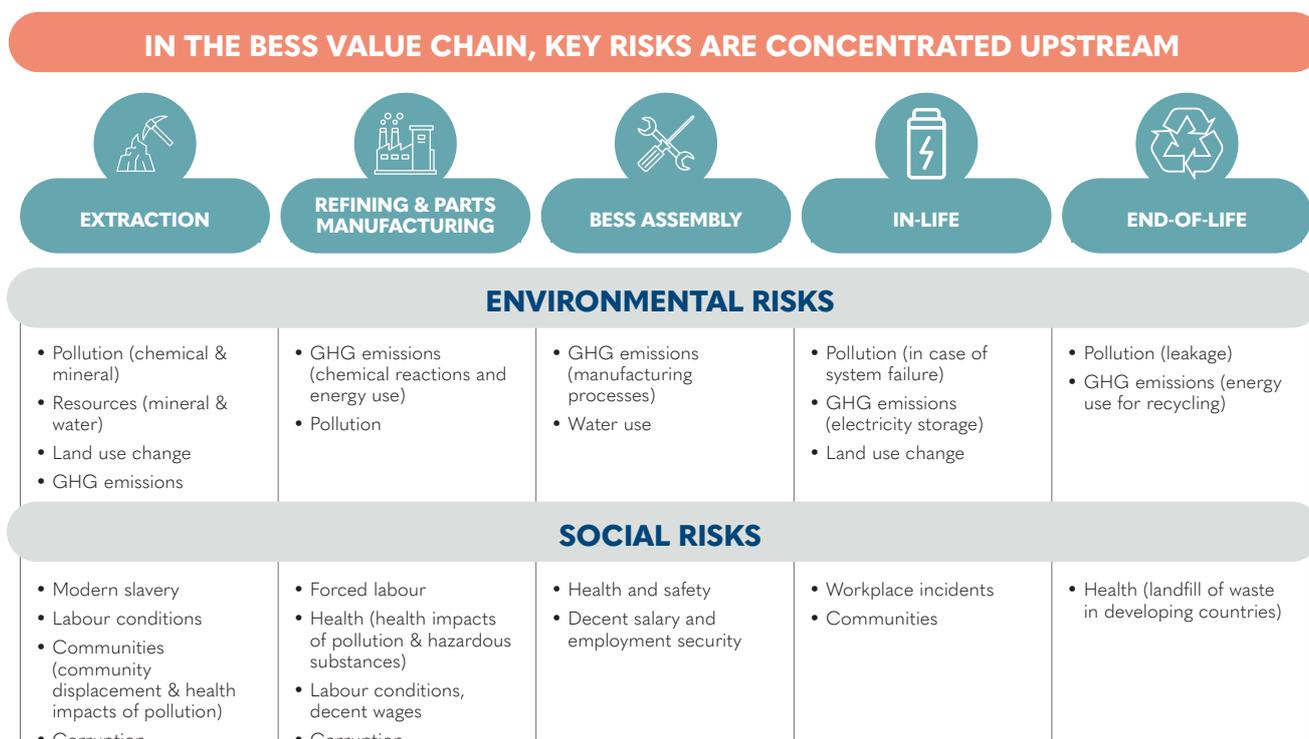
Supplier ESG audits have been introduced to monitor compliance with the Supplier Code, starting with an ESG audit of a key supplier's BESS production facility in China. The Company will continue to enhance the supplier due diligence approach, integrating ESG deeper into all processes as further knowledge on the supply chain is developed.

The Investment Adviser is working with existing BESS suppliers to better identify risks and mitigations, particularly in respect of the mining, refining and manufacturing stages of the BESS supply chain. In 2024, we will begin to identify supply chain areas with the most significant risk of adverse impact, considering factors including country risk, supplier reputation and ownership, degree of leverage, category and tier of supplier and nature of relationship. The Investment Adviser will then implement processes to monitor risks, concentrating on higher risk areas.

The Management Engagement Committee will, as in this reporting period, assess questions of service providers' progress against ESG goals through the annual questionnaires and evaluation process.

The Company recognises that no organisation can solve supply chain sustainability challenges in isolation. The Investment Adviser is a member of trade bodies including Solar Energy UK and the Electricity Storage Network, through which it contributes to the development of industry standards in sustainability alongside peers to drive positive change in the supply chain.

FIGURE 6: ENVIRONMENTAL AND SOCIAL RISKS IN THE BESS SUPPLY CHAIN



# Metrics

In line with our commitment to transparency on ESG performance, we have developed methodologies and data collection processes for a set of ESG metrics aligned with the strategic priorities identified in the materiality assessment. The below table contains the Company's ESG data for the prior period (1 October 2021 – 31 October 2022) and the current Period (1 November 2022 – 31 October 2023).

TABLE 4: METRICS

ESG PRIORITIES AND ASSOCIATED METRICS		2021/22	2022/23
<b>ENABLING A NET ZERO ENERGY SYSTEM</b>			
<b>Climate change mitigation</b>	Storage capacity (MW)	0	277.5
	Storage capacity (MWh)	0	555
	Total renewable energy stored (MWh)	0	30,938
	Estimated annual GHG emissions avoided through BESS projects HEIT invests in (tCO <sub>2</sub> e)	NA – not reported	15,415
<b>Greenhouse gas emissions</b>	Scope 1 GHG emissions (tCO <sub>2</sub> e)	0	0
	Scope 2 GHG emissions (tCO <sub>2</sub> e)	0	1,323
	Scope 3 GHG emissions (tCO <sub>2</sub> e)	1,879	153,607
	Total Scope, 1, 2 and 3 GHG emissions (tCO <sub>2</sub> e)	1,879	154,930
	GHG intensity relative to revenue (tCO <sub>2</sub> e/£m)	NA – not reported	23,345
<b>ENHANCING OUR NATURAL ENVIRONMENT</b>			
<b>Biodiversity</b>	Biodiversity net gain (% habitat loss/gain)	NA – not reported	+15
<b>Waste, resources and pollution</b>	Number of reportable environmental incidents (#)	0	0
	Maximum share of BESS that is recyclable (% by weight)	NA – not reported	Approximately 95
<b>PROMOTING POSITIVE PEOPLE IMPACTS</b>			
<b>Communities</b>	Investment in community projects (GBP)	0	10,000
<b>Employment</b>	Number of direct jobs created (#)	12.5	11.2
	Number of hours of training provided to Investment Adviser employees (#)	88	129
<b>Diversity and inclusion</b>	Representation on the Company's Board (gender) (%)	40	40
	Representation on the Company's Board (ethnicity) (%)	20	20
	Representation within the Investment Adviser (gender) (%)	30	41
	Representation within the Investment Adviser (ethnicity) (%)	NA – not reported	21
<b>Labour and human rights</b>	Key suppliers committed to the Supplier Code (%)	NA – not reported	68
<b>Health, safety and wellbeing</b>	Total RIDDOR reportable incidents (#)	0	0
	Site safety audits (#)	22	77
	Investment Adviser employee net promoter score (#)	88	76

The customer switchroom at each BESS site contains the switchgear necessary to act as the interface point between the site's systems and the DNO substation.



# TCFD and TNFD Report

Climate change and the natural environment are intrinsically linked - both to each other, and to the Company's core purpose and mission. The world's economies depend on nature and the services it provides, the loss of which also compromises the ability of societies to mitigate and adapt to climate change. As a battery energy storage investor, the Company's business model both supports and relies on a successful net zero transition. Enabling a net zero energy system is its primary strategic priority – climate-related opportunities are at the heart of its investment strategy, and it seeks to mitigate climate change by investing in renewable infrastructure. Nature has been identified as the Company's second strategic ESG priority, and the Company is committed to developing net zero infrastructure in a way that mitigates biodiversity loss. The Company must also consider its exposure to climate and nature risks to safeguard its strategy.

The TCFD and TNFD are international initiatives to assess and disclose climate and nature issues in a financial context. The aim of these frameworks is ultimately to shift global financial flows away from negative climate and nature outcomes toward positive outcomes, by providing decision-makers with accurate and timely information to improve strategic planning, risk management, and capital allocation.

Acknowledging the interconnectedness of climate and nature, the Company is pleased to present its first combined TCFD and TNFD report. This includes a risk and opportunity assessment related to climate and nature, aligned with best practice guidance as set out within one integrated disclosure. The Company does not currently fall within the scope of the FCA's mandatory reporting requirement but has chosen to voluntarily report in line with both frameworks.

## GOVERNANCE

### Board oversight of climate- and nature-related issues

Due to the nature of the Company's activities, climate and the natural environment are central to its key strategic, investment, and operational decisions. It is therefore critical that the Company has robust decision-making processes and oversight of these topics.

The Board has ultimate responsibility for and oversight of climate- and nature-related risks, opportunities, dependencies, and impacts. Many of the Board members are competent on these issues, though the Board also uses external experts to support its deliberations. The Board has delegated certain ESG-related responsibilities to its Committees and the Investment Adviser. For more information on the Company's ESG governance structure, including an organogram, please refer to page 42 of this report.

### Management's role in assessing and managing climate- and nature-related issues

The Investment Adviser is responsible for the implementation of the ESG strategy, as part of which climate change, GHG emissions, nature, and biodiversity are key focus areas (a materiality matrix and outline of the Company's strategy are included on pages 38 and 39 of this report).

Consideration of climate- and nature-related issues is part of the Company's investment process, from the initial screening and due diligence phases, including supplier vetting, through to the management, reporting, and decommissioning stages, guided by the Company's Responsible Investment Policy. More information is available on pages 40 and 41 of this report.

There is a close working relationship between the Company, the Investment Adviser, and the AIFM who manage the risk register. The AIFM provides risk management services to the Company and ensures compliance with applicable regulations. Representatives of the AIFM meet with the Investment Adviser at least quarterly, as well as on an ad hoc basis when required, to review the Company's risk register. More information on this process and the AIFM's involvement, is detailed in the Risk & Impact Management section on pages 64 and 65 of this disclosure.

**Assessing and responding to nature-related issues, human rights policies, stakeholder engagement activities, and oversight of these by the Board and management**

As an investment trust, the Company has no offices or employees, but recognises the risks associated with nature and all affected stakeholders across both its sites and BESS supply chain, particularly in the upstream areas of mineral extraction, refining, and manufacturing. To support the delivery of the Company's commitments to climate and nature across the supply chain, including to any Indigenous or Local Communities (as there are no Indigenous groups near Company sites), the Company requests that key suppliers sign the Supplier Code. The Investment Adviser monitors compliance with the Supplier Code and engages with key suppliers on an ongoing basis to ensure risks are being adequately managed. More information on this is available on page 55 of this report.

The Investment Adviser engages with a wide group of stakeholders on behalf of the Company throughout each project's lifecycle. Key stakeholders include the local community, landowners, National Grid ESO, investors, and suppliers. The Company promotes public participation in the planning and development processes through a range of ongoing engagement methods, such as public drop-in events, exhibitions, virtual events, surveys, focus groups, interviews, leaflets, and workshops. The Company also funds local initiatives through its project-level Community Funds and it is in the process of setting up an ESG Fund to support strategic ESG initiatives. Further details on the Company's approach to managing local community impact and human rights can be found on pages 50, 51 and 53 of this report, respectively.



Managing Director, Paul Mason, hosted numerous investor presentations at our sites in 2023.

TCFD and TNFD Report continued

STRATEGY

Identified climate- and nature-related risks, opportunities, dependencies, and impacts

The Company’s strategy is centred around the opportunity presented by the net zero transition. However, it is prudent to recognise that the pace and scale with which the opportunity is realised may be subject to some risks and constraints.

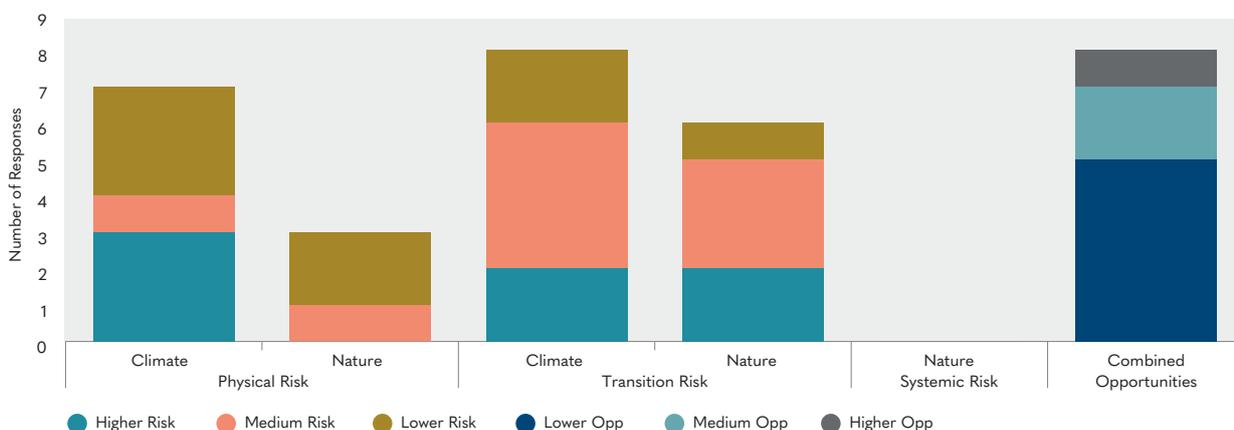
In order to understand where such risks and constraints lie, or conversely, where accelerators relating to the climate opportunity may lie, a screening exercise has been undertaken, jointly for climate and nature. This identified a long-list of 32 climate- and nature-related risks and opportunities that may impact the Company, or create a dependency or impact on nature, shown in

Table 5 and Chart 12 (below). Each risk or opportunity was categorised as physical, transitional, or systemic. A description of the impact, dependency, or effect – business model and financial impact – was included, with the financial areas aligned to TCFD and TNFD guidance. The term ‘business model impact’ is used by the Company as a reference to specific activities or functions within the value chain. Each risk and opportunity was assigned a preliminary ‘higher’, ‘medium’, or ‘lower’ rating based on stakeholder consultations, a review of peer organisations, and qualitative scoring of impact to the Company’s business model and finances.

**TABLE 5: SUMMARY OF LONG-LIST OF CLIMATE- AND NATURE-RELATED RISKS AND OPPORTUNITIES BEFORE SCORING PRODUCED THE SHORT LIST. SOME OPPORTUNITIES WERE JOINT CLIMATE AND NATURE, SO HAVE NOT BEEN SEPARATED.**

	HIGHER SCORE	MEDIUM SCORE	LOWER SCORE	TOTAL
Climate physical risks	3	1	3	7
Climate transition risks	2	4	2	8
Nature physical risks	0	1	2	3
Nature transition risks	2	3	1	6
Nature systemic risks	0	0	0	0
Opportunities (combined)	1	2	5	8
<b>Total</b>	<b>8</b>	<b>11</b>	<b>13</b>	<b>32</b>

**CHART 12: SUMMARY OF THE 32 CLIMATE- AND NATURE-RELATED RISKS AND OPPORTUNITIES BEFORE SCORING PRODUCED THE SHORT LIST. SOME OPPORTUNITIES WERE JOINT CLIMATE AND NATURE SO HAVE NOT BEEN SEPARATED.**



### Potential impacts and effects on the Company's business model, value chain, strategy, and financial planning

The risks and opportunities assigned higher scores are detailed in Table 6. The Company has described any current mitigation actions against the collective risks and opportunities in Table 6 on pages 62 and 63. For each of the most material risks and opportunities, the impact to the most relevant business model stage is detailed in accordance with the stages set out in the Risk & Impact Management section on pages 64 and 65. Prior to prioritising the most material risks, the long list showed that each stage of the business model is impacted by climate and nature, or the Company is impacting nature. The Company recognises that even though some risks and opportunities fall outside the direct ownership and control of their business model, such as project development owned by Harmony Energy Limited, the Company can still indirectly influence action.

Following its voluntary disclosure against the TCFD and TNFD recommendations this year, the Company may consider time horizons as part of next year's scenario analysis. Time horizons are not specifically defined in the Company risk register and instead implied through the scoring for likelihood and severity, i.e., higher likelihood scores implying nearer term. The Company is aiming to develop the necessary frameworks and methodologies to undertake scenario analysis in future, in recognition of its importance in informing more effective strategy setting and financial planning.

The Company will consider implementing the TNFD's Locate, Evaluate, Assess and Prepare ("LEAP") guidance as a means of further identifying and assessing nature-related issues to improve its nature-related disclosures. An initial analysis of material impacts and dependencies has been carried out in a screening assessment with specialist third-party consultants. In the risk registry, a comparatively lower number of nature risks were rated as a high priority, relative to climate.

### Impact on nature

The most important factor for a deep-dive in line with the TNFD-LEAP approach is to move from a company perspective to location-specific context. The TNFD recommendations urge organisations to disclose their priority and sensitive locations, as defined by the TNFD definition (see textbox below).

Ecological surveys and biodiversity net gain assessments have been conducted at all sites. In the future, the Company intends to conduct site level analysis in line with the TNFD-LEAP methodology to gain a more detailed understanding of the impacts and dependencies relevant to each location.

For the supply chain, the Company's material dependencies and risks are linked to the extraction and processing of lithium. In future, the Company intends to conduct further analysis of the supply chain to identify more detailed location-specific information regarding where impacts, dependencies, risk and opportunities occur.

Sensitive locations are locations where the assets and/or activities in an organisation's direct operations – and, where possible, upstream, and downstream value chain(s) – interface with nature in:

- Areas important for biodiversity; and/or
- Areas of high ecosystem integrity; and/or
- Areas of rapid decline in ecosystem integrity; and/or
- Areas of high physical water risks; and/or
- Areas of importance for ecosystem service provision, including benefits to Indigenous Peoples, Local Communities and affected stakeholders.

Recommendations of the Taskforce on Nature-related Financial Disclosures, September 2023

## TCFD and TNFD Report continued

**TABLE 6: CLIMATE- AND NATURE-RELATED RISKS AND OPPORTUNITIES, DEFINED AS PHYSICAL OR TRANSITIONAL AND WITH THEIR BUSINESS MODEL AND FINANCIAL IMPACT DETAILED.**

RISK CAUSE	RISK EVENT	RISK EFFECT	BUSINESS MODEL IMPACT	FINANCIAL IMPACT
<b>CLIMATE RISKS: PHYSICAL</b>				
<b>CHRONIC</b>				
<b>Extreme heat</b>	Batteries and cooling fans operating outside designed temperature parameters, working harder to maintain optimised temperatures and wearing components faster.	Hot batteries are less efficient and fans may shutdown if they overheat, both resulting in increased maintenance costs. Noise from fans leads to noise complaints, damaging reputation and incurring potential legal costs.	Operations	P&L Cost
<p><b>Mitigating action:</b> The Company's battery assets are designed to withstand operating temperatures of -30°C to 45°C. All Company assets are in the UK, so there is a lower risk of breaching the upper or lower limit of the temperature range. Warranties for equipment performance and degradation are in place if equipment was to degrade due to operating in higher temperatures. Noise complaints are addressed individually and BESS suppliers fed back to with the aim of collaboratively reducing noise levels.</p>				
<b>ACUTE</b>				
<b>High winds</b>	Grid network power lines may fail.	Impedance to battery charge/discharge resulting in reduced energy storage/supply to the off-taker, and reduced revenue.	Operations	Revenue
<p><b>Mitigating action:</b> Harmony Energy Limited ("HEL"), who operates assets on behalf of the Company, works closely with DNOs to schedule outages to times that least affect revenues. In the event of an unplanned outage on the grid network, the Company is exposed to the first 30 days of lost revenue. Thereafter, the Company can lodge a Business Interruption claim with its insurance underwriter. On a more macro level, the Company's portfolio is better hedged against this risk by having a larger number of 50MW or lower sized sites that are geographically spread, rather than a few 100MW+ sites.</p>				
<b>Flash flood</b>	Difficulty dispersing excess water on site can lead to damaged equipment/halted operations and injured workforce.	Both or either costs to replace or fix equipment and impact on legal/insurance fees and delays in on-site work. The relative financial impact will vary with employee numbers and type of insurance cover.	Operations	P&L Cost
<p><b>Mitigating action:</b> Pre-acquisition due diligence on potential target assets considers flood risk and mitigation measures to ensure adequate protection is in place. Flood risk assessments are completed as part of the site selection process by HEL. Mitigation measures are also incorporated into site design, for example, all sites have appropriate drainage and equipment is elevated on platforms at certain sites to alleviate flood risk.</p>				
<b>CLIMATE RISKS: TRANSITIONAL</b>				
<b>POLICY &amp; LEGAL</b>				
<b>UK net-zero ambition</b>	There is a gap between the UK's ambitious net-zero target and the current policies needed to achieve it.	There could be a reduction in UK specific renewables investment, and thus BESS, reducing potential revenue.	Project Development	Revenue
<p><b>Mitigating action:</b> Subscriptions to market intelligence services increase the Investment Adviser's awareness of any policy and market developments. The Investment Adviser and Board regularly engage with industry stakeholders and policymakers around the importance of net zero-aligned policies that support renewable infrastructure. This is achieved through different quarterly meetings, reports, papers, and written updates. These two factors allow the Company both to monitor the political landscape as well as to engage in consultations and contribute to policy making. Any changes to the market outlook are factored into revenue forecasts and investment proposals. Additional financial provision has been added to the financial model to account for slow ramp-up of new projects to full operational capability.</p>				

RISK CAUSE	RISK EVENT	RISK EFFECT	BUSINESS MODEL IMPACT	FINANCIAL IMPACT
<b>NATURE RISKS: PHYSICAL</b>				
<b>CHRONIC* (NATURE &amp; CLIMATE)</b>				
<b>Water scarcity, drought</b>	A dependency on lithium places pressure on water sources needed by lithium mines and local communities.	Increase cost of lithium for battery suppliers and therefore HEIT (and possibly other raw materials).	Contracting	Capital Cost
	<b>Mitigating action:</b> Capex has been, and continues to be, volatile, driven by underlying commodity costs (specifically lithium). However, the Investment Adviser ensures that capex is fully contracted prior to the Company making investment decisions. HEAL reviews sub-contractors' pricing prior to approval and has successfully reduced quoted prices on several signed projects. The contracting SPV owned by the Company aims to sign Engineering, Procurement and Construction (EPC) contracts with robust obligations regarding price. Contingency has been included to cover unexpected cost increases, approved by our supplier RINA as part of the debt due diligence process. Subscriptions to market intelligence services also increase the Investment Adviser's awareness of commodity cost changes. Additionally, the Company monitors developments in emerging BESS technologies for example, sodium-ion batteries, which are less reliant on the critical minerals facing supply deficits, such as lithium.			
<b>NATURE RISKS: TRANSITIONAL</b>				
<b>REPUTATION</b>				
<b>Mining</b>	The Company's BESS are dependent on lithium for the production processes. Mining lithium often negatively impacts local communities, water quality, forests and biodiversity, air pollution and energy use.	Damage to reputational image and costs to rectify if company linked with these activities.	Contracting	P&L Cost
	<b>Mitigating action:</b> Pre-acquisition, the Investment Adviser conducts ESG due diligence on potential acquisitions and suppliers, including relating to environmental and social risks to help ensure supply chain risks are being managed. The due diligence process will be reviewed and updated where relevant to incorporate lithium mining as a result of this reporting exercise. Post acquisition, the Company requires suppliers to sign its Supplier Code setting out the standards, principles, and values that suppliers are expected to uphold, including a specific commitment to protect the environment. The Investment Adviser monitors compliance with the Supplier Code and engages with suppliers to drive performance improvements.			
<b>OPPORTUNITIES</b>				
<b>MARKET</b>				
<b>EU &amp; UK net-zero targets</b>	UK net zero target requires accelerated growth of renewable energy.	Demand for BESS increases to match growth and revenue potential increases. Demand stems from increased demand for grid frequency and balancing services.	Project Development	Revenue
	<b>Enabling action:</b> BESS infrastructure is integral to the net zero transition by providing grid stability services that enable the adoption of more renewable power. The UK's legally binding target of Net Zero by 2050 acts as an enabler, as this provides investor confidence that future investment in grid stability is needed as we transition away from fossil fuel generation sources. This includes BESS and renewable power, clearly aligning with the Company's business model. As an investor in battery energy storage systems and complementary renewable energy generation assets, the net zero transition is at the core of the Company's investment policy and climate-related opportunities are inherently considered in business, strategic, and financial planning.			
<b>Increased renewables</b>	An increase in intermittent renewable energy sources supplying the grid can lead to supply- demand imbalances, contributing to electricity price volatility.	Greater wholesale market spreads create revenue opportunities for BESS. Volatility furthered by extreme weather effects negatively impacting renewables.	Operations	Revenue
	<b>Enabling action:</b> Battery energy storage provides the infrastructure needed to integrate more renewable energy into power systems. The Company will expand its activities to match the increasing proportion of renewables on the grid over time, allowing it to maximise the benefits of increased revenues due to greater wholesale market spreads.			
<b>Battery recycling technology</b>	Tesla and Envision are developing lithium battery recycling technology.	Recycling lithium in production reduces end of life battery disposal cost and future carbon taxes.	End-of-Life	Revenue
	<b>Enabling action:</b> The Company actively engages with key BESS suppliers and industry bodies to try and accelerate developments in end-of-life recycling processes.			

## TCFD and TNFD Report continued

## RISK & IMPACT MANAGEMENT

### Identifying, assessing, and prioritising

During the Period, the Company conducted a screening assessment with specialist third-party consultants to identify material climate- and nature-related risks, opportunities, dependencies, and impacts across both direct operations and upstream and downstream value chain activities. The Company's value chain can be described using the various stages of its business model: Stage 1: Project Development; Stage 2: Contracting; Stage 3: Construction; Stage 4: Operations; and Stage 5: End-of-Life. The Company only acquires "shovel ready" projects, with Harmony Energy Limited performing the initial Project Development stage.

Project Development and End-of-Life disposal activities are outside of the Company's 'direct' ownership and control. However, these activities could still present climate- and nature-related commercial risks to the Company and have therefore been included within the scope of the risk screening process. The Company has a level of 'indirect' influence over these activities and would look to apply this influence in the management of any climate- and nature-related risks and opportunities, should it be relevant to do so.

The process for determining the significance of climate and nature risks varied from the regular corporate and site risk assessment processes due to increased, focused stakeholder consultation. Additionally, the time horizons considered for climate and nature risks and opportunities include grouping the long, medium, and short terms; as opposed to just the short and medium terms, which have historically been more in focus for the corporate and site assessments.

However, once scenario analysis has been performed and risks are better understood and quantified, these two processes may become better integrated, and updated on a regular, periodic basis, reducing the need for additional, focused stakeholder engagement on climate and nature.

A multi-functional stakeholder group from across the Company participated in a workshop, including members of the Board and the Investment Adviser to produce a long list to support the preparation of this disclosure. The long list included a variety of sub-categories of risks—physical (acute and chronic), transitional (policy and legal, including emerging regulations, technology, market, reputation, liability), and systemic (ecosystem stability, financial stability)—and opportunities—transitional (resource efficiency, energy source, products and services, markets, resilience) and systemic (ecosystem restoration) in alignment with TCFD and TNFD guidance.

As the Company operates only in the UK, any issues were considered nationally. The specific timescales or locations of impact were not considered at this stage. These would be explored as part of any future scenario analysis using data to quantify both climate- and nature-related issues.

For each identified risk and opportunity, an impact pathway assessment was undertaken to define the impact to the relevant stage of the Company's business model, compare against industry peers, and weight the relative financial impact. This was used to generate a qualitative score to allow for prioritisation—a higher score is associated with a given risk or opportunity impacting multiple areas of the supply chain, a qualitative assessment concluding high relative financial impact, and more frequent prioritisation across the peer group. The initial long list was ranked according to this scoring system; the prioritised short list is presented above under the Strategy subsection.

In line with the Company's previous ESG materiality assessment, a "material" area is one that has the potential to impact the long-term viability of the company and is of concern to stakeholders.

Risks are categorised and assessed to determine likelihood (the chance, or frequency of occurrence) and impact (the magnitude of damage). Ratings are applied to the risks before any mitigating action and again following consideration of the adequacy of mitigating actions. More information on this process can be found in the Governance section above, describing management's role in assessing and managing climate- and nature-related risks, opportunities, impacts, and dependencies.

### Monitoring and managing

The Board recognises the importance of effective risk management in enabling the Company to deliver its strategic objectives. Mitigation measures and action plans are put in place to manage identified risks. The Investment Adviser oversees implementation of any of these measures, such as biodiversity and land management, and community engagement. Identified risks are assigned owners within the Investment Adviser to ensure accountability; day-to-day ownership sits with these named individuals who monitor both current and emerging risks. These risks and mitigations are recorded in site-level risk registers and reflected in the Company-level risk registers, which is reviewed quarterly by the Board to advise on the implementation of additional risk management actions if deemed necessary.

Current descriptions of agreed mitigation measures for managing the material risks identified as part of the climate and nature screening are included in Table 6 above under the Strategy heading of this disclosure. Future management actions for newly identified risks would take a similar format.

### **Integrating into overall risk management**

The identified risk owners within the Investment Adviser are responsible for formal quarterly reporting of all current and emerging risks and issues. A formal quarterly review of the risk register is carried out by the Investment Adviser and any recommendations for updates are made to the AIFM. The proposed updates to the Company's risk register are further reviewed and approved by the AIFM's internal Risk Committee in advance of circulation to the Board for its approval. Mitigating actions are also summarised in the risk register and are subject to review and monitoring.

The Company has worked closely with the AIFM to integrate the risks identified as part of the recent screening into the risk register. The AIFM conducted a gap assessment against the existing risks in the risk register to ensure that any new climate and nature risks were integrated.



The launch event for the 196 MWh / 98 MW Pillswood BESS took place in March 2023.

## TCFD and TNFD Report continued

## METRICS AND TARGETS

For information about the Company's approach and progress towards monitoring climate change mitigation, GHG emissions, and nature and biodiversity metrics, including priority targets for the upcoming year, see pages 43-48 of this report. The full list of ESG metrics identified through a materiality assessment process is listed on page 56 of this annual report.

The following table is a summary of indicators associated with the TNFD, including all the core metrics, and a description of its relevancy to the Company on a comply or explain basis. The climate change indicators are relevant to both the TCFD and TNFD frameworks.

**TABLE 7: TNFD CORE GLOBAL DISCLOSURE INDICATORS AND STATUS OF METRICS FOR NATURE-RELATED DEPENDENCIES AND IMPACTS, AS APPLICABLE TO THE COMPANY**

CATEGORY	INDICATOR	STATUS
Climate change	GHG Emissions	The Company measures scope 1, 2, and 3 emissions in line with the GHG Protocol. See p. 56 and the description below this table for details.
	Carbon Avoidance	15,415 tCO <sub>2</sub> e
	Renewable Energy Stored	30,938 MWh
	Weighted average carbon intensity (WACI)	23,345 tCO <sub>2</sub> e/£m
Land/freshwater/ocean- use change	Total spatial footprint	Nature-related data is nascent, and the Company does not yet capture this information.
	Extent of land/freshwater/ocean-use change	
Pollution/pollution removal	Pollutants released to soil split by type	Nature-related data is nascent, and the Company does not yet capture this information
	Wastewater discharged	
	Waste generation and disposal	Nature-related data is nascent, and the Company does not yet capture this information
	Plastic pollution	
	Non-GHG air pollutants	
Resource use/replenishment	Water withdrawal and consumption from areas of water scarcity	Nature-related data is nascent, and the Company does not yet capture this information.
	Quantity of high-risk natural commodities sourced from land/ocean/freshwater	Nature-related data is nascent, and the Company does not yet capture this information.
Invasive alien species and other	Measures against unintentional introduction of invasive alien species (IAS)	Nature-related data is nascent, and the Company does not yet capture this information.
State of nature	Ecosystem condition	Nature-related data is nascent, and the Company does not yet capture this information.
	Species extinction risk	

**TABLE 8: METRICS RELATING TO THE FINANCIAL IMPACT (MONETARY VALUE) OF IDENTIFIED MATERIAL RISKS AND OPPORTUNITIES.**

CATEGORY	INDICATOR	STATUS
<b>Risk</b>	TNFD requires reporting on a metric depicting value of assets, liabilities, revenue, and expenses that are assessed as vulnerable to nature-related transition and physical risks (total and proportion of total).	Future quantitative scenario analysis and the LEAP-approach will be combined with the Company's asset value and revenue to understand financial exposure and proportion of the Company's portfolio exposed to physical and transitional climate- and nature-related risks. This can include legal and policy risks if deemed material.
<b>Opportunity</b>	TNFD requires reporting on a metric depicting an amount of capital expenditure, financing or investment deployed towards nature-related opportunities, by type of opportunity, with reference to a government or regulator green investment taxonomy or third-party industry or NGO taxonomy, where relevant.	Further work such as quantitative scenario analysis and the LEAP- approach will be required to enable disclosure of these metrics.
	Increase and proportion of revenue from products and services producing demonstrable positive impacts on nature with a description of impacts.	

### Scope 1, 2, and 3 GHG emissions

The Company has calculated its carbon footprint for the previous two years, covering the reporting periods of 2021/2022 and 2022/2023, in line with the World Resource Institute's (WRI) internationally recognised reporting standard the GHG Protocol.

The Company defines its organisational boundaries using the equity share approach as per the GHG Protocol Corporate Standard, whereby a company accounts for GHG emissions from operations according to its share of equity in the operation. This approach focuses on including GHG emissions from activities that are under the financial control of the reporting company, presenting a more accurate picture of the Company's environmental impact by including GHG emissions from entities it has a significant influence over. Under the equity share approach, all Special Purpose Vehicles ("SPVs") are within the Company's organisational boundary, as they are fully owned subsidiaries. Under the methodology used, the construction and materials' GHG emissions for a project will be recognised only once the construction of that project is complete.

With no employees or physical offices during the Period, the Company had zero Scope 1 GHG emissions.

Emissions relating to electricity consumed and lost on operational BESS sites are accounted for under the Company's Scope 2 emissions. Electricity consumption and losses figures are calculated based on the difference between half-hourly energy import and export data. To calculate Scope 2 emissions relating to the operation of the batteries, UK National grid carbon intensity values are applied to electricity consumption and losses data.

When calculating Scope 3 GHG emissions, the relevant categories for the Company include:

- Category 1: Purchased goods and services – professional services purchased by the Company; and
- Category 6: Business travel – Non-executive Board business travel.

Scope 3 GHG emissions for the Company that derive from SPV-level activities include:

- Category 1: Purchased goods and services – goods and services purchased by SPVs;
- Category 2: Capital goods – cradle-to-supplier gate emissions of capital goods (e.g. battery packs and transformers) purchased or acquired by SPVs;
- Category 3: Fuel and energy related activities – well-to-tank ("WTT") and transmission & distribution ("T&D") emissions of electricity consumed or lost on SPV sites;
- Category 5: Waste generated in operations – waste generated on-site, and disposal of equipment (e.g. battery packs) at the end of its life; and
- Category 11: Use of sold products – upstream emissions of the electricity exported to the grid (i.e. not consumed or lost on site).

A range of methodologies are used to calculate the GHG emissions for different activities and entities. Various levels of data quality are available across the different GHG emission categories, therefore different methodologies must be applied.

## TCFD and TNFD Report continued

For the next periods, the Company aims to increase the quality of data where possible and the coverage of reporting. For example, collecting activity data over spend-based data will be a priority for business travel, as well as waste and water use data to ensure more granular detail of future inventories. Additionally, the Company intends to consider setting a GHG emissions reduction target in 2024.

TABLE 9: PRIOR YEAR AND CURRENT YEAR GHG EMISSIONS FIGURES

SCOPE AND CATEGORY	2021/22 DATA (TCO <sub>2</sub> E)	2022/23 DATA (TCO <sub>2</sub> E)
GHG Emissions	Scope 1	0
	Scope 2	0
	Scope 3	1,879
	Total Scope 1, 2, and 3	1,879

## Renewable energy stored

The Company calculates the total renewable energy stored for all operational sites that the Company invests in. This metric allows the Company to measure the role of BESS in facilitating the increased adoption of renewable power.

Renewable energy for this metric includes wind, solar, biomass, geothermal, and hydroelectric generation, and excludes coal, gas, nuclear, imported or 'other' energy sources categorised by the National Grid's API. Half-hourly asset-specific energy data combined with energy generation mix data from the National Grid was used to calculate the amount of energy from renewable sources that was consumed by the BESS sites relative to energy from non-renewable sources. For 2022/2023, a total of 30,938 MWh imported by the operational portfolio was derived from renewable sources, constituting 36% of the total electricity imported.

## Carbon avoidance

The Company calculates the GHG emissions avoidance impact of its BESS assets. The Company's BESS provide critical grid services and can be used for different modes of operation such as energy arbitrage actions, balancing mechanism actions, or ancillary services actions; the metric calculates carbon avoided for these three uses. Each of these battery energy actions has a subsequent carbon impact due to the resulting change in the net load system the action produces.

TABLE 10: CARBON IMPACT OF BATTERY ACTIONS

MODES OF OPERATION	ENERGY ARBITRAGE	BALANCING MECHANISM	ANCILLARY SERVICES
<b>Description of activity</b>	The Company's BESS are optimised to charge at off-peak times when the carbon intensity of the grid is more likely to be low and discharge at high peak times when the carbon intensity of the grid is more likely to be high.	The Company's BESS responds to dispatches from National Grid ESO to balance supply and demand.	The Company's BESS provide frequency response services to system operators such as National Grid ESO.
<b>The carbon impact</b>	Energy arbitrage actions support carbon emissions avoidance by enabling the integration of additional low-carbon renewable power within the grid's energy mix and, in doing so, displacing more carbon-intensive fossil-based power generation whilst lowering the overall carbon intensity of the electricity on the grid.	BESS responding to dispatches from the National Grid ESO to balance supply and demand contributes to grid stability. The subsequent carbon impact is tied to the ability of the BESS to quickly respond to fluctuations in energy demand and supply.  Efficient response helps avoid the need for ramping up or down traditional power plants, particularly those using fossil fuels. This can reduce the carbon emissions associated with the quick adjustments required to maintain grid balance.	Providing frequency response with the BESS involves rapid and precise adjustments to maintain the stability of the grid. The subsequent carbon impact is primarily seen in the reduction of reliance on fossil CCGT plants. By offering quick frequency support, the BESS helps avoid the need to deploy CCGT plants, which are often less efficient and have higher emissions. Similar to balancing mechanism actions, the carbon impact in ancillary services operation is also associated with the BESS's role in balancing supply and demand.

MODES OF OPERATION	ENERGY ARBITRAGE	BALANCING MECHANISM	ANCILLARY SERVICES
<b>Calculation methodologies</b>	<p>The GHG emissions avoidance of a BESS project during energy arbitrage and balancing mechanism actions are calculated as the difference in the emissions between the actual scenario where the BESS is in use and a hypothetical, 'business as usual' scenario when the BESS is not in use. In the first scenario, the supply of electricity to the grid is provided by the BESS assets; in the second, business as usual scenario, it is provided by a gas peaker plant. Emissions associated with system efficiency losses are incorporated into the calculations.</p> <p><b>GHG avoidance = (emissions of the hypothetical peaking plant scenario) – (emissions of the BESS (arbitrage and balancing mechanism) scenario)</b></p>		<p>The GHG emission avoidance of a BESS project during ancillary service use is calculated as the difference in the emissions between the actual scenario where the BESS is in use and a hypothetical business as usual scenario where ancillary services are provided by running a CCGT plant. It is assumed the CCGT would be running at a reduced efficiency of 45% as the usual case in this scenario.</p> <p><b>GHG avoidance = (emissions of the hypothetical CCGT scenario) – (emissions of the BESS (ancillary services) scenario)</b></p>

Whilst the Company's methodology aligns to the EU methodology and GHG Protocol for assessing avoided GHG emissions, further improvements can be made. For example, this methodology solely incorporates the overall carbon avoidance for the UK grid and does not capture the impact the storage systems have on the marginal carbon intensity from daily import and export services. Future developments in this regard will be closely monitored to ensure the methodology is aligned with current best practice guidance to provide the most accurate assessment of the carbon avoidance potential of BESS.

### Climate- and Nature-related Targets

The Company has recently begun tracking against a set of relevant metrics (see page 56 of this report) and, as such, has not yet set any specific climate-related targets regarding GHG emissions, avoided emissions, water usage, or energy usage in line with anticipated regulatory requirements, market constraints, or other ambitions.

The Company's only target at this stage is in relation to biodiversity, targeting a biodiversity net gain of 10% or more across the portfolio, ahead of the UK government mandated BNG target coming into effect in 2024. This reporting year of 2022/23 is the baseline for this target, given that it marks first year of site operation for the Company.

The Company is considering further analysis of the identified risks and opportunities in 2024, potentially to include scenario analysis and/or the LEAP approach, which will enable a more thorough assessment of the material financial impacts of climate and nature issues. The outcomes of this screening and any further analysis will be used to set the most appropriate targets going forward to manage its climate- and nature-related risks and opportunities.

# Principal Risks and Uncertainties

The Board recognises the importance of effective risk management in enabling the Company to deliver its strategic objectives. The Investment Policy, as set out in the Prospectus and as amended from time to time, details the limits on risk that the Board will take.

## WHAT WE MONITOR

The Company's risk register was prepared based on the risks stated in the Prospectus, and is regularly reviewed by the Investment Adviser, the AIFM and the Board and updated to reflect any emerging risks or changes to the identified risks. Day-to-day ownership of risk sits with named individuals at the Investment Adviser, who monitor and assess both current and emerging risks. Risks are categorised and assessed to determine likelihood and impact. Ratings are applied to the risks before any mitigating action and again following consideration of the adequacy of mitigating actions. Mitigating actions are summarised in the risk register and are subject to review and monitoring.

## HOW WE MONITOR RISK

The Board retains ultimate responsibility for the Company's activities and Board meetings are held at least four times a year, at which the risk register of the Company is reviewed, and updates are reported by the AIFM on any changes to the risks or their ratings.

The Audit and Risk Committee meets at least three times each year. The Committee reviews the adequacy and effectiveness of the Company's internal controls and risk management systems and every six months it carries out a reassessment of the principal risks facing the Company.

The AIFM provides risk management services to the Company, including implementation of risk management policies to identify, measure, manage and monitor the risks that the Company is or might be exposed to and ensuring that the Company's risk management policy and implementation comply with applicable regulations. Representatives of the AIFM meet with Investment Adviser representatives at least quarterly to review the risk register and discuss any changes proposed. The proposed updates to the Company's risk register are further reviewed and approved by the AIFM's internal Risk Committee in advance of circulation to the Board.

The identified risk owners within the Investment Adviser are responsible for formal quarterly reporting of current and emerging risks and issues to the Investment Adviser's leadership. A formal quarterly review of the risk register is carried out by the Investment Adviser and any recommendations for updates are made to the AIFM. Any major emerging risks and issues are escalated outside of the quarterly review framework.

## TABLE OF PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers the following to be the principal risks and uncertainties facing the Company as at the date of approval of the accounts. The risks are presented in order of significance based on net residual risk, following mitigations.

Due to the nature of Company's activities, climate and the natural environment are central to its key strategic, investment, and operational decisions. During the Period, the Company conducted a screening assessment with specialist third-party consultants to identify material climate- and nature-related financial risks, opportunities, dependencies and impacts. HEAL has worked closely with the AIFM to integrate the risks identified as part of the recent screening into the risk register. Following careful consideration of these risks by the Board, none of the risks identified was considered to be sufficiently material to qualify as a principal risk. For further information about the climate- and nature-related risk assessment, see Table 6 on page 62.

## EXISTING RISKS

RISK DESCRIPTION	POSSIBLE CONSEQUENCES	MITIGATING ACTIONS
<b>MERCHANT NATURE OF BESS REVENUES</b>		
<p>Lower-than-expected market price of ancillary services, revenues generated from wholesale trading and/or the Balancing Mechanism. National Grid ESO is responsible for the structure and operation of both the Balancing Mechanism and the ancillary service markets, and wholesale trading prices are influenced by factors outside of the Company's control.</p>	<ul style="list-style-type: none"> <li>• Reduced revenue.</li> <li>• Reduced NAV.</li> <li>• Inability to declare future dividends.</li> <li>• Inability to pay debts as they become due.</li> </ul>	<ul style="list-style-type: none"> <li>• Subscriptions to Modo, Aurora and Baringa for long-term revenue forecasts, regular market intelligence and understanding of macro-drivers.</li> <li>• Engagement with industry stakeholders and policymakers, including National Grid ESO.</li> <li>• Scrutiny of revenue optimiser performance to maintain high standards.</li> <li>• Close monitoring of cash flow levels and scenario modelling to ensure mitigating actions can be implemented in a timely manner to improve cash position if necessary.</li> </ul>
<b>HEIT'S NAV AT END OF 2024</b>		
<p>HEIT's NAV is lower than £250m by the end of the 2024.</p>	<ul style="list-style-type: none"> <li>• Such event will trigger a continuation vote, which could result in Company executing a managed wind down.</li> </ul>	<ul style="list-style-type: none"> <li>• All parties will continue to monitor the situation at each Board meeting.</li> </ul>
<b>PROJECT SUPPLIER RISK</b>		
<p>Adverse changes to estimated costs and delivery timetable from key suppliers; battery installation delays.</p>	<ul style="list-style-type: none"> <li>• Increased costs.</li> <li>• Delay to income generation.</li> <li>• Reduced NAV.</li> </ul>	<ul style="list-style-type: none"> <li>• Tender processes for future contracts are conducted with suppliers with a strong track record.</li> <li>• EPC (or BESS supply) contracts contain robust obligations regarding price and delivery timetables.</li> <li>• Contingency is included in project budgets for unexpected price increases.</li> </ul>
<b>GENERAL RISKS AFFECTING THE SHARES</b>		
<p>The value of shares in the secondary market may fluctuate due to factors outside the control of the Company. It may be difficult for Shareholders to realise their shares at close to NAV and there may not be a liquid market. The market price of the shares may not reflect their underlying net asset value. Share buy backs may not adequately influence the discount in the secondary market.</p>	<ul style="list-style-type: none"> <li>• Inability to raise additional equity capital.</li> <li>• Inability to purchase additional projects.</li> </ul>	<ul style="list-style-type: none"> <li>• The Joint Brokers and Investment Adviser monitor the share price daily in the secondary market and report to the Board regularly and where necessary. The Board actively considers a range of options to address the discount. These include, inter-alia: share buy backs, asset sales, gearing reduction, increased marketing.</li> <li>• The Board will discuss share buy backs at every quarterly Board meeting whilst shares are trading at a significant discount to NAV.</li> <li>• Stifel has been appointed as joint broker and there is an increased focus on marketing HEIT to new investors. The Board, the Joint Brokers and the Investment Adviser monitor the market on a regular basis with a view to taking actions if and when it is necessary.</li> </ul>

## Principal Risks and Uncertainties continued

RISK DESCRIPTION	POSSIBLE CONSEQUENCES	MITIGATING ACTIONS
<b>VALUATION RISK</b>		
<p>HEIT invests in unquoted assets and valuations will involve the Investment Adviser, AIFM and Board.</p> <p>The Company is relying on the judgement of the Investment Adviser. Errors in valuations could lead to shareholder complaints or suits for losses and regulatory censure.</p>	<ul style="list-style-type: none"> <li>The possible sale of assets for less than market value.</li> <li>Errors in NAV calculations and announcements.</li> </ul>	<ul style="list-style-type: none"> <li>The Investment Adviser has subscribed to services from Modo, Aurora and Baringa to provide support for quarterly NAV valuations.</li> <li>Semi-annual valuations are provided by an Independent Valuer. The Independent Valuer regularly updates its valuation of each Project based upon, among other things, recent market comparables and the relative liquidity of the assets. The sale of Rye Common in September, 2023 validated the 30 April 2023 project valuations.</li> <li>The NAV methodology was reviewed and enhanced to ensure it remains fit for purpose.</li> </ul>

<b>DELAYS TO GRID CONNECTION TIMETABLES</b>		
<p>Delays to grid connection timetables in relation to pipeline projects and portfolio projects which are not yet connected.</p>	<ul style="list-style-type: none"> <li>The increased pressure on DNOs and TSOs to facilitate new grid connections raises the risk of DNOs failing to meet pre-agreed timetables.</li> <li>New pipeline projects may be allocated long-dated connection times, thus delaying the overall deployment of low carbon generation and progress towards net zero.</li> </ul>	<ul style="list-style-type: none"> <li>The Investment Adviser engages in a continuous dialogue with its relationship contacts at relevant DNOs and works with them to proactively manage the connection timetable, identifying and managing potential connection issues as early as possible and thus minimising the risk of delays.</li> <li>The Investment Adviser also seeks to make prompt payment to the DNOs of relevant milestone amounts which enables the DNOs to order requisite equipment within appropriate timescales. In relation to future Pipeline Projects, the Investment Adviser also engages with DNOs early in the development process (prior to acquisition by the Company) to filter out those projects most at risk of delay caused by requisite network infrastructure upgrade works.</li> </ul>

## EMERGING RISKS

RISK DESCRIPTION	POSSIBLE CONSEQUENCES	MITIGATING ACTIONS
<b>PERFORMANCE OF REVENUE OPTIMISERS</b>		
<p>Revenue optimisers may not perform as effectively as expected, leading to reduced revenue receipts.</p> <p>In a challenging revenue environment, revenue-optimisation capability becomes increasingly important.</p>	<ul style="list-style-type: none"> <li>Reduced revenue.</li> <li>Inability to declare future dividends.</li> <li>Reduced cash availability.</li> </ul>	<ul style="list-style-type: none"> <li>Each revenue optimiser regularly reports to the Investment Adviser who uses its skills and experience to input into strategy evolution on a regular basis.</li> <li>Regular comparison with publicly reported BESS industry performance data.</li> <li>The revenue optimisers are engaged on rolling short-term contracts so can be replaced in the event of prolonged poor performance.</li> <li>Each revenue optimiser's fee is structured as a percentage of project revenues so there is an incentive to outperform.</li> </ul>

## RELATED-PARTY TRANSACTIONS

During the Period, the Company acquired three projects from Harmony Energy Limited at fair value, in accordance with the Company's Related Party policy. The Independent Valuer provided a fair value opinion on all purchases at the time of acquisition and the consideration paid was considered by the Independent Valuer to be within a reasonable market range on both a discount rate and multiple basis.

Detailed information on related-party transactions can be found on page 132 of this report.

The Envision Energy batteries - seen here landing at Hawthorn Pit - have diversified the Company's supply chain.



# Section 172 Statement

Under s172 of the Companies Act 2006, the Directors have a duty to promote the success of the Company for the benefit of its members as a whole, and in doing so to have regard to a number of matters including:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

As an externally managed investment company with no employees, the Board considers its key stakeholders to be its Shareholders, the Investment Adviser, other service providers and the wider environment in which it operates.

The Company's s172 statement summarises how the directors have engaged with the Company's primary and secondary stakeholders and how the interests of those stakeholders were considered in key decisions made during the year.

## SHAREHOLDERS

Engagement with Shareholders and potential investors is key to the success of the Company. Regular communication is made with Shareholders through interim and annual financial statements, RIS announcements, quarterly factsheets and publication of the Company's NAV. Information is also provided on the Company's website.

The Company's corporate brokers attend the scheduled quarterly board meetings and provide regular updates to the Board on dialogue with investors and potential investors. The Investment Adviser has held regular meetings with current and potential investors, providing updates on the status of the portfolio as well as the BESS market more generally. The Investment Adviser has held analyst calls following key announcements and spoken on relevant panels hosted by brokers and analysts. In addition to direct investor engagement the Investment Adviser seeks to raise the profile of HEIT and reach a wider investor base, by actively creating strong relationships with analysts.

## THE INVESTMENT ADVISER

The Investment Adviser attends all Board meetings, provides regular detailed reporting on the Company's portfolio to the Board and regularly interacts with the Directors, both individually and collectively. During the Period, the Investment Adviser organised and led a Strategy Day with the Board and the Joint Brokers to discuss, among other things, trends in the BESS and capital markets and opportunities for the Company.

The Chair also has regular contact with the Investment Adviser and the Joint Brokers.

The Board regularly reviews the Company's performance against its investment objectives, and the relationship with the Investment Adviser is a key business relationship. The Management Engagement Committee reviews the performance of the Investment Adviser annually.

## THE COMMUNITY AND THE ENVIRONMENT

The Company considers the environment and communities in which it operates throughout project lifecycle and strives to make a positive local contribution.

Harmony Energy Limited engages with the community before projects are acquired. Post-acquisition, the Company, through the Investment Adviser, continues this engagement throughout the lifecycle of projects. The ESG Report on pages 34 to 57 provides further details on engagement with local communities and the actions taken in respect of environmental matters. The Board receives quarterly updates on ESG-related matters from the Investment Adviser, including community and environmental initiatives and issues.

## OTHER SERVICE PROVIDERS

The Company recognises the important role played by its suppliers in running its business. The Board, directly, through its committees or the Investment Adviser, engages with HEIT's services providers and discusses their work on an ongoing basis.

The Management Engagement Committee is responsible for the annual review of the performance of service providers and reports on its findings to the Board.

## CONTRACTORS, SUBCONTRACTORS AND SUPPLIERS

The Investment Adviser, on behalf of the Company, engages regularly with HEIT's contractors and subcontractors. Engagement occurs by way of supplier audits and assessments and involves a number of matters, such as Health & Safety and sustainability. The frequency of engagement with the suppliers is dependent on their significance and risk profile, and ranges from weekly to ad-hoc meetings. The Investment Adviser reports on these matters to the Board of Directors at each quarterly board meeting.

Extensive engagement with suppliers on ESG matters takes place regularly. For details on this type of engagement please refer to the ESG Report.

## REGULATORS AND GRID OPERATORS, INCLUDING NATIONAL GRID ESO

During the Period, the Investment Adviser continued its collaborative approach with DNOs and National Grid ESO. The collaborations took the form of regular project meetings that were specifically designed to ensure alignment among different stakeholders, resulting in projects being constructed in an efficient and safe manner.

The Investment Adviser actively participates in industry-wide consultations and working groups to provide the Company's views on the challenges and opportunities facing its industry. These events also provide opportunities to discuss market structures with National Grid ESO, and regulatory matters with representatives of the main regulators, such as Ofgem and the Department for Energy Security and Net Zero.

## KEY DECISIONS AND ACTIONS TAKEN DURING THE PERIOD

Key decisions and actions during the year which have required the Directors to have regard to applicable s172 factors include:

DECISIONS AND ACTIONS	STAKEHOLDER CONSIDERATIONS
Assessment and subsequent disclosure of climate- and nature-related financial risks and opportunities	By providing insights into the financial risks associated with the climate and the impact on nature, these disclosures offer Shareholders, both current and potential, an enhanced understanding to make informed investment decisions.
Launch of 5 community funds for Pillswood, Broadditch, Farnham, Bumpers and Little Raith sites	In addition to generating tax revenues, the Company is committed to providing additional support to local communities close to its sites. The Company provides donations to support initiatives that have a positive impact on the local community or environment.
Acquisition of the Wormald Green, Hawthorn Pit and Rye Common projects (Q4 2022)	The acquisitions mark a significant expansion of the Company's portfolio. Both Hawthorn Pit and Wormald Green are poised to play a critical role in driving revenue and creating value for the Company's Shareholders.
Sale of the Rye Common project (Q3 2023)	The sale of the Rye Common project at a premium to its carrying value, demonstrated the exceptional quality of the Company's portfolio and the sustained high level of interest in BESS projects.
Extension of the Company's debt facilities to £130m in aggregate (Q1 2023)	This enabled the financing of the construction of, inter alia, the Hawthorn Pit and Wormald Green projects, thereby enabling the expansion of the Company's operating portfolio.
Appointment of bp as revenue optimiser for the Hawthorn Pit and Wormald Green projects (Q3 2023)	The appointment of bp as the Company's revenue optimiser enhances revenue growth in the long term, thereby supporting the future of the Company's dividend commitments and capital growth. This appointment also provides diversification in this key area.
Appointment of Envision as a supplier of batteries for the Hawthorn Pit and Wormald Green projects	The appointment of Envision, a world-leading green technology company and battery supplier, has diversified the Company's supply chain, which in turn, reduces the risk of potential disruptions and increases asset security.

# Viability and Going Concern Statement

## GOING CONCERN

As at 31 October 2023, the Company and its subsidiaries had net current assets and net cash balances of £26 million along with undrawn debt facilities of £35 million. The combination of net current assets and undrawn debt facility was sufficient to meet commitments made under construction contracts signed by subsidiaries.

The Company, through its wholly owned subsidiary HEIT Holdings Ltd, had access to a £130 million (including a £20 million RCF) debt facility with NatWest (in syndication with Rabobank). £84.4 million had been drawn under the main facility, with £10.6 million drawn under the RCF. Both facilities were fully drawn in December 2023.

These facilities were successfully amended and restated in February 2024, providing the Company with reduced interest costs and significant head-room in relation to debt covenant tests which, if failed, would lead to a lock-up of cash or an event of default.

The Company is a guarantor to its wholly owned subsidiary HEIT Holdings Ltd in respect of the debt facilities and also provides parent company guarantees to subsidiaries in relation to certain construction and/or battery supply contracts. As at the date of publication the aggregate outstanding value of such guarantees is £29 million.

The Company's prospectus at the time of IPO commits the Directors to put forward a continuation vote at the subsequent annual general meeting of the Company if NAV of the Company is below £250 million at the end of 2024. This possibility, and the probability of such a vote passing have been taken into account by the Directors in making their assessment. Whilst it is acknowledged that there is a risk of this threshold being triggered during the Going Concern Period (as defined below), any such vote would take place outside of the Going Concern Period.

The Directors are aware and understand that the Company's revenues can be volatile and therefore have reviewed the results of financial models analysing the expected position of the Company under a prudent scenario as well as a reasonable worst-case scenario. Both scenarios take into account the availability of cash reserves and receivables whilst assuming that all projects are brought into operations during the Going Concern Period.

The prudent scenario assumes revenue performance of the Company's operating projects remains broadly in line with recent operating performance.

In addition, the Directors have considered a reasonable worst-case scenario which assumes non-contracted revenue earned by underlying investee companies is c.35% lower than in the prudent scenario.

Under both scenarios the financial model shows that sufficient cash is expected to be available to meet the Company's obligations and commitments (including but not limited to construction contracts, working capital requirements and debt service). The Directors have considered the outcomes of a reverse stress test whereby non-contracted revenue falls below the level assumed in the reasonable worst-case scenario. The Directors have concluded that the revenue levels generated by this reverse stress test are not plausible.

The Directors note that the Company is not reliant on revenues from operating projects in order to meet its commitments in relation to the funding of project construction costs. Having considered the results of the modelled scenarios, the Directors have a reasonable expectation that the Company is able to manage cash flow and meet its working capital and debt service commitments via a combination of operating revenues, and/or contracted revenue products over the Going Concern Period, and are working with the Investment Adviser to assess the optimal combination of such options so as to ensure that the Company can maximise returns to Shareholders whilst managing solvency risk. The Company also has the option of selling an asset(s) if it wishes to do so. The Directors are confident that key risks have been considered in this assessment.

The Directors have adopted the going concern basis in preparing the Annual Report and Financial Statements and have concluded that the Company's available funding and expected income are sufficient for the Company to continue its operations for at least 12 months from the date of signing these financial statements (the "**Going Concern Period**").

## VIABILITY STATEMENT

The Directors have considered the period to February 2026 for the purposes of assessing the Company's viability (the "Viability Period"). The same prudent and reasonable worst-case scenarios described above have been reviewed over the Viability Period.

The Directors have considered the potential impact of a continuation vote which could take place during the Viability Period as described above. The Directors understand that the impact of such a vote may result in a managed sell-down of assets, but that this sell-down of assets could take a significant period of time to complete in order to maximise shareholder value. The Directors have received no indication that such a continuation vote, if necessary, would not pass.

The Directors have further analysed projected headroom in relation to debt covenants which could impact the Company's viability if triggered.

Having considered the above, the Directors have concluded that there are no significant doubts that the Company remains viable under a reasonable worst-case scenario.



The Little Raith community fund was launched in November 2023.

# Governance Report

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Envision Energy International UK Limited was appointed in February 2023 to supply and install BESS equipment for the Hawthorn Pit (pictured) and Wormald Green sites.



# Board of Directors



**NORMAN CRIGHTON**

Chair and Independent  
Non-Executive Director

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**Date of Appointment:**  
12 October 2021

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Norman is an experienced public company Chair with extensive fund experience. He is non-executive Chairman at RM Infrastructure Income plc, AVI Japan Opportunity Trust plc and is also a director of Universal Umwelt Ltd.

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**JANINE FREEMAN**

Chair of the Audit and Risk Committee and  
Independent Non-Executive Director

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**Date of Appointment:**  
12 October 2021

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Janine is a qualified Chartered Accountant, qualifying at Deloitte & Touche, and an experienced senior energy industry executive with over 20 years' experience in the sector, 16 of which were spent at National Grid plc. She is an independent non-executive director of Aquila Energy Efficiency Trust plc and a member of their Audit and Risk, Nomination, Remuneration and Management Engagement Committees; and a director of Zoop Energy Limited and Attika Holdings Limited.

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**DR HUGH MCNEAL**

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

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**Date of Appointment:**  
12 October 2021

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Hugh has extensive industry experience in the renewable energy sector and is a non-executive director of Proserv UK. He was the CEO of Renewable UK from 2016-2021; Chief Executive for the Office for Renewable Energy Deployment at DECC from 2010-2014; and non-executive director of the Offshore Renewable Energy Catapult from 2016 until end of December 2023.

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**WILLIAM RICKETT, CB**

Chair of the Remuneration and Nomination Committee and Independent Non-Executive Director

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**Date of Appointment:**  
12 October 2021

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Willy is an experienced industry professional and Chairman of Cambridge Economic Policy Associates Ltd. He was previously a civil servant working at board level in various government departments, including energy, transport and the Cabinet Office, finishing as Director General, Energy from 2006 to 2009. Since then, he has worked as a non-executive director on the boards of a number of companies, including Greencoat UK Wind plc, Eggborough Power Ltd, Helius Energy plc and Impax Environmental Markets plc.

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**DR SHEFALY YOGENDRA**

Chair of the ESG Committee and Independent Non-Executive Director

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**Date of Appointment:**  
12 October 2021

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Shefaly is an experienced risk and decision-making specialist with a career working in the technology industry including startups and investors. She is an independent non-executive director at Witan Investment Trust plc; JP Morgan US Smaller Companies Trust plc, where she chairs the Remuneration Committee; and Temple Bar Investment Trust plc where she chairs the Nomination and Management Engagement Committees. She is also a director of Witan Investment Services Limited.

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# Directors' Report

The Directors are pleased to present their Annual Report including the Company's audited financial statements for the period ended 31 October 2023.

The Corporate Governance Report on pages 85-89 forms part of this Directors' Report.

## PRINCIPAL ACTIVITY AND STATUS

The Company is a public limited company registered and incorporated in England and Wales under the Companies Act 2006 (the "Act") on 1 October 2021 with registered number company no. 13656587. The Company is registered as an investment company under section 833 of the Act. The Company's principal activity is to invest in commercial scale battery energy storage and renewable energy generation projects, with an initial focus on a portfolio of utility scale BESS, located in diverse locations across Great Britain.

## DIRECTORS

The Company has a Board comprising of five independent non-executive Directors. The Directors of the Company during the Period and at the date of this report are Norman Crighton (Chair), Janine Freeman, Hugh McNeal, William Rickett and Shefaly Yogendra, all of whom were appointed on 12 October 2021.

Biographical details of the current Directors are given on pages 80 and 81. The Company has no employees.

The Board of Directors manages the Company's business and may exercise all of the Company's powers, subject to the Articles of Association, the Companies Act and any directions given by special resolution. Amendments to the Company's Articles of Association require a special resolution to be passed by Shareholders.

## DIRECTORS' INSURANCE AND INDEMNITY

Directors' and Officers' Liability Insurance cover is held by the Company in respect of the Directors. The Company has also granted indemnities to each of its Directors to the extent permitted by law in respect of costs of defending claims against them and third-party liabilities.

## SUBSTANTIAL SHAREHOLDINGS

As of 31 October 2023, the Company is aware of the following substantial Shareholders who were directly or indirectly interested in 3% or more of the total votes in the Company's issued capital:

Shareholder	At 31 October 2023	
	Number of Ordinary Shares held	Percentage of Issued Share Capital
Schroders plc	32,487,231	14.30
Harmony Energy Limited	28,383,695	12.50
Close Asset Management Limited	20,418,370	8.99
Handelsbanken Wealth and Asset Management Limited	14,018,988	6.17
EQ Investors Limited	11,823,917	5.21
Premier Miton Group plc	8,798,251	3.87
Walker Crips Group	8,613,148	3.79
Waverton Investment Management Limited	6,904,893	3.04

At the date of this report the Company has been notified of the following changes in holding of voting rights in the Company:

- Schroders plc changed to 40,564,329 Ordinary Shares (17.85%)
- Close Asset Management Limited changed to 19,069,480 Ordinary Shares (8.40%)
- EQ Investors Limited changed to 12,222,728 Ordinary Shares (5.38%)
- Premier Miton Group plc changed to 11,463,857 Ordinary Shares (5.05%)
- Handelsbanken Wealth & Asset Management Limited changed to 9,964,783 Ordinary Shares (4.39%)
- Walker Crips Group changed to 8,228,470 Ordinary Shares (3.62%)
- Waverton Investment Management Limited changed to 7,531,114 Ordinary Shares (3.32%)

## SHARE CAPITAL

On 31 October 2023, the Company's issued share capital comprised 227,128,295 Ordinary Shares with a nominal value of £0.01 each representing 100% of the total issued share capital. Each Ordinary Share entitles the holder to one vote and there are no restrictions on those voting rights. Details of the movement in the Company's share capital can be found in Note 19 on page 130.

On 14 October 2021, the Company entered into a Lock-up and Orderly Market Deed with Joh. Berenberg, Gossler & Co. KG, London Branch, as broker, and certain Shareholders, whereby each shareholder that is party to the Deed has agreed, with exceptions, that:

1. they will not dispose of their shareholding in the Company for a period of 5 years commencing on the date of Initial Admission; and

- for a period of 12 months after the end of the five-year period they will not dispose of any interest in their shareholding other than through the Company's broker.

As at the end of the period 26,083,680 Ordinary Shares were subject to the terms of the Lock-up and Orderly Market Deed. There are no other restrictions on the transfer of Shares other than as set out in the Articles of Association.

## PURCHASE OF OWN SHARES

The Company was granted authority at the 2023 AGM to make market purchases of its own Ordinary Shares. This authority will expire at the conclusion of the 2024 AGM at which a resolution will be proposed to seek further authority. No Ordinary Shares were purchased under this authority during the year to 31 October 2023.

## DIVIDENDS

All Ordinary Shares are entitled to receive dividends and interim dividends have been paid by the Company as shown in the table below. No final dividend has been or will be declared, but the Company's dividend policy of paying four interim dividends will be tabled for approval at each AGM.

In line with the Company's dividend policy stated at the time of the Company's IPO, the Company has met its target to pay a dividend of 8 pence per Ordinary Share for the financial year ended 31 October 2023, per the below table. All dividends declared and paid by the Company are interim dividends, payable quarterly in March, June, September and December.

	Amount paid per Ordinary Share
17 March 2023	2p
16 June 2023	2p
29 September 2023	2p
22 December 2023	2p

## RELATED PARTY TRANSACTIONS

Any related party transactions during the Period can be found in Note 23 to the Accounts on page 132.

## FINANCIAL INSTRUMENTS

The Company's financial instruments and principal risks are disclosed in Notes 16 and 17 to the Accounts on pages 124-127.

## INVESTMENT OBJECTIVE AND INVESTMENT POLICY

The Company's investment objective and investment policy is detailed in the Strategic Report on pages 26-30.

## Subsidiary Companies

The Company has the following direct and indirect subsidiaries, all of which are held 100%. Details on the subsidiaries can be found in Note 10 on page 120.

- HEIT PW Limited
- HEIT PW2 Limited
- HEIT BD Limited
- HEIT FM Limited
- HEIT RH Limited
- HEIT LR Limited
- HEIT Holdings Ltd
- HEIT BF Limited
- HEIT WG Limited
- HEIT HP Limited

## FUTURE DEVELOPMENTS

Consideration of future developments are detailed in the Chair's Statement on pages 4-7.

## POST BALANCE SHEET EVENTS

Post balance sheet events are disclosed in Note 25 of the financial statements on page 133.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

The Board seeks to maintain high standards of conduct with respect to environmental, social, and governance issues and to conduct the Company's affairs responsibly. The Company does not have any employees and so the Board does not maintain specific policies regarding employee issues but has adopted an ESG Policy and ESG strategy, further details of which are set out in the ESG Report. The Company also expects the Investment Adviser and its service providers to consider these issues when fulfilling their roles and supplier performance in this area is monitored by the Management Engagement Committee.

The Company has calculated and reported on its Scopes 1, 2 and 3 GHG emissions are in line with the GHG Protocol as part of our ESG metric reporting. Details of the approach used, and the carbon footprint are set out in the ESG Report on page 32.

## CHANGE OF CONTROL

There are no significant agreements that the Company is a party to that might be affected by a change of control of the Company following a takeover bid.

Directors' Report continued

**ANNUAL GENERAL MEETING**

The Annual General Meeting ("AGM") of the Company will be held on Thursday 18 April 2024 at 10.00 a.m. and the AGM Notice and Form of Proxy will be circulated to all Shareholders in advance of the meeting.

**INDEPENDENT AUDITOR**

The Company's auditors, Ernst & Young LLP, has expressed its willingness to continue as auditor for the financial year ended 31 October 2024 and a resolution proposing their re-appointment will be submitted at the 2024 AGM.

Signed on behalf of the Board by

**Norman Crighton**

Chair

# Corporate Governance

The Board of the Company has considered the Principles and Provisions of the AIC Code of Corporate Governance (“AIC Code”). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the “UK Code”), as well as setting out additional Provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to Shareholders.

The AIC Code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The Board believes that the Company has complied with the Principles and Provisions of the AIC Code with the exception of the items outlined below:

1. The Company does not have a senior independent director.

After considering the Company’s particular characteristics, objectives and Board structure, the Board has determined that the appointment of a senior independent director is not necessary or desirable to promote the open, equal and shareholder-facing board dynamic that the Board believes it can achieve as a wholly non-executive Board.

2. The Company does not have a Chief Executive Officer.

Given the nature and circumstances of the Company as an investment company managed by the Investment Adviser, the Company does not consider it necessary to have a Chief Executive Officer.

## BOARD LEADERSHIP, CULTURE AND PURPOSE

The Chair, Norman Crighton, is responsible for leadership of the Board and leads the Board in the determination of its strategy and in the achievement of its objectives. The Board views its purpose as being to set and execute its investment objective by working in partnership with the Investment Adviser to invest in energy storage and complementary renewable energy generation assets with an initial focus on a diversified portfolio of utility scale BESS located in diverse locations across Great Britain.

The Chair has responsibility for the organisation of the business of the Board, ensuring its effectiveness and setting its agenda. The Company’s investment objectives are detailed in the Strategic Report on page 26.

The Board encourages a culture of openness, independence, engagement and mutual respect of each member’s experience and professionalism. The Board continually monitors its own culture, practices and behaviour and the Chair encourages each Board member to question, debate and challenge recommendations not only from the Company’s key service providers (including the Investment Adviser) but also from each other. Issues raised are considered by the Board and any actions required are monitored.

## DIVISION OF RESPONSIBILITIES

### Matters reserved for the Board

The Directors have adopted a formal schedule of matters reserved for the Board which sets out the responsibilities of the Board. These matters include:

- Overall leadership of the Company and setting of its purpose, values, and standards;
- Investment/business strategy, including the ongoing review of the Company’s investment objective and investment policy. Approving all changes to the Company’s investment objective and investment policy and recommending to Shareholders the approval of any material alterations thereto;
- Approval of risk management policies covering, among other things, insurance, hedging, borrowing limits and corporate security (following recommendation from the Audit and Risk Committee, as appropriate);
- Ensuring the maintenance of a system of internal controls and risk management, reviewing at appropriate intervals the Company’s overall internal control arrangements (following review and recommendation by the Audit and Risk Committee);
- Receipt and review of regular reports on internal controls processes and management from the Audit and Risk Committee;
- Annual assessment of significant risks and effectiveness of internal controls;
- Each instance of delegation of any portfolio management function or risk management functions;
- Approval of the raising of new capital and major financing facilities;
- Appointment or removal as required of the Company’s principal advisers, including the Company’s AIFM, the investment adviser, reporting accountants, auditor (following appropriate recommendation by the Audit and Risk Committee), tax advisers, the company secretary/administrator, the registrar, valuer, the brokers, PR firm and/or legal counsel (following appropriate recommendation by the Management Engagement Committee); and
- Approval of acquisitions and disposals.

The provision of administration and governance services has been delegated to JTC (UK) Limited. The Board has delegated responsibility for day-to-day operational decisions relating to the Company’s projects to the Investment Adviser.

## RELATIONSHIP WITH THE AIFM

The AIFM provides certain services in relation to the Company and its portfolio, which include risk management and investment advice, based on recommendations from the Investment Adviser, in accordance with the Company’s investment policy.

## Corporate Governance continued

The AIFM's duties under the AIFM Agreement dated 14 October 2021 include complying with the Company's investment policy and analysing the performance of the Company's investments.

The AIFM is required to provide all risk management services to the Company as required by the EU AIFM Directive and the UK AIFM Regime including (i) the implementation of adequate risk management systems to identify, measure, manage and monitor appropriately all risks relevant to the Company's investment strategy and to which the Company is or may be exposed, (ii) ensuring that the risks associated with each investment position of the Company and their overall effect upon the Company's portfolio can be properly identified, measured, managed and monitored on an ongoing basis, including through the use of appropriate stress testing procedures, (iii) advising the Board on the establishment and adjustment of quantitative and qualitative risk limits for the Company, taking into account all relevant risks and (iv) reviewing the risk management systems at least annually and adapting them where necessary. The AIFM also provides guidance to the Company on its compliance with the requirements of the EU AIFM Directive and the UK AIFM Regime that apply in respect of marketing of the Shares of the Company in the UK and the EEA, as applicable.

For the Period the Management Engagement Committee evaluated the performance of the AIFM. The Board accepted the Management Engagement Committee's recommendation that the continuing appointment of the AIFM was in the best interests of the Company and its Shareholders.

### RELATIONSHIP WITH THE INVESTMENT ADVISER

The Investment Adviser provides investment advisory services to the AIFM and certain other services to the Company which are unrelated to investment advice and acts within the strategic guidelines set out in the Company's investment policy. These services are defined in more detail below. The Investment Adviser reports to the AIFM and the Company. There is a clear division of responsibilities between the Board and the Investment Adviser and the AIFM.

The Investment Advisory Agreement dated 14 October 2021 between (1) the Investment Adviser, (2) the Company and (3) the AIFM details the responsibilities of the Investment Adviser which include, providing certain investment advisory services to the AIFM copied to the Company, and certain other services to the Company which are unrelated to investment advice, including development and day-to-day operation of the Company's projects.

The Investment Adviser must: (a) advise the AIFM on the Company's investments in accordance with the Company's investment objective, investment policy and investment restrictions and ESG policy, including making recommendations based on its expert opinion to the AIFM in respect of the purchase, sale or disposal of the Company's investments and arranging the purchase and sale of such investments in accordance with the AIFM's directions; (b) assist in the preparation of periodic NAV calculations as

provided for in the Prospectus; and (c) prepare quarterly reports to be provided to the AIFM and the Board, including pursuant to the Company's ESG policy and any applicable KPIs pursuant to the Company's ESG policy from time to time and assisting the AIFM in respect of quarterly reporting to the Company's Board.

Investment Advisory services provided by the Investment Adviser also include: (a) making recommendations regarding the manner in which monies should be retained or realised and advise on the use of borrowing in accordance with the investment policy; (b) monitoring the performance of the revenue optimiser(s) appointed in respect of the Company's assets and the revenue performance of the same and advising the Company and/or the AIFM in respect of revenue optimisation strategy; (c) providing assistance in respect of the Company's marketing endeavours, including attending investor and other marketing meetings and assisting with production of marketing materials for distribution to investors and prospective investors; (d) assisting with implementation of appropriate risk measurement and management standards and procedures; (e) providing material for inclusion in annual and other reports of the Company; and (f) monitoring investment limits and restrictions and giving instructions for the operation of bank accounts.

Regarding the other services, the Investment Adviser will: (a) advise and facilitate the engagement by one or more project companies of independent third-party suppliers and contractors to provide services to the construction, commissioning, and ongoing management of the Company's projects; (b) provide certain project management and supervision services; (c) provide certain community and stakeholder services; (d) provide certain services regarding permits, approvals, and compliance; (e) provide certain occupational health and safety and ESG services; and (f) provide certain other technical and monitoring services.

Details of the management fee payable, in accordance with the terms of the Investment Advisory Agreement, to the Investment Adviser for the year ended 31 October 2023 are included in Note 23 of the Financial Statements. The Investment Advisory Agreement is terminable on six months' notice by the Company or the AIFM and twelve months' notice by the Investment Adviser (or on immediate notice in certain customary circumstances). On termination of the Agreement the Investment Adviser shall be entitled to recover all costs and expenses incurred in accordance with the Agreement, but not yet submitted for reimbursement.

For the Period the Management Engagement Committee evaluated the performance, and recommended the continued appointment, of the Investment Adviser. Further details are included in the Management Engagement Committee Report on pages 98 and 99. The Board accepted the Management Engagement Committee's recommendation that the continuing appointment of the Investment Adviser was in the best interests of the Company and its Shareholders.

## RELATIONSHIP WITH THE ADMINISTRATOR

JTC (UK) Limited is the appointed Company Secretary and Administrator to the Company, providing company secretarial, fund accounting and administration services. During the year ended 31 October 2023, as Administrator, JTC (UK) Limited, on behalf of the Directors, was responsible for the maintenance of the books and records, the management of financial records, all cash movements of the Company and the calculation, in conjunction with the Investment Adviser, of the Net Asset Value of the Company. As Company Secretary, JTC (UK) Limited is responsible for regulatory compliance and providing support to the Board's corporate governance process and its continuing obligations as well as general secretarial functions required by the Companies Act 2006.

## BOARD COMMITTEES

	Quarterly Board Meetings	Audit and Risk Committee	ESG Committee	Remuneration and Nomination Committee	Management Engagement Committee
No. of Meetings Held	4	3	1	1	1
Norman Crighton	4	3	1	1	1
Janine Freeman	4	3	1	1	1
Hugh McNeal	4	3	1	1	1
William Rickett	4	3	1	1	1
Shefaly Yogendra	4	3	1	1	1

The Board also held a number of ad-hoc Board meetings outside of the scheduled meeting cycle. Matters discussed included fundraising, refinancing and acquisitions and meetings were normally attended by all Board members.

The primary focus at Board meetings has been on delivering the strategy, monitoring performance against strategic objectives, investor relations, asset allocation, monitoring regular revenue and cash forecasts, the calculation of the NAV and monitoring progress of project construction. This included:

- approving the deployment of capital raised and progress of construction of the portfolio;
- acquiring three 'shovel-ready' projects known as Wormald Green, Hawthorn Pit and Rye Common in December 2022;
- agreeing an extension to the debt facility of £60 million to £130 million (including a £20 million revolving credit facility) from NatWest (in syndication with Rabobank) to support the acquisition and construction of the above projects;
- processing a C Share conversion, converting 21,771,364 C Shares into Ordinary Shares with respective NAVs of 98.61 pence and 124.92 pence;
- appointing Stifel Nicolaus Europe Limited as a joint corporate broker in June 2023, to work alongside Berenberg;
- reviewing updates from the Investment Adviser, which included portfolio updates, health and safety, risk management and ESG;

The Company has four committees: the Audit and Risk Committee, the Nomination Committee, the ESG Committee and the Management Engagement Committee and further details on the operation of these committees can be found on pages 91-99. Details on the ESG Committee can be found in the ESG Report. The terms of references of these committees are available on the Company's website. During the Period all the Directors served on all the committees as independent non-executive Directors.

## BOARD AND COMMITTEE MEETINGS

The Board has a schedule of quarterly meetings with additional meetings as required. The table below sets out the number of scheduled Board and Committee meetings held during the year and the number of meetings attended by each Director.

- reviewing updates from other key stakeholders including the broker, Company Secretary, and AIFM; and
- consideration of strategies to drive a reduction in the discount to NAV of the share price. This has included, inter-alia, asset sales, gearing levels, dividend policy, marketing strategy.

The Company maintains a register of Directors' conflicts of interest which is considered at all Board meetings, and no significant conflicts of interests were identified during the Period. The Board is required to disclose changes or potential new conflicts. The Company Secretary attends all Board meetings and ensures that the Directors have access to all relevant information. In line with the Board's commitment to reducing adverse environmental impacts from its business, wherever possible it makes efficient use of technology. To date all the ad-hoc meetings were held virtually, and all Board papers are distributed electronically.

## COMPOSITION, SUCCESSION AND EVALUATION

The Board comprises five Directors. Their biographies, on pages 80 and 81, demonstrate the wide range of complementary skills and experience they each bring to the Board. All the Directors are non-executive and, for the purpose of provision 12 of the AIC Code, all are considered to be independent with the Chair being independent on appointment.

## Corporate Governance continued

The Remuneration and Nomination Committee is responsible for leading the process on appointments, ensuring there are plans in place for orderly succession to the Board and overseeing any other related matters as they arise. This includes ensuring that any appointments and succession plans are based on merit and objective criteria, and within this context, promote diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths. Given that the Company was incorporated in 2021, the Board did not consider any changes to the composition of the Board were necessary during the Period.

The Remuneration and Nomination Committee carried out an evaluation of the Board and Committees for the Period which concluded that the Board has the right mix of skills and that the Chair and the Directors are suitably qualified to undertake their responsibilities and perform their duties in respect of managing the Company. As this is the Company's second year of operation, it was agreed that an externally facilitated Board evaluation would be considered next year.

## BOARD DIVERSITY

The Board comprises five independent non-executive directors of whom 40% are female. The Board is committed to

diversity, which includes diversity of experience, background and perspective, and meeting the recommendations of the Hampton Alexander Review of female representation and gender imbalance on FTSE 350 boards (now called the FTSE Women Leaders Review) and the Parker Review into the ethnic diversity of UK boards. In line with the objectives of the Diversity Policy adopted by the Board, the Board will always appoint the best person for the job. It will not discriminate on the grounds of gender, race, ethnicity, religion, sexual orientation, age or physical ability. The Board considers the real value of diversity comes from ensuring inclusion of different views arising from lived experiences and skills.

At 31 October 2023 (and the date of this report) the Company has met the diversity targets set out in the FCA Listing Rules that:

- at least 40% of the individuals on the Board are women;
- at least one director is of an ethnic minority background; and
- \*at least one of the senior position is held by a woman.

At 31 October 2023 (and at the date of this report) the Company met all the FCA diversity targets as shown in the table below:

Gender Diversity	No. of Board Members	% of the Board	No. of Senior Positions on the Board
Men	3	60	1
Women	2	40	1*

The gender and ethnicity data was collated from the responses received from all Board members to the following two questions: "Please confirm whether you are male or female or would prefer not to say"; and "Please confirm whether you are White British or other White (including minority white groups)/ Mixed/Multiple Ethnic Groups Asian/Asian British Black/African/Caribbean/Black British Other ethnic group, including Arab/Not specified/OR prefer not to say".

The table below shows how the Company met the FCA diversity targets:

Ethnic Diversity	No. of Board Members	% of the Board	No. of Senior Positions on the Board
White British or other White (including minority White groups)	4	80	2
Asian/Asian British	1	20	0

\* The Company only has one of the senior roles specified by the Listing Rules, that is the position of chair, and this role is occupied by a man. However, the Board considers that the role of Chair of its Audit and Risk Committee is a senior position, and that role is held by a woman. As an externally managed investment company with solely non-executive Directors, there are no disclosures about executive management positions to be included.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges that it is responsible for establishing and maintaining the Company's system of risk management and internal controls, which is reviewed fully for effectiveness on an annual basis. This has been delegated to the Audit and Risk Committee. The Board has identified and assessed the principal and emerging risks faced by the Company and how they are being mitigated. These are set out in the Principal Risks and Uncertainties section on pages 70-72.

The Investment Adviser and the AIFM regularly report to the Board on risk. During the Period, the Audit and Risk Committee reviewed and provided feedback to the Investment Adviser and the AIFM on the full risk register.

The Board has delegated certain of its day-to-day activities to the AIFM, the Investment Adviser and the Administrator, and has clearly defined their roles, responsibilities and authorities. The actions of these service providers are monitored at quarterly and ad-hoc Board meetings and their performance reviewed annually by the Management Engagement Committee.

At each scheduled quarterly meeting, the Board receives reports from the AIFM, the Administrator, the Company Secretary and the Investment Adviser to provide it with assurance that appropriate oversight is in place. The Board is satisfied with the controls and risk management systems currently in place for assessing, managing and monitoring risks applicable to such service providers, including policies covering whistleblowing and helping to prevent bribery, corruption and fraud. The Board has also received reports to provide it with assurance that appropriate and reasonable oversight of controls is in place at its key third party providers to manage risks.

## VIABILITY STATEMENT

The Viability Statement, under which the Directors assess the prospects of the Group over a longer period, is contained on page 77.

## RELATIONS WITH SHAREHOLDERS

The Board values interactions with Shareholders and welcomes their views. Shareholders may contact the Board through the Company's brokers at: Berenberg\_Harmony@berenberg.com and 'SNELHarmonyEnergy@stifel.com' or the Company Secretary at HarmonyEnergyIncomeTrustplc@jtcgroup.com. The Investment Adviser regularly engages with principal Shareholders and key sector analysts and is available to meet with Shareholders if requested. The Chair has met with any shareholder who requested a meeting during the year and will continue to do so.

The Board receives comprehensive shareholder reports quarterly from the Company's adviser and regularly monitors the views of Shareholders and the shareholder profile of the Company.

The annual general meeting of the Company will be held on Thursday 18 April 2024 at 10.00 a.m. and Shareholders will have the opportunity to engage with the Board. In addition to the formal business of the AGM, representatives of the Investment Adviser will also be available to answer any questions raised by Shareholders. If Shareholders are not able to attend the AGM in person, they will be given the opportunity to ask questions in advance of the AGM, with answers to any questions received published on the Company's website on Friday 19 April 2024.

Separate resolutions are proposed at the AGM on each substantially separate issue. All voting at the AGM will be on a poll with the results being announced as soon as practical following the AGM via RIS announcement.

## RELATIONS WITH OTHER STAKEHOLDERS

Examples of stakeholder engagement and the effect on stakeholders of principal decisions taken by the Company during the year can be found in the s172 Statement on pages 74 and 75.

## ADDITIONAL DISCLOSURES

Additional disclosures required by Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) are contained in the Directors' Report on pages 82 and 83.

## GOING CONCERN

Under the AIC Code, the Board is required to consider whether it is appropriate to adopt the going concern basis of accounting in preparing these Financial Statements. The Board continues to adopt the going concern basis and the detailed consideration is contained on page 76.

Approved on behalf of the Board by:

**Norman Crighton**  
Chair

# Directors' Responsibility Statement

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

As a company traded on the London Stock Exchange, the Company is subject to the FCA's Listing Rules and Disclosure Guidance and Transparency Rules, as well as to all applicable laws and regulations in England and Wales where it is registered.

The Annual Report and Financial Statements have been prepared in accordance with UK adopted international accounting standards. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Period. In preparing these Financial Statements, the Directors should:

- select suitable accounting policies in accordance with IAS 8 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation;
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business; and
- prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping proper accounting records which are sufficient to show and explain the Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable, and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

## WEBSITE PUBLICATION

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO DISCLOSURE GUIDANCE AND TRANSPARENCY RULES 4

The Directors confirm to the best of their knowledge that:

- the financial statements have been prepared in accordance with UK adopted international accounting standards and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company; and
- the annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that it faces.

## DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Signed by order of the Board,

**Norman Crighton**  
Chair

27 February 2024

# Report of the Audit and Risk Committee

## 1. ROLE OF THE AUDIT AND RISK COMMITTEE

The AIC Code recommends that the Board should establish an Audit and Risk Committee (the “**ARC**” / “**Committee**”) comprising at least three, or in the case of smaller companies, two independent non-executive Directors. The ARC comprises all the independent non-executive Directors. Norman Crighton, as Chair of the Board, is eligible to serve on the Committee as on appointment, he was, and remains, independent.

The ARC examines the effectiveness of the Company's risk management and internal control systems. It reviews the Company's Interim Report and the Annual Report and Accounts and receives reports and recommendations from the AIFM and reports from the Investment Adviser. It also reviews the scope, results, cost effectiveness, independence and objectivity of the external auditor. The ARC reports formally to the Board after any meeting held. The Committee reviews its terms of reference once a year and any changes are approved by the Board. The terms of reference are available on the Company's website at: <https://www.heitp.co.uk/investors/shareholder-documents/>.

## 2. MEMBERSHIP

The Chair of the ARC, Janine Freeman, is a Chartered Accountant, qualifying at Deloitte & Touche. She is an experienced senior energy industry executive and non-executive director. The Board is satisfied that Janine has recent and relevant financial experience as required under the AIC Code. The other members of the ARC are Norman Crighton, Hugh McNeal, William Rickett and Shefaly Yogendra, all of whom have extensive recent and relevant competence in the sector in which the Company operates. The Board considers that the appointment of Norman Crighton as a member of the ARC, notwithstanding his appointment as Chair of the Board, is appropriate, given that he was independent on his initial appointment and has continued to be throughout his tenure. The biographies of the Committee members are outlined on pages 80 and 81 of this Annual Report.

As part of the annual Board evaluation the ARC and its Chair respectively were reviewed and found to be effective.

## 3. MEETINGS

The ARC met three times during the Period and meetings were attended by all its members, as well as representatives of the Investment Adviser, the AIFM and the Company Secretary. The Auditor (as defined below) had also attended meetings relating to the annual report and accounts and held separate meetings with the ARC Chair. Additional meetings are convened by the Company Secretary at the request of the ARC Chair as necessary.

## 4. EXTERNAL AUDITOR

Ernst & Young (“**EY**” / “**Auditor**”) were appointed as the Company's auditor on 27 June 2022. Mike Gaylor has been the lead audit partner since the appointment date. The appointment of the Auditor is reviewed annually by the ARC and the Board

and is subject to approval by Shareholders. In accordance with the Financial Reporting Council's (“**FRC**”) guidance, the audit will be put out to tender within ten years of the initial appointment. Additionally, the audit partner must be rotated every five years, meaning that Mike Gaylor is required to rotate after completing the audit of the 31 October 2026 financial statements.

The audit plan was presented to the ARC at its September 2023 meeting, ahead of the commencement of the Company's period end audit. The audit plan sets out the audit process, materiality scope and significant risks. In respect of the Period, the ARC considered the appointment, performance and remuneration of EY.

During the Period, the ARC met with key members of the audit team, before the Annual Report and Accounts were prepared, to discuss the audit scope and review and ensure its robustness. Meetings were held with the Auditor to discuss the details of the external audit and to consider and evaluate any findings in depth.

As part of the annual reporting process, EY have formally confirmed their independence. The ARC discussed the effectiveness of the Auditor and is of the opinion that the audit team assigned by EY to the Company has a good understanding of the Company's business. The ARC has recommended to the Board that a resolution to reappoint EY is proposed to Shareholders at the forthcoming Annual General Meeting.

## 5. NON-AUDIT WORK

The ARC has implemented a policy for the supply of non-audit services provided by the Auditor, which is consistent with the FRC Revised Ethical Standards, published in 2019, to ensure there are no circumstances where a service provided could constitute a conflict or potential conflict of interest that would impair the objectivity and independence of the Auditor. The policy sets out the specific activities that may be provided by the Auditor which are closely related to the audit and/or required by law or regulation, with all other activities being disallowed. During the Period the policy was reviewed by the Committee.

During the Period the Auditor was not engaged to carry out any non-audit work for the Company.

## 6. FINANCIAL REPORTING AND SIGNIFICANT ACCOUNTING MATTERS

The ARC is responsible for reviewing financial reporting and advising the Board on whether the Annual Report and Accounts are fair, balanced, and understandable, as required by the AIC Code. It introduced a formal annual report governance process which includes bi-weekly meetings attended by the Investment Adviser, Administrator and the Auditor. At these meetings, updates were given on the process in place to produce the annual report, which included thorough assessment by all parties. Comprehensive and transparent discussions were held on the contents of the Annual Report and Account, and drafts were reviewed.

Separately, the ARC Chair held meetings with the Board on progress as well as with individual stakeholders.

## Report of the Audit and Risk Committee continued

The ARC also met with the Investment Adviser, the Administrator, and the Auditor to talk through the audit process and query their findings. All parties confirmed they were not aware of any material misstatements to the Annual Report and Accounts.

Additionally, the ARC assesses the significant financial reporting issues and judgments made when preparing the Annual Report and Accounts and evaluates the appropriateness of the accounting policies adopted. Due to the materiality of related party transactions, the Board considers them to be a significant accounting matter and has carefully considered the adequacy of their disclosure in the Annual Report.

As disclosed via an RNS on 1 September 2023, during the preparation of the 31 July NAV, the Investment Adviser discovered an error in the NAV methodology for valuing short term cash flows. Whilst this error had no impact on the cash flow generated by the Company's operations nor its dividend outlook, it caused an overstatement of the NAV per Ordinary Share, which was subsequently rectified in the 31 July 2023 NAV.

The ARC promptly held a number of meetings with the Company's main advisers, including the Investment Adviser, the Independent Valuer and the AIFM, to ascertain the root causes of the error. These meetings resulted in a full review of the valuation model by the Company's Auditor and agreement of an enhanced process for the calculation of future NAVs, which was subject to rigorous deliberation before being approved by the Committee in September 2023. This enhanced process was applied to calculate the 31 October 2023 NAV.

As a result of the comprehensive reviews, feedback and recommendation from the ARC, the Board has concluded that the Annual Report and Accounts for the financial year ended 31 October 2023, taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position, performance, business model and strategy.

### 7. KEY ACCOUNTING JUDGEMENTS AND ESTIMATES

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them unless their main purpose and activities are providing services related to the Company's investment activities. The Committee has evaluated whether the Company is an investment entity and has made the judgement that it meets the definition set out in IFRS 10.

Investments are designated at fair value in accordance with the Company's accounting policy. As a result, the ARC examined the procedures and application of valuation policies. The valuation of these investments is the most significant area of estimate in the Annual Report and Accounts. The income projections, the discount rates used, the rate of inflation, and the project costs make up the main estimates and assumptions. The ARC specifically questioned the appropriateness of the discount rate used and carefully considered the impact of macroeconomic and industry-related factors on income recognition and associated assumptions in relation to the valuation of the assets that have been included in the 31 October 2023 valuation.

In the Company's Annual Report and Accounts, the uncertainty associated in determining the fair value of investment valuations represents a significant risk. The Investment Adviser's fee is calculated based on the NAV and this could present a conflict of interest whereby the Investment Adviser is motivated to report a high NAV. This risk is mitigated by the involvement of both the Administrator and the Independent Valuer.

The Investment Adviser, with assistance from the Administrator, is responsible for calculating the NAV prior to approval by the Board. On a quarterly basis, the Investment Adviser provides a detailed NAV analysis highlighting any movements and assumption alterations to the prior quarter NAV. This is supported by an independent valuation performed by the Independent Valuer every six months. The ARC considers and challenges the NAV prior to a recommendation for approval being made to the Board.

At Period end, the Independent Valuer was engaged to support the ARC in forming a view on the reasonableness of the valuations. The ARC is satisfied that the key estimates and assumptions used within the valuation model are appropriate and that the investments have been fairly valued.

### 8. INTERNAL AUDIT

The Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company as an investment company with external service providers. The internal controls framework for the Company has been developed and is delivered primarily through the risk management process. This process is described in detail in the Principal Risks and Uncertainties section on pages 70 to 72 and ensures that appropriate measures, controls, checks and balances are implemented to manage and monitor all risks, including internal and financial controls. In addition, the external period end audit has a strong focus on financial controls and recommendations following any testing carried out by the Auditors are followed up by the ARC. Finally, reports on the internal controls of the Company's key service providers are reviewed by the Board at each Board meeting.

### 9. WHISTLEBLOWING

The ARC has systems in place by which staff of the Investment Adviser and Administrator and other service providers may, in confidence, raise concerns about adherence to relevant laws and regulations, or something they consider unethical or potentially harmful.

The ARC is satisfied that these arrangements allow for proportionate and independent investigations of such matters, and for appropriate follow up action. These measures are embedded into the Investment Adviser and Administrator's internal policies. There were no instances of whistleblowing during the Period.

**Janine Freeman**

Chair of the Audit and Risk Committee.

27 February 2024



All of the Company's operational BESS, including Little Raith (pictured), are operated through Autobidder, Tesla's algorithmic trading platform.

# Report of the Remuneration and Nomination Committee

The Company's Remuneration and Nomination Committee is chaired by William Rickett and, given the size of the Board, consists of all the Directors. Norman Crighton, as Chair of the Board, is eligible to serve on the Committee as on appointment, he was, and remains, independent. The Remuneration and Nomination Committee meets at least once a year and more often when required.

The Remuneration and Nomination Committee's main functions include:

- agreeing the policy for the remuneration of the Directors, reviewing any proposed changes to the policy, and making recommendations to the Board on directors' fees;
- considering and, if necessary, appointing independent professional remuneration advice;
- making recommendations to the Board on Board tenure and succession planning, taking into account the existing balance of skills, knowledge and experience on the Board and the advantages of diversity; and
- agreeing the arrangements for evaluating the performance of the Board, its Committees, and the Directors.

During the Period, the Committee met once, and all members were present. The Committee discussed Board composition, tenure and succession, its approach to promoting diversity, the policy to be adopted on remuneration and the level of Directors' fees. The Committee also considered the arrangements for evaluating Board performance, including the option of an externally facilitated evaluation, but concluded that an internal evaluation would be appropriate given the early stage of the Company. The Committee agreed that the option of an external evaluation should be kept under review.

As part of the overall Board evaluation, it was concluded that there was a good balance of skills between the Directors on the Remuneration Committee. The Committee reports formally to the Board after any meeting held. The Committee reviews its terms of reference at every meeting and any changes are approved by the Board. The terms of reference are available on the Company's website at: <https://www.heitp.co.uk/investors/shareholder-documents/>.

## ANNUAL STATEMENT

This report sets out the Company's remuneration policy and explains how it has been implemented by the Board. It also provides Shareholders with details of the Directors' remuneration. During the year, the Directors' remuneration had increased by a rate below the level of inflation. An increase of 5% was agreed for the financial year ending 31 October 2024.

The Board has applied, and continues to apply, Principle 9.1 of the AIC Code 2019 when considering Directors' remuneration. This requires the Board to set a formal and transparent procedure for developing its remuneration policy with no director being involved in deciding their own remuneration outcome; to design remuneration policies and practices that support the Company's strategy and promote its long-

term sustainable success; and to ensure Directors exercise independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, and wider circumstances. For the purposes of recruitment, the same remuneration policy will be applied.

## DIRECTORS' REMUNERATION POLICY

The Company's policy is to set Directors' fees at a level which will enable the Board to recruit and retain the skills required to run the Company in the best interests of its Shareholders. In judging the level of fees required to achieve this, the Company will take account of the time commitment required of Directors and the need to be competitive with the fees paid to non-executive directors of similar companies. The Company may periodically choose to benchmark Directors' fees with an independent review, to ensure they remain fair and reasonable.

The aggregate remuneration of the Directors for their services shall not exceed £400,000 per annum or such higher figure as the Company may by ordinary resolution determine and such remuneration shall be divided amongst the Directors as they shall agree, or in default of agreement, equally. Such remuneration shall be deemed to accrue from day to day. In exceptional circumstances, the Directors may also be paid by way of additional remuneration such further sums as the Board may from time to time determine and any such additional remuneration shall be divided among the Directors as they shall agree or, in default of agreement, equally.

The Directors are entitled only to their annual fee and their reasonable expenses. No element of the Directors' remuneration is performance-related, nor does any Director have any entitlement to pensions, share options or any long-term incentive plans from the Company.

The Directors hold their office in accordance with the Articles of Association and their appointment letters. No Director has a service contract with the Company, nor are any such contracts proposed. The Directors' appointments can be terminated in accordance with the Articles and without compensation.

Under the Company's Articles of Association, all Directors are entitled to remuneration determined from time to time by the Board.

## DIRECTORS' REMUNERATION (AUDITED)

During the year, each Director was entitled to an annual fee of £42,000 per annum. The Chair and Audit and Risk Committee Chair were paid an additional sum of £10,500 and £5,250 respectively for the additional responsibility attached to their respective roles. In the light of current inflation rates, the Board has agreed, on the recommendation of the Remuneration and Nomination Committee, that Directors' fees should be increased by 5% for the year starting 1 November 2023. From that date each Director will receive an annual fee of £44,100 with the Chair receiving an additional £11,025 and the Audit and Risk Committee Chair receiving an additional £5,512.50. In determining the Directors'

remuneration, neither the Company nor the Remuneration and Nomination Committee has oversight of the remuneration arrangements of its subsidiaries.

The total emoluments of each person who served as a Director during the year are set out in the table below. There are no

performance-related elements to Directors' fees and the Company does not operate any type of incentive, share scheme, award or hold options to acquire shares in the Company. There were no other remuneration fees or taxable benefits paid to any Director during the Period. The table also shows the fees expected for the Period ending 31 October 2024.

	For the period ended 31 October 2023			For the period ended 31 October 2022*			Expected Fees for the year ended October 2024 £
	Fees £	Expenses paid £	Total £	Fees £	Expenses paid £	Total £	
Norman Crighton (Chair)	52,500	–	52,500	52,692	–	52,692	55,125
Janine Freeman	47,250	610.73**	47,861	47,423	–	47,423	49,613
Hugh McNeal	42,000	–	42,000	42,154	–	42,154	44,100
William Rickett	42,000	–	42,000	42,154	–	42,154	44,100
Shefaly Yogendra	42,000	–	42,000	42,154	–	42,154	44,100
<b>Total</b>	<b>225,750</b>	<b>610.73</b>	<b>226,361</b>	<b>226,577</b>	<b>–</b>	<b>226,577</b>	<b>237,038</b>

\* From 1 October 2021 to 31 October 2022

\*\* Reimbursement of travel and accommodation expenses to attend board meetings

## RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the difference in actual spend between 31 October 2022 and 31 October 2023 on Directors' remuneration in comparison to distributions by way of dividends and management fee and expenses.

	Payments made during the period ended 31 October 2023 £	Payments made during the period ended 31 October 2022 £
Directors' Remuneration	226,361	226,577
Dividends paid	15,727,698	2,100,000
Buyback of Ordinary Shares	–	–
Management fee and expenses	2,163,222	1,848,845

## DIRECTORS' SHAREHOLDINGS (AUDITED)

The Directors' beneficial interests (including those of connected persons) at the period end and at the date of this report in the issued share capital of the Company are outlined below. There is no minimum holding requirement that the Directors need to adhere to.

Director	As at 31 October 2022			As at 31 October 2023		As at date of this report	
	Ordinary Shares	C Shares*	Percentage of issued share capital	Ordinary Shares	Percentage of issued share capital	Ordinary Shares	Percentage of issued share capital
Norman Crighton	10,000	5,000	0.00%	16,528	0.01%	16,528	0.01%
Janine Freeman**	10,043	5,000	0.00%	17,607	0.01%	18,048	0.01%
Hugh McNeal	10,000	5,000	0.00%	16,633	0.01%	16,633	0.01%
William Rickett	10,000	5,000	0.00%	16,633	0.01%	16,633	0.01%
Shefaly Yogendra	5,000	5,000	0.00%	11,618	0.00	11,618	0.00%

\* On 31 January 2023 the C Shares were converted into new Ordinary Shares on a conversion ratio of 0.786735 new Ordinary Shares for every 1 C Share held and subsequently cancelled.

\*\* The Ordinary Shares held by Janine Freeman as at 31 October 2022 has been restated from 10,000 to 10,043.

Report of the Remuneration and Nomination Committee continued

**DIRECTORS’ SERVICE CONTRACTS**

None of the Directors has a service contract with the Company. Each of the Directors is engaged under a letter of appointment with the Company.

Those terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office. Each Director is also subject to the rotation of Directors provisions set out in the Articles which provide that a Director appointed by the Board during the year is required to retire and seek election by Shareholders at the next AGM following their appointment.

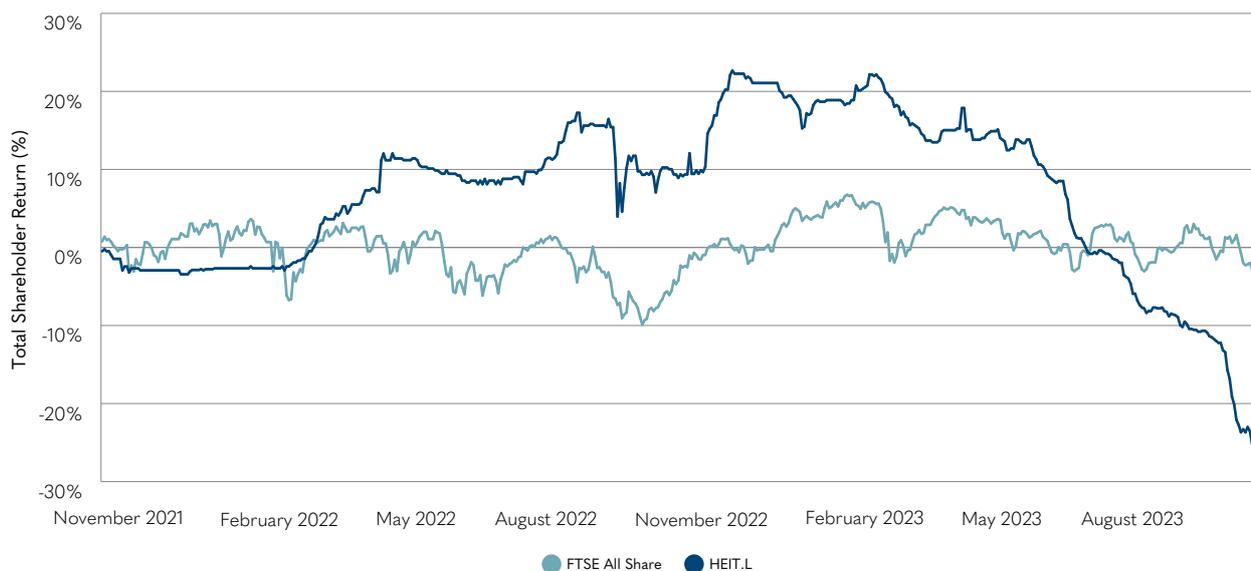
At the Company’s AGM on 18 April 2024, the Directors shall be submitting themselves for election. Thereafter, in accordance with the provision of the AIC Code, the Directors intend to offer themselves for re-election annually,

notwithstanding that under the Articles they are only required to submit themselves for re-election at least once every three years. The Board believes, following a formal performance and Board evaluation, as detailed on page 87, that all the Directors continue to be effective, providing considerable experience and demonstrating commitment to their roles.

**TOTAL SHAREHOLDER RETURN**

In setting the Directors’ remuneration, consideration is given to the size and performance of the Company. The graph below shows the total shareholder return of the Company’s Ordinary Shares since IPO against the FTSE All Share index, which the Board has deemed to be the most appropriate comparator for the Company’s performance, since it includes smaller companies.

Relative growth of stock prices for 09 November 2021 - 31 October 2023



**CONSIDERATION OF SHAREHOLDER VIEWS**

The AGM to be held on 18 April 2024 will give Shareholders an opportunity to vote on remuneration.

**COMMITTEE MEMBERSHIP**

The membership, activities and role of the Committee are discussed in the Remuneration and Nomination Committee Report on pages 94-97.

## STATEMENT OF VOTING AT GENERAL MEETING

At the Company's AGM held in 2023 shareholder votes were received as follows:

	Votes For	%	Votes Against	%	Total votes validly cast	Votes Withheld
Resolution to approve Directors' Remuneration Policy	112,919,717	99.99%	14,000	0.01%	112,933,717	0

Under s439 of the Companies Act 2006, companies are required to ask Shareholders to approve the annual remuneration paid to Directors every year and to formally approve the Directors' Remuneration Policy on an annual or on a three yearly basis. Shareholders had approved the Directors' Remuneration Policy at the AGM held on 22 March 2023. As the Board has agreed to propose this resolution on a three yearly basis, the next proposal will be at the AGM in 2026.

At the AGM to be held on 18 April 2024, an ordinary resolution will be put to Shareholders to receive and adopt the Directors' Remuneration Report.

Signed on behalf of the Board

### **William Rickett**

Chair of the Remuneration and Nomination Committee

27 February 2024

# Report of the Management Engagement Committee

The Company's Management Engagement Committee consists of all of the Directors and is chaired by Dr Hugh McNeal. The Management Engagement Committee meets at least once a year and more often when required.

The three principal duties of the Management Engagement Committee are to:

- Consider the terms of appointment of the AIFM, the Investment Adviser and other service providers;
- Annually review those appointments and the terms of engagement, including ensuring fees paid are sufficient to attract and retain staff; and
- Monitor, evaluate and hold to account the performance of the AIFM, the Investment Adviser, the other service providers and their key personnel against set criteria.

During the Period, Management Engagement Committee met once and all members were present. Representatives of the Company Secretary were also present. The Management Engagement Committee reports formally to the Board after any meeting held.

During the Period, the Company adopted the Supplier Code. As part of the MEC evaluation process, all key service providers were asked to confirm their agreement to the code or equivalent standards. The Management Engagement Committee also reviewed the responses from key service providers on a wider set of ESG related questions.

The Management Engagement Committee reviews its terms of reference once a year and any changes are approved by the Board. The terms of reference are available on the Company's website at: <https://www.heitp.co.uk/investors/shareholder-documents/>.

## THE INVESTMENT ADVISER

Harmony Energy Advisors Limited has been appointed as Investment Adviser under the terms of an Investment Advisory Agreement with the Company. The Investment Adviser is a wholly owned subsidiary of Harmony Energy Limited, a leading UK battery energy storage project developer with an established track record in developing, funding and supervising the construction of such projects and other renewable generation projects in Great Britain. The management team of the Investment Adviser have been exclusively focused on the energy storage sector (across multiple projects) in Great Britain for over seven years, both from the point of view of asset owner/developer and in a third-party advisory capacity. The management team

has relevant experience in revenue optimisation software development specific to battery energy storage in Great Britain. This allows the Investment Adviser a high degree of understanding of relevant revenues available to battery energy storage, how a battery energy storage project can maximise its revenues, including through revenue optimisation services, as well as knowledge of the most effective providers of those services available in the market in Great Britain.

A summary of the services provided by the Investment Adviser to the Company and fees paid are set out in the Corporate Governance statement on pages 85-89.

## EVALUATION OF THE INVESTMENT ADVISER

The Management Engagement Committee evaluated the performance of the Investment Adviser during the year. This included reviewing the skills matrix of the Investment Adviser's key personnel and the Investment Adviser's internal control financial framework.

The Management Engagement Committee also reviewed the Investment Adviser's investment performance, its compliance with the Investment Advisory Agreement as well as value for money.

Following completion of the review the Management Engagement Committee was satisfied with the service provided, that the remuneration paid was reasonable and recommended to the Board that the continued engagement of the Investment Adviser was in the best interests of Shareholders.

## EVALUATION OF THE ALTERNATIVE INVESTMENT FUND MANAGER

In accordance with the terms of a Management Agreement, JTC Global AIFM Solutions Limited has been appointed to act as alternative investment fund manager, providing risk management and portfolio services to the Company. The AIFM is licensed and regulated by the Guernsey Financial Services Commission. The Management Engagement Committee reviewed the performance of the AIFM during the year, which included reviewing value for money and the quality of service provided. The Management Engagement Committee was satisfied with the service provided, that the AIFM had complied with the relevant laws and regulations and the level of remuneration paid, and recommended to the Board that the AIFM's continued appointment was in the best interests of Shareholders.

## **EVALUATION OF KEY SERVICE PROVIDERS**

JTC (UK) Limited is appointed as Company Secretary and Administrator and attends all Management Engagement Committee meetings but is not present in discussions regarding its own performance. The Management Engagement Committee reviewed the performance of the Administrator and Company Secretary and concluded it was satisfactory. The Board is responsible for the appointment or removal of the Company Secretary. The Management Engagement Committee carried out an evaluation of the Company's wider service providers, including the registrars, broker, legal firms and consultants providing specialist advice and support on ESG and sustainability issues. The evaluation included value for money, governance, cyber security and data protection, all legal requirements, operating and internal controls as well as ESG policies and achievement of policy goals. There are no issues to report. The MEC agreed to continue to keep all service providers under review.

## **SELF-EVALUATION**

The Management Engagement Committee carried out a self-evaluation and was satisfied that it was operating effectively.

### **Dr Hugh McNeal**

Chair of the Management Engagement Committee

27 February 2024

# Independent Auditor's Report

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARMONY ENERGY INCOME TRUST PLC

### Opinion

We have audited the financial statements of Harmony Energy Income Trust Plc (the 'Company') for the year ended 31 October 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 October 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Confirmation of our understanding of the Company's going concern assessment process and engagement with the directors and the Company Secretary to determine if all key factors were considered in their assessment. We considered whether the items included in the directors' assessment addressed those matters which we considered important, including but not limited to the debt facilities in place at the subsidiary company to which the Company acts as guarantor, and the requirement to hold a continuation vote if the NAV is below a certain threshold.
- Inspection of the directors' assessment of going concern, including the cash flow forecast, for the period to 28 February 2025 which is at least twelve months from

the date these financial statements were authorised for issue. In preparing the forecast, the Company has concluded that it is able to continue to meet its ongoing costs as they fall due.

- Review of the factors and assumptions, including the impact of the current economic environment and other significant events that could give rise to market volatility, as applied to the cash flow forecast. We considered the appropriateness of the methods used to calculate the cash flow forecast and determined, through testing of the methodology and calculations, that the methods, inputs and assumptions utilised were appropriate to be able to make an assessment for the Company. We also reviewed the Company's assessment of the investment portfolio under stressed market conditions and determined the impact of sensitivities in net asset value from the reverse stress testing performed.
- Consideration of the mitigating factors included in the cash flow forecast that are within the control of the Company. We reviewed the Company's assessment of the liquidity of investments held and evaluated the Company's ability to sell those investments in order to cover working capital requirements should revenue decline significantly.
- Consideration of the commitments that have been made, including the refinanced loan facility and the possible continuation vote, and assessed whether these have been appropriately taken account of when preparing the cash flow forecast.
- Review of the Company's going concern disclosures included in the Annual Report in order to assess whether the disclosures were appropriate and in conformity with the reporting standard.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period assessed by the directors, being the period to 28 February 2025, which is at least 12 months from when the financial statements are authorised for issue.

Our responsibilities, and the responsibilities of the directors, with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

### Overview of our audit approach

<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>• Risk of inaccurate valuation of investments and the resulting impact on the unrealised gains/(losses) in the Statement of Comprehensive Income</li> <li>• Risk of inaccurate revenue recognition, including service fee income</li> </ul>
<b>Materiality</b>	<ul style="list-style-type: none"> <li>• Overall materiality of £2.62m which represents 1% of net asset value as at 31 October 2023</li> </ul>

## An overview of the scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, the potential impact of climate and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

### Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Company has assessed the impact climate change could have on its operations and investments. This is explained in the ESG section on page 36, which forms part of the 'Other information', rather than the audited financial statements. We have not performed audit procedures on the metrics disclosed by the Company in the ESG section of the Annual Report and Accounts. Our procedures on the climate change disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the financial statements as set out in note 2 and conclusion that climate risk does not materially impact the estimates and assumptions used in determining the fair value of the investments. We also challenged the directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Based on our work, we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p><b>Risk of inaccurate valuation of investments and the resulting impact on the unrealised gains/(losses) in the Statement of Comprehensive Income</b></p> <p><i>Refer to the Audit and Risk Committee Report (page 91); Accounting policies (page 115); and Note 10 of the Financial Statements (page 120)</i></p> <p>The valuation of the investment portfolio as at 31 October 2023 was £240.03 million (2022: £141.03 million as restated) consisting of the Company's investments in BESS assets through its subsidiaries.</p> <p>The accurate valuation of investments is fundamental to the Company's financial performance. The return generated by the investment portfolio is a key driver of the Company's performance. Due to the nature of the investment portfolio, being unlisted investments with no directly comparable listed investments, the underlying assumptions that drive the value of each asset are subjective. As a result, the valuation of the portfolio is susceptible to misstatement.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"><li>• Gained an understanding of the Investment Adviser, Independent Valuer and the directors' processes and controls surrounding investment valuations and the recognition of realised and unrealised gains/(losses) on investments, by performing a walkthrough to evaluate the design and implementation of controls;</li><li>• Obtained and reviewed the valuation models to validate that the valuation methodology adopted is consistent with the requirements of IFRS and IVSC guidelines. We corroborated key revenue streams and other valuation model inputs to supporting contracts and external pricing forecasts, as applicable;</li><li>• Held discussions with the Investment Adviser to understand the key drivers of the cash flow projections included in the valuation models and assessed their appropriateness based on the nature of the asset and our understanding of the relevant markets;</li><li>• Recalculated the unrealised gains/losses on unquoted investments as at the year-end using the book-cost reconciliation and reviewed the level 3 fair value hierarchy disclosure;</li></ul>	<p>Our audit procedures did not identify any material misstatements regarding the risk of inaccurate valuation of investments and the resulting impact on the unrealised gains/(losses) in the Statement of Comprehensive Income.</p>

## Independent Auditor's Report continued

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Unrealised gains or losses are calculated as the difference between the fair value of the investment and the book cost and contribute to a significant portion of the capital returns in the statement of comprehensive income. There is a risk that the unrealised gain/loss is miscalculated. The valuation principles used are based on IFRS 13 Fair value and the International Valuation Standards Council ('IVSC') valuation guidelines, using a discounted cash flow ('DCF') methodology. In the current year more of the sites have become operational and as such the incorporation of actuals into the valuations, including in respect of back testing, is a more material consideration.</p> <p>The model used by the Investment Adviser and valuation agent to calculate the fair value of the investments is complex and proprietary. We note that the Investment Adviser and valuation agent have identified historic model errors which resulted in the Board issuing restated NAV results on 1 September 2023. The complexity of the model means the risk of error remains high and could result in the material misstatement of the valuation of investments.</p>	<ul style="list-style-type: none"> <li>Recalculated the realised gain/loss in the financial statements based on changes in investment values, purchases and realisations;</li> <li>For all investments, engaged EY valuation specialists to assist in challenging the appropriateness of the discount rate used and to assess the impact of macro-economic and industry related factors in calculating the net present value of the future cash flows; and</li> <li>Performed incremental model reviews to assess the appropriateness of the model given the intended valuation methodology, the clerical accuracy including the incorporation of actuals into the model and the validity of the assumptions made within the model.</li> </ul>	
<p><b>Risk of inaccurate revenue recognition, including service fee income</b></p> <p><i>Refer to the Audit and Risk Committee Report (page 91); Accounting policies (page 115); and Note 6 of the Financial Statements (page 117)</i></p> <p>As at 31 October 2023, the total revenue was £13.77 million (2022: £3.93 million) comprising of service fee income amounting to £1.84 million (2022: £1.85 million) and investment income amounting to £11.93 million (2022: £2.08 million).</p> <p>Service fee income represents fees charged by the Company to its subsidiaries in relation to project related matters. This is calculated as a percentage of the total operating expenditure based on the proportion of time spent on such matters. Investment income is calculated by multiplying the interest rates with the loan investments.</p> <p>Due to the judgement involved in assessing the proportion of the Company's resources spent on project matters, we consider these fees to be susceptible to misstatement.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>Obtained an understanding of how service fee income and investment income is recognised by performing walkthrough procedures to evaluate the design and implementation of controls;</li> <li>Obtained the Company's assessment of the proportion of the Companies resources spent on project related matters;</li> <li>Reviewed the reasonability of inputs and assumptions in calculating the service fee income;</li> <li>Recalculated the service fee income based on the intercompany services agreement;</li> <li>Obtained the support of Board's review and approval of the rate and forecasted expenditure used as basis for service fee calculation;</li> <li>Recalculated the investment income relating to loan interest attributable to the Company from the SPVs, with reference to the contractual agreements;</li> <li>Traced the investment income receivable to the investments balance schedule as no cash is paid and instead is capitalised; and</li> <li>Assessed whether investment income is being recognised in accordance with UK adopted international accounting standards.</li> </ul>	<p>Our audit procedures did not identify any material misstatements regarding the risk of inaccurate revenue recognition, including service fee income.</p>

## Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Company to be £2.62 million (2022: £2.72 million), which is 1% of net asset value (2022: 1% of net asset value adjusted for the C Class Shares). We believe that net asset value provides us with materiality aligned to the key measure of the Company's performance.

### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely £1.31 million (2022: £1.36 million). We have set performance materiality at this percentage due to our past experiences of the audit that indicates there is a higher risk of misstatement.

### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £0.13 million (2022: £0.14 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Other information

The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the Annual Report and Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears

to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

## Independent Auditor's Report continued

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 76;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 76;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 76;
- Directors' statement on fair, balanced and understandable set out on page 90;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 70;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 70; and;
- The section describing the work of the Audit and Risk Committee set out on page 91.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 90, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a

material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards, the Companies Act 2006, UK Corporate Governance Code, AIC Code of Corporate Governance and The Companies (Miscellaneous Reporting) Regulations 2018) and Section 1158 of the Corporation Tax Act 2010. In addition, we concluded that there are certain significant laws and regulations which may influence the determination of the amounts and disclosures in the financial statements including the Listing Rules of the UK Listing Authority.
- We understood how the Company is complying with those frameworks by making enquiries of the Investment Adviser, Company Secretary, and also the directors including the Chair of the Audit and Risk Committee. We corroborated our understanding through our review of board minutes, papers provided to the Audit and Risk Committee and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified fraud and management override risks in relation to estimation uncertainty relating to the valuation of investments and service fee income. Our audit procedures stated above in the 'Key audit matters section' of this Auditor's report were performed to address the fraud risk. We also performed journal entry testing by specific risk criteria, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the Company Secretary's reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Other matters we are required to address**

- Following the recommendation from the Audit and Risk Committee, we were appointed by the Company on 27 June 2022 to audit the financial statements for the period ended 31 October 2022 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the periods ending 31 October 2022 to 31 October 2023.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

### **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Mike Gaylor (Senior statutory auditor)**

for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
27 February 2024

# Financial Statements

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The first six projects (625 MWh / 312.5 MW) contracted by the Company utilise Tesla's Megapack technology.



TESLA

# Statement of Comprehensive Income

	Notes	Revenue £	Capital £	1 November 2022 to 31 October 2023 Total £	Revenue £	Capital £	1 October 2021 to 31 October 2022 Total (Restated*) £
<b>Income</b>							
Net (loss)/gain on investment at fair value through profit and loss	10	–	(7,161,610)	(7,161,610)	–	48,426,937	48,426,937
Service fee income	6	1,837,458	–	1,837,458	1,853,151	–	1,853,151
Investment income	6	11,936,674	–	11,936,674	2,083,035	–	2,083,035
		<b>13,774,132</b>	<b>(7,161,610)</b>	<b>6,612,522</b>	<b>3,936,186</b>	<b>48,426,937</b>	<b>52,363,123</b>
<b>Expenses</b>							
Administrative and other expenses	7	(3,475,884)	–	(3,475,884)	(3,999,189)	–	(3,999,189)
<b>Profit/(loss) before taxation</b>		<b>10,298,248</b>	<b>(7,161,610)</b>	<b>3,136,638</b>	<b>(63,003)</b>	<b>48,426,937</b>	<b>48,363,934</b>
Taxation	8	–	–	–	–	–	–
<b>Profit/(loss) after tax and Total Comprehensive income for the year/Period</b>		<b>10,298,248</b>	<b>(7,161,610)</b>	<b>3,136,638</b>	<b>(63,003)</b>	<b>48,426,937</b>	<b>48,363,934</b>
Earnings per share (basic and diluted): Ordinary Share	9			0.01			0.23

All Revenue and Capital items in the above statement are derived from continuing operations.

The Total column of this statement represents the Company's Statement of Comprehensive Income prepared in accordance with UK adopted international accounting standards ("IAS"). The return on ordinary activities after taxation is the total comprehensive income and therefore no additional statement of other comprehensive income is presented.

The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issue by the Association of Investment Companies ("AIC").

The notes on pages 112 to 133 form an integral part of these Financial Statements.

\* Refer to Note 2 Basis of preparation for disclosures on the restatement

# Statement of Financial Position

	Note	31 October 2023 £	31 October 2022 (Restated*) £
<b>Non-current assets</b>			
Investments held at fair value	10	240,025,781	141,032,691
		<b>240,025,781</b>	<b>141,032,691</b>
<b>Current assets</b>			
Trade and other receivables	11	4,452,273	1,381,693
Loan to shareholder	12	–	1,443,506
Cash and cash equivalents	13	18,093,379	124,571,626
		<b>22,545,652</b>	<b>127,396,825</b>
<b>Total assets</b>		<b>262,571,433</b>	<b>268,429,516</b>
<b>Current liabilities</b>			
Trade and other payables	14	463,341	730,364
Financial liability at fair value	15	–	14,542,172
		<b>463,341</b>	<b>15,272,536</b>
<b>Net current assets</b>		<b>22,082,311</b>	<b>112,124,289</b>
<b>Total net assets</b>		<b>262,108,092</b>	<b>253,156,980</b>
<b>Shareholders' equity</b>			
Share capital	19	2,271,283	2,100,000
Share premium	19	21,370,889	–
Capital reduction reserve	19	194,094,197	202,693,046
Revenue reserve	20	3,106,396	(63,003)
Capital reserve	20	41,265,327	48,426,937
<b>Total Shareholders' equity</b>		<b>262,108,092</b>	<b>253,156,980</b>
<b>Net asset value per Ordinary Share (pence)</b>	21	<b>115.4</b>	<b>120.55</b>

The Financial Statements of Harmony Energy Income Trust Plc (registered number 13656587) were approved by the Board of Directors and authorised for issue on 27 February 2024. They were signed on its behalf by:

## Norman Crighton

Chairman

27 February 2024

The notes on pages 112 to 133 form an integral part of these Financial Statements.

\* Refer to Note 2 Basis of preparation for disclosures on the restatement

# Statement of Changes in Equity

	Notes	Ordinary Share capital £	Share premium: Ordinary Shares £	Capital reduction reserve £	Revenue reserve £	Capital reserve £	Total Shareholders' equity £
<b>Balance at 1 October 2021</b>		-	-	-	-	-	-
Transactions with owners:							
Issue of share capital	19	2,100,000	207,900,000	-	-	-	210,000,000
Equity issue costs	19	-	(3,106,954)	-	-	-	(3,106,954)
Transfer to capital reduction reserve	19	-	(204,793,046)	204,793,046	-	-	-
Dividends paid	19	-	-	(2,100,000)	-	-	(2,100,000)
Total comprehensive income for the Period:							
Profit/(loss) for the Period (Restated*)		-	-	-	(63,003)	48,426,937	48,363,934
<b>Balance at 31 October 2022 (Restated*)</b>		<b>2,100,000</b>	<b>-</b>	<b>202,693,046</b>	<b>(63,003)</b>	<b>48,426,937</b>	<b>253,156,980</b>
Transactions with owners:							
Conversion of C shares to Ordinary Shares	19	171,283	21,370,889	-	-	-	21,542,172
Dividends paid	19	-	-	(8,598,849)	(7,128,849)	-	(15,727,698)
Total comprehensive income for the year:							
Profit/(loss) for the year		-	-	-	10,298,248	(7,161,610)	3,136,638
<b>Balance at 31 October 2023</b>		<b>2,271,283</b>	<b>21,370,889</b>	<b>194,094,197</b>	<b>3,106,396</b>	<b>41,265,327</b>	<b>262,108,092</b>

The notes on pages 112 to 133 form an integral part of these Financial Statements.

\* Refer to Note 2 Basis of preparation for disclosures on the restatement

# Statement of Cash Flows

	Notes	1 November 2022 to 31 October 2023 £	1 October 2021 to 31 October 2022 (Restated*) £
<b>Cash flows from operating activities</b>			
Profit for the year/Period		3,136,638	48,363,934
Adjustments for non-cash items:			
Net loss/(gain) on investment at fair value through profit and loss	10	7,161,610	(48,426,937)
Investment income	6	(11,582,996)	(2,083,035)
Service fee income	6	(1,837,458)	(1,853,151)
<b>Operating cash flows before movements in working capital</b>		<b>(3,122,206)</b>	<b>(3,999,189)</b>
Increase in trade and other receivables		(1,233,122)	(1,381,693)
(Decrease)/increase in trade and other payables	14	(267,023)	730,364
<b>Net cash outflow from operating activities</b>		<b>(4,622,351)</b>	<b>(4,650,518)</b>
<b>Cash flows used in investing activities</b>			
Loan to shareholder discharged/(granted)	12	1,443,506	(1,443,506)
Purchases of investments		(101,223,411)	(65,185,873)
Proceeds from sale of investments	10	13,651,707	–
<b>Net cash outflow from investing activities</b>		<b>(86,128,198)</b>	<b>(66,629,379)</b>
<b>Cash flows used in financing activities</b>			
Proceeds from issue of Ordinary Shares		–	186,516,305
Proceeds from borrowings		–	14,542,172
Share issue costs		–	(3,106,954)
Dividends paid	22	(15,727,698)	(2,100,000)
<b>Net cash (outflow)/inflow (used in)/from financing activities</b>		<b>(15,727,698)</b>	<b>195,851,523</b>
<b>Net (decrease)/increase in cash and cash equivalents for the year/Period</b>		<b>(106,478,247)</b>	<b>124,571,626</b>
Cash and cash equivalents at the beginning of the year/Period		124,571,626	–
<b>Cash and cash equivalents at the end of the year/Period</b>	13	<b>18,093,379</b>	<b>124,571,626</b>

The notes on pages 112 to 133 form an integral part of these Financial Statements.

\* Refer to Note 2 Basis of preparation for disclosures on the restatement

# Notes to the Financial Statements

For the year from 1 November 2022 to 31 October 2023

## 1. GENERAL INFORMATION

The Company was incorporated as a Public Company, limited by shares, in England and Wales on 1 October 2021 with registered number 13656587. The registered office of the Company is The Scalpel 18th Floor, 52 Lime Street, London, England EC3M 7AF. The Company's principal activity is to invest in commercial scale battery energy storage and renewable energy generation projects, with an initial focus on a portfolio of utility scale BESS, located in diverse locations across Great Britain.

### REORGANISATION

The Company is able to raise debt finance at either the Company or Special Purpose Vehicle ("SPV") level. In order to facilitate this, HEIT Holdings Ltd was incorporated on 4 February 2022, with the Company being its sole shareholder.

Prior to the issue of debt by HEIT Holdings Ltd, it was necessary to carry out a reorganisation of the Company. This reorganisation occurred over two periods. On 9 March 2023 and 4 May 2023 respectively, the Directors of the Company resolved to approve:

- the proposed disposal by the Company of the entire issued share capital of all of its other subsidiaries to the HEIT Holdings Ltd in exchange for shares issued in HEIT Holdings Ltd equalling the fair value of the investment at the date of transfer;
- the proposed novation of the Company's obligations under all loan agreements with all its other subsidiaries to HEIT Holdings Ltd and the entering into of a new loan agreement with HEIT Holdings Ltd;
- the proposed novation of the Company's obligations under certain share purchase agreements to HEIT Holdings Ltd; and
- a loan agreement to be entered into between (1) the Company and (2) HEIT Holdings Ltd.

Further details on the reorganisation and transfer of investments to HEIT Holdings Ltd are disclosed on note 10.

## 2. BASIS OF PREPARATION

The audited Annual Report and Financial Statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the UK ("IFRS") and in conformity with the requirements of the Act and also considers the Statement of Recommended Practice ("SORP") "Financial Statements of Investment Trust Companies and Venture Capital Trusts", updated by the AIC in July 2022. The Financial Statements are prepared on a historical cost basis, except where balances are recognised at fair value. The principal accounting policies are set out in Note 4.

In terms of the AIC SORP, the Company presents a Statement of Comprehensive Income, which shows amounts split between balances which are revenue and capital in nature. The determination of the revenue or capital nature of a transaction is determined by giving consideration to the underlying elements of the transaction. Capital transactions are considered to be those arising as a result of the appreciation or depreciation in the value of assets due to the fair value movements on investments held at fair value through profit and loss as well as any gains or losses occurred on the sale of investments. Revenue transactions are all transactions, other than those which have been identified as capital in nature.

The Company is an investment entity in accordance with IFRS 10 'Consolidated Financial Statements' which holds all its subsidiaries at fair value and therefore only prepares separate accounts. The Financial Statements are also prepared on the assumption that approval as an investment trust will continue to be granted.

The Directors considered the impact of climate change on the investments included in Company's Financial Statements and have assessed that it does not materially impact the estimates and assumptions used in determining the fair value of the investments.

### FUNCTIONAL AND PRESENTATION CURRENCY

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

### GOING CONCERN

A fundamental principle of the preparation of financial statements in accordance with IFRS is the judgement that an entity will continue in existence as a going concern for a period of at least 12 months from signing of The Annual Report, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

In reaching its conclusion, the Board has considered the risks that could impact the Company's liquidity over the period from 28 February 2024 to 28 February 2025 (the "Going Concern Period"). Bearing in mind the nature of the Company's business and assets, the Directors consider the Company to have adequate resources to continue in operational existence.

The Investment Adviser and the Directors have assessed the cash flow forecasts and debt servicing commitments in light of recent trading performance. Through this scenario analysis the Board has determined that the Company has sufficient ability to generate cash to ensure that the Company can continue to operate as a going concern for at least 12 months from the signing of these Financial Statements (the "Going Concern Period").

As at 31 October 2023, the Company and its subsidiaries had net current assets and net cash balances of £26 million along with undrawn debt facilities of £35 million. The combination of net current assets and undrawn debt facility was sufficient to meet commitments made under construction contracts signed by subsidiaries.

The Company, through its wholly owned subsidiary HEIT Holdings Ltd, had access to a £130 million (including a £20 million RCF) debt facility with NatWest, in syndication with Rabobank. £84.4 million had been drawn under the main facility, with £10.6 million drawn under the RCF. Both facilities were fully drawn in December 2023.

These facilities were successfully amended and restated in February 2024, providing the Company with reduced interest costs and significant head-room in relation to debt covenant tests which, if failed, would lead to a lock-up of cash or an event of default.

The Company is a guarantor to its wholly owned subsidiary HEIT Holdings Ltd in respect of the debt facilities and also provides parent company guarantees to subsidiaries in relation to certain construction and/or battery supply contracts. As at the date of publication the aggregate outstanding value of such guarantees is £29 million.

The Company's prospectus at the time of IPO commits the Directors to put forward a continuation vote at the subsequent annual general meeting of the Company if NAV is below £250 million at the end of 2024. This possibility, and the probability of such a vote passing has been taken into account by the Directors in making their assessment. Whilst it is acknowledged that there is a risk of this threshold being triggered during the Going Concern Period, any such vote would take place outside of the Going Concern Period.

The Directors are aware and understand that the Company's revenues can be volatile and therefore have reviewed the results of financial models analysing the expected position of the Company under a prudent scenario as well as a reasonable worst-case scenario. Both scenarios take into account the availability of cash reserves and receivables whilst assuming that all projects are brought into operations during the Going Concern Period.

The prudent scenario assumes revenue performance of the Company's operating projects remains broadly in line with recent operating performance.

In addition, the Directors have considered a reasonable worst-case scenario which assumes non-contracted revenue earned by underlying investee companies is c.35% lower than in the prudent scenario.

Under both scenarios the financial model shows that sufficient cash is expected to be available to meet the Company's obligations and commitments (including but not limited to construction contracts, working capital requirements and debt service). The Directors have considered the outcomes of a reverse stress test whereby non-contracted revenue falls below the level assumed in the reasonable worst-case scenario. The Directors have concluded that the revenue levels generated by this reverse stress test are not plausible.

The Directors note that the Company is not reliant on revenues from operating projects in order to meet its commitments in relation to the funding of project construction costs. Having considered the results of the modelled scenarios, the Directors have a reasonable expectation that the Company is able to manage cash flow and meet its working capital and debt service commitments via a combination of operating revenues and/or contracted revenue products over the Going Concern Period, and are working with the Investment Adviser to assess the optimal combination of such options so as to ensure that the Company can maximise returns to Shareholders whilst managing solvency risk. The Company also has the option of selling an asset(s) if it wishes to do so. The Directors are confident that key risks have been considered in this assessment.

The Directors have adopted the going concern basis in preparing the Annual Report and Financial Statements and have concluded that the Company's available funding and expected income are sufficient for the Company to continue its operations for at least 12 months from the date of signing these financial statements.

The Company has no direct exposure to either Ukraine or Russia or to Palestine and Israel and therefore does not consider either of these conflicts to have an impact on the going concern operations of the Company.

The Directors acknowledge their responsibilities in relation to the Financial Statements for the year ended 31 October 2023 and the preparation of the Financial Statements on a going concern basis remains appropriate. The Company expects to meet its obligations as and when they fall due for at least the next twelve months after the date of approval of the Financial Statements.

As such, the Directors have adopted the going concern basis in preparing the Annual Report and Financial Statements.

## **PRIOR YEAR ERROR AND RESTATEMENT**

During the preparation of the 31 July 2023 NAV, the Investment Adviser discovered an error in the NAV methodology for valuing short term cash flows, which was introduced at the 31 October 2022 financial year end. It has been ascertained that this resulted in an overstatement of the NAV at 31 October 2022 of £4,653,154.

## Notes to the Financial Statements continued

The comparatives for 31 October 2022 disclosed in this annual report have been restated with the updated valuation figures as a result of the above error. The restatement impacts the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and related notes to the Financial Statements as at 31 October 2022. A detailed breakdown of the impact of the valuation error per project has been disclosed in note 10.

## Impact on Statement of Comprehensive Income

	31 October 2022* £	Error adjustment £	31 October 2022 (Restated) £
Net (loss)/gain on investment at fair value through profit and loss	53,080,091	(4,653,154)	48,426,937
Earnings per share (basic and diluted): Ordinary Share	0.25	(0.02)	0.23

## Impact on Statement of Financial Position

	31 October 2022* £	Error adjustment £	31 October 2022 (Restated) £
<b>Non-current assets</b>			
Investments held at fair value	145,685,845	(4,653,154)	141,032,691
<b>Shareholders' equity</b>			
Capital reserve	53,080,091	(4,653,154)	48,426,937
Net asset value per Ordinary Share (pence)	122.77	(2.22)	120.55

\* 31 October 2022 results as published before the restatement

## 3. NEW AND REVISED STANDARDS AND INTERPRETATIONS

## NEW AND REVISED STANDARDS AND INTERPRETATIONS

The accounting policies used in the preparation of the Financial Statements have been consistently applied during the year ended 31 October 2023.

There have been no new standards, amendments to current standards, or new interpretations which the Directors consider to have an impact on these Financial Statements.

## NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

The following standards have been issued but are not effective for this accounting year and have not been adopted early:

- IAS 1 (amended) – Amendment to IAS 1 – Non-current liabilities with covenants – effective from 1 January 2024.
- IAS 8 (amended) – Amendment to IAS 7 and IFRS 7 - Supplier finance – effective from 1 January 2024.

Adoption of the new and revised standards and relevant interpretations in future periods is not expected to have a material impact on the Financial Statements of the Company.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the Financial Statements have been consistently applied during the year ended 31 October 2023.

The principal accounting policies applied in the preparation of the Financial Statements are set out below:

### SEGMENTAL INFORMATION

The Board is of the opinion that the Group is engaged in a single segment business, being the investment in energy storage and complementary renewable energy generation assets, with an initial focus in a diversified portfolio of utility scale BESS assets, located in diverse locations across Great Britain.

### INCOME

Income comprises Investment income and Service fee income. Investment income arising from fair value gains pertaining to interest on the portfolio assets loan investments is recognised in the Revenue account of the Statement of Comprehensive Income. The remaining fair value gains and losses are disclosed in net gain on investments at fair value through profit and loss and recorded in the Capital account. Service fee income is recognised on an accruals basis from fees charged to each portfolio company regarding the Company's resources used for project related matters. The Service fee income is recognised in the Revenue account of the Statement of Comprehensive Income.

### EXPENSES

Operating expenses are the Company's costs incurred in connection with the ongoing management of the Company's investments and administrative costs. Operating expenses are accounted for on an accruals basis and charged to the Statement of Comprehensive Income. Expenses are charged through the Revenue account except those which are capital in nature, these include those which are incidental to the acquisition, disposal or enhancement of an investment, which are accounted for through the Capital account. In terms of the AIC SORP the Company applies the general accounting basis and charges the full Investment Adviser fees to revenue ("**the non-allocation approach**"). Costs directly relating to the issue of Ordinary Shares are charged to share premium.

### TAXATION

The Company is approved as an Investment Trust Company ("**ITC**") under sections 1158 and 1159 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999 for accounting periods commencing on or after 25 May 2018. The approval is subject to the Company continuing to meet the eligibility conditions of the Corporations Tax Act 2010 and the Statutory Instrument 2011/29 99. The Company intends to ensure that it complies with the ITC regulations on an ongoing basis and regularly monitors the conditions required to maintain ITC status.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and call deposits held with the bank on a 32 day notice which can be readily converted to cash. The fixed deposit account held with the bank is used for cash management purposes.

### TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently stated at amortised cost less loss allowance which is determined using the simplified approach to measuring expected credit losses, the effect of which is considered immaterial.

### TRADE AND OTHER PAYABLES

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

### EQUITY

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

### FINANCIAL INSTRUMENTS

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

### FINANCIAL ASSETS

The Company's financial assets, other than cash and cash equivalents and trade and other receivables, are measured at fair value through profit or loss as they are held in the business model whose performance is evaluated and assessed on a fair value basis.

**Notes to the Financial Statements continued****FINANCIAL LIABILITIES MEASURED AT AMORTISED COST**

The Company classifies all financial liabilities as financial liabilities at amortised cost except the C Share Liability which was measured at fair value through profit or loss.

**RECOGNITION AND DERECOGNITION**

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

**IMPAIRMENT OF FINANCIAL ASSETS**

The Company holds trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such has chosen to apply the simplified approach to measuring expected credit losses, as permitted by IFRS 9, which uses a lifetime expected loss allowance for all trade receivables.

**DIVIDENDS PAYABLE**

Dividends are recognised when they become legally payable, as a reduction in equity in the Financial Statements. Interim equity dividends are recognised when paid. Dividends on the shares are paid quarterly, all in the form of interim dividends.

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

During the year the Directors considered the following significant judgements, estimates and assumptions:

**SIGNIFICANT JUDGEMENT****Assessment as an Investment Entity**

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them unless their main purpose and activities are providing services related to the Company's investment activities. To determine that the Company continues to meet the definition of an investment entity, the Company is required to satisfy the following three criteria:

- a) the Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- b) the Company commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c) the Company measures and evaluates the performance of substantially all of its investments on a fair value basis. The Company meets the criteria as follows:

- the Company's investment objective is to provide investors with an attractive and sustainable level of income returns, with the potential for capital growth, by investing in commercial scale energy storage and renewable energy generation projects, with an initial focus on a diversified portfolio of BESS located in Great Britain ("Projects");
- the Company provides investment management services and has several investors who pool their funds to gain access to infrastructure related investment opportunities that they might not have had access to individually; and
- the Company has elected to measure and evaluate the performance of all of its investments on a fair value basis. The fair value method is used to represent the Company's performance in its communication to the market, including investor presentations. In addition, the Company reports fair value information internally to Directors, who use fair value as the primary measurement attribute to evaluate performance.

In respect of the second criterion, Projects may also be disposed of, or otherwise realised, where the AIFM recommends (acting upon advice given by the Investment Adviser) that such realisation is in the interests of the Company. Such circumstances may include (without limitation) disposals for the purposes of realising or preserving value, or of realising cash resources for reinvestment or otherwise. The Directors are responsible for the determination of the Company's investment policy and strategy and has overall responsibility for the Company's activities including the review of investment activity and performance. The Board will also make the decision to acquire or dispose of Projects, based on recommendations made by the AIFM acting upon advice given by the Investment Adviser.

A further indicator of whether a Company is an investment entity is the expectation they hold more than one asset. During the year the Company transferred all of its subsidiaries to HEIT Holdings Ltd, details of these transactions are disclosed in note 10. Following the transfer of those subsidiaries and the sale of Harmony RC Limited in the year, the Company holds one investment directly but several indirectly, as there is a portfolio of assets within HEIT Holdings Ltd.

The Directors have evaluated whether the Company is an investment entity and concluded that it meets the definition set out in IFRS 10. Therefore, its subsidiaries are measured at fair value through profit or loss, in accordance with IFRS 9 'Financial Instruments'.

## ASSESSMENT OF HEIT HOLDINGS LTD AS AN INVESTMENT ENTITY

HEIT Holdings Ltd is not consolidated as the company is also considered to be an investment entity (see Note 10). The board of directors of HEIT Holdings Ltd has considered the requirements of IFRS 10 as shown above and confirmed that HEIT Holdings Ltd meets these criteria.

## SIGNIFICANT ESTIMATION UNCERTAINTY

### Valuation of Investments

Significant estimates in the Company's Financial Statements include the amounts recorded for the fair value of the investments in the subsidiary of the Company, HEIT Holdings Ltd. These estimates and assumptions are subject to measurement uncertainty by their nature. The impact on the Company's Financial Statements of changes in the next financial year may be significant. These estimates and sensitivities are further discussed in note 18.

## 6. INCOME

	31 October 2023 £	31 October 2022 £
Service fee income	1,837,458	1,853,151
Investment income	11,582,996	1,614,060
Bank interest income	340,939	453,973
Interest income on loan to shareholder	12,739	15,002
	<b>13,774,132</b>	<b>3,936,186</b>

Refer to note 10 for further detail on interest on loans to subsidiaries recognised in Investment income.

## Notes to the Financial Statements continued

**7. ADMINISTRATIVE AND OTHER EXPENSES**

	31 October 2023 £	31 October 2022 £
Administrative fees	57,300	48,000
AIFM fees	67,424	61,573
Director and officer insurance	40,725	44,917
Directors' fees	225,750	226,577
Fees payable to the auditor for the audit of the Company's Financial Statements	184,000	140,000
Fees payable to the auditor for the audit of the Company's initial accounts	–	100,000
Legal and professional fees	519,464	791,052
Listing fees expensed	–	377,035
Investment adviser fees	2,163,222	1,848,845
Secretarial fees	82,097	45,000
Sundry expenses	135,902	316,190
	<b>3,475,884</b>	<b>3,999,189</b>

The Company has no employees and therefore no employee-related costs have been incurred.

During the year the audit fees relating to the statutory audits of HEIT Holdings Ltd and its subsidiaries totalled £64,675 (2022: £53,500).

**ADMINISTRATIVE AND SECRETARIAL FEES**

JTC (UK) Limited has been appointed to act as administrator and secretary for the Company through the Administration and Company Secretarial Agreement with effect from 14 October 2021. JTC (UK) Limited is entitled to a minimum fee of £48,000 per annum for accounting and administration services to the Company as well as a minimum fee of £45,000 per annum for the provision of Governance and Company Secretarial services.

During the year, fees incurred with JTC (UK) Limited amounted to £139,397 (2022: £123,000) and £28,000 (2022: £93,000) remained payable as at 31 October 2023.

**AIFM**

JTC Global AIFM Solutions Limited has been appointed to act as the AIFM for the Company through the AIFM Agreement with effect from 14 October 2021. The AIFM is entitled to charge an annual rate of 0.03% of the Company's equity raised subject to a minimum annual fee of £30,000.

During the year, fees incurred with the AIFM amounted to £72,222 (2022: £61,573) and £5,620 (2022: £21,000) remained payable as at 31 October 2023.

**INVESTMENT ADVISER**

Investment Adviser fees are payable monthly in arrears. Details on how the fees are charged are disclosed in note 23.

## 8. TAXATION

The Company is recognised as an ITC for accounting periods beginning on or after 1 October 2021 and is taxed at the main rate of 19% until 31 March 2023 and then at 25% until 31 October 2023. An ITC may claim a tax deduction for the distribution of income that arises from interest receipts on the loan notes. Therefore, no corporation tax charge has been recognised for the Company for the Period to 31 October 2023.

	Revenue £	Capital £	31 October 2023 £	Revenue £	Capital (Restated) £	31 October 2022 (Restated) £
a) Tax charge in profit and loss UK Corporation tax				–	–	–
b) Reconciliation of the tax charged for the year						
Profit before tax	10,298,248	(7,161,610)	3,136,638	(63,003)	48,426,937	48,363,934
Tax at UK main rate of 25% (2022:19%)	2,318,940	(1,612,638)	706,302	(11,970)	9,201,118	9,189,148
Tax effect of:						
Non-taxable investment gains on investments	–	1,612,638	1,612,638	–	(9,201,118)	(9,201,118)
Non-deductible expenses	56,343	–	56,343	71,637	–	71,637
Tax deductible interest distributions	(2,476,959)	–	(2,476,959)	(59,667)	–	(59,667)
Deferred tax not recognised	101,676	–	101,676	–	–	–
<b>Tax charge for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

### (C) FACTORS THAT AFFECT FUTURE TAX CHARGES

ITCs which have been approved by HM Revenue & Customs are exempt from UK corporation tax on their capital gains. Due to the Company's status as an approved ITC, and the intention to continue meeting the conditions required to maintain that approval for the foreseeable future, the Company has not provided for deferred tax in respect of any gains or losses arising on the revaluation of its investments. Taxes are based on the UK Corporate tax rates which was 25% as at 31 October 2023 while a blended rate of 22.5% had been used for the year. The main rate of corporation tax change from 19% to 25% from 1 April 2023 for companies with profits over £250,000.

As at 31 October 2023 the Company had not provided deferred tax assets or liabilities. At that date, based on current estimates and including the accumulation of net allowable losses, the Company had unrelieved losses of £452,504.

## 9. BASIC AND DILUTED EARNINGS PER SHARE

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

	Weighted average number of Ordinary Shares	Net profit attributable to Shareholders £	EPS 31 October 2023 £
Ordinary Shares	223,045,660	3,136,638	0.01
	Weighted average number of Ordinary Shares	Net profit attributable to Shareholders (Restated) £	EPS 31 October 2022 (Restated) £
Ordinary Shares	210,000,000	48,363,934	0.23

## Notes to the Financial Statements continued

## 10. INVESTMENTS HELD AT FAIR VALUE

	Place of business	Percentage ownership	Equity		Loan	Closing balance: equity and loans	Closing balance: equity and loans	
			31 October 2023	31 October 2023	31 October 2023	Equity	Loan	Equity
			£	£	£	31 October 2022 (Restated) £	31 October 2022 £	31 October 2022 (Restated) £
HEIT Holdings Ltd	Bond End, Knaresborough	100%	84,185,808	155,839,973	240,025,781	2,399,841	1,412,105	3,811,946
HEIT PW Limited	Bond End, Knaresborough	100%	-	-	-	19,286,787	4,250,070	23,536,857
HEIT PW 2 Limited	Bond End, Knaresborough	100%	-	-	-	19,754,327	1,682,509	21,436,836
HEIT BD Limited	Bond End, Knaresborough	100%	-	-	-	3,400,762	2,608,865	6,009,627
HEIT FM Limited	Bond End, Knaresborough	100%	-	-	-	5,091,619	6,028,478	11,120,097
HEIT RH Limited	Bond End, Knaresborough	100%	-	-	-	4,822,367	8,457,458	13,279,825
HEIT LR Limited	Bond End, Knaresborough	100%	-	-	-	7,331,176	10,866,742	18,197,918
HEIT BF Limited	Bond End, Knaresborough	100%	-	-	-	19,862,817	23,776,768	43,639,585
			<b>84,185,808</b>	<b>155,839,973</b>	<b>240,025,781</b>	<b>81,949,696</b>	<b>59,082,995</b>	<b>141,032,691</b>

On 15 December 2022 the Company announced the acquisition of three “shovel ready” pipeline projects totalling 181.9 MW / 363.8 MWh, increasing the Company’s portfolio to nine BESS projects with a total capacity of c.500 MW / 1 GWh.

The Company has acquired the projects pursuant to a Pipeline Agreement entered into on IPO which granted the Company a right of first refusal of up to 1GW of BESS projects, from Harmony Energy Limited and Ritchie Bland Energy No. 2 Limited. The total consideration for the three projects were c. £21.9 million (supported by the independent valuation performed by Mazars) being satisfied through the payment of c.14.5 million in cash (being the net proceeds of the C Share issue by the Company as announced on 12 October 2022) in conjunction with the issue of 7 million new C Shares to the Developers and a further cash payment of £0.4 million for initial project costs.

The three projects, HEIT WG Limited, HEIT HP Limited and Harmony RC Limited, known as Wormald Green, Hawthorn Pit and Rye Common (Phases I and II), were expected to be energised in Q2 2024, Q3 2024 and Q4 2024 financial year respectively, with grid offers secured.

As described in note 1, on 9 March 2023, the Company sold its investments in HEIT PW Limited, HEIT PW 2 Limited, HEIT BD Limited, HEIT FM Limited, HEIT RH Limited, HEIT LR Limited, and HEIT BF Limited to its subsidiary HEIT Holdings Ltd for a total consideration of £91,105,212, which was the fair value of the projects at the date of transfer. HEIT Holdings Ltd satisfied this transfer by issuing and allotting 91,105,212 Ordinary Shares of £1 each to the Company.

On 4 May 2023, the Company sold 2 further investments in HEIT HP Limited and HEIT WG Limited to its subsidiary HEIT Holdings Ltd for a total consideration of £8,893,079, which was the fair value of the projects at the date of transfer. HEIT Holdings Ltd satisfied this transfer by issuing and allotting a further 8,893,079 Ordinary Shares of £1 each to the Company.

On 4 September 2023 the Company announced the sale of its Rye Common Project, Harmony RC Limited, to Pulse Clean Energy Limited at a premium to its carrying value.

The table below summarises the movement of investments held at fair value for the year ended 31 October 2023:

	31 October 2023 £	31 October 2022 (Restated) £
Opening balance (restated)	141,032,691	-
Investments purchased during the year	21,936,818	33,522,759
Investment in equity of HEIT Holdings Ltd	99,998,291	-
Loans advanced during the year	86,286,593	57,468,935
Interest on loans	11,582,996	1,614,060
Sale of equity of subsidiaries to HEIT Holdings Ltd	(99,998,291)	-
Sale of Harmony RC Limited	(13,651,707)	-
Net loss on investments held at fair value through profit or loss	(7,161,610)	48,426,937
<b>Closing balance</b>	<b>240,025,781</b>	<b>141,032,691</b>

## INVESTMENT HELD IN HEIT HOLDINGS LTD

The Company owns 100% of the Ordinary Shares in HEIT Holdings Ltd. The Company has a number of indirectly held subsidiaries held by HEIT Holdings Ltd. The investment totalling £240,025,781 in HEIT Holdings Ltd comprises of the underlying investments in the following subsidiaries (2022: Nil Investments held through HEIT Holdings Ltd). The Fair value measurements and sensitivities used to measure these investments are disclosed in note 18.

Subsidiaries	Project	Place of business	Percentage ownership	Fair value £
HEIT PW Limited (previously Harmony (PW) Limited)	Pillswood 1	Bond End, Knaresborough	100%	48,918,397
HEIT PW 2 Limited (previously Harmony (PW) 2 Limited)	Pillswood 2	Bond End, Knaresborough	100%	49,012,689
HEIT BD Limited (previously Harmony BD Limited)	Broadditch	Bond End, Knaresborough	100%	11,516,954
HEIT FM Limited (previously Harmony FM Limited)	Farnham	Bond End, Knaresborough	100%	20,578,103
HEIT RH Limited (previously Harmony RH Limited)	Rusholme	Bond End, Knaresborough	100%	27,130,822
HEIT LR Limited (previously Daisy No. 2 Limited)	Little Raith/Daisy No. 2	Bond End, Knaresborough	100%	42,789,696
HEIT BF Limited (previously Harmony BF Limited)	Bumpers	Bond End, Knaresborough	100%	87,028,196
HEIT HP Limited (previously Harmony HP (JV) Limited)	Hawthorn Pit	Bond End, Knaresborough	100%	27,508,395
HEIT WG Limited (previously Harmony WG (JV) Limited)	Wormald Green	Bond End, Knaresborough	100%	17,402,843
Total fair value of projects				<b>331,886,095</b>
Working capital				3,196,508
Senior loan facility				(95,056,822)
<b>Total investment</b>				<b>240,025,781</b>

As at 31 October 2023 (“Valuation Date”), the Company’s subsidiary HEIT Holdings Ltd had live investments in the following nine BESS projects in the UK – Pillswood 1, Pillswood 2, Broadditch, Farnham, Rusholme, Little Raith, Bumpers, Wormald Green and Hawthorn Pit. These projects, taken together, have a combined rated power capacity of 395.4 MW and an energy storage capacity of c.790.8 MWh.

The Company’s final seed portfolio project, Rusholme (70 MWh / 35 MW), has completed construction and has been cold commissioned. This project is currently awaiting confirmation of the energisation date from the relevant DNO which is now expected to be in Q1 2024.

All other seeds projects are operational. Hawthorn Pit and Wormald Green are due to complete construction in the first half of 2024.

The projects attract four different streams of revenues: trading revenue (wholesale, Balancing Mechanism and churn), Ancillary Services (Frequency Response Revenue, Dynamic Containment and Dynamic Regulation), CM revenue and embedded benefits (via the Embedded Export Tariff). Given the difficulty in accurately forecasting revenues over the long-term, the Company purchases independent forecasts from three providers. By blending the three forecasts, the Company is able to take account of differing views of long-term drivers of value.

Two of these providers focus on long-term fundamental-based forecasts whereas one is focused on shorter-term battery specific performance.

## Notes to the Financial Statements continued

Subsidiaries	Opening balance: equity and loans £	Equity acquisitions during the period £	Loans: principal advanced/ (repaid) £	Loans: interest charged £	Cost at 31 October 2022 £	Net Fair value movement (Restated) £	Closing balance: equity and loans (Restated) £
HEIT PW Limited	–	<b>8,224,633</b>	4,075,047	175,023	12,474,703	11,062,154	23,536,857
HEIT PW 2 Limited	–	<b>8,931,692</b>	1,631,222	51,287	10,614,201	10,822,635	21,436,836
HEIT BD Limited	–	<b>592,489</b>	2,451,079	157,786	3,201,354	2,808,273	6,009,627
HEIT FM Limited	–	<b>2,821,324</b>	5,777,562	250,916	8,849,802	2,270,295	11,120,097
HEIT RH Limited	–	<b>5,039,989</b>	8,144,129	313,329	13,497,447	(217,622)	13,279,825
HEIT LR Limited	–	<b>7,912,631</b>	10,565,352	301,390	18,779,373	(581,455)	18,197,918
HEIT Holdings Ltd	–	<b>1</b>	1,379,402	32,703	1,412,106	2,399,840	3,811,946
HEIT BF Limited	–	–	23,445,142	331,626	23,776,768	19,862,817	43,639,585
<b>TOTAL</b>	–	<b>33,522,759</b>	<b>57,468,935</b>	<b>1,614,060</b>	<b>92,605,754</b>	<b>48,426,937</b>	<b>141,032,691</b>

## PRIOR PERIOD ERROR AND RESTATEMENT

As disclosed in note 2 during the preparation of the 31 July 2023 NAV, the Investment Adviser discovered an error in the NAV methodology for valuing short term cash flows, which was introduced at the 31 October 2022 financial year end. It has been ascertained that this resulted in an overstatement of the NAV at 31 October 2022 of £4,653,154.

## Impact of correction of error on Investments held at fair value as at 31 October 2022

Subsidiaries	As previously reported £	As restated £	Value of error £
HEIT PW Limited	24,532,949	23,536,857	(996,092)
HEIT PW 2 Limited	22,338,183	21,436,836	(901,347)
HEIT BD Limited	6,158,235	6,009,627	(148,608)
HEIT FM Limited	12,381,065	11,120,097	(1,260,968)
HEIT RH Limited	13,114,108	13,279,825	165,717
HEIT LR Limited	18,515,385	18,197,918	(317,467)
HEIT Holdings Ltd	3,811,946	3,811,946	–
HEIT BF Limited	44,833,974	43,639,585	(1,194,389)
<b>TOTAL</b>	<b>145,685,845</b>	<b>141,032,691</b>	<b>(4,653,154)</b>

## 11. TRADE AND OTHER RECEIVABLES

	31 October 2023 £	31 October 2022 £
Prepayments	48,486	35,172
VAT receivable	1,367,690	482,555
Intercompany loans receivable	748,668	482,925
Amounts due from related parties	2,247,402	381,041
Other receivables	40,027	–
	<b>4,452,273</b>	<b>1,381,693</b>

## 12. LOAN TO SHAREHOLDER

	31 October 2023 £	31 October 2022 £
Drawings under Credit Facility granted to Shareholder:		
Opening balance	1,443,506	–
Drawdowns during the year/Period	350,913	1,443,506
Loan discharged	(1,794,419)	
Closing balance	–	<b>1,443,506</b>

On 1 July 2022, the Company granted a £5,000,000 revolving credit facility to a shareholder Harmony Energy Limited (“the Facility”). Interest was charged on the Facility at a margin rate of 3% plus 1 year SONIA (sterling overnight index average).

The Facility was discharged on 14 December 2022 as part of the sale agreement for the three projects purchased during the year as disclosed in note 10.

## 13. CASH AND CASH EQUIVALENTS

	31 October 2023 £	31 October 2022 £
Cash at bank	18,093,379	105,471,626
Fixed Deposit account	–	19,100,000
	<b>18,093,379</b>	<b>124,571,626</b>

## 14. TRADE AND OTHER PAYABLES

	31 October 2023 £	31 October 2022 £
Trade creditors and operating accruals	101,599	301,013
Administrator fees	28,000	48,000
AIFM fees	5,621	21,000
Audit fees	184,000	140,000
Investment adviser fee accrual	144,121	220,351
	<b>463,341</b>	<b>730,364</b>

## Notes to the Financial Statements continued

## 15. FINANCIAL LIABILITY AT FAIR VALUE

	31 October 2023 £	31 October 2022 £
Opening Balance	14,542,172	–
Issuance of C Shares	7,000,000	14,771,364
Less equity costs	–	(229,192)
C Shares converted into Ordinary Shares	(21,542,172)	–
	–	<b>14,542,172</b>

On 12 October 2022, the Company issued 14,771,364 C Shares of £0.10 each at a price of £1.00 per C Share. The C Shares issued had equal voting rights with Ordinary Shares. As described in note 10 a further 7,000,000 C Shares were issued during the year as part consideration for the purchase of the three new projects resulting in a total of 21,771,364 C Shares being in issue.

On 26 January 2023, the Company announced the conversion of all of its C Shares to Ordinary Shares at a ratio of 1: 0.786735 resulting in the 21,771,364 C shares being converted into 17,128,295 Ordinary Shares.

The Conversion Ratio is the ratio of the net asset value per C Share to the net asset value per Ordinary Share as at the Conversion Calculation Date. On conversion, the new Ordinary Shares issued as a result of the conversion of C Shares ranked pari passu with the existing Ordinary Shares in issue on the date of conversion.

## 16. CATEGORIES OF FINANCIAL INSTRUMENTS

	31 October 2023 £	31 October 2022 (Restated) £
<b>Financial Assets</b>		–
<b>Financial Assets at fair value through profit and loss</b>		–
Investments held at fair value	240,025,781	141,032,691
<b>Financial assets at amortised cost</b>		–
Trade and other receivables	4,452,273	1,381,693
Loan to Shareholder	–	1,443,506
Cash and Cash Equivalents	18,093,379	124,571,626
<b>Total financial assets</b>	<b>262,571,433</b>	<b>268,429,516</b>
<b>Financial liabilities</b>		
<b>Financial liabilities at fair value through profit and loss</b>		
Financial liability at fair value	–	14,542,172
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	463,341	730,364
<b>Total financial liabilities</b>	<b>463,341</b>	<b>15,272,536</b>

At the balance sheet date, all financial assets and liabilities were measured at amortised cost except for the investments held at fair value which are measured at fair value as further explained in note 15 and 18 respectively. The carrying amount for the financial assets and liabilities measured at amortised costs approximates fair value.

## 17. FINANCIAL RISK MANAGEMENT

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

### CREDIT RISK

The Company is exposed to third-party credit risk in several instances and the possibility that counterparties with which the Company and its subsidiaries, together the "Group", contracts may fail to perform their obligations in the manner anticipated by the Group.

Counterparty credit risk exposure limits are determined based on the credit rating of the counterparty. Counterparties are assessed and monitored on the basis of their ratings from Standard & Poor's and/or Moody's. No financial transactions are permitted with counterparties with a credit rating of less than BBB- from Standard & Poor's or Baa3 from Moody's unless specifically approved by the Board. Cash and bank deposits are held with major international financial institutions who each hold a Moody's credit rating of A2 or higher.

Cash and other assets that are required to be held in custody will be held at a bank. In the event of the insolvency of the bank, the Company will rank as a general creditor in relation thereto and may not be able to recover such cash in full, or at all.

In addition, credit risk relating to receivables at subsidiary level is managed by diversifying exposures among a portfolio of counterparties and through the setting and monitoring of credit limits.

### CURRENCY RISK

The Company is not exposed to currency risk as all its assets, liabilities and transactions during the current year were denominated in British Pound Sterling.

### LIQUIDITY RISK

The objective of liquidity management is to ensure that all commitments which are required to be funded can be met out of readily available and secure sources of funding. The Company's only financial liabilities are trade and other payables. The Company intends to hold sufficient cash across the Company and subsidiaries' operating accounts to meet the working capital needs.

As at 31 October 2023, the Company held cash at bank of £18,093,379 (2022: £124,571,626) and had trade and other payables totalling £463,341 (2022: £730,364). The following table reflects the maturity analysis of financial assets and liabilities.

Although the Company has no direct external debt, it has indirect external debt through its subsidiary as described in note 2 under Going Concern and in the interest rate risk note. The Board and Investment Adviser review the projected cash flow for the group on a regular basis to ensure that there is sufficient cash flow to cover the debt and interest repayments of the external debt as they fall due.

As at 31 October 2023	<1 year £	1 to 2 years £	2 to 5 years £	>5 years £	Total £
Financial assets					
Financial assets at fair value through profit and loss:					
Loan investment to subsidiaries*	-	-	-	155,839,973	155,839,973
Financial assets at amortised cost:					
Cash at bank	18,093,379	-	-	-	18,093,379
<b>Total financial assets</b>	<b>18,093,379</b>	<b>-</b>	<b>-</b>	<b>155,839,973</b>	<b>173,933,352</b>

As at 31 October 2023	<1 year £	1 to 2 years £	2 to 5 years £	>5 years £	Total £
Financial liabilities					
Financial liabilities at fair value through profit and loss:					
Financial liabilities at amortised cost:					
Trade and other payables	463,341	-	-	-	463,341
<b>Total financial liabilities</b>	<b>463,341</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>463,341</b>

## Notes to the Financial Statements continued

As at 31 October 2022	<1 year £	1 to 2 years £	2 to 5 years £	>5 years £	Total £
Financial assets					
Financial assets at fair value through profit and loss:					
Loan investment to subsidiaries*	–	–	–	59,082,995	59,082,995
Financial assets at amortised cost:					
Cash at bank	124,571,626	–	–	–	124,571,626
<b>Total financial assets</b>	<b>124,571,626</b>	<b>–</b>	<b>–</b>	<b>59,082,995</b>	<b>183,654,621</b>

As at 31 October 2022	<1 year £	1 to 2 years £	2 to 5 years £	>5 years £	Total £
Financial liabilities					
Financial liabilities at fair value through profit and loss:					
Financial liability at fair value	14,542,172	–	–	–	14,542,172
Financial liabilities at amortised cost:					
Trade and other payables	730,364	–	–	–	730,364
<b>Total financial liabilities</b>	<b>15,272,536</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>15,272,536</b>

\* Includes the interest on loans advanced and excludes the equity portion of the investment.

**MARKET RISK**

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects: (i) other price risks, and (ii) interest rate risk. The objective is to minimise market risk through managing and controlling these risks to acceptable parameters, while optimising returns. The Company uses financial instruments in the ordinary course of business in order to manage market risks. Further commentary on financial and market risks is provided in the Principal Risks and Uncertainties section, including inflation.

**(i) PRICE RISK**

The Company's investments are susceptible to market price risk arising from uncertainties about future values its portfolio assets. The Company's Investment Adviser provides the Company with investment recommendations. The Company relies on market knowledge of the Investment Adviser, the valuation expertise of the third-party valuer and the use of third-party market forecast information to provide comfort with regard to fair market values of investments reflected in the Financial Statements.

Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. At 31 October 2023, if the valuation of investments had been 10% higher with all other variables held constant, the increase in net assets attributable to Shareholders for the year would have been £24,002,578 (2022: £14,103,269, restated) higher, arising due to the increase in the fair value of financial instruments. A 10% decrease would have the equal and opposite effect.

The impact of changes in unobservable inputs to the underlying investments is considered in note 18.

**(ii) INTEREST RATE RISK**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Company is exposed to interest rate risk on its cash balances held with counterparties, and through loans to related parties. As at 31 October 2023 the Company held no fixed bank deposits. The loan to its subsidiary is carried at a fixed rate of interest. Therefore, the Company is not exposed to changes in variable market rates of interest and has therefore not considered any sensitivity to interest rates.

The Company does not have any borrowings as at 31 October 2023 however the Company has access to a £20 million RCF loan as well as a £110,000,000 long term facility through its subsidiary HEIT Holdings Ltd. As at 31 October 2023 HEIT Holdings had drawn down £10,629,073 on its RCF and £84,427,749 on its long-term facility. It is a five-year facility with an initial margin of 300bps over SONIA, rising over time to a maximum of 375bps by year 5.

HEIT Holdings Ltd uses interest rate swaps to mitigate the interest rate risk on its external borrowings. At the beginning of the Year, the Company had an interest rate swap (the "Swap") in place in relation to its initial debt facility of £60 million. The interest rate swap fixed the SONIA element of interest payments on this facility at a rate of 2.478% p.a. Multiple rises in Bank of England base rates since the Swap was contracted increased its value significantly. In connection with the extension of the debt facility during the year, the Company chose to break this swap in July 2023, crystallising the mark to market value at the time of £6.1 million. An interest rate cap of 5.25% was put in place in relation to the variable SONIA element of the increased facility, at a cost of £2.8 million.

As at 31 October 2023 the interest rate cap in place in HEIT Holdings Ltd was fair valued at £1,110,781 (2022: £nil). The Swap previously held by HEIT Holding Ltd as at 31 October 2022 was fair valued at £4,090,988.

As described in the Going Concern note, the Company is guarantor to its wholly owned subsidiary, HEIT Holdings Ltd in respect of the long-term facility of £110m and ancillary revolving credit facility of up to £20 million.

Where not a requirement of the underlying loan facilities, the Company will consider the costs and benefits of hedging on a case-by-case basis.

At 31 October 2023, the Company is indirectly exposed to interest rate risk through its investment in the subsidiary. The Company may be exposed to changes in variable market rates of interest and this could impact the discount rate and therefore the valuation of the projects that underpin the value of its investment in subsidiary. The sensitivity of the valuation of the investment projects due to discount rates is disclosed in note 18.

## CAPITAL RISK MANAGEMENT

The capital structure of the Company at year end consists of equity attributable to equity holders of the Company of £262,108,092 (2022: £253,156,980, Restated), comprising issued capital and reserves. The Board continues to monitor the balance of the overall capital structure so as to maintain investor and market confidence. The Company is not subject to any external capital requirements.

## 18. FAIR VALUE MEASUREMENT

### FAIR VALUE MEASUREMENT AND HIERARCHY

Fair value is the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a Level 3 measurement.

The following table analyses within the fair value hierarchy the Company's assets measured at fair value at 31 October 2023:

	Level 1 £	Level 2 £	Level 3 £
Investment in subsidiary	–	–	240,025,781

The following table analyses within the fair value hierarchy the Company's assets measured at fair value at 31 October 2022 (restated):

	Level 1 £	Level 2 £	Level 3 £
Investment in subsidiaries	–	–	141,032,691

The Company only invests in assets at fair value through profit or loss that are Level 3 in the fair value hierarchy and the reconciliation in the movement of this Level 3 investment is presented below. No transfers between levels took place during the year.

	31 October 2023 £	31 October 2022 (Restated) £
Opening balance (restated)	141,032,691	–
Investments purchased during the year	21,936,818	33,522,759
Investment in equity of HEIT Holdings Ltd	99,998,291	–
Loans advanced during the year	86,286,593	57,468,935
Interest on loans	11,582,996	1,614,060
Sale of equity of subsidiaries sold to HEIT Holdings Ltd	(99,998,291)	–
Sale of Harmony RC Limited	(13,651,707)	–
Unrealised (loss)/gain on investments held at fair value through profit or loss	(8,668,181)	48,426,937
Realised gains on sale of investments	1,506,571	–
<b>Closing balance</b>	<b>240,025,781</b>	<b>141,032,691</b>

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

## Notes to the Financial Statements continued

### VALUATION METHODOLOGY

The fair value of the investment in HEIT Holdings Ltd represents its net assets as determined by the Company's administrator (reviewed by the Investment Adviser) and further presented by the Investment Adviser and reviewed by the Company's Board of Directors.

The Investment Adviser's assessment of fair value of investments in the underlying projects in HEIT Holdings Ltd is determined in accordance with the International Private Equity and Venture Capital 2018 ("IPEVC") Valuation Guidelines, using levered and unlevered discounted cash flow principles.

The valuation of all the Company's subsidiaries' investments is based primarily on a discounted cash flow methodology ("DCF"), "Income Approach", which indicates value based on the sum of the economic income that an asset, or group of assets, is anticipated to produce in the future. Free cash flow to total invested capital is typically the appropriate measure of economic income. The method discounts free cash flows using an estimated discount rate Weighted Average Cost of Capital ("WACC"). The selected discount rate is supported by the benchmarking of discount rates for assets in the same, or analogous sectors as the portfolio.

### VALUATION PROCESS

Valuations are the responsibility of the Board of Directors. The Investment Adviser is responsible for submitting fair market valuations of the Company's assets to the Directors. The Directors review and approve these valuations following appropriate challenge and examination. Valuations are carried out quarterly, with Mazars acting as independent valuer providing a valuation report semi-annually. The current portfolio consists of non-market traded investments and valuations are based on a DCF methodology.

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

The AIFM acts as an oversight function in order to ascertain whether the valuation risk is being appropriately managed.

As at 31 October 2023, the fair values of all the investments held within the portfolio of the Company's subsidiary HEIT Holdings Ltd, have been determined by Mazars LLP (reviewed by the Investment Adviser) and further presented by the Investment Adviser and reviewed by the Company's Board of Directors.

### SENSITIVITY ANALYSIS

The following tables reflect the range of sensitivities in respect of the fair value movements of the underlying projects held by HEIT Holdings Ltd. The individual project valuations are disclosed in note 10.

The Directors consider the changes in inputs to be within a reasonable expected range based on their understanding of market transactions. This is not intended to imply that the likelihood of change or that possible changes in value would be restricted to this range.

The Directors consider the following to be the most significant key unobservable inputs to the discounted cash flows ("DCF") calculation.

Subsidiary	Project	Significant input	Base valuation	Valuation technique	Sensitivity	Estimated effect on fair value 31 October 2023 £	Estimated effect on fair value 31 October 2022 (Restated) £
HEIT PW Limited	Pillswood 1	Discount rate	48,918,397	DCF	+0.5%	(1,962,728)	(1,422,863)
					-0.5%	2,116,324	1,521,936
		Revenue			+10%	5,061,300	5,166,096
					-10%	(5,090,193)	(5,218,459)
HEIT PW 2 Limited	Pillswood 2	Discount rate	49,012,689	DCF	+0.5%	(1,918,210)	(1,422,118)
					-0.5%	2,067,967	1,521,177
		Revenue			+10%	5,052,974	5,166,553
					-10%	(5,096,376)	(5,219,204)
HEIT BD Limited	Broadditch	Discount rate	11,516,954	DCF	+0.5%	(454,100)	(324,307)
					-0.5%	488,989	347,013
		Revenue			+10%	1,135,280	1,140,544
					-10%	(1,138,960)	(1,147,759)
HEIT FM Limited	Farnham	Discount rate	20,578,103	DCF	+0.5%	(880,030)	(642,185)
					-0.5%	947,875	687,815
		Revenue			+10%	2,136,741	2,057,807
					-10%	(2,157,962)	(2,079,858)
HEIT RH Limited	Rusholme	Discount rate	27,130,822	DCF	+0.5%	(1,356,277)	(1,001,684)
					-0.5%	1,461,224	1,073,703
		Revenue			+10%	3,450,997	3,226,431
					-10%	(3,503,648)	(3,243,602)
HEIT LR Limited	Little Raith/Daisy No. 2	Discount rate	42,789,696	DCF	+0.5%	(1,819,262)	(1,302,349)
					-0.5%	1,957,919	1,399,499
		Revenue			+10%	4,941,061	4,190,210
					-10%	(5,053,689)	(4,186,939)
HEIT BF Limited	Bumpers	Discount rate	87,028,196	DCF	+0.5%	(4,010,981)	(2,990,498)
					-0.5%	4,318,710	3,212,404
		Revenue			+10%	9,685,739	8,679,227
					-10%	(9,930,227)	(8,674,979)
HEIT WG Limited	Wormald Green	Discount rate	17,402,843	DCF	+0.5%	(1,154,003)	-
					-0.5%	1,246,378	-
		Revenue			+10%	3,170,805	-
					-10%	(3,354,679)	-
HEIT HP Limited	Hawthorn Pit	Discount rate	27,508,395	DCF	+0.5%	(1,733,055)	-
					-0.5%	1,870,705	-
		Revenue			+10%	4,708,722	-
					-10%	(4,804,294)	-

## Notes to the Financial Statements continued

## PORTFOLIO SENSITIVITY

The table below reflects a range of sensitivities which the Directors consider to have a significant impact on the portfolio of investments held by the Company:

Unobservable input	Sensitivity	Estimated effect on fair value 31 October 2023 £	Estimated effect on fair value 31 October 2022 (Restated) £
Inflation	+0.5%	18,522,081	13,322,583
	-0.5%	(18,269,983)	(12,444,295)
Construction costs	+10%	(9,880,088)	(25,583,573)
	-10%	11,205,647	25,295,180
Operating costs	+15%	(9,251,227)	(7,803,622)
	-15%	9,031,841	7,789,333
Cell replacement costs	+15%	(2,769,237)	(1,290,494)
	-15%	2,786,110	1,327,324

## 19. SHARE CAPITAL

	Number of ordinary shares	Share capital £	Share premium £	Capital reduction reserve £	Total £
As at 31 October 2022	210,000,000	2,100,000	-	202,693,046	204,793,046
Conversion of C shares to Ordinary Shares	17,128,295	171,283	21,370,889	-	21,542,172
Dividends paid	-	-	-	(8,598,849)	(8,598,849)
<b>As at 31 October 2023</b>	<b>227,128,295</b>	<b>2,271,283</b>	<b>21,370,889</b>	<b>194,094,197</b>	<b>217,736,369</b>

	Number of ordinary shares	Share capital £	Share premium £	Capital reduction reserve £	Total £
As at 1 October 2021	-	-	-	-	-
Issue of fully paid Ordinary Shares at £1	210,000,000	2,100,000	207,900,000	-	210,000,000
Ordinary Shares Equity issue costs	-	-	(3,106,954)	-	(3,106,954)
Transfer to capital reduction reserve	-	-	(204,793,046)	204,793,046	-
Dividends paid	-	-	-	(2,100,000)	(2,100,000)
<b>As at 31 October 2022</b>	<b>210,000,000</b>	<b>2,100,000</b>	<b>-</b>	<b>202,693,046</b>	<b>204,793,046</b>

## SHARE CAPITAL, SHARE PREMIUM ACCOUNT AND CAPITAL REDUCTION RESERVE

On 12 October 2021, the Board approved the proposed placing and offer for subscription of Ordinary Shares of £0.01 nominal value each in the capital of the Company at a price of £1.00 per Ordinary Share.

Following a successful application to the High Court and lodgement of the Company's statement of capital with the Registrar of Companies, the Company was permitted to cancel its share premium account. This was effected on 15 December 2021 by a transfer of the balance of £204,793,046 from the share premium reserve to the capital reduction reserve. The capital reduction reserve is classed as a distributable reserve and dividends to be paid by the Company can be offset against this reserve.

On 26 January 2023, the Company announced the conversion of its C Shares. The total number of C shares that was converted into new Ordinary Shares with voting rights was 17,128,295. Immediately following admission, the total number of the Ordinary Shares in issue was 227,128,295 (Refer to note 15).

## 20. RESERVES

The nature and purpose of each of the reserves included within equity at 31 October 2023 are as follows:

- Share premium reserve: represents the surplus of the gross proceeds of share issues over the nominal value of the shares, net of the direct costs of equity issues and net of conversion amount;
- Capital reduction reserve: represents a distributable reserve created following a Court approved reduction in capital. This reserve is distributable and may be used, where the Board considers it appropriate, by the Company for the purpose of paying dividends to Shareholders;
- Revenue reserve: represents a distributable reserve of cumulative net gains and losses recognised in the Revenue account of the Statement of Comprehensive Income; and
- Capital reserve: represents a non-distributable reserve of cumulative net capital gains and losses recognised in the Statement of Comprehensive Income.

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

## 21. NET ASSET VALUE PER SHARE

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

31 October 2023						
	Shares in	Assets	Liabilities	Profit	Pence per	Net Asset Value £
Ordinary Shares	227,128,295	262,571,433	463,341	3,136,638	115.40	262,108,092

31 October 2022 (Restated)						
	Shares in	Assets	Liabilities	Profit	Pence per	Net Asset Value £
Ordinary Shares	210,000,000	268,429,516	15,272,536	48,426,937	120.55	253,156,980

## 22. DIVIDENDS

Dividend per Share is a measure to show the distributions made to Shareholders during the Period.

	Dividend per share	Total £
For the 6 month period ended 31 October 2022 (paid: December 2022)	1 pence	2,100,000
For the 3 month period 31 January 2023 (paid: March 2023)	2 pence	4,542,566
For the 3 month period ended 30 April 2023 (paid: June 2023)	2 pence	4,542,566
For the 3 month period ended 31 July 2023 (paid: September 2023)	2 pence	4,542,566

The distributions paid during the Year were paid out of the capital reduction reserve and revenue reserve.

On 30 November 2023, the Company declared a distribution of 2 pence per Ordinary Share £4,542,566 in relation to the period 1 August 2023 to 31 October 2023 which was paid on or around 22 December 2023 to Shareholders on the register as at the close of business on 7 December 2023.

The table below sets out the final interim dividend, together with the interim dividends paid, in respect of the financial year, which is the basis on which the requirements of Section 1158 of the Corporation Tax Act 2010 are considered.

	31 October 2023 £	31 October 2022 £
Interim dividends paid 2023 – 6 pence (2022: 1 pence)	13,627,698	2,100,000
Final interim dividend for 2023 – 2 pence (2022: 1 pence)	4,542,566	2,100,000
	<b>18,170,264</b>	<b>4,200,000</b>

## Notes to the Financial Statements continued

**23. TRANSACTIONS WITH RELATED PARTIES**

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

Details of related parties are set out below:

**NON-EXECUTIVE DIRECTORS**

Details of the fees paid to Directors in the year are set out in the Directors' Report.

Total Directors' fees of £225,750 (2022: £226,577) were incurred in respect of the year with none being outstanding and payable at the end of the year. Director and officer insurance for the year were £40,725 (2022: £44,917).

**SUBSIDIARIES**

Included in note 11 are amounts receivable from HEIT Holdings Ltd and its subsidiaries. These amounts are interest free and repayable on demand.

On 15 December 2022, the Company announced the acquisition of the Wormald Green, Hawthorn Pit and Rye Common projects from Harmony Energy Limited and Ritchie Bland Energy No 2 Limited at fair value, in accordance with the Company's Related Party policy. The total consideration paid was c. £21.9 million (£21.5 million as consideration for the projects and £0.4 million to repay initial project costs incurred by the Developers on behalf of the Company). This was satisfied partly in cash and partly through the issue of 7 million new C Shares to the Developers. See note 10 for relevant details. The independent valuer provided a fair market opinion on all purchases at the time of acquisition and consideration paid was considered by the independent valuer to be within a fair market range.

On 9 March 2023, the Company sold its investments in HEIT PW Limited, HEIT PW 2 Limited, HEIT BD Limited, HEIT FM Limited, HEIT RH Limited, HEIT LR Limited, and HEIT BF Limited to its subsidiary HEIT Holdings Ltd for a total consideration of £91,105,212, which HEIT Holdings Ltd satisfied by issuing and allotting 91,105,212 Ordinary Shares of £1 each to the Company.

On 4 May 2023, the Company sold two further investments in HEIT HP Limited and HEIT WG Limited to its subsidiary HEIT Holdings Ltd for a total consideration of £8,893,079, which HEIT Holdings Ltd satisfied by issuing and allotting 8,893,079 Ordinary Shares of £1 each to the Company.

As described in the going concern note in note 2, the Company was a guarantor to its wholly owned subsidiary, HEIT Holdings Ltd in respect of the £110 million debt facility and the £20 million RCF. The Company also provides parent company guarantees to subsidiaries in relation to certain construction and/or battery supply contracts. As at 31 October 2023, total committed funding to subsidiaries was £55.2 million.

**INVESTMENT ADVISER**

The Investment Adviser, Harmony Energy Advisors Limited is entitled to advisory fees under the terms of an investment advisory agreement dated 14 October 2021. The Company shall pay to the Investment Adviser an annual fee (exclusive of value added tax, which shall be added where applicable) payable monthly in arrears calculated at the rate of:

- one twelfth of 0.9% per calendar month of the lesser of the (i) NAV or (ii) Average Market Capitalisation of the Company up to the threshold of £250,000,000; and
- one twelfth of 0.8% per calendar month of the lesser of the (i) NAV or (ii) Average Market Capitalisation of the Company in excess of £250,000,000

An advisory fee of £2,163,222 (2022: £1,848,845) was incurred during the year and £144,121 (2022: £220,351) remained payable as at 31 October 2023.

Harmony Energy Limited is the parent of the Investment Adviser and therefore an entity with significant control over the Investment Adviser. Harmony Energy Limited is also a significant shareholder of the Company. See transactions with subsidiaries for further details.

**OTHER RELATED PARTIES**

James Ritchie-Bland is a director of Harmony Energy Limited as well as an indirect shareholder of Harmony Energy Limited through Ritchie-Bland Energy (Number 1) Limited. He is also a director of the Investment Adviser and a shareholder in the Company.

Ritchie-Bland Energy (Number 2) Limited, of which James Ritchie-Bland is also a director and an indirect shareholder (through Renewable Environmental Investments Limited) is party to a joint venture agreement with Harmony Energy Limited in regard to the three projects purchased by the Company during the year as disclosed in note 10.

## **24. CAPITAL COMMITMENTS**

As described in the going concern note in note 2, the Company was a guarantor to its wholly owned subsidiary, HEIT Holdings Ltd in respect of the £110 million debt facility and the £20 million RCF.

The Company also provides parent company guarantees to subsidiaries in relation to certain construction and/or battery supply contracts. These guarantees are expected to be in place until the end of June 2024. As at 31 October 2023, total committed funding to subsidiaries was £55.2 million.

Other than as reported above, the Company had no contingencies and no significant capital commitments at the reporting date.

## **25. POST BALANCE SHEET EVENTS**

On 30 November 2023, the Company declared a distribution of 2 pence per Ordinary Share £4,542,566 in relation to the period 1 August 2023 to 31 October 2023 which was paid on or around 22 December 2023 to Shareholders on the register as at the close of business on 7 December 2023.

On 21 February 2024, the Company successfully negotiated an amendment and restatement of its debt facilities of £130 million with NatWest (together with Rabobank).

There were no other events after the reporting date which require disclosure.

# Company Information

## DIRECTORS

Appointed: 12 October 2021  
 Norman Crighton  
 Janine Freeman  
 Hugh McNeal  
 William Rickett CB  
 Shefaly Yogendra

## REGISTERED OFFICE

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 EC3M 7AF

## INVESTMENT ADVISER

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Harmony Energy Advisors Limited is an appointed representative of Laven Advisors LLP, which is authorised and regulated by the Financial Conduct Authority.

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## REGISTRAR

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## ADMINISTRATOR AND SECRETARY

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 EC3M 7AF

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Stifel Nicolaus Europe Limited  
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## ALTERNATIVE INVESTMENT FUND MANAGER

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 SE1 2AU

# Glossary

Set out below is an explanation of some of the industry-specific and other terms used in this report:

<b>2-hour duration</b>	“duration” in this context refers to the maximum length of time it is possible to fully discharge (or charge) a battery at nameplate power capacity. The average duration of current operating BESS projects in GB is c.1.3 hours. The Investment Adviser expects a 2-hour BESS project to outperform a 1-hour BESS project in wholesale markets / Balancing Mechanism activity, whilst also providing downside protection against the risk of Ancillary Service market saturation over the longer term;
<b>Adjusted NAV</b>	under IAS 32 the proceeds raised from the C Share issue (as announced on 12 October 2022) are classified as liabilities rather than equity until converted. The Adjusted NAV shows the Net Asset Value of the Company with these proceeds shown as equity rather than as a liability in the financial statements. The Adjusted NAV reported in the 31 October 2022 Annual Report and Accounts was £272.4 million. Following the NAV correction and subsequent restatement in this report, the Adjusted NAV for 31 October 2022 was £267.7 million. For the avoidance of doubt, following the conversion of the C Shares in January 2023 Adjusted NAV is equal to NAV;
<b>Adjusted NAV Total Return</b>	the change in Adjusted NAV plus dividends paid over the Period;
<b>Arbitrage</b>	wholesale trading and/or Balancing Mechanism;
<b>Ancillary Services</b>	contracts and tools that National Grid ESO procures and uses to manage Frequency Deviation, balance supply and demand (and otherwise maintain the stability of) the GB transmission network – sometimes referred to as “balancing services”;
<b>Balance-of-plant or BOP</b>	refers to those supporting or auxiliary technical, electronic and other components needed to complete the project, other than the BESS itself. This would include transformers, inverters and switchgear. The term is also used to encompass civil engineering works such as foundations and work required to create trenches and lay cables;
<b>Balancing Mechanism or BM</b>	the ESO’s primary tool to balance supply and demand on Great Britain’s network. The Balancing Mechanism is used to buy and procure the right amount of electricity required to balance the system;
<b>Capacity Market or CM</b>	a market introduced by the government’s Electricity Market Reform package, designed to ensure security of electricity supply by providing capacity providers with a steady, predictable revenue stream on which they can base their future investments. In return for such revenue, providers must deliver energy (for up to 8 hours) upon notice at times of system stress or face penalties;
<b>C Shares</b>	the C shares of £0.10 each in the capital of the Company (converted to Ordinary Shares in January 2023);
<b>De-Rated or De-Rating</b>	in relation to Capacity Market contracts, technologies which have less than 8-hours duration are paid less per MW, according to a “de-rating” scale (i.e. the longer the duration, the higher net proportion of the £/kw clearing price). Over the past few years, the de-rating factor for BESS has been increasing, reducing the potential net revenue for BESS despite high headline clearing prices. For the 2024/25 T-1 Auction, a 2-hour duration BESS is de-rated to 22.67%, whilst a 1-hour BESS is de-rated to 11%;
<b>Distribution Network Operator or DNO</b>	Distribution Network Operators are the owners of low voltage networks in Great Britain, providing the local wires which take the electricity from the grid and move it through their own network of power lines and underground cables, taking it to homes and businesses;
<b>Dynamic Containment or DC</b>	one of National Grid ESO’s Ancillary Services, designed to operate post-fault, i.e., for deployment after a significant network Frequency Deviation in order to slow the rate of change of frequency of the network;
<b>Dynamic Moderation or DM</b>	one of National Grid ESO’s Ancillary Services which operates similar to DC but for which the minimum response times are longer, meaning less demanding technical requirements for participants;
<b>Dynamic Regulation or DR</b>	one of National Grid ESO’s Ancillary Services, designed to operate pre- fault to correct continuous but small deviations in network frequency;
<b>Flexibility</b>	the capability of a power system to adjust supply and demand to achieve balance;

## Glossary continued

<b>Frequency Deviation</b>	<p>the electricity network in Great Britain operates at a frequency of 50Hz and one of National Grid ESO's roles is to manage and maintain the frequency of the network within one % (0.5Hz) of the 50Hz level. The system frequency is linked to the supply/demand balance of the network.</p> <p>When energy demand rises/supply decreases, National Grid ESO can instruct its contracted Ancillary Service providers to ramp up their energy production to prevent the frequency dropping. For a BESS project, this would involve an instruction to export its stored energy. When demand is low/supply is high, National Grid ESO may instruct providers to reduce generation in order to prevent frequency from spiking too high. For a BESS project, this would be an instruction to import energy from the network;</p>
<b>Gate Closure</b>	the time at which participants in the wholesale electricity market submit their final bids and offers, being one hour prior to the time of delivery;
<b>National Grid ESO</b>	the Electricity System Operator for Great Britain;
<b>Ordinary Shares</b>	the ordinary shares of £0.01 each in the capital of the Company;
<b>Revenue from Operations</b>	revenue generated by the Company's BESS projects. This includes sale of electricity and revenue received in relation to Ancillary Service and CM contracts. The metric is net of electricity purchased for the purposes of charging the battery;
<b>Revenue Optimiser</b>	<p>a third-party company which provides revenue optimisation services to BESS projects (or other technologies), including:</p> <ul style="list-style-type: none"> <li>(i) market access;</li> <li>(ii) optimisation of market selection;</li> <li>(iii) submission of bid and offer pricing into a range of markets; and</li> <li>(iv) the physical dispatch of the projects;</li> </ul>
<b>ROFR</b>	the exclusive right of first refusal which the Company enjoys over Harmony Energy Limited's pipeline of projects, as described in detail in the Company's prospectus. The Company has, as at the date of publication of this report, so far exercised this right in relation to 494.4 MW, leaving at least 505.6 MW still to be acquired (subject to financing and compliance with the Company's Investment Policy);
<b>shovel ready</b>	<p>a BESS project which has in place:</p> <ul style="list-style-type: none"> <li>(i) a completed lease, lease option or agreement for lease in relation to the land upon which that project is situated;</li> <li>(ii) planning permission enabling the construction of a suitable project on that land (subject to any amendments to reflect final technical specifications);</li> <li>(iii) an industry standard grid connection offer from a DNO (or TSO); and</li> <li>(iv) a BESS supply and installation contract with material terms in agreed form with a reputable counterparty;</li> </ul>
<b>T-1 Auction</b>	a CM auction held in the year immediately prior to each delivery year to top up capacity for the delivery year. Usually procures a much lower amount of capacity than a T-4 auction. It is not possible for a project to hold both a T-1 CM contract and a T-4 CM contract in relation to the same delivery year. However, it is possible for projects to bid for, and deliver under, T-1 CM contracts during the years prior to commencement of delivery for their T-4 CM contract;
<b>T-4 Auction</b>	this is the main CM auction at which National Grid ESO buys most of the capacity needed for delivery in four years' time. This auction provides long-term returns and is designed to promote new investments;
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures;
<b>TNFD</b>	Task Force on Nature-related Financial Disclosures;
<b>TSO</b>	Transmission System Operator, being National Grid ESO;
<b>under construction</b>	<p>a BESS project which has in place:</p> <ul style="list-style-type: none"> <li>(i) an agreed lease on satisfactory terms in relation to the land upon which that project is situated;</li> <li>(ii) an accepted industry standard grid connection offer from a DNO/TSO, and having made at least one milestone payment; and</li> <li>(iii) a fully executed BESS supply and installation contract with a reputable counterparty;</li> </ul>
<b>Wholesale Price Spread</b>	the average spread between peak and off-peak pricing in the GB wholesale energy markets.



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