



HARMONY ENERGY
INCOME TRUST PLC

Annual Report and Accounts

For the year ended 31 October 2024



POWERING A SUSTAINABLE FUTURE

Strategic Report

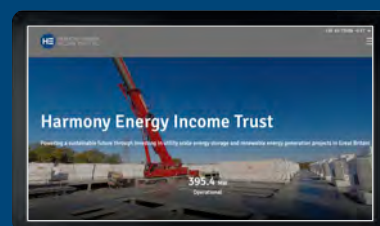
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Overview



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 a focus on a diversified portfolio of BESS assets located in Great Britain (“GB”). As at 31 October 2024, the Company had a fully operational portfolio of eight 2-hour duration BESS projects, with a total capacity of 790.8 MWh / 395.4 MW (the “Portfolio”).

As at the close of business on 25 February 2025, the latest practicable date prior to the publication of this document, the price per Ordinary Share was 63.7 pence, and the NAV per Ordinary Share was 88.52 pence as at 31 October 2024.

COMPANY HIGHLIGHTS AT 31/10/2024

Total Portfolio

790.8 MWh / 395.4 MW

(2023: 790.8 MWh / 395.4 MW)

Operational Portfolio

100%

(2023: 70%)

790.8 MWh / 395.4 MW

(2023: 555 MWh / 277.5 MW)

Tonnes of CO₂e emissions avoided

51,945 estimated

(2023: 15,415)

Dividend declared and paid in relation to the Period

N/A

(2023: 8 pence per Ordinary Share)

NAV per Ordinary Share

88.52P

(2023: 115.40p)

Adjusted NAV*

£201.05M

(2023: £262.12m)

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

* See glossary for definition of Adjusted NAV.

Adjusted NAV and the Dividend per Ordinary Share are Alternative Performance Measures. The full table of KPIs and Performance Measures is set out on page 20 of this report.

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
STATUS: OPERATIONAL
- 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
STATUS: OPERATIONAL
- 8 **HAWTHORN PIT**
99.8 MWh / 49.9 MW
STATUS: OPERATIONAL

Project Progress

1 PILLSWOOD



2 BROADDITCH



3 FARNHAM



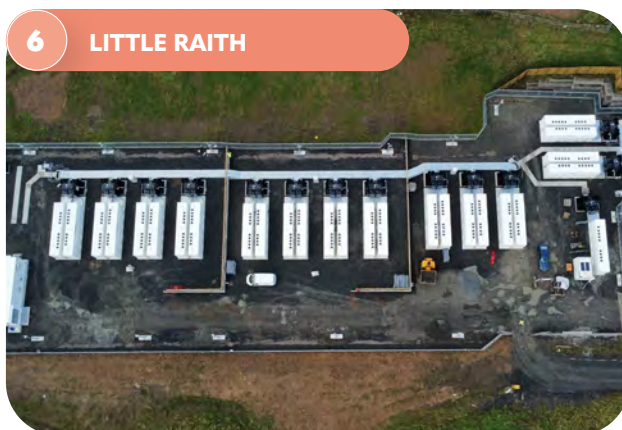
4 RUSHOLME



5 BUMPERS



6 LITTLE RAITH



7 WORMALD GREEN



8 HAWTHORN PIT



Chair's Statement



Welcome, on behalf of the board of directors (the "**Board**"), to the third Annual Report and Accounts of the Company for the financial year ("**FY**") ending 31 October 2024 (the "**Period**").

NORMAN CRIGHTON
CHAIR



PORTFOLIO 100% OPERATIONAL

The Company's remaining construction assets were successfully energised during the Period, taking the Portfolio to 100% operational. The Portfolio consists of eight 2-hour duration BESS projects totalling 790.8 MWh / 395.4 MW, the largest exclusively 2-hour duration operating BESS portfolio in GB. The increase in operational capacity coincided with a recovery in revenue levels over the final quarter of the Period and this recovery has accelerated over the first quarter of FY 2024/25.

DIVIDEND POLICY AND NAV IMPACTED BY CHALLENGING REVENUE ENVIRONMENT

As has been well reported, a challenging environment for GB BESS assets emerged during the first quarter of the Period. Mild temperatures over the winter kept consumer demand low, and this demand was sufficiently met by moderate and consistent levels of wind generation. This lack of volatility, coupled with low wholesale gas prices, reduced wholesale spreads and Ancillary Service prices. With GB BESS market revenues being significantly weaker than short-term independent forecasts, the Board resolved to take a prudent approach to capital allocation and cash management, culminating in the cancellation of the Q1 dividend for the Period and the amendment

of the Company's dividend policy to be more aligned with the Company's performance. In addition, Harmony Energy Advisors Limited ("**HEAL**", the "**IA**" or the "**Investment Adviser**") promptly incorporated reduced third-party revenue projections into asset valuations. These reductions in third-party revenue projections are a key driver of net asset value which reduced over the Period from 115.40 pence per Ordinary Share (see glossary) to 88.52 pence per Ordinary Share – a 23% reduction.

SHARE PRICE PERFORMANCE

Despite a successful renegotiation of the Company's debt facilities in February 2024 to reflect the Portfolio's evolution from a construction portfolio into an operating one and to reassure Shareholders of its continued solvency amidst a low revenue environment, these lower revenues coupled with rising government bond yields placed downward pressure on the share price.

The share price recovered by circa 70% between February 2024 and June 2024 before stabilising at around 50 pence per Ordinary Share during the final third of the Period. Post-Period end, the share price has rallied further as investors have reacted to positive updates regarding the Company's asset sale process (see below).

RECOVERY OF PORTFOLIO REVENUES

Portfolio revenues have also improved, with revenues over the second quarter of the Period 48% above those experienced in the first quarter. A key driver for this was a threefold increase in captured Balancing Mechanism (“BM”) volumes in the spring versus the winter, as software and process enhancements at National Energy System Operator (“NESO”) began to take effect. The Portfolio continued to capture a high level of BM volumes over the remainder of the Period. The Investment Adviser has engaged with NESO (independently and in collaboration with other industry stakeholders) to drive positive reform aimed at maximising the utilisation of BESS, to create efficiencies and cost savings for consumers. NESO continues to design and launch new revenue products and strategies which are targeting the improvement in BESS utilisation, the latest being Quick Reserve launched in November 2024.

Another key driver of revenue recovery was the high level of renewable penetration during the second half of the Period. The strong correlation between wind generation and BESS revenues during this time is a compelling illustration of the underlying long-term investment case for 2-hour duration BESS in GB: as wind and solar generation increase their proportionate share of the GB electricity “stack”, wholesale power spreads are becoming wider and more volatile, increasing Arbitrage opportunities for BESS. Multiple periods of high wind generation and low demand created wide peak and off-peak power spreads, most notably in April and August. Total net revenue generation for the Period was £16.3 million (£58.2k/MW/Yr) based on a weighted average operational capacity of 280.4 MW. The portfolio is now fully operational, increasing the operating capacity by 40% compared to the weighted average over the Period, which is anticipated to result in a proportionate rise in revenue generation in future periods.

POST-PERIOD END REVENUE PERFORMANCE

The revenue recovery during the Period has since been supplemented with strong revenue performance in the first quarter of FY 2024/25 (£97.8k/MW/Yr), a stark contrast to the same quarter in the Period (£46.3k/MW/Yr). The key driver of this difference is a return to the more traditional winter conditions where the system has experienced periods of short-term tight supply margins, where there is a risk of generation being insufficient to meet demand. If a spell of cold weather (i.e. high power demand) coincides

with low wind output (low generation), NESO must rely upon gas-fired power stations to meet demand. Given the current relatively high wholesale gas prices, these tight margin events create wide wholesale spreads. Interestingly, in these conditions the correlation between wind output and BESS revenues observed during the warmer months is reversed, with BESS revenues inversely proportionate to wind generation levels. This showcases the adaptability of BESS and its potential to perform in multiple economic and meteorological environments. Further analysis of these trends is explored in the Investment Adviser’s report.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (“ESG”)

During the Period, BESS received both national and international recognition for its vital role in global decarbonisation. The Clean Power 2030 Action Plan commits the UK to increase its energy storage capacity to 23-27 GW by 2030, with the majority to come from grid-scale batteries. In addition, 58 countries signed the COP 29 Global Energy Storage and Grids Pledge, aiming to deploy 1,500 GW of energy storage capacity globally by 2030.

BESS assets play a critical role in mitigating climate change by allowing the integration of more renewable electricity into the grid network, reducing a country’s reliance on fossil fuels and lowering the grid’s carbon intensity. During the Period, the Company’s assets stored 96,073 MWh of renewable energy, preventing approximately 51,945 tonnes of CO₂e emissions from being released into the atmosphere and demonstrating the Portfolio’s tangible value to UK decarbonisation efforts.

The Company has always emphasised the importance of developing and operating our assets safely and responsibly. In furtherance of this, the Company continued to embed its ESG strategy across its operations and supply chain. The Company is proud to have published its first Environmental Policy and its first Human Rights Policy during the Period. 67% of key suppliers signed our Supplier Code of Conduct, and the majority of suppliers that have not signed have confirmed they adhere to equivalent standards.

This year the Company met its goal to report its first United Nations Principles for Responsible Investment (“UN PRI”) Transparency Report. The Company also reported for the first time in line with the UK’s newly implemented Sustainability Disclosure Regulation (“SDR”) and with the Sustainable Finance Disclosure Regulation

Chair's Statement continued

("SFDR"). The Company believes such disclosures are important for demonstrating continuing commitment to integrating sustainability risks, opportunities and potential impacts across and beyond its operations.

EMERGING RISKS

Whilst the general GB BESS market appears to be turning a corner, challenges remain, and new risks continue to emerge as the market evolves. The merchant (and therefore volatile) nature of the revenues remains a key factor, and the Investment Adviser continues to explore and analyse various revenue "tolling" products – an emerging sub-market in this sector – which could provide an element of fixed pricing in an otherwise volatile revenue class. A higher-than-expected amount of asset downtime caused by Distribution Network Operators' ("DNOs", each a "DNO") technical works at local substations has suppressed revenue performance during the second half of the Period and the Investment Adviser's continued close engagement with each DNO (with support from Tesla and bp as the revenue optimisers to the Portfolio) remains crucial for future performance. The Company has also recently received unexpected and unwelcome increases in network charges, increasing forecast opex for the current financial year. This is a regulatory issue, and the Company is engaging with Ofgem and the Department of Energy Security and Net Zero ("DESNZ") to ensure that BESS are charged fairly and proportionately.

OUTLOOK AND ASSET SALE PROCESS

With 2-hour duration BESS continuing to demonstrate its ability to outperform shorter-duration peers in Arbitrage strategies, the Company and its assets remain well placed to capitalise on the continuing trends of greater utilisation of BESS and greater renewables penetration. Now that the Portfolio is 100% operational, the Company has a more secure foundation and positive outlook. If revenue levels going forward are in line with assumptions used in the Company's valuation models, the Board would expect this to allow a meaningful covered dividend in relation to this financial year. However, the Company (along with the wider renewable infrastructure listed sector) continues to trade at a discount to published NAV, impacting shareholder returns and limiting opportunities for capital raisings and growth. After a prolonged period of trading at a significant discount to NAV, the Board considered all strategic options and proactively moved to maximise Shareholder value by exploring the potential for one or more asset sales, with the objective of proving that the true fair market value of the assets is not fully reflected in the market capitalisation of the Company.

On 19 December 2024, the Company announced that it was progressing to a final stage of negotiations with a preferred bidder on an exclusive basis and in relation to the Company's full Portfolio. The Company announced on 20 February 2025 that the substantial due diligence requirements of the preferred bidder had resulted in an extension of exclusivity until 10 March 2025. Both parties are continuing to progress towards the conclusion of a definitive agreement which will be conditional upon Shareholder approval. Should such agreement be approved by Shareholders, the Company would seek to return net sale proceeds to Shareholders via a members' voluntary liquidation process as soon as practicable.

The Company is required to hold an AGM on or before 30 April 2025 and I look forward to engaging with our Shareholders at that meeting. In light of the Company's asset sale process, further details regarding the date and location of the Company's 2025 AGM will be published at a later date. As set out in our Prospectus, a continuation resolution will be put at that AGM if the sales process does not progress.

Norman Crighton

Chair

Energised in August 2024, the 70 MWh / 35 MW Rusholme project was the Company's sixth to become operational



Investment Adviser's Report

The Investment Adviser is pleased to deliver its third annual Investment Adviser's Report.



HIGHLIGHTS

235.8 MWh / 117.9 MW

energised during the Period, taking the Portfolio to

100% operational

First bp optimised assets commenced trading

147% INCREASE in operational revenue driven by increased operational capacity

Current portfolio size:

790.8 MWh / 395.4 MW

Eight BESS projects

51,945 tCO₂e avoided (estimated)



PAUL MASON
MANAGING DIRECTOR



MAX SLADE
COMMERCIAL DIRECTOR



PETER KAVANAGH
INVESTMENT DIRECTOR



JAMES RITCHIE-BLAND
INVESTMENT DIRECTOR

The 198 MWh / 99 MW Bumpers project won Grid-Scale Standalone Energy Storage Project of the Year and Best UK Project Under 100 MW at the 2024 Energy Storage Awards

Investment Adviser's Report continued

OVERVIEW

The Period saw the Company hit a significant milestone, with the final projects in the Portfolio becoming operational, taking the full operational capacity to 790.8 MWh / 395.4 MW. The Company continues to operate the largest exclusively 2-hour duration BESS portfolio, and the second largest BESS portfolio (any duration, by MWh) in GB.

Whilst BESS revenues across GB have remained at relatively low levels, there has been a recovery from the lows seen in the 2023/24 winter (being the first quarter of the Period), and it has been encouraging to see multiple instances of strong revenue performance during the Period, particularly during spring and summer when high renewable generation coincided with periods of low consumer demand. Post-Period, the 2024/25 winter has also seen strong revenue performance during periods when high consumer demand has coincided with low renewable generation. This demonstrates how BESS can perform well in a variety of economic and meteorological circumstances.

Portfolio revenues have continued to be derived more from Arbitrage than Ancillary Services (see glossary for further details on each), a trend which is expected to continue, and which validates the Company's focus on 2-hour duration BESS assets.

Throughout the Period, the Company's shares have continued to trade at a significant discount to NAV, impacting shareholder returns and limiting opportunities for capital raisings and growth. In response to this, the Board resolved to explore the sale of some or all of the Company's assets. The IA was encouraged by the responses received over two phases of bidding via a highly competitive process.

On 19 December 2024, the Company announced that it was progressing to a final stage of negotiations with a preferred bidder on an exclusive basis and in relation to the Company's full Portfolio. The Company announced on 20 February 2025 that the substantial due diligence requirements of the preferred bidder had resulted in an extension of exclusivity until 10 March 2025. Both parties are continuing to progress towards the conclusion of a definitive agreement which will be conditional upon Shareholder approval. Should such agreement be approved by Shareholders, the Company would seek to return net sale proceeds to Shareholders via a members' voluntary liquidation process as soon as practicable.



PORTFOLIO UPDATE

PORTFOLIO UPDATE

The Portfolio is now fully operational and consists of eight 2-hour duration BESS projects totalling 790.8 MWh / 395.4 MW.

As previously reported, the Company's Wormald Green and Hawthorn Pit projects suffered delays to energisation, caused by the Balance-of-plant (see glossary) contractor running behind schedule. The Company has successfully settled a claim for liquidated damages, totalling £1.5 million across the two projects to compensate for the lost revenue opportunity.

Hawthorn Pit and Wormald Green are the Company's first projects to be optimised by bp and the first to utilise Envision Energy batteries. Whilst some initial challenges relating to the technical interface between bp's system and the Envision Energy batteries were experienced (delaying the ability to perform some Ancillary Services), these challenges have now been overcome and the IA is encouraged by the optimisation performance to date, noting especially the significant volume of activity in the BM.



FINANCING UPDATE

DEBT RESTRUCTURING

The Company drew down the balance of its £130 million of senior debt facilities during the Period in order to fund construction milestone payments.

On 21 February 2024, the Company successfully completed an amendment and restatement of its debt facilities with NatWest plc and Coöperatieve Rabobank U.A. The revised structure was put in place in recognition that the Portfolio would, during the Period, evolve from a construction portfolio into an operating portfolio. The previous term loan and revolving credit facility were consolidated into a single long-term facility with the following key terms:

- facility size of £130 million;
- 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 sufficient headroom in the low revenue environment experienced during the first quarter of the Period.

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 below, the aggregate cost of debt equates to 6.85% per annum for the first two years.

HEDGING

At the beginning of the Period, the Company benefitted from an interest rate cap at a rate of 5.25%. As part of the debt restructure described above, the Company terminated its interest rate cap in February 2024 (receiving a payment of £0.5 million) and replaced it with an interest rate swap for the SONIA element of the loan. The new interest rate swap fixes the SONIA element of the loan at a rate of 4.101% per annum.

DIVIDEND POLICY

The Company announced a change to its dividend policy on 30 May 2024. The updated policy replaces the previous fixed 8 pence per Ordinary Share annual dividend target with one more aligned with the Company's performance. See the Strategic Report for further details.

The Board further resolved to cancel the (previously postponed) first FY 2023/24 quarterly dividend. As reported elsewhere in this report, the Company has experienced a recent recovery in revenue levels. If revenues going forward are in line with assumptions used in the Company's valuation models, the Board would expect this to allow a covered dividend of circa 4 pence per Ordinary Share in relation to this current financial year. This guidance will be reviewed at the financial year end depending upon revenue performance and availability of cash over the second half of the year.

INTRA-GROUP CAPITAL RESTRUCTURE

The Company has to date injected cash into subsidiaries predominantly through shareholder loans, rather than equity subscriptions. As a result of this structure, the *accounting* income recorded by the Company, which is driven mainly by accrued (but not necessarily paid) interest on shareholder loans, may not match the *actual* cash received from subsidiaries (which is dependent upon Special Purpose Vehicle ("**SPV**") / project income). As an investment trust, the Company is required to distribute the majority of gross income as dividends to shareholders.

In October 2024, the Company and its subsidiaries (together, the "**Group**") completed a restructuring of its capital composition (comprising debt and equity), and reduced interest income recognised by the Company by writing off accrued but unpaid interest with the intention of:

- a) optimising the Group's tax position; and
- b) more closely aligning the Company's accounting income to the underlying performance of its subsidiaries and therefore ensuring any required dividend payment under investment trust rules better aligns to the cash generated through operations.

Investment Adviser's Report continued



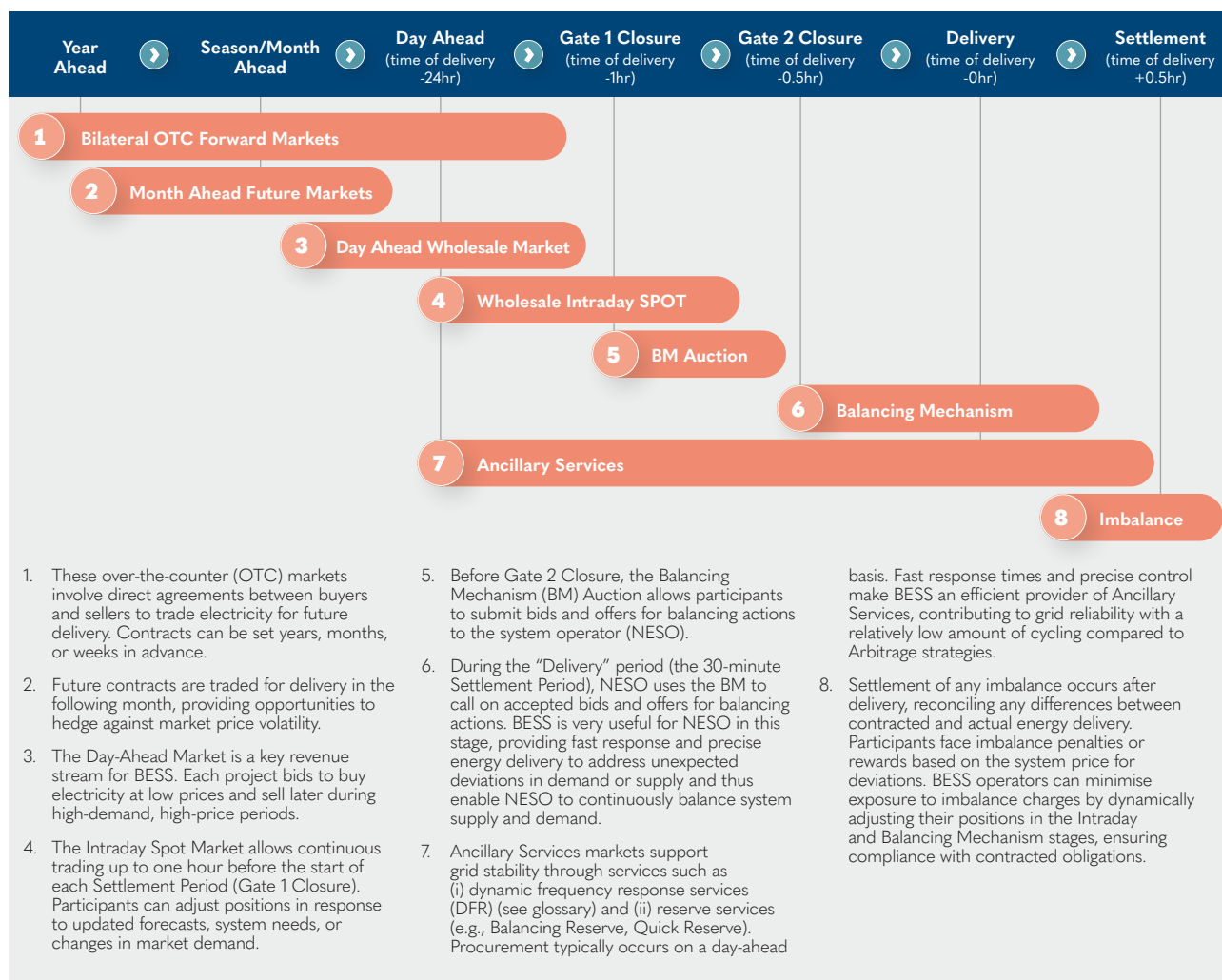
MARKET COMMENTARY

OVERVIEW

A range of revenue streams is available to BESS projects in GB. These can be split into three broad categories:

1. Capacity Market ("CM") (see more detailed information below): BESS projects receive an availability payment for being ready to respond to a period of potential energy shortfall, over a contract period of 1 – 15 years;
2. Wholesale Electricity Trading: Buying wholesale electricity during cheap periods (e.g. overnight when demand is low and wind generation is high), storing it for a period of time and then selling when the price increases (e.g. in the evening when gas-fired power stations are being used). The spread between the "buy price" and "sell price" determines the net revenue from the trade. Typically, high renewable penetration increases spreads as there are likely to be periods when renewable electricity supply exceeds demand, pushing pricing close to zero (and sometimes even negative), whilst gas-fired power stations will still be required to cover peak demand periods. This in turn leads to greater revenue opportunities for BESS projects;
3. Balancing Mechanism: Wholesale markets close one hour before delivery of power. At this point, NESO analyses the supply and demand position and balances this by buying and selling electricity. Spreads in the BM are typically much wider than those seen in wholesale markets, however BESS has traditionally struggled to capitalise on this due to legacy systems used by NESO. The Company has witnessed significant improvements in BESS utilisation in the BM during the Period as a result of new software developed by NESO. BESS still has a relatively small share of this lucrative, and growing market.

CHART 1: MARKET PARTICIPATION TIMELINE FOR BESS



Source: Harmony Energy Advisors Limited

4. Ancillary Services: Short-term contracts with NESO to provide grid stability.
 - a. Dynamic Frequency Response (“**DFR**”): Contracts are awarded a day-ahead and are generally awarded in 4-hour blocks. BESS projects receive an availability payment in return for responding rapidly (either charging or discharging) to deviations in frequency of the electricity system. See the glossary for a description of the principal types of DFR services.
 - b. Balancing Reserve (“**BR**”): Launched in March 2024, this mechanism allows BESS projects to reserve their capacity to be available via the BM. They receive an availability payment for doing so and this commitment gives NESO additional comfort that sufficient BESS capacity will be available to respond to an imbalance in the supply and demand of electricity throughout the day.
 - c. Quick Reserve: Launched in November 2024, this new service is similar in nature to BR but requires a much faster response time meaning BESS is the only technology currently able to provide this service.

See chart 1 on page 12 for a graphic depiction of the various revenue streams described above.

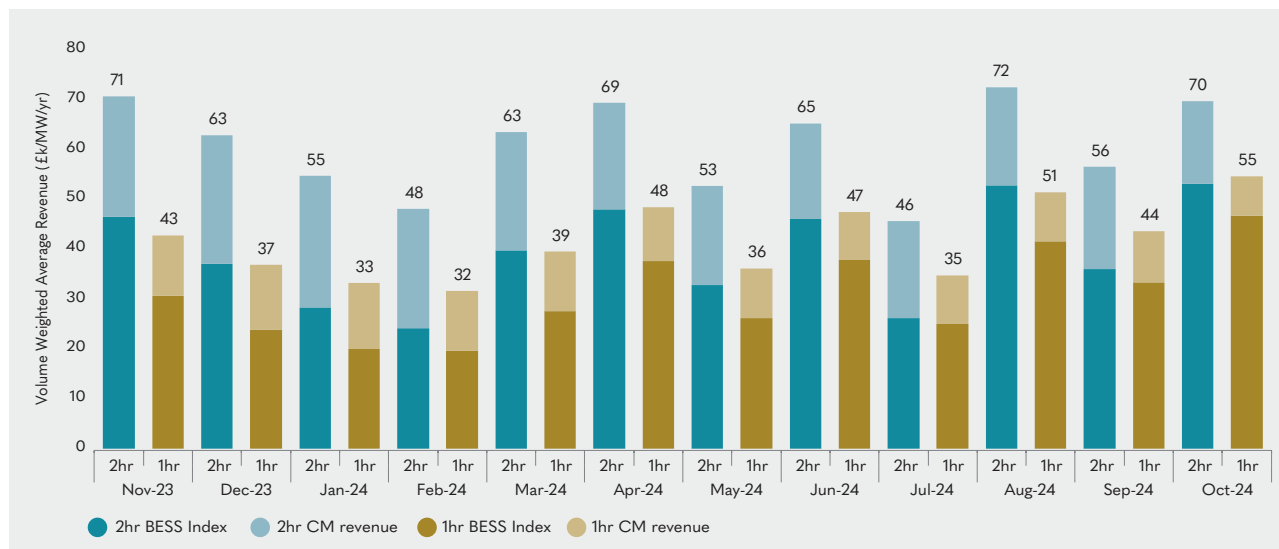
GB BESS REVENUES

Revenues for 2-hour duration BESS over the Period were on average 14% lower than the previous financial year. January and February 2024 were the lowest revenue months, predominantly as a result of low wholesale power price spreads which in turn led to low Ancillary Service pricing. Revenues recovered from these lows in the spring, with April, June, August and October 2024 being the highest revenue-generating months.

The low revenues at the beginning of the Period were largely driven by low wholesale spreads as a result of low gas and carbon pricing which in turn determined the running cost of gas generators. Since gas was the marginal fuel for electricity generation throughout the 2023/24 winter, these low commodity prices translated to relatively low peak electricity prices, limiting the wholesale spread (the difference between peak and off-peak pricing) and therefore the revenue opportunity for BESS.

Over a typical winter, the wholesale spread is often increased from time to time by extreme price spikes. Price spikes are caused when the forecast margin between electricity supply and demand is very low, and the system relies on less efficient (and therefore more expensive) sources of electricity generation in order to ensure the lights stay on. Analysis by Modo Energy highlighted that there were significantly fewer price spikes in the 2023/24 winter compared to the previous two winters.

CHART 2: AVERAGE REVENUE BY BATTERY DURATION (GB FLEET)



Source: Modo Energy and Harmony Energy Advisors Limited

Investment Adviser's Report continued



MARKET COMMENTARY

The lack of price spikes was a result of lower demand during a mild winter (demand has generally been falling year on year, though is predicted to increase in the future as a result of the electrification of heat and transport as well as rising demand from energy intense data centres), coupled with (generally consistent) generation from wind and interconnectors at levels sufficient to meet such demand without the need to call on expensive sources of electricity generation.

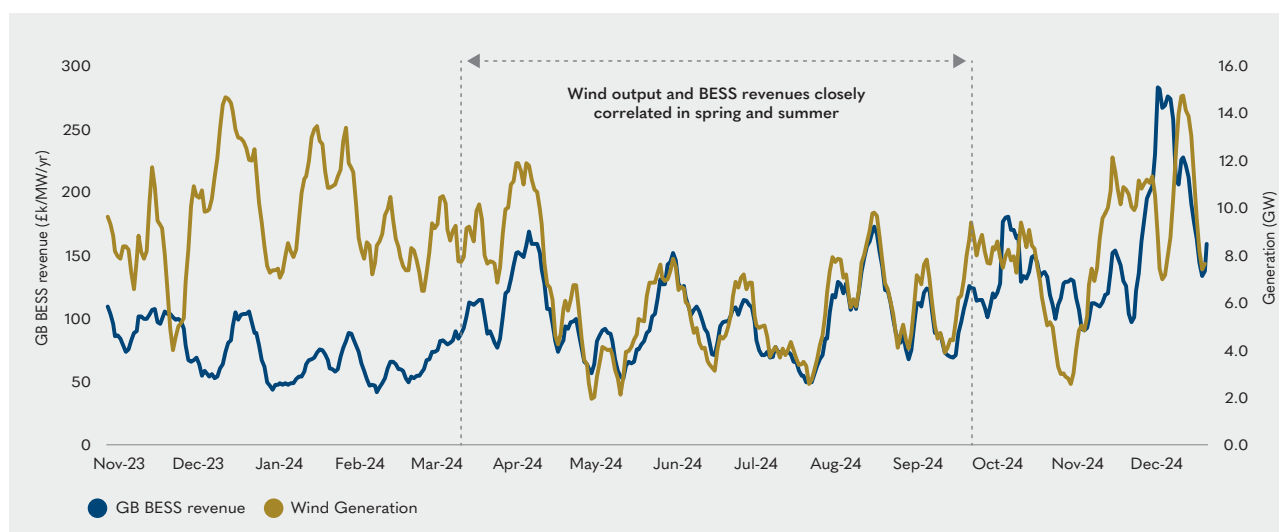
It was hoped that the launch of the Open Balancing Platform ("OBP") in December 2023 would unlock significant additional value for BESS in the BM. However, the initial launch in December 2023 was disrupted by some software bugs resulting in a brief pause before a re-launch in January 2024. OBP resulted in a modest increase in BESS volume, however it was not until the launch of BR in March 2024 that BM volume captured by BESS increased to a meaningful extent, with 2-hour duration BESS seeing the largest increase. This increase has been maintained throughout the year with the BM becoming an increasingly meaningful part of the Company's revenue stack.

Whilst high wind output over the winter drove wholesale spreads lower, the opposite occurred during the spring and summer months. Electricity demand is typically lower during warmer months, and we increasingly observe periods during which demand is entirely met by renewable generation. Normal market principles of supply and demand mean

that an oversupply of renewable (i.e. cheap) generation drives wholesale prices lower, to discourage further supply. However, since many renewable projects benefit from government subsidies, it can make sense for generation to continue even when wholesale pricing is negative – i.e. the project will pay to generate power provided the subsidy received is greater than the "cost" of such generation. Negative power prices create wide wholesale spreads and ideal trading conditions for the Company as BESS can be paid to import as well as export electricity. Wholesale prices were negative for a record 176 hours in 2024 – a 65% increase compared to 2023.

Post-Period, revenues have increased further during the first quarter of FY 2024/25. Wholesale spreads in January 2025 hit their highest level since December 2022. In contrast to the 2023/24 winter, peak wholesale pricing was driven up due to two key factors: (i) increased commodity (i.e. gas) prices, which pushed up the spreads, as described above; and (ii) low wind generation, which caused increased use of gas peakers (which are relatively small, less efficient gas-fired power stations designed to run when the system is short of supply and prices are high). This created multiple days of price spikes which were absent during the 2023/24 winter. Wind generation levels did increase in December 2024, but this was during the Christmas period which typically sees very low demand, leading to more instances of negative pricing, widening spreads and boosting BESS revenues.

CHART 3: CORRELATION BETWEEN WIND GENERATION AND HISTORIC GB FLEET REVENUE

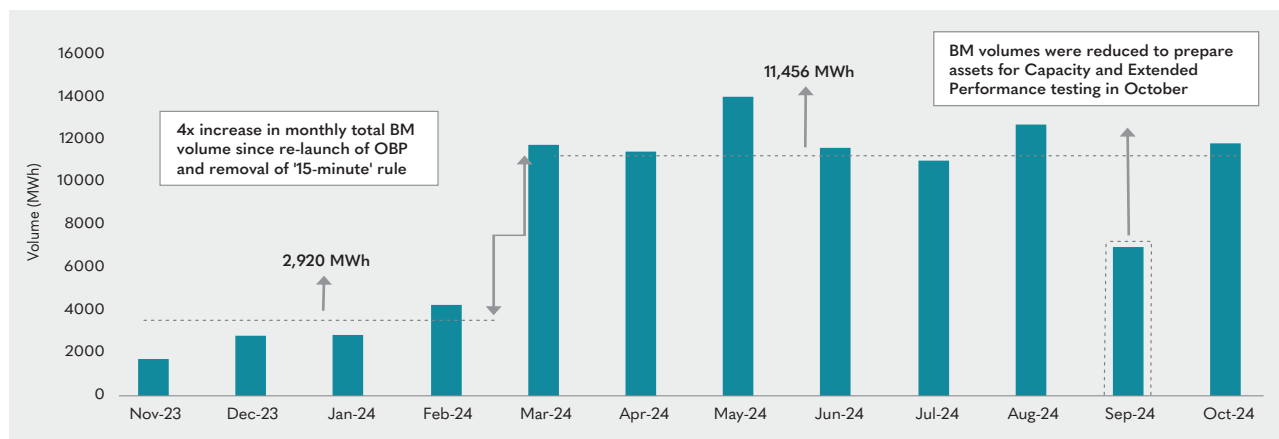


Source: Modo Energy

BALANCING MECHANISM, BALANCING RESERVE AND QUICK RESERVE

Reserve products are a different type of Ancillary Service procured by NESO, compared to the DFR suite of products which have formed the bulk of BESS revenues in recent years. NESO procures two types of reserve:

CHART 4: HEIT PORTFOLIO – MONTHLY BM VOLUME



Source: Harmony Energy Advisors Limited

BR launched in March 2024 and Quick Reserve launched in November 2024. Both contracts allow BM participants to receive (i) an “availability” fee to keep some capacity in “reserve”, ready for instruction from NESO; and (ii) the normal “pay-as-bid” price for utilisation in the BM (if/when called upon). Participating BESS must store enough energy to export/import in line with their contract requirements, so BESS operators must manage their state of charge carefully, and a 2-hour duration BESS is better placed to do this than a shorter-duration BESS.

Since the launch of BR, the Portfolio has seen BM volume increase by nearly 400%. The month of September 2024 is an exception to this, but this reduction in captured BM volume was deliberate. Various assets in the Portfolio were undergoing firmware upgrades during September and required short periods of “resting” to balance the state of charge of the individual battery cells in advance of routine “state-of health” tests. The launch of Quick Reserve has increased the volume of Ancillary Services being procured by NESO and has provided welcome additional revenue opportunities. However, as the period since the launch of Quick Reserve has coincided with high wholesale spreads, it is too early to assess the full impact.

REGULATORY UPDATE

In October 2024, the National Grid Electricity System Operator was taken into public ownership and replaced with NESO. On 5 November 2024, NESO published the Clean Power 2030 (“CP30”) report outlining advice to

the Government on how to achieve a clean power system by 2030 in which less than 5% of generation comes from unabated gas (see glossary).

On 13 December 2024, DESNZ published the CP30 Action Plan setting out a pathway to a clean power system by 2030. This ambitious plan requires an unprecedented acceleration of renewable plant build-out. For example, offshore wind deployment would need to accelerate by five times. In addition, significant upgrades to the transmission network would also be needed.

The IA believes that CP30 is broadly positive for BESS, with 23-27 GW required by 2030 (compared to 4.9 GW currently operational). CP30 highlights Northern England and Southern England as priority areas for BESS which aligns well with the Portfolio.

Modo Energy forecast that BESS revenues would be 10% higher than their central forecast if CP30 is achieved.

The IA has engaged regularly with NESO since its launch in 2024 and is encouraged by the attitude and approach to industry collaboration – in particular the focus on improving the use of BESS in the BM.

In addition to NESO, the IA has also been engaging with Ofgem and DESNZ in order to highlight some of the challenges faced by BESS in GB and identify areas for future improvement. This dialogue has been constructive, and we look forward to continuing this discussion in the coming year.

Investment Adviser's Report continued



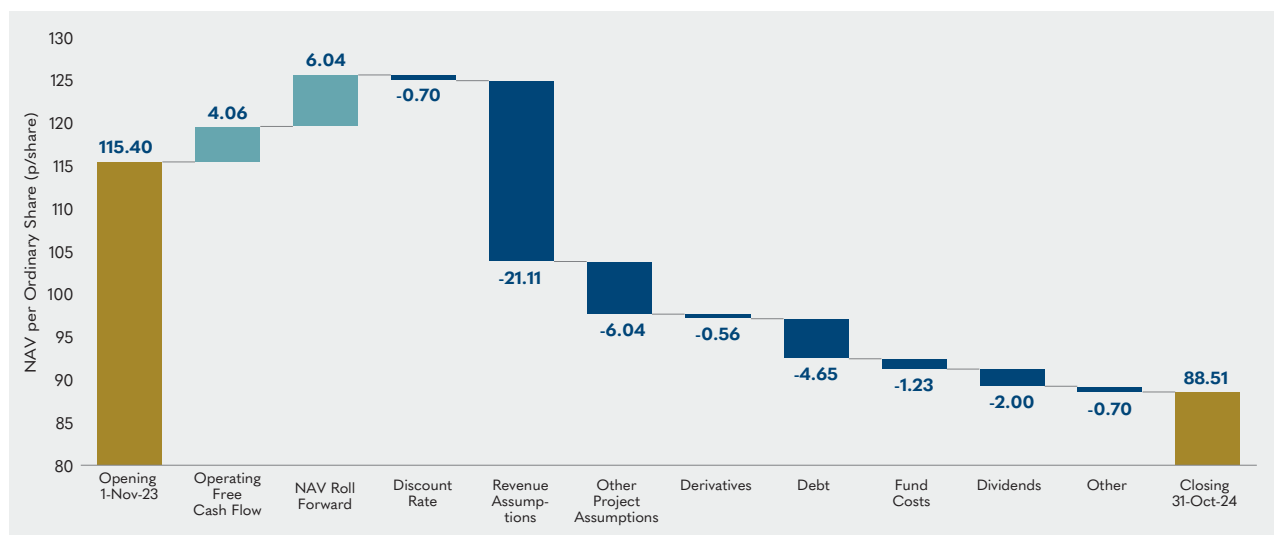
FINANCIAL PERFORMANCE

The NAV as at 31 October 2024 was £201.05 million (88.52 pence per Ordinary Share), a reduction of 23.30% (-26.89 pence per Ordinary Share) from the NAV reported as at 31 October 2023. The NAV total return over the Period was -21.57%. NAV total return since IPO is -2.43%.

Material factors which influenced the NAV over the Period included:

- a) lower revenue assumptions based on the latest revenue forecasts published by independent providers. The IA pre-emptively revised its revenue forecast downwards in January 2024 (prior to the release of updated third-party revenue curves). However, subsequent revisions were also made in April and October 2024. The revision to the forecasts captures a reduction in near-term electricity demand as well as lower commodity pricing between 2024 and 2029 amounting to a reduction of 21.11 pence per Ordinary Share;
- b) "Other Project Assumptions" refers to increased operating costs and delays in construction of the Company's remaining projects, which in aggregate led to a reduction of 6.04 pence per Ordinary Share. The changes to operating cost assumptions relate largely to network charges which are set by DNOs and are not within the control of the Company;
- c) a reduction in discount rates as projects were revalued when they moved from construction into operations was offset by a 25 bps increase in discount rates applied across all projects, leading to a net reduction of 0.70 pence per Ordinary Share;
- d) positive movements from:
 - a. free cash flow generated by project operations amounting to 4.06 pence per Ordinary Share; and
 - b. the "NAV roll forward" impact (which captures the time value of money as the projects progress) amounting to 6.04 pence per Ordinary Share; and
- e) negative movements from:
 - a. interim dividend payments amounting to 2 pence per Ordinary Share relating to the fourth quarter of FY 2022/23;
 - b. debt service over the Period amounting to 4.65 pence per Ordinary Share;
 - c. a reduction in the mark-to-market value of the Company's interest rate swap amounting to 0.56 pence per Ordinary Share; and
 - d. fund costs and other impacts totalling 1.93 pence per Ordinary Share.

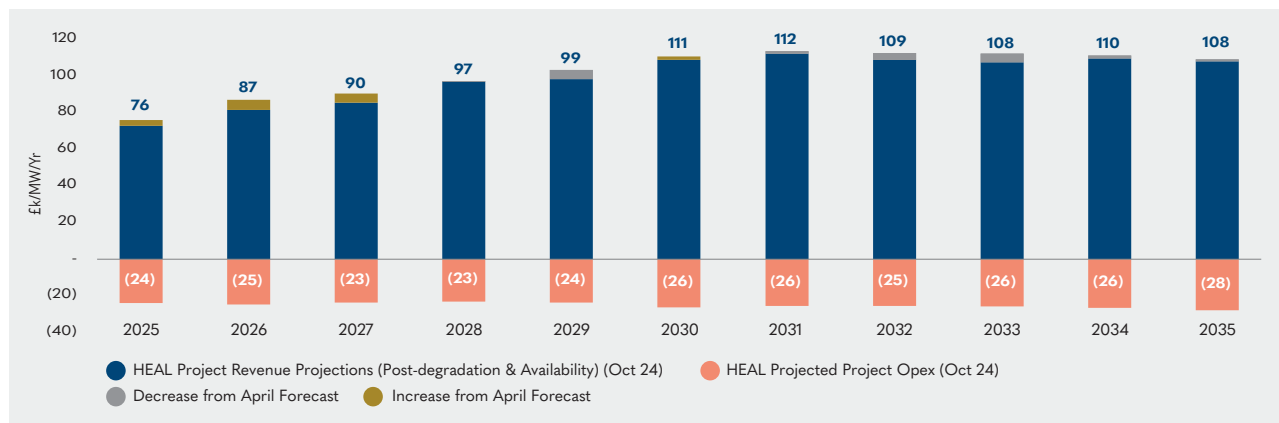
CHART 5: NAV MOVEMENT ACROSS THE PERIOD



Source: Harmony Energy Advisors Limited

The modelling assumptions used for valuation purposes in relation to revenue and opex are shown in the chart below.

CHART 6*: HEAL REVENUE & COST ASSUMPTIONS, 2 HOUR BATTERY (£K/MW/YR, REAL JAN 2024, NET OF DEGRADATION)



Source: Harmony Energy Advisors Limited

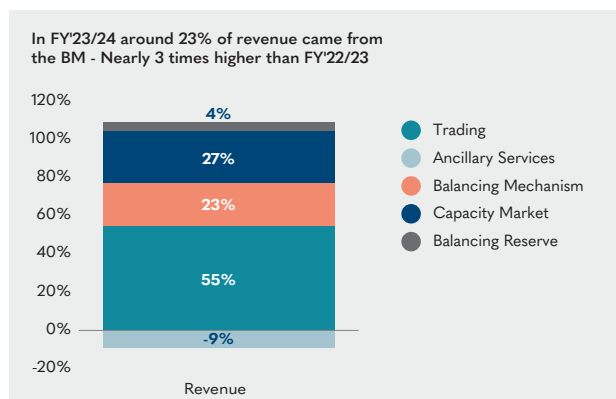
* this chart is for valuation purposes

REVENUE DURING THE PERIOD

The Company's operational Portfolio generated revenue (net of all electricity import charges and state of charge management costs) of £16.3 million over the Period (£58.2k/MW/Yr). This is despite the Portfolio encountering a higher-than-usual number of outage events during the Period as described in more detail below. The Investment Adviser estimates that, had the Portfolio not suffered these outages, revenue would have been around 13.5% higher (£63k/MW/Yr).

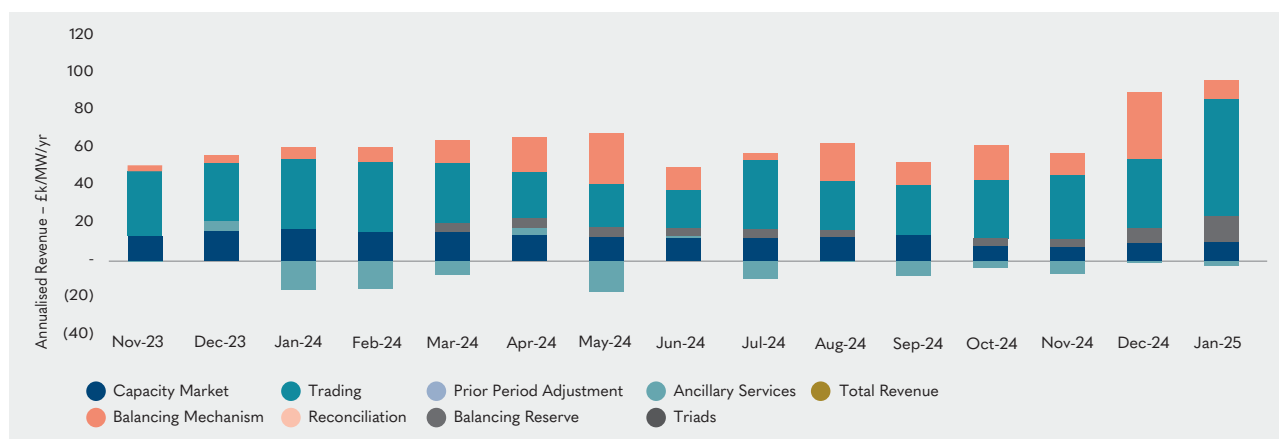
Revenue is expected to continue to increase throughout the year, with the Portfolio now fully operational. Being fully operational has increased the operating capacity by 40% compared to the weighted average over the Period, which is anticipated to result in a proportionate rise in revenue generation. Based on the average revenue during the Period, a fully operational portfolio would have generated £23m in revenue.

CHART 7: REVENUE SOURCES



Source: Harmony Energy Advisors Limited

CHART 8: HEIT PORTFOLIO - MONTHLY REVENUE STACK



Source: Harmony Energy Advisors Limited

Investment Adviser's Report continued



FINANCIAL PERFORMANCE

Wholesale trading and BM accounted for 78% of Portfolio revenue during the Period, compared to 42% for the previous financial year. This increase is in line with the IA's expectation as the Ancillary Services markets remain largely saturated.

Although only representing 4% of total revenue over the Period, BR has helped to unlock some of the potential within the BM since its launch in March 2024, reducing the relative attractiveness of Ancillary Services.

Ancillary Services are now predominantly used to charge the batteries, as this is often cheaper than procuring electricity through wholesale markets. As a result of this strategy, the net Ancillary Services revenue appears as a negative element in the revenue stack.

The Portfolio continues to perform well in the context of the market conditions and the wider GB BESS fleet. According to BESS Analytics, over the 12-month period from January 2024 to January 2025, the Portfolio achieved an annualised weighted average revenue of £70k/MW/year. This represents a 25.5% outperformance compared to the weighted average annualised revenue of £55.9k/MW/year recorded by the GB BESS fleet as a whole, highlighting the value of 2-hour BESS. The Portfolio outperformed comparable 2-hour BESS portfolios by 5.4%.

CAPACITY MARKET

T-4 Contract Status

All of the Company's assets hold T-4 contracts as shown in the table below. T-4 contracts are index-linked for a period of up to 15 years. None of the Company's projects are

participating in the T-4 Auction which is due to take place in March 2025.

The IA has decided to reduce the term of T-4 contracts for the Broadditch and the Farnham projects from 15 years to 3 years. These projects were awarded T-4 contracts on the basis of their full 2-hour duration, however testing requirements have subsequently become more onerous and the Company does not believe the ongoing cost required to maintain this duration would represent value for money. In relation to delivery years 2027-28 and onwards, these projects will participate in auctions on an annual basis.

Projects which secured T-4 contracts for delivery from 2025 onwards were awarded contracts on the basis of 1.5-hour duration and therefore are expected to comply with their obligations without incurring additional expenditure. The IA is therefore not intending to reduce the duration of T-4 contracts in relation to any other projects.

T-1 Contract Status

As shown in the table below, the only projects which do not have a CM contract in place for 2025/26 delivery are Bumpers, Wormald Green and Hawthorn Pit. Bumpers has successfully pre-qualified for the T-1 Auction due to take place in March 2025 and it is anticipated that this will result in additional CM revenue for the 2025/26 delivery period. Unfortunately, due to CM qualification rules, the Hawthorn Pit and Wormald Green projects were not able to pre-qualify for this auction and will seek to secure secondary CM contracts to provide additional income in this period.

TABLE 1: OVERVIEW OF CM CONTRACT INCOME

Capacity Contract Value (£m)	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	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	0.1	0.1	0.1														
Farnham	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	
Little Raith	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	0.8		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
Total	3.3	2.0	4.1	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	2.0

● T-1 contract commencing October 2024

● T-4 contract commencing October 2025

● T-4 contract commencing October 2024

● T-4 contract commencing October 2026

Source: Harmony Energy Advisors Limited

OPERATING FREE CASH FLOW

Average revenue per MW reduced from £65.8k/MW in FY 2023 to £58.2k/MW in the Period, a reduction of 11.6%. Despite this, total revenue in the Period rose to £16.3m, a £9.3m (147%) increase compared to the prior year, driven by the higher operational capacity.

The final projects commenced commercial operations in October 2024, bringing the operational capacity to 395.4 MW, which will lead to further revenue growth in the coming financial year. This represents a 40% increase in operational capacity compared to the weighted average for the Period.

The increase in operational capacity will not increase the Company's operating costs or interest costs, so operational free cash is expected to be positive in future financial years, even under poor market conditions such as those seen at times during the Period.

Post Period revenue per MW has been strong, and the first quarter of FY 2025 has seen average revenue of £97.8k/MW (a 70% increase compared to the average during the Period and 97% higher than the same period during the Period). As a result of higher operating capacity and stronger market conditions, the Company has earned an estimated £9.7m of revenue between 1 November 2024 and 31 January 2025, equal to 63% of the total revenue earned during FY 2024.

TECHNICAL PERFORMANCE

The Portfolio suffered a number of outages due to DNO technical works, predominantly impacting the March to June 2024 period. As previously reported:

- the Company's Little Raith project was curtailed by the DNO during April whilst the DNO addressed reactive power oscillation issues at the local substation; and
- the Bumpers project also experienced low availability in March, May and June as the DNO performed a series of scheduled outages required to connect a nearby new solar farm.

Other projects in the Portfolio experienced short "rest" periods whilst the Company's equipment supplier, Tesla, performed firmware upgrades, standard annual capacity tests and Extended Performance Tests required to comply with CM obligations.

As discussed, availability has been impacted by a number of grid outages which predominantly related to connection of neighbouring projects. This work is now complete and these issues are not expected to repeat going forward. Across the Portfolio, availability averaged 95% during the Period (including grid outages), which is slightly lower than the IAs expectation of 98% under normal operating conditions. Excluding grid outages, the Portfolio's equipment performed well, achieving greater than 99% availability. The Portfolio's round-trip efficiency was in line with expectation at 88%.

"Cycles" are a common measure of battery utilisation, with one cycle being equal to the battery discharging its full energy capacity (for example, one cycle for a 50 MW, 2-hour duration battery is equal to 100 MWh). During the Period, the Portfolio has averaged 0.95 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 a project.

TABLE 2: UNAUDITED CONSOLIDATED FINANCIALS

	FY2023	FY2024
Revenue	6,607,254	16,324,033
Liquidated Damages	—	1,500,000
SPV Costs	(2,637,322)	(6,389,061)
HEIT Costs	(2,009,133)	(1,713,494)
Management Fee	(2,163,222)	(1,093,542)
Interest Cost	(3,248,173)	(10,369,280)
Tax	(26,624)	(741,270)
Operational Free Cash Flow	(3,477,219)	(2,482,614)
Weighted Average Operational MW	100.4	280.4
Annualised Revenue / MW (£k/MW/Yr)	65,823	58,216
Annualised SPV Costs / MW (£k/MW/Yr)	26,274	22,785

Source: Harmony Energy Advisors Limited

Investment Adviser's Report continued



FINANCIAL PERFORMANCE

MARKET OUTLOOK

The IA expects to see the continued correlation between renewable penetration and BESS revenues as we move through 2025. Following on from 2024's record number of negatively priced hours in the wholesale market, we expect that this record will be broken in 2025, providing continued opportunities for BESS.

The encouraging progress made in relation to BESS activations in the BM is expected to continue with further updates to NESO's OBP system and greater transparency in relation to decisions made by NESO's control room.

The revenues generated in the first quarter of FY 2024/25 demonstrate the inherent value of the Portfolio but also highlight its potential volatility (recovering from record lows in January 2024). To this end the IA continues to explore options to smooth this volatility whilst continuing to benefit from market opportunities as they arise. This includes continuously reviewing the trading and optimisation arrangements across the Portfolio.

The BESS market is well-served by a large number of specialist revenue optimiser service providers. These companies employ large teams to ensure they can deliver in an increasingly complex market with a growing number of products. At the same time, the cost charged by these third parties is reducing and there are increasingly interesting opportunities for BESS to procure increased revenue certainty through the strategic use of tolling or other hedging agreements.

Whilst the IA has direct experience designing trading algorithms for BESS, it does not believe that it is in shareholder interest to bring this function in-house and is therefore focussed on using its expertise to procure, collaborate with and monitor strong optimisation partners.

TABLE 3: KEY PERFORMANCE INDICATORS

	As at 31 October 2024	As at 31 October 2023
Key Performance Indicators		
NAV (£)	201,047,350	262,108,092
NAV per Ordinary Share (p/share)	88.52	115.40
Dividends paid (£)	4,542,566	15,727,698
Dividends per Ordinary Share (p/share)	2p	7p
Alternative Performance Measures		
Adjusted NAV (£)	201,039,406	262,108,092
Adjusted NAV Total Return (%)	-21.6%	1.2%
Revenues from Operations (£)	15,963,023	6,698,540
Dividends per Ordinary Share declared and paid in relation to Period (p/share)	0p	8p
Other Performance Measures		
Operational Capacity (Period end) (MWh / MW)	790.8 MWh / 395.4MW	555 MWh / 277.5 MW
Weighted Average Operational Capacity (MW)	280.4	100.5
Weighted Average Revenue per MW Operational (£/MW/Year)	58,217	66,631

Source: Harmony Energy Advisors Limited



POST-PERIOD EVENTS

Despite the positive market outlook, the Company continues to trade at a discount to published NAV, impacting shareholder returns and limiting opportunities for capital raisings and growth. In order to explore opportunities to deliver value to Shareholders, the Board engaged Jones Lang LaSalle ("JLL") in May 2024 with a mandate to seek offers for some or all of the Portfolio. This exercise attracted strong interest from multiple bidders, reflecting the quality of the assets as well as their scarcity value, with no other portfolio of 2-hour duration operational assets available for sale in the GB market. On 19 December 2024, the Company announced that it was progressing to a final stage of negotiations with a preferred bidder on an exclusive basis and in relation to the Company's full Portfolio. The Company announced on 20 February 2025 that the substantial due diligence requirements of the preferred bidder had resulted in an extension of exclusivity until 10 March 2025. Both parties are continuing to progress towards the conclusion of a definitive agreement which will be conditional upon Shareholder approval. Should such agreement be approved by Shareholders, the Company would seek to return net sale proceeds to Shareholders via a members' voluntary liquidation process as soon as practicable.



Harmony Energy Limited's Senior Data Scientist, Akbar Lutfullah, won Rising Star of the Year at the Tamarindo Energy Storage Investment Awards 2024

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 UCITS 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 into 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 financial year under review, 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. The only exceptions are those disclosed below and in certain sections of the annual financial report, being the Chair's Statement, Investment Adviser's Report, the sections headed "Environmental, Social, and Governance", "Principal Risks and Uncertainties", "Section 172 Statement" and "Viability and Going Concern", the Directors' Report and Corporate Governance Report and note 2 to the financial statements.

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 (the "**ARC**" or "**Committee**") and in note 15 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. At the start of the year under review, the Company had via its subsidiaries £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 of 5.25%. As part of the debt restructure detailed in the Investment Advisor's report, the Company terminated its interest rate cap in February 2024, receiving a payment of £0.5 million, and replaced it with an interest rate swap for the SONIA element of the loan. The new interest rate swap fixed the SONIA element of the loan at a rate of 4.101% per annum. As at the balance sheet date and as at the date of this report, the Company's subsidiary HEIT Holdings Ltd had drawn down £130 million. Other than the non-material amendment described in the paragraph entitled "Borrowing Policy" in the Strategic Report, there were no changes in the Company's borrowing powers and policies.

4. ESG

Because the AIFM is a non-EU AIFM and the Company is not marketed into the European Economic Area ("**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, the Company has voluntarily chosen to report in line with Article 8 of the SFDR and details of the Company's and its advisers' ESG objectives and actions taken are reported on 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 UN PRI. The JTC group is also carbon neutral, works to support the achievement of various U.N. Sustainable Development Goals and reports under the Task Force on Climate-related Financial Disclosures ("**TCFD**") and the SASB framework.

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 Taskforce 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.

The AIFM and Harmony Energy Advisors Limited ("**HEAL**") 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 on the AIFM's website at <https://www.jtcgroup.com/services/funds/aifmd/harmony-energy-income-trust-plc/>.

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 is included in the TCFD report, the Task Force on Nature-related Financial Disclosures ("**TNFD**") report, the ESG section 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 ESG 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.

5. Remuneration of the AIFM's Directors and Employees

During the FY, 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. Other than the directors, the AIFM has no employees. The Company has no agreement to pay any carried interest to the AIFM. During the year under review, the AIFM paid £10,000 in fixed fees and £40,050.79 in variable remuneration to Mr Tostevin.

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 year under review were £67,434.

JTC Global AIFM Solutions Limited

Alternative Investment Fund Manager

25 February 2025

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.

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.

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.



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 NESO 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 NESO-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 NESO 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 NESO 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. If suitably attractive terms were available, this could include the Company engaging with third-party service providers to increase levels of contracted income across the Portfolio.

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 (excluding letters of credit issued on behalf of the Company in favour of either Elexon or EPEX) to an amount not exceeding 49% of the Company's net asset value at the time of drawdown.

On 28 January 2025 the Board approved a non-material amendment to the Company's borrowing policy so that, in the unlikely event of a call under any letter of credit issued from time to time by the Company's lenders in favour of Elexon and/or EPEX (in relation to imbalance settlement processing and/or trading collateral, respectively) such event would not count towards the Company's borrowing limit.

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.

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; and

Strategic Report continued

- 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.

The Company has, as at the date of publication of this report, either acquired or waived its right to acquire 630.6 MW of “shovel ready” BESS projects, leaving 369.4 MW still capable of acquisition under the ROFR.

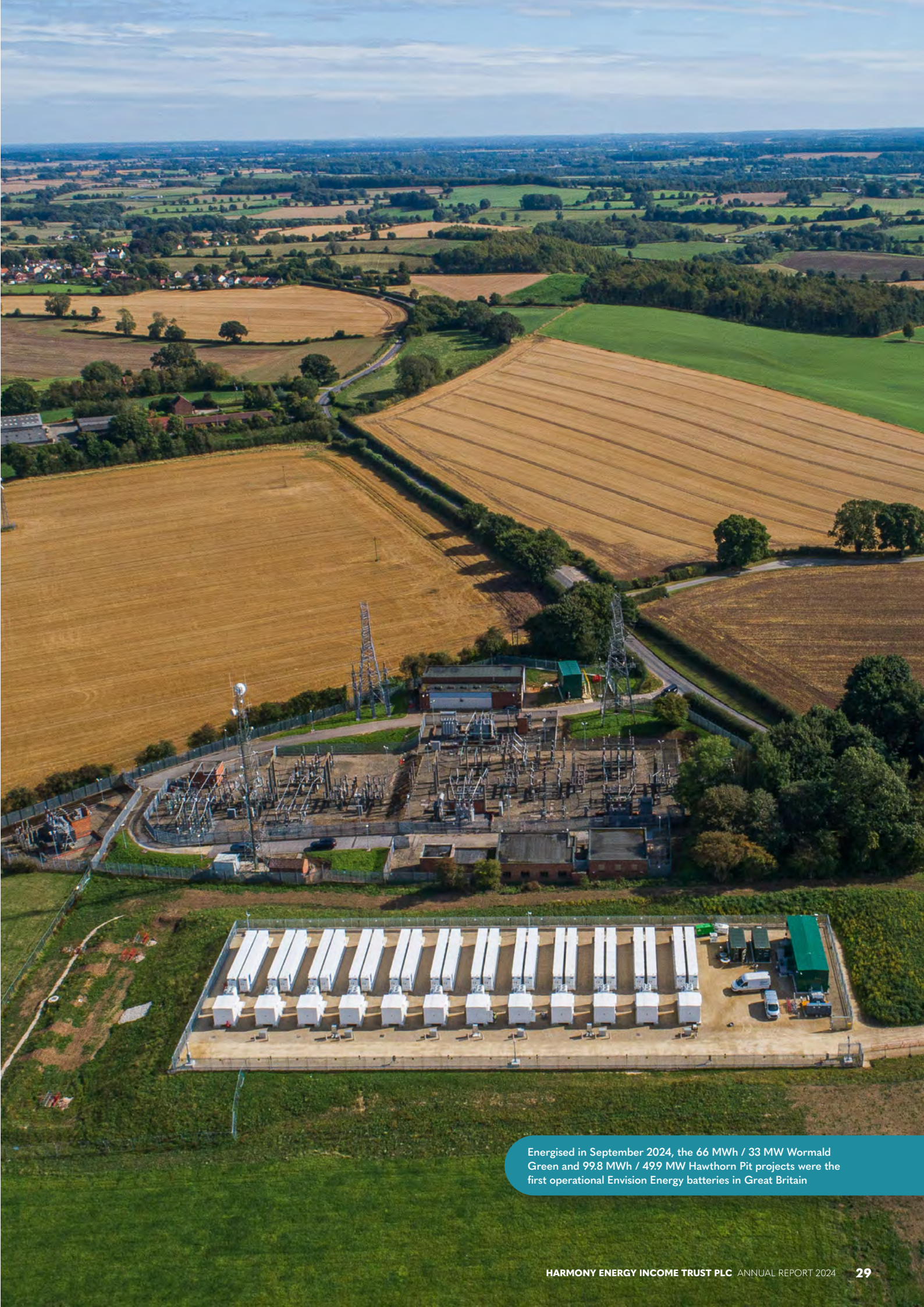
All acquisitions are subject to satisfactory external due diligence, independent valuation and board approval.

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

As previously reported, the Company announced a change to its dividend policy on 30 May 2024. The new policy replaced the previous fixed 8 pence per Ordinary Share annual dividend target with a dynamic policy which is more able to reflect the market at any given time. The new dividend policy provides for an ongoing commitment to distribute, by way of interim dividends and subject to maintenance of a suitable working capital buffer, a minimum of 85% of operational free cash flow, such amounts to be determined by the Board, declared and paid on a semi-annual basis.

The dividend policy will be reviewed on an ongoing and regular basis and will be subject to shareholder approval at the next annual general meeting of the Company.



Energised in September 2024, the 66 MWh / 33 MW Wormald Green and 99.8 MWh / 49.9 MW Hawthorn Pit projects were the first operational Envision Energy batteries in Great Britain

Environmental, Social, and Governance Report

POWERING A SUSTAINABLE FUTURE

The Rusholme project was developed by Harmony Energy Limited with construction managed by Tesla

ESG HIGHLIGHTS



Portfolio 100% operational
with a total capacity of
790.8 MWh / 395.4 MW



Assets capable of powering
equivalent of
1.28 million
UK homes for two hours



96,073 MWh
renewable energy
stored



Estimated
51,945 tCO₂e
avoided



Improved landscaping plans
to target 16%
biodiversity net gain



£35,000 donated
to 36 local causes
across five Community
Funds



67% of key suppliers
signed Supplier Code
of Conduct



Published first
**Environmental Policy
and Human Rights
Policy**

Enhanced transparency and accountability through ESG disclosure:

Published first SFDR Article 8 aligned
Disclosure

Published first UN PRI Transparency Report

Published second integrated TCFD and
TNFD Report



**Winner of Association of Investment Companies ("AIC") Best
ESG Communication Award and shortlisted for ESG Initiative
Award at Tamarindo Energy Storage Investment Awards**



Introduction from the ESG Committee Chair



I am pleased to present the Company's ESG performance within this report.

Together with the Board, I welcomed the increased ambition of the UK Government and the international community on BESS this year. The UK's CP30 Action Plan and the COP 29 Global Energy Storage and Grids Pledge recognise the key role that BESS can play in decarbonising the energy system.

With a fully operational Portfolio, the Company's assets are making a vital contribution to the UK's net zero transition, while supporting energy security and reducing energy costs.

Despite the challenging market environment, I am proud to report that the Company made strong progress on embedding ESG across the business, supporting the growth and resilience of the Portfolio.

During the Period, the Company improved plans to deliver a biodiversity net gain of 16% across all operational sites. Additionally, it donated £35,000 to 36 local causes through five Community Funds, while creating skilled jobs at the heart of the energy transition.

The Investment Adviser increased collaboration with suppliers and industry associations on key issues, such as human rights and circularity. A total of 67% of key suppliers have now signed our Supplier Code of Conduct, and the majority of suppliers that have not signed have confirmed they adhere to equivalent standards during the Period.

I want to specifically highlight the Company's response to growing regulatory and shareholder expectations around transparency and accountability. This included disclosures in line with SDR and SFDR Article 8, as well as publishing its UN PRI Transparency Report.

I am delighted that the Company received industry recognition for its ESG performance and reporting, winning the AIC Best ESG Communication Award and being shortlisted for the ESG Initiative Award at the Tamarindo Energy Storage Investment Awards.

The Investment Adviser's team continues to drive the Company's ESG performance, and I would like to thank them for their hard work and dedication to powering a more sustainable future.

Dr Shefaly Yogendra

Chair of the ESG Committee

Climate change and energy transition context



“Rapid expansion of batteries will be crucial to meet climate and energy security goals”

International Energy Agency¹

CLIMATE CHANGE

2024 was the hottest year on record and the first in which average global temperatures at the surface of the planet exceeded 1.5°C above pre-industrial levels.² To limit global warming in line with the Paris Agreement, global greenhouse gas (“GHG”) emissions need to decrease by at least 45% by 2030 compared to 2010 levels.

The UK has set one of the world’s most ambitious net zero targets, aiming to lower GHG emissions by 78% by 2037 compared to 1990 levels.³ The shift to renewable energy will play a crucial role in decarbonising the energy system and the wider economy.

As outlined in the CP30 Action Plan, the newly elected Labour Government has accelerated the deadline for achieving a net zero carbon electricity system from 2035 to 2030. Recognising the critical role of energy storage in maximising renewable energy adoption and ensuring a stable, resilient electricity system, NESO and DESNZ forecast that the UK’s battery storage capacity must grow from the current 5 GW to between 23 and 27 GW to meet targets. The UK’s plan builds upon the recent COP 29 Global Energy Storage and Grids Pledge, which aims to deploy 1,500 GW of energy storage capacity globally by 2030.⁴

ENERGY SECURITY AND AFFORDABILITY

The UK’s ongoing reliance on volatile fossil fuel imports, despite the rebalancing of energy markets following Russia’s invasion of Ukraine in 2022, continues to raise concerns about energy security and price stability.

BESS currently play a key role, and through further growth and implementation, will have an even greater impact in alleviating these concerns because they help maximise the benefits of home-grown renewable energy production. This in turn, reduces our reliance on fossil fuel imports, which supports the UK to keep the lights on and secure energy independence.

With renewable power becoming increasingly cost-competitive with fossil fuels⁵, and capex costs for batteries reducing, the investment case for BESS continues to improve. This is enabling more batteries to be built. More batteries mean more capacity to store

more power during off-peak times for use during peak times, reducing curtailment of those renewable generators operating during off-peak times. This, in turn, lowers overall energy system costs and leads to lower energy bills for homes and businesses.

ESG REGULATION CONTEXT

ESG regulation has continued to evolve at pace with the introduction of the SDR in the Period.

SDR AND INVESTMENT LABELLING

The Company falls within the scope of SDR, and its investment labelling regime as introduced through PS23/16 in the FCA Handbook. The sustainability investment labelling regime aims to help investors find products that have a specific sustainability goal.

The regime introduced four sustainable investment labels that firms can apply to products on a voluntary basis. The Company does not currently have a sustainable investment label. In the context of wider sector challenges during the Period and uncertainty regarding the outcome of the Company’s asset sale process (see page 6 for further information), the Board decided not to apply a sustainable investment label at this time. This decision will be reviewed when there is clarity on the outcome of the Company’s asset sale process. This decision does not detract from the Company’s core business, in line with its investment objective of investing in grid scale BESS projects which support the UK’s net zero transition. This is underpinned by its investment strategy, investment policy and associated sustainability strategy, initiatives, KPIs and metrics, as described in the Article 23 Disclosure. For further information, please see the Company’s website.

SFDR

In H1 2024, the Company voluntarily published its inaugural SFDR Article 8 disclosure as well as disclosing data against the full set of SFDR Principal Adverse Impact indicators. This marks an important step in enhancing transparency and accountability, ensuring investors have the information needed to make informed investment decisions aligned with a sustainable future.

1 <https://iea.blob.core.windows.net/assets/cb39c1bf-d2b3-446d-8c35-aae6b1f3a4a0/BatteriesandSecureEnergyTransitions.pdf>

2 <https://www.carbonbrief.org/state-of-the-climate-2024-sets-a-new-record-as-the-first-year-above-1-5c/>

3 <https://commonslibrary.parliament.uk/research-briefings/cbp-9888/>

4 <https://cop29.az/en/pages/cop29-global-energy-storage-and-grids-pledge>

5 https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2024/Sep/IRENA_Renewable_power_generation_costs_in_2023.pdf



CASE STUDY

THE ROLE OF BESS IN MAINTAINING GRID STABILITY WHILE ENABLING THE INCREASED INTEGRATION OF RENEWABLE ELECTRICITY INTO THE GRID

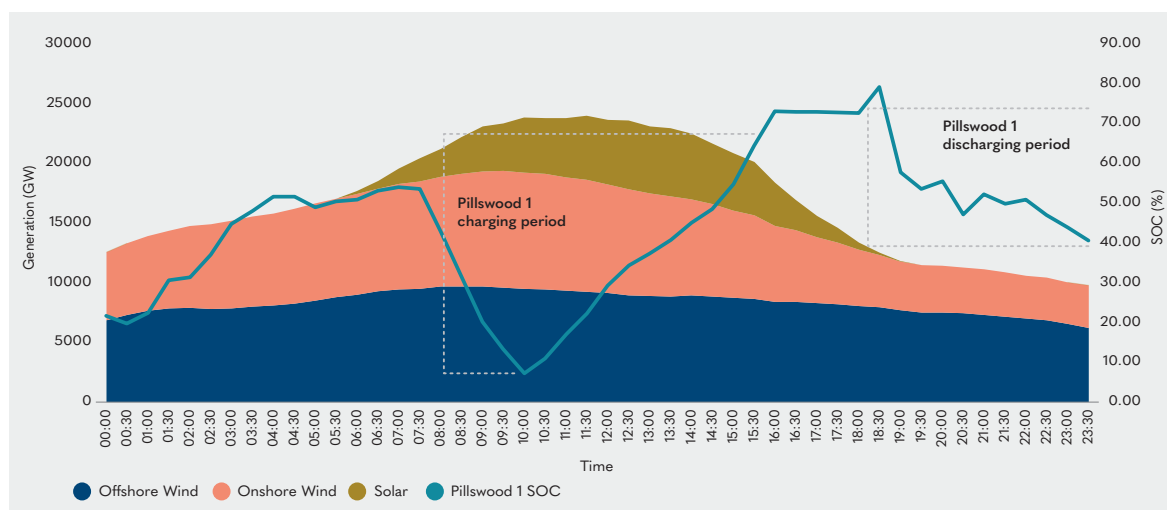
The operation of HEIT's Pillswood 1 asset on 27 August 2024 demonstrates the vital role BESS play in supporting a clean and stable energy system.

During the first half of the day, power prices plummeted due to an excess of electricity on the grid driven by high wind and solar generation output, combined with low consumer demand. Pillswood 1 took advantage of this period of negative pricing, storing cheap, surplus and predominantly renewable electricity and then discharging it back onto the grid during the evening peak, which coincided with declining renewable generation and higher electricity prices. In doing so, this asset played a critical role in balancing supply and demand, while reducing grid carbon intensity by preventing the curtailment of wind assets during the off-peak period and reducing reliance on fossil fuel-based generation during the peak period.

At the same time, the asset was contracted to provide Ancillary Services to NESO, supporting the stability of the grid. These services included:

- **Frequency regulation:** on days such as this with a high proportion of renewable electricity generation there is an elevated risk of grid frequency deviations (see glossary). The asset was contracted to respond to frequency deviations, either by absorbing excess power or injecting additional power into the grid to correct imbalances.
- **Reserve capacity:** the asset was on standby to provide additional capacity in the event of unexpected changes in generation patterns or demand spikes, enhancing the reliability of the grid during this period of higher renewable generation.

CHART 9: RELATIONSHIP BETWEEN PILLSWOOD 1 STATE OF CHARGE AND RENEWABLE GENERATION ON 27 AUGUST 2024



Source: Harmony Energy Advisors Limited

The chart above shows Pillswood 1 charging from 10:00 to 16:00, coinciding with the period where renewable generation output was at its highest. It then discharges later in the day (18:30 to 23:30) when renewable generation output is lower.

Approach to ESG

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

Our investments in BESS assets support the UK's net zero ambition by enabling the integration of more electricity from renewable sources into the electricity grid and reducing reliance on fossil fuel-based power generation. As well as contributing to climate change mitigation, our BESS assets are also helping to secure a more resilient and affordable domestic energy supply.

The Board and the Investment Adviser understand that the Company has a duty to act responsibly and address wider ESG issues across all aspects of its business. 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's ESG strategy, which was informed by a materiality assessment, provides a framework for the Company to measure, manage and report ESG risks effectively, and to generate positive environmental and social impact. The Company identified workstreams to maximise positive and minimise adverse impacts of the business across our material ESG areas. The Investment Adviser has implemented systems to measure, monitor and report a set of indicators aligned to our material ESG areas, enabling transparent measurement and reporting of progress.

More information on our materiality assessment and ESG strategy can be found in the 2022/23 Annual Report and Accounts and on the website.

FIGURE 1: ESG STRATEGY



ESG Integration



ESG considerations sit at the forefront of the Company's BESS investment strategy. The Board and the Investment Adviser recognise the link between the sound management of material ESG issues (both risks and opportunities) 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 decision-making, as outlined in the Company's Responsible Investment Policy.

UN PRI

The UN PRI are a set of voluntary principles which promote the integration of ESG considerations into investment decision-making processes. The Company and the Investment Adviser have been integrating these principles into investment decision-making and ownership practices. The Company became a UN PRI signatory in 2022 and published its first UN PRI Transparency Report in 2024.



ESG governance

It is the Board’s responsibility to ensure successful oversight and delivery of the Company’s investment strategy, which is intrinsically sustainability focused.

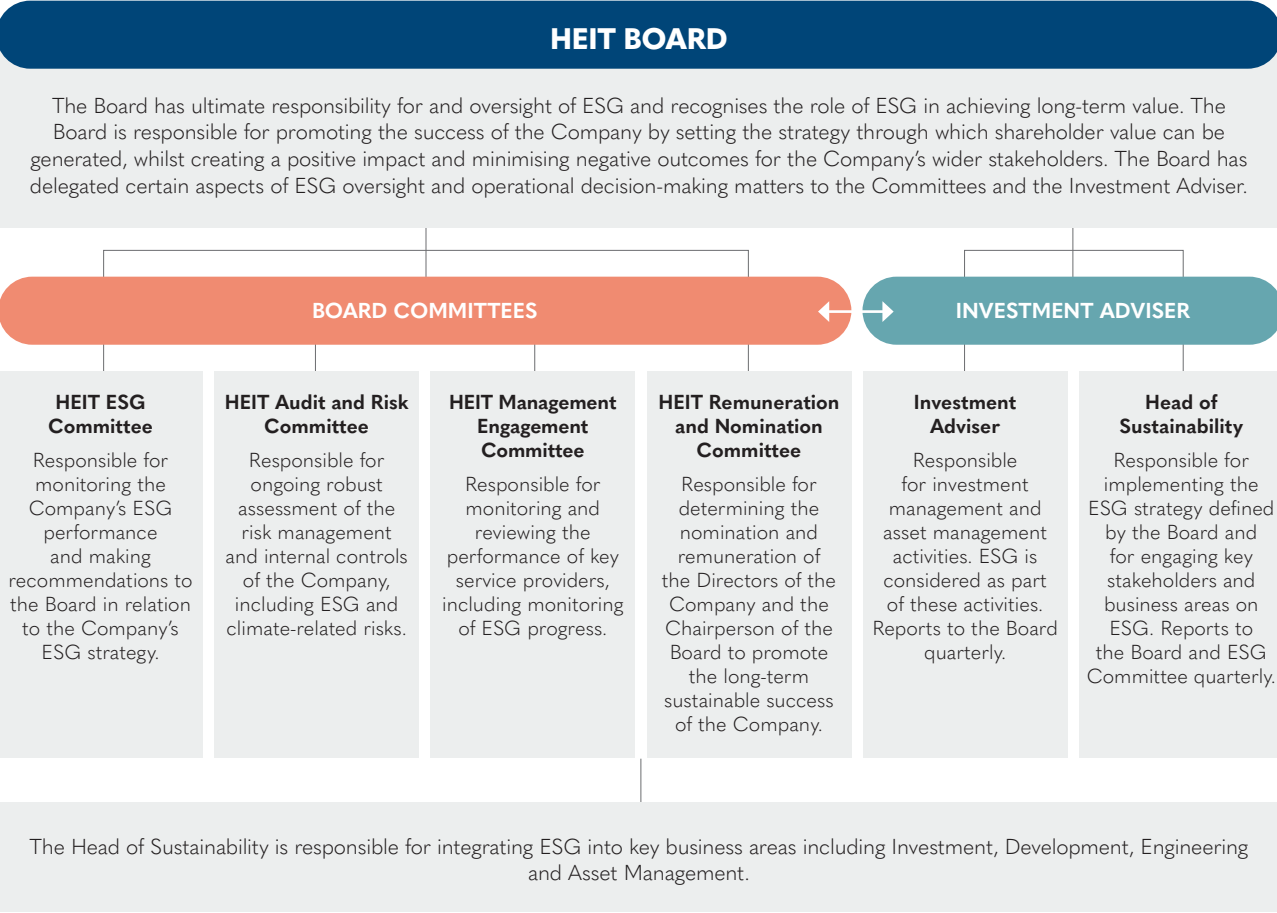
The Board has ultimate responsibility for and oversight of ESG performance and considers ESG matters as part of investment decision making. Dr Shefaly Yogendra is the Non-Executive Director with overall ESG responsibility as Chair of the Company’s ESG Committee.

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, with ESG 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. In addition, the Company engages external ESG consultants where specialist ESG expertise is required.

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

FIGURE 2: ESG GOVERNANCE STRUCTURE





ENABLING A NET ZERO ENERGY SYSTEM

As an investor in BESS, the Company's most significant contribution to a sustainable future is through accelerating the build-out of BESS, which enables the critical decarbonisation of the electricity system.

The Company also takes responsibility for measuring and reducing the GHG emissions associated with its operations and supply chain, and for managing climate-related risks and opportunities.



CLIMATE CHANGE MITIGATION

APPROACH

The Company's BESS assets play a critical role in mitigating climate change by integrating more renewable electricity into the grid, reducing reliance on fossil fuels, and lowering the grid's carbon intensity.

By storing excess renewable energy and supplying it during peak demand, BESS assets reduce the need for curtailment of renewable generation and thus enhance the contribution of renewables to the energy mix. Additionally, they provide essential grid stability and balancing services, reducing the requirement for such services to be provided by fossil fuel-based flexible generation. This therefore reduces GHG emissions.

Upon its admission to the London Stock Exchange, the Company was awarded the Green Economy Mark, recognising its significant contribution to the transition to a net zero economy.

PROGRESS UPDATE

At the end of the Period, the Portfolio consisted of eight operational BESS sites with an overall capacity of 790.8 MWh / 395.4 MW, compared to 555 MWh / 277.5 MW at the end of the previous FY. This represents a 40% year-on-year increase in operational capacity compared to the weighted average for the Period. The Company's BESS assets stored 96,073 MWh of renewable energy and avoided an estimated 51,945 tonnes of CO₂e emissions from entering the atmosphere during the Period. This compares to 15,415 tonnes of CO₂e emissions avoided during the previous financial year.

The Investment Adviser has been proactive in supporting the net zero transition by engaging policymakers to create a policy environment which can enable the increased adoption of renewable energy generation and storage infrastructure. This includes responding to government consultations, attending events, meeting with political leaders, collaborating with peers and engaging through industry trade bodies including the Electricity Storage Network and Solar Energy UK. With the change of UK Government in July 2024, and the formation of DESNZ, the Company and its Investment Adviser has begun to re-engage with the Government to continue these efforts.

GREENHOUSE GAS EMISSIONS

APPROACH

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

PROGRESS UPDATE

GHG INVENTORY

The Company's carbon footprint decreased from 154,930 tCO₂e to 79,652 tCO₂e between 2022/23 and 2023/24.

In line with the previous year, the Company had zero Scope 1 GHG emissions during the Period due to having no direct emissions from owned sources.

Scope 2 emissions associated with purchased electricity increased from 1,323 tCO₂e to 3,390 tCO₂e due to the increase in the number of operational assets and volume of energy consumed by these assets. The Investment Adviser is committed to working with partners, including BESS equipment and optimisation providers, to reduce Scope 2 emissions through improving the operational efficiency of BESS assets as well as exploring opportunities for optimising BESS based on carbon impact.

The majority of the Company's emissions are attributed to Scope 3, primarily driven by emissions associated with purchased equipment and construction services. Scope 3 emissions decreased from 153,607 tCO₂e to 76,262 tCO₂e year-on-year due to a reduction in the volume of equipment procured and construction activity as the Company moved towards a fully operational Portfolio towards the end of the Period. The Investment Adviser continued to collaborate with delivery partners and suppliers to enhance GHG data collection processes, enabling more accurate measurements and promoting GHG emissions reduction across operations and the supply chain. During the Period, the Investment Adviser engaged with its key BESS equipment suppliers regarding the measurement and management of supply chain climate impacts. Cradle-to-gate carbon lifecycle assessment data for BESS equipment was used in the Company's GHG inventory to enhance data accuracy.

Please refer to the Company's TCFD Report on page 56 for its GHG inventory and carbon footprint calculation methodology.

GHG LIFECYCLE ASSESSMENT

During the year, the Investment Adviser commissioned a lifecycle assessment to estimate the GHG emissions associated with a BESS asset across its lifetime. The results of the analysis indicate that there can be a significant carbon benefit from the installation and operation of BESS projects, since emissions avoided through the operational phase outweigh the emissions incurred during other stages of the BESS project lifecycle over its life span. The assessment highlighted the positive contribution that BESS assets can make towards decarbonising the grid but also provided increased visibility of the overall emissions impact of a BESS asset, highlighting potential opportunities for improvement.

CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Company is committed to building climate resilience within the Portfolio. During the year, the Company undertook a second climate risk and opportunity assessment. The Company's approach was strengthened through an enhanced screening process to identify emerging risks or opportunities for inclusion alongside an evaluation of those identified in the prior years' screening exercise. Please refer to the Company's TCFD report on page 50 for further details.





PROTECTING AND ENHANCING OUR NATURAL ENVIRONMENT

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



BIODIVERSITY

APPROACH

In response to the threat global ecosystems are facing,⁶ the Company aims to enhance and protect biodiversity where we operate to ensure low carbon infrastructure has a net positive impact on nature.

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. To achieve this, the Company incorporates nature and biodiversity considerations at each stage of an asset's lifecycle.

We 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 are designed to maximise biodiversity.

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.

PROGRESS UPDATE

During the year, the Investment Adviser oversaw the implementation and maintenance of landscaping plans across the Company's sites. All sites are on track and set to deliver a combined total biodiversity net gain of 16% across the Portfolio once asset-level landscaping plans have been implemented. Guidance was issued to landscapers to ensure sustainable landscaping practices are implemented on the Company's sites, for instance the restricted use of herbicides.

During the Period, the Company published its first Biodiversity Policy, embedded within the new Environmental Policy, strengthening its environmental management system. The Company undertook a second nature risk, opportunity, impact and dependency assessment. Please refer to the Company's TNFD report on page 50.



Members of the Investment Adviser team visited Farnham in July 2024 to monitor the landscaping and biodiversity net gain plan

⁶ <https://wesr.unep.org/article/biodiversity-and-nature-loss>

WASTE, RESOURCES AND POLLUTION

APPROACH

All the Company's current BESS assets use lithium iron phosphate battery technology, which contain critical raw materials. We aim to reduce our reliance on critical raw materials, carbon and other resource intensive processes.

The Investment Adviser engages with equipment manufacturers to encourage sustainable and circular practices in the upstream supply chain, as well as across the lifecycle of our projects through to decommissioning.

The Investment Adviser also engages with contractors to encourage the measurement and management of waste, resources and pollution during BESS site construction and operations.

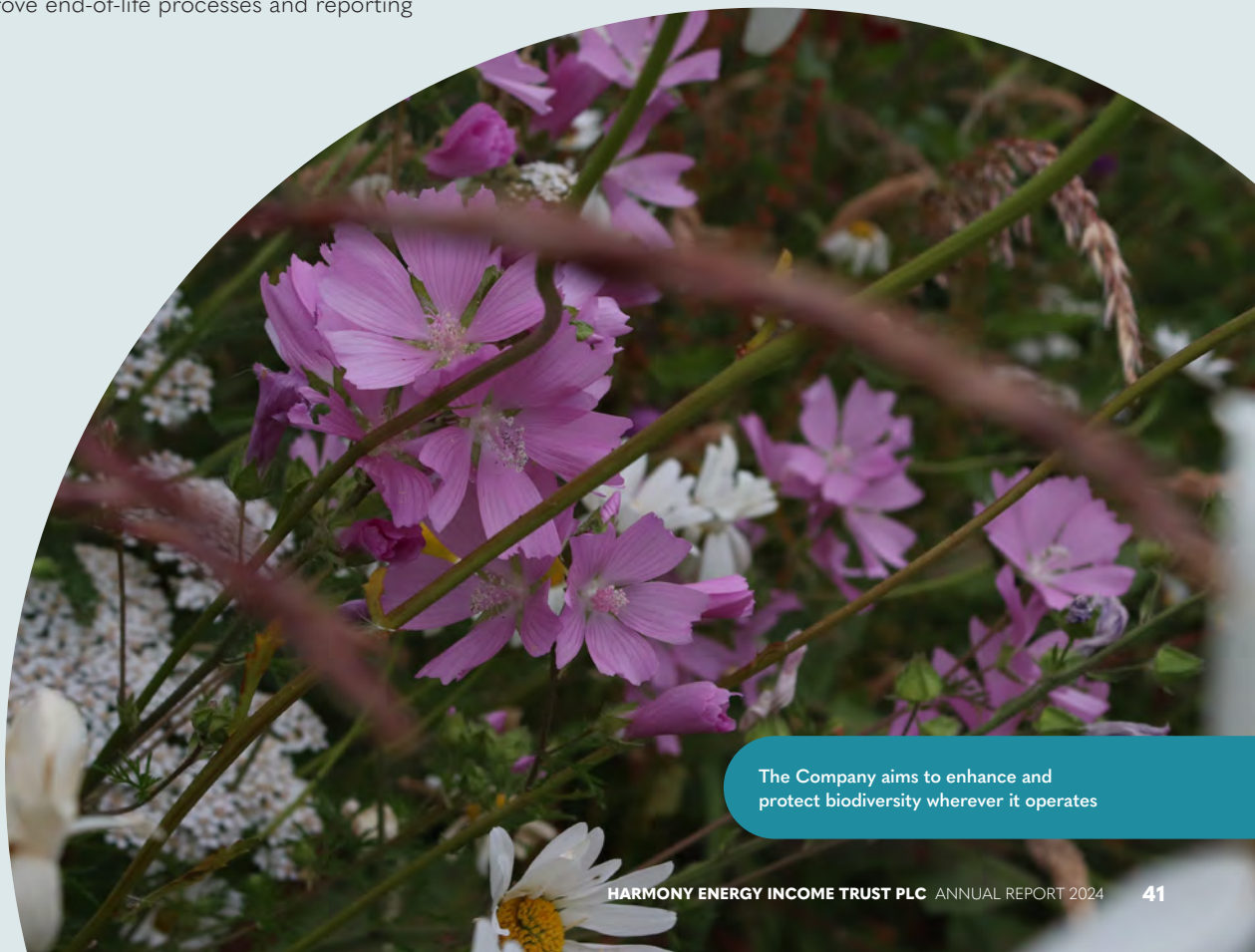
PROGRESS UPDATE

In 2024, the Company introduced its first Environmental Policy outlining its environmental commitments, including in relation to waste, resources and pollution, and strengthening its environmental management system.

The Investment Adviser continued to engage with key suppliers and partners regarding the management of environmental issues to drive sustainable change across its activities. This included collaboration with BESS suppliers to improve end-of-life processes and reporting

as well as site visits to support its contractors to improve sustainability practices at the Wormald Green and Hawthorn Pit BESS sites.

There were zero incidents that met the Environment Agency definition of a reportable environmental incident at the Company's sites during the Period. However, there was a non-reportable environmental incident at Wormald Green following the unusually wet weather in H1 2024 involving sediment-laden water runoff into an adjacent field. The delivery team of the Investment Adviser worked with an independent water drainage advisor to identify and implement mitigation measures to ensure runoff from the site is appropriately managed.



The Company aims to enhance and protect biodiversity wherever it operates



PROMOTING POSITIVE PEOPLE IMPACTS

The Company champions a fair and just transition to net zero that benefits workers and communities. We are committed to reducing negative outcomes, and wherever possible, delivering positive outcomes for people impacted by the Company's direct and indirect activities.



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 and the Investment Adviser engage closely with a wide range of stakeholders throughout the project lifecycle. HEL, the Company's development partner, 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 creates and maintains open channels of communication, keeping stakeholders informed and ensuring they have opportunities to share their views, ask questions and have feedback addressed where possible.

The Company's community funds support initiatives that positively impact local communities or the environment throughout a project's lifetime. From the start of commercial operations, the Company contributes £100 per MW annually, with a minimum of £5,000 per site per year.

To administer these funds, the Company continues to partner with BizGive, a platform connecting funders with community groups and third-sector organisations seeking support. Funds are allocated to initiatives that benefit the local area around each project and align with the priority Sustainable Development Goals ("SDGs") identified in the materiality assessment.

PROGRESS UPDATE

Community funds for the Farnham, Broad ditch, Pillswood, Bumpers and Little Raith projects, totalling £35,000 annually, were distributed to 36 local organisations during the Period, ensuring the Company's activities benefit the communities in which it operates. Additionally, members of the Investment Adviser team volunteered their time and skills to a local group supported by the Farnham Community Fund, adding value to the community and fostering positive relations with local stakeholders.

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

In the Prospectus, the Board committed to establishing an “ESG Fund” to support environmental and social initiatives within the wider investment trust and BESS industries once the Company’s NAV exceeded £250 million. The NAV has exceeded £250 million, however, due to a challenging commercial environment and lower than expected revenues, the Board has decided to defer the deployment of the ESG Fund. This decision will be reviewed when there is clarity on the outcome of the Company’s asset sale process (see page 6 for further information).

The Company’s contribution towards the River Thame Conservation Trust helped to equip volunteer “citizen scientists” to effectively monitor the water quality of the chalk streams in Princes Risborough



CASE STUDY

BUMPERS COMMUNITY FUND – REVIVING RISBOROUGH CHALK STREAM

The Company launched its Bumpers Community Fund during the Period to support charities and community initiatives located within a 5-mile radius of its Bumpers BESS.

Among the seven selected charities and community initiatives was the River Thame Conservation Trust, a charity that works on the ground with communities across Buckinghamshire and Oxfordshire to improve, enhance and restore the River Thame and its tributaries.

In Princes Risborough, where the Company’s Bumpers site is located, the River Thame Conservation Trust works closely with volunteers from the Risborough Environment Group to protect the town’s rare and fragile chalk streams, which are currently in poor ecological status due to pollution, through water quality monitoring and education programmes.

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The River Thame Conservation Trust said

“The funding from the HEIT Bumpers Community Fund will enable us to dedicate more resources to raising public awareness of the importance of the local chalk streams, and to equipping local volunteers as well-rounded citizen scientists.”



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 four new jobs due to the Company's activities. Jobs 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 regularly engages with its 31 UK-based employees (as at the end of the Period), seeking feedback through employee surveys and focus groups. In its annual employee engagement survey, the Investment Adviser achieved an employee net promoter score of 52 (on a range from -100 to +100), based on the likelihood employees would recommend the organisation to others as a place to work. This represented a reduction from 76 the prior year, driven by an increase in 'passives' (i.e. employees that scored 7 or 8) and a slight decrease in 'promoters' (i.e. employees that scored 9 or 10). Last year's score was exceptionally high, and it has been challenging to sustain this level of employee satisfaction through a period of rapid growth. While scores above 50 are considered to reflect high employee satisfaction and loyalty, the Investment Adviser will continue to strive for improvements in future.

The Investment Adviser is committed to creating a culture and working environment which encourages equality, diversity and inclusion ("**EDI**") and recognises the benefits of a diverse workforce. During the Period, an externally facilitated training session on EDI was delivered to all the Investment Adviser's employees, as well as inclusive recruitment training for all hiring managers. The second annual EDI survey was sent to all staff to better understand the profile of the workforce, helping to identify any gaps or issues and enable the Investment Adviser to work towards improving them. Following the survey, the Harmony Energy Group reviewed and strengthened certain key HR policies and processes to support its commitment to building a diverse, equitable and inclusive place to work. Updated policies and processes included changes to the recruitment process, and a new parental leave policy facilitating both enhanced maternity and paternity pay. At the end of the Period, 43% of the Investment Adviser's employees were female and 20% of employees were from ethnic minorities. These proportions were broadly in line with the previous financial year. Initiatives are planned to ensure inclusive HR practices continue to be developed.

Learning is promoted through internal knowledge share sessions and externally facilitated training sessions, as well as employer-funded access to external training programmes. During the Period, an e-learning system was introduced to facilitate training sessions on topics such as cyber security, GDPR and anti-bribery. Overall, employee training hours increased from 129 hours to 321 hours year-on-year.

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. The BESS industry is associated with human rights risks - from labour exploitation during the construction of assets, to the violation of workers, communities and indigenous peoples' rights in upstream supply chains. The Company recognises its responsibility to both understand and reduce human rights risks associated with its activities. The Company is committed to implementing robust due diligence processes to address these.

PROGRESS UPDATE

HUMAN RIGHTS

During the Period, the Company introduced its first Human Rights Policy, outlining its commitments to strengthening its approach to upholding human rights. The Policy is aligned to international standards and

Investment Adviser employees volunteered to assist a local community group supported by the Farnham Community Fund



LABOUR AND HUMAN RIGHTS CONTINUED

guidelines, notably the United Nations Guiding Principles on Business and Human Rights.

Following adoption of the Human Rights Policy, focus has turned to its implementation. This has included strengthening the supplier due diligence process, as described in the 'Promoting a more responsible and sustainable supply chain' section. As part of the enhanced due diligence process, the Investment Adviser conducted targeted engagement with suppliers considered to have higher exposure to human rights risks. This included conducting workshops with the Company's battery suppliers to understand and monitor their existing policies, management systems and performance relating to human rights and supply chain mapping and traceability. The Investment Adviser will continue to collaborate with suppliers to monitor and mitigate supply chain human rights risks.

The Company's Modern Slavery and Human Trafficking Statement is available on its website.

HEALTH AND SAFETY

Health and safety ("**H&S**") are high priority areas for the Company, and it is committed to protecting workers as well as the surrounding communities through maintaining high H&S standards throughout the project lifecycle.

During the Period the Harmony Energy Group, which the Investment Adviser is a part of, adopted an enhanced H&S Policy as well as key procedures, such as the Emergency Response Plan.

To support the Company in its continued improvement regarding H&S, Harmony Energy Group engaged a specialist H&S consultancy, Pearl Safety Solutions Ltd in 2024. Pearl Safety have undertaken a deep dive gap analysis into the existing H&S management system, identifying areas for improvement. Subsequently, a two-year strategic H&S action plan was presented to and has been approved by the HEL Board. A new H&S management system has been developed in line with ISO 45001 with the intention to achieve certification against the standard within 24 months.

The Investment Adviser regularly engages with contractors on H&S matters. This engagement includes initial assessment of competence using PAS91 formal assessment criteria and meetings to discuss the responsibilities of each supplier, periodic site visits with the aid of H&S specialists and informal site visits by the Investment Adviser's project management team. In addition, the Investment Adviser continued to implement initiatives for promoting effective H&S reporting, such as the site observations campaign offering monthly £50 vouchers to the staff member who submits the most effective safety observation at each site. During the Period, there was a high level of

engagement with the safety observation campaign, with 402 observations submitted across the Portfolio, as well as 172 toolbox talks.

Five H&S incidents were recorded at the Company's sites during the Period. This included one incident that attracted reporting to the Health and Safety Executive ("**HSE**") under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("**RIDDOR**"), one lost time incident and three incidents involving slips, trips, and falls. All incidents have been promptly investigated and closed, and appropriate mitigation measures put in place to help prevent similar incidents occurring in future.

The Investment Adviser facilitated a site visit for the local fire services as part of our fire prevention strategy



FOCUS ON FIRE SAFETY

The Company mitigates any fire safety risk through careful planning and robust safety protocols, which reduce the likelihood and severity of a fire occurring at any of our sites.

The Company's BESS assets are operated and maintained in line with stringent and regularly reviewed Emergency Response Plans, informed by industry specific guidance, equipment manufacturers maintenance procedures and fire service engagement.

All BESS have inbuilt battery management systems to remotely monitor the battery at all times. They include internal thermal heat probes and sites have infrared cameras installed around their perimeters. If there is any detection of a temperature increase or sub-optimal battery cell working, the system will notify the control centre and the system will isolate and shut down the effected battery automatically.

We work closely with the local fire services to familiarise them with the technology and plan for all eventualities as part of our safety planning. We are continuing to support the development of industry best practice guidelines and standards through working closely with stakeholders, including the National Fire Chiefs Council and with other stakeholders through the Electricity Storage Network Safety, Sustainability and Supply Chain Working Group.

Operating responsibly

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The Company behaves and invests responsibly to ensure positive impacts for all stakeholders, including sustainable value for its investors. We are committed to embedding responsible sourcing practices to strengthen the sustainability and resilience of the supply chain.

ETHICAL BEHAVIOUR AND GOVERNANCE

The Board drives success through well-informed decision-making supported by robust debate. The diverse professional, educational, socio-economic, and cultural backgrounds of Board members provide a wealth of knowledge, perspectives, and constructive challenge. Details on Board composition and diversity are available in the Governance Report on page 75.

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 of Conduct 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 approaches 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 multi-award-winning Pillswood project was the largest BESS in Europe (by MWh) at the time of launch

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 and resilience of its supply chain.

It has conducted a company-wide sustainability assessment to determine areas material to the business and salient to society and the environment. This assessment has informed the Company's supplier due diligence approach, comprised of the following activities:

Risk assessment:

- Implementing targeted assessments of suppliers with higher ESG risks. This includes requiring higher risk suppliers to complete HEIT's supplier ESG due diligence questionnaire during the onboarding process and annually thereafter;
- Conducting regular supplier workshops to understand and monitor suppliers' existing policies, management systems and performance relating to ESG matters;
- Desk-based research incorporating non-governmental organisation, academic and other stakeholder reports to assess risk and inform business decisions;
- Maintaining awareness of geographic risks, trends, and other factors through various sources.

Risk mitigation:

- Requiring suppliers to acknowledge HEIT's Supplier Code of Conduct at onboarding, and including ESG clauses in supplier contracts;
- Engaging with suppliers who fail to meet the requirements of HEIT's policies to implement corrective action plans to drive improvements, including potential termination of contract as a last resort;
- Engaging in multi-stakeholder working groups, such as the Energy Storage Network Sustainability working group, through which we contribute to industry standards to drive positive change in the battery supply chain;
- Addressing any concerns raised through the Investment Advisers' publicly accessible grievance mechanism.

Monitoring and reporting:

- Monitoring of supplier performance and corrective actions through the annual supplier engagement and review process.

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, the Company identified supply chain areas with the most significant risk of adverse impact, considering factors including country risk, product category risk, supplier reputation and ownership. The Investment Adviser has conducted targeted enhanced due diligence on suppliers identified to be higher risk. This initiative is ongoing, but encouraging progress has been made in increasing visibility of the upstream supply chain through collaborating with suppliers on mapping and traceability.

The Investment Adviser continued to roll out the Supplier Code of Conduct during the Period. 67% of key suppliers have signed our Supplier Code of Conduct, and the majority of suppliers that have not signed have confirmed they adhere to equivalent standards.

During the Period, the Company enhanced the ESG sections of its annual service provider evaluation questionnaire, strengthening its third-party due diligence processes and supporting the implementation of the Company's Supplier Code of Conduct.

The Company recognises that no organisation can solve supply chain sustainability challenges in isolation. HEAL 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.

Metrics

The Investment Adviser has implemented systems to measure, monitor and report a set of indicators aligned to the Company's material ESG areas. This will enable transparent measurement and reporting of progress over time. The table contains the Company's ESG data for the current and prior reporting Periods.

TABLE 4: ESG DATA

PILLAR	ESG PRIORITIES AND ASSOCIATED METRICS	2022/23 DATA	2023/24 DATA
ENABLING A NET ZERO ENERGY SYSTEM			
Climate change mitigation	Storage capacity (MWh)	555	790.8
	Storage capacity (MW)	277.5	395.4
	Equivalent number of homes that could be powered for 2 hours (#)	833,000	1,282,853
	Total renewable energy stored (MWh)	30,938	96,073
	Share of energy from renewable sources, expressed as a percentage of total energy stored (%)	36%	36%
	Estimated annual GHG emissions avoided through BESS projects HEIT invests in (tCO ₂ e)	15,415	51,945
Greenhouse gas emissions	Scope 1 GHG emissions (tCO ₂ e)	0	0
	Scope 2 GHG emissions (tCO ₂ e)	1,323	3,390
	Scope 3 GHG emissions (tCO ₂ e)	153,607	76,262
	Scope, 1, 2 and 3 GHG emissions (tCO ₂ e)	154,930	79,652
	GHG intensity relative to revenue (tCO ₂ e/£m)	23,345	4,892
ENHANCING OUR NATURAL ENVIRONMENT			
Nature	Number of reportable environmental incidents (#)	0	0
	Share of investments in investee companies without a biodiversity protection policy (%)	100%	0%
	Biodiversity net gain (% habitat loss/gain)	15%	16%
Waste	Maximum share of BESS that is recyclable (% by weight)	95%	95%
PROMOTING POSITIVE PEOPLE IMPACTS			
Communities	Investment in community projects (GBP)	£10,000	£35,000
Wealth creation and employment	Number of direct jobs created (#)	11.2	4
	Number of hours of training provided to Investment Adviser employees (#)	129	321
	Investment Adviser employee net promoter score (#)	76	52
Health, safety and wellbeing	Total RIDDOR Reportable Incidents (#)	0	1
	Site safety audits (#)	77	54
Labour and human rights	Key suppliers committed to the Supplier Code of Conduct (%)	68%	67%
	Share of investments in entities without a human rights policy (%)	100%	0%
Diversity, equality and inclusion	Representation on the Board (gender) (%)	40%	40%
	Representation on the Board (ethnicity) (%)	20%	20%
	Representation within the Investment Adviser (gender) (%)	41%	43%
	Representation within the Investment Adviser (ethnicity) (%)	21%	20%



Managing Director Paul Mason spoke at the Energy Transition Summit 2024 (image credit – Financial Times Live)

TCFD and TNFD Report

Last year, the Company released its first combined TCFD and TNFD report, which recognised the interconnectedness of climate and nature, and the importance of these areas to the Company's core purpose and mission.

Since publication of the Company's inaugural report, the UK has elected a new government with high sustainability ambition, including the CP30 Action Plan committing the UK to decarbonise the electricity grid and increase its energy storage capacity to 23-27 GW by 2030, with the majority expected to come from grid-scale BESS. From a global perspective, the Global Energy Storage and Grids Pledge, announced at COP 29 in November 2024, aims to deploy 1,500 GW of energy storage capacity globally by 2030. Coupled with the UK's targets, this reinforces the importance of BESS in facilitating the transition to a net zero carbon electricity system. The Company's business model supports and depends on a successful net zero transition and thriving natural ecosystems, and so climate and nature are integral to the Company's strategy.

The Company does not currently fall within the scope of the FCA's mandatory reporting TCFD requirement but has once again chosen to voluntarily report in line with both the TCFD and TNFD frameworks. This year's combined disclosure outlines the progress the Company has made in further embedding climate and nature as core strategic priorities to support mitigation efforts and invest in a sustainable future.

GOVERNANCE

The Company maintains robust decision-making processes and oversight of climate and the natural environment, with the Board continuing to hold responsibility for, and oversight of, climate- and nature-related risks and opportunities. The Board delegates certain aspects of ESG oversight and operational decision making to the ESG Committee, the role of which is to monitor and review the Company's ESG-related performance and activities and make recommendations to the Board in relation to the Company's ESG Strategy. The day-to-day investment and asset management is the responsibility of the Investment Adviser, with the Head of Sustainability, a representative of the Investment Adviser, responsible for implementation of the ESG Strategy.

Further details on the roles and responsibilities associated with these activities are outlined in the ESG governance section on page 37 of this report.

STRATEGY

Emerging risks and opportunities are integral to future growth and strategic direction

The new UK Government, elected in July 2024, brings an ambitious sustainability agenda for the country which complements the Company's strategy. To capture risks and opportunities that may emerge due to planned UK policies, the Company has re-visited its screening exercise and sought to integrate mitigation efforts that could enhance resilience, or political commitments which may present opportunities for growth and value creation.

Risks and opportunities considered material are presented in Table 2, alongside prospective impacts as determined by the Company, in collaboration with a third-party global sustainability consultancy. To maintain consistency and to enable efficient comparison between results, the Company has maintained the structure and approach as per 2022/23 Report. Risks/opportunities are complemented by a description of the impact, dependency, or effect (business model, including both direct operations and value chain activities, and financial impact). Information on the approach adopted to undertake this year's screening exercise is disclosed in the Risk Management section of this report.

Impact on nature at the Company's sites

The TNFD recommendations guide companies to conduct location-specific analysis to identify and assess nature impacts, dependencies, risks and opportunities, reflecting the site-specific nature of biodiversity and ecosystems. In line with this approach, the Company continually assesses material site-level nature impacts including in relation to biodiversity, threatened species, flood risk, and resources such as water and energy. These assessments contribute to the development of site level environmental management plans and inform the Company's risk register.

Assessing nature-related issues, human rights policies, stakeholder engagement activities in the supply chain

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 supply chain. HEIT has conducted a Company-wide sustainability assessment to determine areas material to the business and salient to society and the environment, including nature and human rights related matters. In line with the Locate, Evaluate, Assess and Prepare ("LEAP") methodology, supply chain impacts and dependencies were evaluated, particularly in the upstream areas of mineral extraction, refining, and manufacturing.

This assessment has informed the Company's sustainability workstreams, such as the requirement for key suppliers to sign the Supplier Code of Conduct in support of the Company's commitments to climate and nature across its sites and supply chain. The Investment Adviser monitors compliance with the Supplier Code of Conduct and engages with key suppliers on an ongoing basis to ensure risks are being adequately managed. Key stakeholders include the local community, landowners, NESO, investors and suppliers. More information on the risk identification and mitigation strategy can be found in the ESG report.

Within its Human Rights Policy, the Company emphasises a proactive approach to identifying and mitigating human rights risks across its operations and value chain, with

particular attention to the upstream processes mentioned previously. This strategy includes regular assessments of potential risks and close engagement with stakeholders to ensure alignment with internationally recognised human rights frameworks. The Investment Adviser plays a pivotal role in implementing this strategy, working collaboratively with suppliers, communities, and other stakeholders to uphold the Company's zero-tolerance stance on human rights violations and to drive improvements across the supply chain.

TCFD and TNFD Report continued

TABLE 5: PRIORITY CLIMATE AND NATURE RISKS/OPPORTUNITIES AS IDENTIFIED BY THE COMPANY THROUGH THE 2023/24 SCREENING EXERCISE.

RISK CAUSE	RISK EVENT	RISK EFFECT	BUSINESS MODEL IMPACT	FINANCIAL IMPACT
CLIMATE RISKS: PHYSICAL				
CHRONIC				
Extreme heat	Batteries and cooling fans operating outside designed temperature parameters, working harder to maintain optimised temperatures and wearing components faster.	Batteries operating outside designed temperature parameters are less efficient and fans may shut down if they overheat, both resulting in increased maintenance costs. Noise from fans leads to noise complaints, damaging reputation and potential legal resolution costs.	Operations	P&L Cost
	Mitigating action: The Company's battery assets are designed to withstand operating temperatures of -30°C to 45°C. All Company assets are in GB, 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.			
ACUTE				
High winds	Supporting infrastructure, such as grid network power lines, may be damaged or operations affected by storms or high wind speeds.	Impedance to battery charge/discharge resulting in reduced energy storage/supply to the off-taker, and reduced revenue.	Operations	Revenue
	Mitigating action: HEAL 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 50 MW or lower sized sites that are geographically spread, rather than a few 100MW+ sites.			
Flash floods	Flood waters may disrupt site construction and operations, damage equipment and result in unsafe working conditions.	During the construction phase, flooding could result in equipment damage resulting in costs to repair/replace equipment. Flooding could also result in unsafe working conditions, water run-off into adjacent sites and delays to project timelines, which could result in a loss of revenues and legal/insurance fees. During the operational phases, flooding can contribute to damaged equipment. Financial impacts could include costs associated with equipment replacement/repairs as well as loss of revenue while the site is offline.	Construction, Operations	Revenue P&L Cost Capital cost
	Mitigating action: 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. In addition, all sites have comprehensive insurance cover to mitigate negative financial impacts associated with flooding.			

RISK CAUSE	RISK EVENT	RISK EFFECT	BUSINESS MODEL IMPACT	FINANCIAL IMPACT
NATURE RISKS: TRANSITION				
REPUTATION				
Negative ESG impacts in the supply chain	The Company is dependent on raw materials such as lithium to produce BESS equipment. Mining and processing raw materials can result in negative ESG impacts, for example, relating to the local community, indigenous people, workers, water availability and quality, biodiversity, resource consumption and pollution.	Damage to reputation and costs to rectify if the Company is linked with these activities.	Contracting	P&L Cost
	Mitigating action: The Investment Adviser conducts ESG due diligence on suppliers to help ensure supply chain risks are being effectively identified and managed. The Company requires suppliers to sign its Supplier Code of Conduct setting out the standards, principles, and values that suppliers are expected to uphold. The Investment Adviser monitors compliance with the Supplier Code of Conduct and engages with suppliers to drive performance improvements.			
OPPORTUNITIES				
POLICY AND LEGAL				
UK net-zero ambition	The UK Government’s ambitious net zero target and CP30 target require accelerated deployment of renewable energy generation and energy storage infrastructure.	The new labour Government’s Clean Power 2030 Action Plan acts as an enabler to the deployment of low carbon infrastructure, supporting the UK’s net zero ambition. To achieve clean power by 2030, the UK needs rapid, large-scale deployment of renewable generation. An increasing reliance on intermittent renewable electricity generation presents an opportunity for the Company’s BESS assets to earn higher revenues due to increased demand for grid balancing and stability services and wider wholesale market spreads.	Operations	Revenue
	Enabling action: As an investor in BESS 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. The Company and the Investment Adviser engage with policy makers to promote the creation of a policy and regulatory environment that supports increased deployment of BESS and renewable energy infrastructure.			
MARKET				
Increased renewables	An increase in intermittent renewable energy sources supplying the grid can lead to supply-demand imbalances.	Increased renewable penetration can create wider wholesale market spreads, which presents an opportunity for enhanced revenues if the Company’s BESS can effectively capture these spreads. It will also increase demand for BESS to provide grid balancing and stability services, creating revenue opportunities for the Company.	Operations	Revenue
	Enabling action: The growth rate of current and potential future renewables penetration is a key input into the Company’s financial modelling. The Company and the Investment Adviser will work closely with optimisers to ensure that BESS are optimised to maximise the revenue opportunities created by an increase in renewables on the system.			

TCFD and TNFD Report continued

RISK MANAGEMENT

Analysing the evolving risk and opportunity landscape

Recognising the economic, political and market changes during the Period, the Company enlisted the support of a third-party global sustainability consultancy to identify emerging physical climate, transition and nature risks or opportunities that may be relevant for inclusion alongside an evaluation of those identified in the prior year's screening exercise. For example, the Company is aware of the impact UK planned legislation may have on business operations and so risks or opportunities related to this have been factored into this year's analysis. The consultancy completed research and consulted internal subject matter experts to determine which pledges and political plans may impact the Company, and to what magnitude, to integrate into the 2023/24 screening exercise.

Additionally, building on its 2022/23 approach, the Company conducted a review of the previously identified climate- and nature-related risks, opportunities, dependencies and impacts (across both direct operations and value chain activities) to reevaluate materiality. Updates have been incorporated based on changes to national and global political pledges, the wider industry, economic climate and the Company's strategy. Learnings have also been applied from the multiple stakeholder sessions that contributed to the screening exercise of 2022/23.

In addition to the political landscape research conducted and to remain abreast of market activity, the Company instructed a consultancy to conduct a peer review. The consultancy reviewed a nominated set of peers' reports available in the public domain and identified climate- and nature-related risks and opportunities disclosed. Risks and opportunities not captured in the Company's existing list of risks and opportunities were incorporated and rated, based on likelihood and severity and with consideration of the stages of the Company's business model, with the approach adopted consistent with that disclosed in the 2022/23 report.

Effective monitoring to support mitigation

Risk management continues to be an integral enabler for the Company to deliver its strategic objectives, with mitigation efforts paramount to successful transition to a low carbon economy. Since conducting the initial screening exercise to identify and assess climate- and nature-related risks and opportunities as part of the 2022/23 disclosure, the Company has fully embedded the results into its business-as-usual risk management processes, further establishing effective monitoring practices and enabling proactive management of risks and opportunities.

The emergence of green policies and initiatives from the UK Government presents enhanced opportunities to the Company, which will be considered internally and communicated via the governance structure and mechanisms highlighted previously in this and the prior year's report. As per the existing approach to monitoring and managing disclosed in the 2022/23 report, mitigation measures and action plans will be put in place to manage identified emerging risks, spanning the entirety of the Company's value chain (described in the 2022/23 report using various stages of the Company's business model). This includes assigning owners within the Investment Adviser to ensure accountability and recording of risks and mitigations in site-level registers, reflected in the Company-level risk register reviewed at least quarterly by the Board.

METRICS AND TARGETS

The Company has conducted a review of metrics previously disclosed, spanning both climate and nature, and is pleased to include updated data points in this year's report (Table 3). Nature and biodiversity metrics continue to be integral to support the Company's strategic direction and ensure awareness of the impact operations and value chain activity has on the environment. Not all TNFD core indicators are included, as nature-related data is nascent, and the Company continues to work towards capturing this information. The TNFD core indicators that do lack sufficient data for disclosure currently are land use change, pollution, resource use and invasive alien species.

TABLE 6: TNFD AND SFDR DISCLOSURE INDICATORS, COUPLED WITH STATUS OF METRICS FOR NATURE-RELATED DEPENDENCIES AND IMPACTS, AS APPLICABLE TO THE COMPANY.

CATEGORY	INDICATOR	STATUS
Climate change	GHG Emissions	The Company measures and discloses Scope 1, 2 and 3 emissions in line with the GHG Protocol – see Table 7.
	Carbon Avoidance	~51,945 tCO ₂ e
	Renewable Energy Stored	96,073 MWh
	Weighted average carbon intensity (WACI)	4,892 tCO ₂ e/£m
Waste	Waste generation and disposal	8,585 tonnes solid waste 40,520 m ³ wastewater
Biodiversity	Activities negatively affecting biodiversity sensitive areas	0% share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas. (SFDR-PAI report)
	Biodiversity net Gain	+16% (habitat gain).
	Natural species and protected areas	0% share of investments in investee companies whose operations affect threatened species. 100% share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas. (SFDR-PAI report)
Water	Emissions to water	0 tCO ₂ e/€M (Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average). (SFDR-PAI report)

TCFD and TNFD Report continued

TNFD requires reporting on risks and opportunities. The core metrics required relate to the value of assets, liabilities, revenue, and expenses that are assessed as vulnerable to nature-related transition and physical risks. For opportunities, key metrics relate to capital expenditure, financing or investment deployed towards nature-related opportunities, by type of opportunity, and with reference to a government or regulator green investment taxonomy or third-party industry or NGO taxonomy, where relevant. At present, the Company does not have these metrics available and acknowledges that further assessment, such as quantitative scenario analysis and the LEAP approach, is required to enable disclosure of these metrics.

Scope 1, 2, and 3 GHG emissions

The Company is pleased to disclose its third year of carbon footprint data, covering the period 2023/24, in line with the World Resource Institute's GHG Protocol in Table 4.

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 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, physical offices or vehicles, the Company had zero Scope 1 GHG emissions during the Period. Emissions associated with the combustion of fossil fuels at SPV-level BESS sites are attributed to third-party suppliers and accounted for under Scope 3 accordingly.

To calculate Scope 2 emissions relating to the operation of the batteries, NESO carbon intensity values are applied to electricity consumption and losses data. Electricity consumption and losses figures are calculated based on the difference between half-hourly energy import and export 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;
- 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. Emissions from contractor activity during the construction phase (e.g. fuel use, material use, and waste generated);
- Category 3: Fuel and energy related activities – well-to-tank and transmission and distribution emissions of electricity consumed or lost on SPV sites;
- Category 11: Use of sold products – upstream emissions of the electricity exported to the grid (i.e. not consumed or lost on site).

Various levels of data quality are available across the different GHG emission categories, therefore different methodologies must be applied. The Company and the Investment Adviser are committed to continuously enhancing the accuracy emissions data and reducing direct and indirect climate impacts where possible.

TABLE 7: PRIOR AND CURRENT YEAR GHG EMISSIONS

SCOPE AND CATEGORY		2022/23 DATA (tCO ₂ e)	2023/24 DATA (tCO ₂ e)
GHG Emissions	Scope 1	0	0
	Scope 2	1,323	3,390
	Scope 3	153,607	76,262
	Total Scope 1, 2, and 3	154,930	79,652

Renewable energy stored

The Company calculates the total renewable energy stored for all operational sites in the Portfolio. 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 NESO's API. Half-hourly asset-specific energy data combined with energy generation mix data from NESO 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 2023/24, a total of 96,073 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 BESS assets provide essential grid services and operate across various modes, including energy Arbitrage actions, BM actions, and Ancillary Services actions. Each type of battery energy action influences carbon impact by altering the net load system dynamics resulting from the action. The calculated metric measures carbon avoided for each of these operational uses, the methodology of which can be found in the Company's previous TCFD disclosure.

In the absence of a standardised industry methodology to calculate carbon avoidance from BESS operations, the Company aligns itself with existing best practice guidelines, including the GHG Protocol and the EU InnovFund methodology for assessing avoided emissions from BESS. The Investment Adviser is collaborating with other industry stakeholders through the Electricity Storage Network to develop an industry-wide approach for calculating avoided emissions from BESS operations to improve the reliability and comparability of carbon avoidance data in the sector. The Company intends to adopt the industry methodology once it has been established.

During the Period, the Company's BESS assets avoided an estimated 51,945 tCO₂e from entering the atmosphere.

Climate- and nature-related targets

The Company has set a target to achieve a biodiversity net gain of 10% or more across the Portfolio, in line with the UK mandatory biodiversity net gain target. The reporting year of 2022/23 is the baseline for this target, given that it marks the first year of site operation for the Company.

The Company may consider setting climate-related targets in the future.

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 risk boundaries within which the Board wishes to operate.

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 ARC 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 representatives of the Investment Adviser 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 the 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 2 on page 52.

EXISTING RISKS

RISK DESCRIPTION	POSSIBLE CONSEQUENCES	MITIGATING ACTIONS
MERCHANT NATURE OF BESS REVENUES		
Lower-than-expected market price of Ancillary Services, revenues generated from wholesale trading and/or the BM. NESO is responsible for the structure and the operation of both the BM and the Ancillary Service markets, and wholesale trading prices are influenced by factors outside of the Company's control. In addition, revenue optimisers may not perform as effectively as expected.	<ul style="list-style-type: none"> • Reduced revenue. • Reduced NAV. • Inability to declare future dividends. • Inability to pay debts as they become due. 	<ul style="list-style-type: none"> • Subscriptions to Aurora for long-term revenue forecasts, regular market intelligence and understanding of macro-drivers. • Engagement with industry stakeholders and policymakers, including NESO. • Scrutiny of revenue optimiser performance to maintain high standards. The Company uses various revenue optimisers, reducing the impact of any one optimiser not performing as effectively as expected. • 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.
CONTINUATION VOTE		
By the end of 2024, HEIT's NAV was lower than £250m, which triggered a continuation vote to be proposed at the 2025 AGM.	<ul style="list-style-type: none"> • Commencement of HEIT managed wind down. 	<ul style="list-style-type: none"> • The Board, the IA and the Joint Brokers continue to engage with Shareholders to keep them abreast of the market conditions and the Portfolio performance.
RELIANCE ON GRID NETWORK		
Grid network power lines may fail. Impedance to battery charge/discharge.	<ul style="list-style-type: none"> • Reduced revenue. • Inability to declare future dividends. • Inability to pay debts as they become due. • Reduced energy storage/supply to the off-taker. 	<ul style="list-style-type: none"> • The Investment Adviser works closely with DNOs to manage and schedule planned outages to times when they would least affect revenues. • Business interruption claims with its insurance underwriter can be brought by HEIT after 30 days of inactivity. • HEIT has several 50 MW or less sites that are spread geographically rather than focusing on a few 100 MW+ sites.
RELIANCE ON THE HARMONY ENERGY GROUP		
The Portfolio requires significant management time and resources provided by, among others, the IA and HEL in order for HEIT to meet its Investment Objective.	<ul style="list-style-type: none"> • In the case of loss of key personnel, the quality of the services provided by the IA to HEIT may be adversely affected. • In the case of loss of key personnel, the quality of the Portfolio assets may decline. 	<ul style="list-style-type: none"> • The management of the IA and HEL have made significant personal investment into the Company and have therefore aligned their interests with those of Shareholders. • The IA has committed to always have sufficient resources in place to manage the Portfolio and failure to do so may result in the Company appointing another investment adviser. • The Management Engagement Committee is to ensure that the management fees paid to Harmony are sufficient for them to maintain appropriate staff.
GENERAL RISKS AFFECTING THE SHARES		
<p>The value of the 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 NAV.</p> <p>Share buy backs may not adequately influence the discount in the secondary market.</p>	<ul style="list-style-type: none"> • Inability to raise additional equity capital. • Inability to purchase additional projects. • Reduced returns to investors. 	<ul style="list-style-type: none"> • 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 and increased marketing. • The Board will discuss share buy backs at every quarterly Board meeting whilst shares are trading at a significant discount to NAV. • Stifel and Panmure Liberum have been appointed as Joint Brokers 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.

Principal Risks and Uncertainties continued

RISK DESCRIPTION	POSSIBLE CONSEQUENCES	MITIGATING ACTIONS
VALUATION RISK		
<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.</p> <p>Errors in valuations could lead to shareholder complaints or suits for losses and regulatory censure.</p>	<ul style="list-style-type: none"> • The possible sale of assets for less than market value. • Errors in NAV calculations and announcements. 	<ul style="list-style-type: none"> • The Investment Adviser has subscribed to services from Aurora to provide support for quarterly NAV valuations. • 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.

EMERGING RISKS

RISK DESCRIPTION	POSSIBLE CONSEQUENCES	MITIGATING ACTIONS
INCREASE IN NETWORK CHARGES		
<p>Unpredictable increased network charges may result in increased capital expenditure or lower net revenue.</p>	<ul style="list-style-type: none"> • Reduced revenue. • Inability to declare future dividends. • Reduced cash availability. 	<ul style="list-style-type: none"> • This risk cannot be mitigated, as it is outside of the Company's control.

RELATED-PARTY TRANSACTIONS

Information on related-party transactions can be found on page 115 of this report.



Harmony Energy Limited, developer of all the Company's sites, won Developer of the Year at the Energy Storage Awards 2024

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 Shareholders and potential shareholders. 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 Shareholder 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 had frequent, regular interactions with the Board, the Joint Brokers and the Company's legal advisers in respect of the proposed sale of one or more of the Company's assets.

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.

HEL 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 30 to 48 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 service 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.

Section 172 Statement continued

CONTRACTORS, SUBCONTRACTORS AND SUPPLIERS

The Investment Adviser, on behalf of the Company, engages regularly with HEIT's contractors, subcontractors and suppliers. Engagement occurs by way of supplier audits and assessments and involves a number of matters, such as H&S 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 at each quarterly board meeting.

REGULATORS AND GRID OPERATORS, INCLUDING NESO

During the Period, the Investment Adviser continued its collaborative approach with DNOs and NESO. The collaborations took the form of regular project meetings that were specifically designed to ensure alignment among different stakeholders, resulting in projects being constructed and operated 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 NESO, and regulatory matters with representatives of the main regulators such as Ofgem, government departments such as DESNZ and industry associations, including the Electricity Storage Network and the Energy Networks Association.

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 CONSIDERATION
Engaging JLL with a mandate to seek offers for some or all of the Company's assets.	The sale of one or more assets, if effectuated, may maximise value for Shareholders and demonstrate the continuing disconnect with the share price.
Refinancing of the Company's debt.	The refinancing of the Company's debt reduced cost and provided for an acceleration of de-gearing in a cost-efficient manner whilst also reserving operational free cash flow for Shareholder distributions.
Amendment of the dividend policy (see page 28 of this report).	The amendment to the dividend policy arose in the context of a challenging revenue environment to ensure prudent cash management, for the benefit of the Company and all of its stakeholders.
Appointment of Panmure Liberum as a Joint Corporate Broker.	The appointment of Panmure Liberum, with its strong market knowledge and its track record of growing the shareholder base of other renewable energy investment trusts, enhanced the Board's awareness of market conditions, including the demand for its shares, and strengthened the Company's ability to actively market its shares to potential investors.
Enhanced transparency and accountability through disclosure in line with key ESG frameworks including SDR, SFDR, UN PRI, TCFD and TNFD.	By providing insights into the Company's ESG performance, these disclosures enhance transparency and accountability, ensuring investors have the information needed to make informed investment decisions aligned with a sustainable future.
£35,000 donated to local causes through five Community Funds.	The Company via its SPVs provides donations to support initiatives that have a positive impact on the local community or environment through its community funds.

Viability and Going Concern Statement

GOING CONCERN

As at 31 October 2024, the Company and its subsidiaries had net current assets of £10.9 million which was sufficient to meet commitments made under construction contracts signed by subsidiaries.

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 £5.9 million.

As previously announced, the Company remains in advanced negotiations in relation to the sale of the entire Portfolio. Should negotiations conclude successfully, the transaction would require an amendment to the Company's investment policy and the agreement of Shareholders and would therefore be subject to a Shareholder vote. The Directors have taken into account the probability of negotiations concluding successfully and the probability of a subsequent Shareholder vote passing, which may result in a subsequent members' voluntary liquidation, in making their assessment.

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 was below £250 million at the end of 2024. The NAV of the Company was below £250 million at the end of 2024, and whilst it is possible that the Shareholder vote in relation to the proposed asset sale would remove the requirement for a continuation vote, the possibility and the probability of a continuation vote passing have also been taken into account by the Directors in making their assessment.

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 reasonably possible worst case scenario. Both scenarios take into account the availability of cash reserves and receivables during the Going Concern Period (see definition below).

The prudent scenario assumes revenue performance of the Company's operating projects are in line with third-party forecasts of revenue. In previous assessments, the IA had based the prudent scenario on a reduction to third-party revenue forecasts, however as noted in the description of NAV movements, these forecasts have been reduced significantly over the past year and are now deemed a prudent forecast for the coming year.

In addition, the Directors have considered a reasonably possible worst case scenario which assumes non-contracted revenue earned by underlying investee companies is c.38% 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).

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. 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 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"**) and therefore believe it remains appropriate to prepare the financial statements on a going concern basis. However, when taking into account probability of the Shareholder vote passing in favour of a possible asset sale and subsequent members' voluntary liquidation, the Directors note that this represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern during the Going Concern Period. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Viability and Going Concern Statement continued

VIABILITY STATEMENT


The Directors have considered the period to October 2026 for the purposes of assessing the Company's viability (the "**Viability Period**"). As noted above, the Company's revenues and revenue projections can be volatile and the chosen period allows current market trends to be taken into account when defining appropriate modelling scenarios. The same prudent and reasonably possible worst case scenarios described above have been reviewed over the Viability Period.

The Directors note that a key mitigant against a sustained period of low revenues is the sale of an individual asset, with sales proceeds being used predominantly to reduce leverage and therefore reduce debt service. Whilst the Directors have not relied upon an asset sale in order to reach their conclusion, this mitigant provides additional comfort regarding the Company's viability.

Having considered the Company's principal risks and the results of the financial models referenced above, also taking into account projected debt covenants which could impact the Company's viability if triggered, the Directors have a reasonable expectation that the Company will continue to be able to operate and to meet its liabilities as they fall due over the Viability Period or until the date of a potential members' voluntary liquidation (if earlier) following either the possible asset sale transaction or a continuation vote.



The Wormald Green and Hawthorn Pit projects were the first Envision Energy batteries used by the Company



Hawthorn Pit and Wormald Green are the Company's first projects to be optimised by bp

Governance Report

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In 2023, the flagship Pillswood BESS won awards at the Energy Storage Awards, Solar and Storage Live and the Humber Renewables Awards



Board of Directors



NORMAN CRIGHTON

Chair and Independent
Non-Executive Director

Date of Appointment:
12 October 2021

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



JANINE FREEMAN

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

Date of Appointment:
12 October 2021

Janine is a qualified Chartered Accountant, qualifying at Deloitte & Touche, and an experienced senior energy industry executive with over 25 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, Chair of the Remuneration Committee and a member of their Audit and Risk, Nomination and Management Engagement Committees; and a director of Zoop Energy Limited and Attika Holdings Limited. She is also an independent non-executive director of Phoenix Technologies Holdings Limited and Executive Chair of Intelligent Resource Management Ltd.



DR HUGH MCNEAL

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



WILLIAM RICKETT, CB

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



DR SHEFALY YOGENDRA

Chair of the ESG Committee and Independent Non-Executive Director

Date of Appointment:
12 October 2021

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

Date of Appointment:
12 October 2021

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.

Date of Appointment:
12 October 2021

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 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 was previously an independent non-executive director at Witan Investment Trust plc.

Directors' Report

The Directors are pleased to Present their Annual Report including the Company's audited financial statements for the Period.

The Corporate Governance Report on pages 72 to 76 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 GB.

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 Crichton (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 68 and 69. The Company has no employees.

The Board manages the Company's business and may exercise all of the Company's powers, subject to the Articles of Association, the 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 at 31 October 2024, 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	As at 31 October 2024	
	Number of Ordinary Shares held	Percentage of Issued Share Capital
Schroders plc	35,679,474	15.71
Harmony Energy Limited	27,338,696	12.04
PrimeStone Capital	25,486,450	11.22
Premier Miton Investors	12,130,751	5.34
EQ Investors Limited	11,938,677	5.26
Close Asset Management Limited	10,885,205	4.79
Waverton Investment Management Limited	7,391,148	3.25
Mr Nicholas Norman Cournoyer	6,840,830	3.01
Newton Investment Management	6,818,862	3.00

At the date of this report the Company has not been notified of any changes in holding of voting rights in the Company.

SHARE CAPITAL

On 31 October 2024, 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 17 on page 114.

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 five years commencing on the date of Initial Admission; and
2. 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.

DIVIDENDS

All Ordinary Shares are entitled to receive dividends. Following consultation with Shareholders and key advisers, in May 2024 the Board resolved to amend the Company's dividend policy to be an ongoing commitment to distribute, by way of interim dividends and subject to maintenance of a suitable working capital buffer, a minimum of 85% of operational free cash flow. The updated policy replaced the annual fixed dividend target of 8 pence per Ordinary Share, following which dividends will be determined by the Board and declared and paid on a semi-annual basis, and therefore no dividends were declared in respect of the Period.

During the Period, the Company declared and paid an interim dividend of 2p per Ordinary Shares in relation to the period 1 August 2023 to 31 October 2023.

RELATED-PARTY TRANSACTIONS

Any related-party transactions during the Period can be found in Note 21 to the Accounts on page 115.

FINANCIAL INSTRUMENTS

The Company's financial instruments and principal risks are disclosed in Note 14 to the Accounts on page 108.

INVESTMENT OBJECTIVE AND INVESTMENT POLICY

The Company's investment objective and investment policy is detailed in the Strategic Report on page 24.

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 106.

- 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; and
- HEIT HP Limited.

FUTURE DEVELOPMENTS

Consideration of future developments are detailed in the Chair's Statement on page 4.

POST BALANCE SHEET EVENTS

Post balance sheet events are disclosed in Note 23 of the financial statements on page 116.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

The Board seeks to maintain high standards of conduct with respect to ESG issues and to conduct the Company's affairs responsibly. The Company does not have any employees and whilst the Board does not maintain specific policies regarding employee issues, it has adopted an ESG Policy and ESG strategy, further details of which are set out in the ESG section on pages 30 to 48. 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 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 Strategic Report on page 56.

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.

ANNUAL GENERAL MEETING

At the date of publication of this report, the Company has an obligation to hold an AGM on or before 30 April 2025. In light of the Board's decision to maximise Shareholder value by marketing the Company's assets, further details on the date and location of the Company's Annual General meeting ("AGM") (if required) will be published in the Company's AGM Notice.

INDEPENDENT AUDITOR

The Company's auditors, Ernst & Young LLP ("EY" or "Auditor"), has expressed its willingness to continue as Auditor for the year ended 31 October 2025 and a resolution proposing their re-appointment will be submitted at the 2025 AGM.

Signed on behalf of the Board by

Norman Crighton

Chair 25 February 2025

Corporate Governance

The Board 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 ("**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). 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 ("**CEO**").

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 CEO.

BOARD LEADERSHIP, CULTURE AND PURPOSE

The Chair, Norman Crighton, is responsible for leadership of the Board including 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 GB.

The Chair has responsibility for the organisation of the business of the Board, ensuring its effectiveness and setting its agenda. The Company's investment objective is detailed in the Strategic Report on page 24.

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 one another. 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 including, but not limited to, insurance, hedging, borrowing limits and corporate security (following recommendation from the ARC);
- 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 ARC);
- Receipt and review of regular reports on internal controls processes and management by the ARC;
- 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 ARC), 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.

The provision of administration and governance services has been delegated to the Secretary and Administrator, 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. 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 under review 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 H&S 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 2024 are included in Note 7 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 year under review 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 page 86. 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.

Corporate Governance continued

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 Period, as Administrator, JTC (UK) Limited, on behalf of the Directors, was responsible for the maintenance and management of the financial books and records, all cash movements of the Company and the calculation, in conjunction with the Investment Adviser, of the Company's NAV. As Company Secretary, JTC (UK) Limited are responsible for regulatory compliance, providing support to the Board's corporate governance processes and continuing obligations as well as general secretarial functions required by the Act.

BOARD COMMITTEES

The Company has four committees: the Audit and Risk Committee, the Remuneration and Nomination Committee, the ESG Committee and the Management Engagement Committee. Further details on the operation of these committees can be found on pages 78 to 87. Details on the ESG Committee can be found on page 37. The terms of references of these committees are available on the Company's website. During the Period under review 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 Board and Committee meetings held and attended by each Director during the Period.

	Quarterly board Meetings	Audit and Risk Committee	ESG Committee	Remuneration and Nomination Committee	Management Engagement Committee*
No. of Meetings Held	4	3	1	1	0
Norman Crighton	4	3	1	1	0
Janine Freeman	4	3	1	1	0
Hugh McNeal	4	3	1	1	0
William Rickett	4	3	1	1	0
Shafaly Yogendra	4	3	1	1	0

* Due to other commitments, the Management Engagement Committee meeting scheduled to be held during the year was moved to 9 December 2024.

The Board also held 13 ad-hoc Board meetings outside of the scheduled meeting cycle. Matters discussed included exploring the potential sale of one or more assets and financial reporting. The quorum for Board meetings is two Directors and, with the exception of one ad-hoc meeting, all meetings were attended by the full Board.

The primary focus at board meetings has been on delivering the strategy, monitoring performance against strategic objectives, investor relations and asset allocation. This included:

- exploring the potential for one or more asset sales;
- reviewing updates from the Investment Adviser, which included H&S, risk management and ESG; and
- reviewing updates from other key stakeholders including the broker, Company Secretary and AIFM.

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. Board members are 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 reduce adverse environmental impacts from its business, wherever possible it makes efficient use of technology. To date all the ad-hoc meetings held have been virtual and all Board papers are distributed electronically.

COMPOSITION, SUCCESSION AND EVALUATION

The Board comprises of five Directors. Their biographies, on pages 68 to 69, 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, are all considered to be independent with the Chair being independent on appointment.

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 that any change to its composition 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 third year of operation, after consideration, it was concluded that an externally facilitated Board evaluation would not be carried out this year. However, this would be kept under review.

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 FTSE Women Leaders' Review of female representation and gender imbalance on FTSE 350 boards 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.

In accordance with UK Listing Rule 6.6.6R 9, the Company is required to include a statement in the annual financial report setting out whether it has met the following targets on Board diversity:

a) at least 40% of the individuals on the Board are women;

- b) at least one of the senior Board positions (defined by the FCA as either the Chair, SID, CEO or CFO) is held by a woman; and
- c) at least one individual on the Board is from an ethnic minority background.

As at 31 October 2024, and the date of this report, the Board meets UK Listing Rule 6.6.6R 9 criteria target a) as 40% of the Board are women and target c) as one Board member is from a minority ethnic background. With regard to target b) the Company is externally managed, does not have executive management functions and specifically does not have a CEO, CFO or SID. However, notwithstanding this, the Board considers that the roles of Board Chair and Chair of ARC are senior positions. The role of Chair of the ARC is performed by a woman.

The following tables set out the composition of the Board as at 31 October 2024 and the date of this report. The information is based on voluntary self-declaration made by the Directors.

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

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

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 ARC. 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 58 to 60. The Investment Adviser and the AIFM regularly report to the Board on risk. During the Period, the ARC 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 to manage risks are in place at its key third-party providers.

VIABILITY STATEMENT

The viability statement, under which the Directors assess the prospects of the Group over a longer period, is contained on page 64.

Corporate Governance continued

RELATIONS WITH SHAREHOLDERS

The Board values interactions with Shareholders and welcomes the views of Shareholders, who may contact the Board through the Company's brokers at: SNELHarmonyEnergy@stifel.com and heit@liberum.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 Company is required to hold an AGM on or before 30 April 2025 and the Board welcomes the opportunity to engage with its Shareholders. In light of the Company's asset sale process, further details regarding the date and location of the Company's AGM (if required) will be published in the Company's Notice of AGM.

Separate resolutions will be 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 an 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 61 and 62.

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 70 and 71.

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 63.

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 UK 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 Act.

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 Act. 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 RULE 4

Each of the Directors, whose details can be found on pages 68 and 69, confirms 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

25 February 2025

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 ARC 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.

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, 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 at every meeting and any changes are approved by the Board. The terms of reference are available on the Company's website.

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 68 and 69 of this Annual Report.

As part of the annual Board evaluation process, the ARC and its Chair 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 Company's Auditor 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

EY 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 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 and is therefore next eligible for rotation in 2027.

The audit plan was presented to the ARC at its September 2024 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, prior to the preparation of the Annual Report and Accounts, the ARC met with key members of the audit team 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 AGM.

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 2024, 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.

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

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 implemented to produce the Annual Report, which included a 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, such as the Investment Adviser, Administrator and Auditor.

The ARC also met with the Investment Adviser, the Administrator, and the Auditor to talk through the audit process and query their findings and 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 a result of the comprehensive reviews, feedback and recommendation from the ARC, the Board has concluded that the Annual Report and Accounts for the Period, 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 2024 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 fact that the Investment Adviser's fee is calculated based on the Company's NAV or its market capitalisation (whichever is the lowest), ensures that the Investment Adviser's interests and those of the Company (and its stakeholders) remain aligned. This alignment mitigates the risk of management override.

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. GOING CONCERN

The Committee also assessed the Company's financial resources and determined that using the going concern basis was appropriate. However, when taking into account the possibility of a Shareholder vote passing in favour of an asset sale, the Directors note that this represents a material uncertainty as disclosed in Note 2. The Committee reviewed the going concern documents prepared by the Investment Adviser, and concluded that adopting the going concern basis continues to be appropriate and that suitable disclosure has been provided in Note 2.

Report of the Audit and Risk Committee continued

9. 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 58 to 60 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 the processes and analysis behind the Investment Adviser and AIFM recommendations. 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 quarterly board meeting.

10. WHISTLEBLOWING

The ARC has systems in place by which staff of the Investment Adviser, 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's and Administrator's internal policies. There were no instances of whistleblowing during the Period.

11. INTERNAL CONTROLS

In accordance with the AIC Code, the Board is required to establish procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. A principal role of the Committee is to assist the Board in this regard and a key responsibility is the development of the Company's risk management and internal controls framework.

Throughout the year, the Committee monitored the framework's effectiveness, implementing refinements as necessary. The Company's principal and emerging risks, together with details on how the Board manages and mitigates these can be found on pages 58 to 60. The Committee will continue to evaluate opportunities for further improvements to the Company's overall control environment to ensure continued compliance with the AIC Code.

Janine Freeman

Chair of the Audit and Risk Committee

25 February 2025



Hawthorn Pit utilises Envision Energy's two-hour duration liquid-cooled energy storage systems, which provide energy trading, capacity services and frequency regulation services

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 advisers;
- making recommendations to the Board regarding 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 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.

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 was increased by a rate below the level of inflation. An increase of 3% was agreed for the financial year ending 31 October 2025.

The Board has applied, and continues to apply, Principle 9.1 of the AIC Code when considering Directors' remuneration. This requires the Board to develop its remuneration policy in a formal and transparent way, with no Director being involved in deciding their own remuneration outcome; design its remuneration policy and practice to support the Company's strategy and promote its long-term sustainable success; and ensure the Directors exercise independent judgement and

discretion when authorising remuneration outcomes, taking account of Company and individual performance and wider circumstances.

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, the need to be competitive with the fees paid to non-executive Directors of similar companies, the level of inflation, the need to incur costs only where necessary and other relevant factors. The Company may also periodically choose to benchmark Directors' fees by means of 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. Such remuneration shall be deemed to accrue from day to day. Only in exceptional circumstances, where the Directors are involved in duties beyond those normally expected as part of the Directors' appointment, may additional Directors' fees be paid by the Company. The Board will determine the level of additional remuneration and in such instances, the Board will provide details of the events, duties and responsibilities that gave rise to any additional Directors' fees in the Company's annual report.

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 £44,100 per annum. The Chair and ARC Chair were paid an additional sum of £11,025 and £5,512.50 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 3% (rounded to the nearest £100) for the year commencing 1 November 2024. From that date, the Chair will be paid an annual fee of £56,800, the ARC Chair £51,100 and all other Directors will be paid an annual fee of £45,400. 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 the 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 to be paid to the Directors for the year ended 31 October 2025.

	For the Period ended 31 October 2024			For the Period ended 31 October 2023			Expected Fees for the year ended 31 October 2025
	Fees £	Expenses paid £	Total £	Fees £	Expenses paid £	Total £	
Norman Crichton (Chair)	55,125	500.82*	55,125	52,500	–	52,500	56,800
Janine Freeman	49,612.50	–	49,612.50	47,250	610.73*	47,861.00	51,100
Hugh McNeal	44,100	–	44,100	42,000	–	42,000	45,400
William Rickett	44,100	–	44,100	42,000	–	42,000	45,400
Shefaly Yogendra	44,100	–	44,100	42,000	–	42,000	45,400
Total	237,037.50	500.82	237,037.50	225,750	610.73	226,361.00	244,100

* Reimbursement of travel and accommodation expenses relating to attendance at board meetings.

ANNUAL PERCENTAGE CHANGE IN THE DIRECTORS' REMUNERATION

The annual percentage change in remuneration in respect of the financial years prior to the current year in respect of each Director's role is detailed in the table below. The annual percentage change is calculated based on the aggregate annual base Directors' remuneration plus any additional fees, where applicable, for additional corporate work or acting as either Chair of either the Board or the ARC.

Director	Role	Date appointed	2022-2023	2023-2024
Norman Crichton	Chair	12 October 2021	5%	5%
Janine Freeman	ARC Chair	12 October 2021	5%	5%
Hugh McNeal	Director	12 October 2021	5%	5%
William Rickett	Director	12 October 2021	5%	5%
Shefaly Yogendra	Director	12 October 2021	5%	5%

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows the difference in actual spend between 31 October 2023 and 31 October 2024 on Directors' remuneration in comparison to distributions by way of dividends and management fee and expenses.

	Payments made during the period ended 31 October 2024 £	Payments made during the period ended 31 October 2023 £
Directors' Remuneration	237,037.50	226,361
Dividends paid	4,542,566	15,727,698
Buyback of Ordinary Shares	–	–
Management fee and expenses	1,093,542	2,163,222

Report of the Remuneration and Nomination Committee continued

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 2023		As at 31 October 2024 and date of this report	
	Ordinary Shares	Percentage of issued share capital	Ordinary Shares	Percentage of issued share capital
Norman Crighton	16,528	0.01%	16,528	0.01%
Janine Freeman	17,607	0.01%	29,823	0.01%
Hugh McNeal	16,633	0.01%	26,514	0.01%
William Rickett	16,633	0.01%	16,633	0.01%
Shefaly Yogendra	11,618	0.00%	11,618	0.00%

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 that provides for a minimum period of one month's notice of termination by either party.

Those terms also provide that a Director may be removed without notice and that, in certain circumstances, compensation will not be due on leaving office.

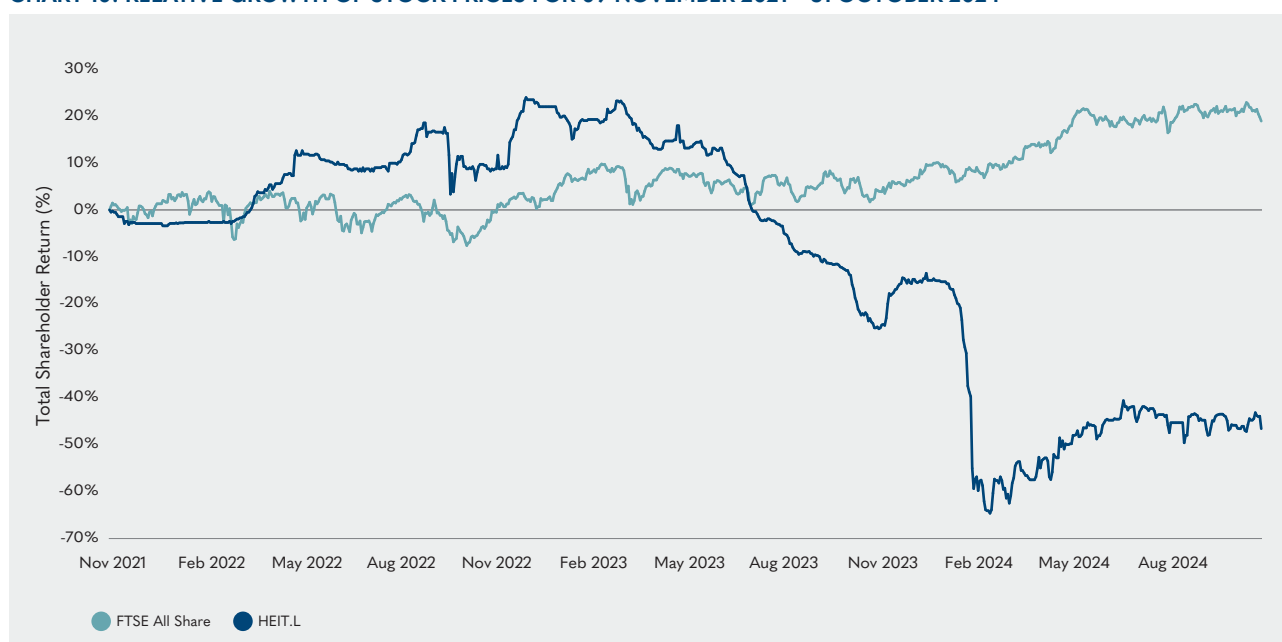
In accordance with the AIC Code, all Directors are subject to annual re-election at each AGM of the Company and, accordingly, shall be submitting themselves for re-election at the Company's 2025 AGM. The Board believes, following a formal performance and Board evaluation, as detailed on page 74, that 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.

CHART 10: RELATIVE GROWTH OF STOCK PRICES FOR 09 NOVEMBER 2021 – 31 OCTOBER 2024



Source: Harmony Energy Advisors Limited

CONSIDERATION OF SHAREHOLDER VIEWS

The 2025 AGM 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 82 to 85.

STATEMENT OF VOTING AT GENERAL MEETING

At the Company's AGM held in 2024, Shareholder votes were received as follows:

	Votes For	%	Votes Against	%	Total Votes validly cast	Votes Withheld
Resolution to approve Directors' Remuneration Report	141,636,522	99.98	25,681	0.02	141,662,203	8,410

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.

An ordinary resolution will be put to Shareholders to receive and adopt the Directors' Remuneration Report at the 2025 AGM.

Signed on behalf of the Board

William Rickett

Chair of the Remuneration and Nomination Committee

25 February 2025

Report of the Management Engagement Committee

The Company's Management Engagement Committee consists of all the Directors and is chaired by 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 Investment Adviser, the AIFM 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 year, all key service providers were asked to confirm their agreement to the Company's Supplier Code of Conduct. Requirements of the Supplier Code of Conduct include adherence to anti-bribery and corruption policies that align with those of the Company. As part of the evaluation of the Company's service providers, the Management Engagement Committee also reviews the responses received on ESG-related questions. The Committee supported the implementation of the Supplier Code of Conduct by enhancing the related sections of its annual service provider evaluation questionnaire during the Period.

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 GB. The management team of the Investment Adviser have been exclusively focussed on the energy storage sector (across multiple projects) in GB for over eight years, both from the point of view of asset owner/developer and in a third-party advisory capacity. A summary of the services provided to the Company by, and fees paid to, the Investment Adviser to the Company and fees paid are set out in the Corporate Governance statement on pages 72 to 76.

EVALUATION OF THE INVESTMENT ADVISER

The Management Engagement Committee reviewed the Investment Adviser's investment performance, its compliance with the Investment Advisory Agreement as well as value for money. The Committee also reviewed the Investment Adviser's internal control framework and the skills of its key personnel.

It was a difficult year. The Investment Adviser has had to work with lower fees and revenues than anticipated at IPO because of the significant fall in the Company's share price and, at times, the Investment Adviser has found the heavy workload to be challenging with more limited resources than would have been ideal. However, there were successes, notably the build-out of the Portfolio is complete and when fully operational the Company's assets are some of the best performing in the market. The Investment Adviser has also successfully diversified the asset management and revenue optimisation for some of the Company's assets as well as won awards for the Company's work and approach to ESG. 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, especially in light of the potential asset sale (see page 6 for further information).

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 broadly 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, especially in light of the potential asset sale (see page 6 for further information).

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 broadly 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.

Hugh McNeal

Chair of the Management Engagement Committee

25 February 2025

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 2024 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 23 to the financial statements, including material accounting policy information.

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 2024 and of its loss 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Material uncertainty relating to going concern

We draw attention to note 2 to the financial statements which explains that the directors have announced the proposed sale of the entire portfolio of operating BESS assets. This sale is subject to shareholder's vote. A favourable vote and sale of assets is likely to lead to a voluntary members' liquidation of the Company. This represents a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 2026 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 loan facility and the possible continuation vote, and assessed whether these have been appropriately taken account of when preparing the cash flow forecast.
- Reviewed the board meeting packs and minutes which included the Company's plans to sell the investment portfolio and subsequent members' voluntary liquidation of the business.
- 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.

Going concern has also been determined to be a key audit matter.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Key audit matters	<ul style="list-style-type: none"> • Risk of inaccurate valuation of investments and the resulting impact on the unrealised gains/(losses) in the Statement of Comprehensive Income • Risk of inaccurate revenue recognition, including service fee income • Going concern
Materiality	<ul style="list-style-type: none"> • Overall materiality of £2.01m which represents 1% of net asset value as at 31 October 2024

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 change 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 30, 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.

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.

Our approach and observations in respect of the Going Concern Key Audit Matter is described in the Going Concern section above. Our approach and observations in respect of the other Key Audit Matters are below:

Independent Auditor's Report continued

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Risk of inaccurate valuation of investments and the resulting impact on the unrealised gains/(losses) in the Statement of Comprehensive Income</p> <p><i>Refer to the Audit and Risk Committee Report (page 79); Accounting policies (page 103); and Note 10 of the Financial Statements (pages 106 and 107)</i></p> <p>The valuation of the investment portfolio as at 31 October 2024 was £194.76m (2023: £240.03m) consisting of the Company's investments in battery storage 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>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.</p> <p>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 all 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>We performed the following procedures:</p> <ul style="list-style-type: none"> • 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; • Obtained and reviewed the valuation models to validate that the valuation methodology adopted is consistent with the requirements of UK adopted international accounting standards and IVSC guidelines. We corroborated key revenue streams and other valuation model inputs to supporting contracts and external pricing forecasts, as applicable; • Held discussions with the Investment Manager 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 assets and our understanding of the relevant markets; • 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. • Obtained bid offers from third parties who are willing to buy the Company's assets and considered these offers in valuing the investments as at year end; • Obtained relevant supporting documents such as board minutes, subscription letters and bank consent letters, to verify the reduction in shareholder loan as a consideration for additional subscription of shares; and • 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. 	<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>

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p>Risk of inaccurate revenue recognition, including service fee income</p> <p><i>Accounting policies (page 101); and Note 6 of the Financial Statements (page 104)</i></p> <p>For the year ended 31 October 2024, the Company recognised service fee income amounting to £1.47m (2023: £1.84m).</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.</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"> • 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; • Obtained the Company's assessment of the proportion of the Companies resources spent on project related matters; • Reviewed the reasonability of inputs and assumptions in calculating the service fee income; • Recalculated the service fee income based on the intercompany services agreement; • Obtained the support of Board's review and approval of the rate used during the year and their approval of the expenditure used as basis for service fee income; • Traced the investment income receivable to the investments balance schedule as no cash is paid, and reviewed the supporting documents in relation to the investment income write off; • Recalculated the investment income relating to loan interest attributable to the Company from the SPVs, with reference to the contractual agreements; • Assessed whether service fee income and investment income are being recognised in accordance with UK adopted international accounting standards. 	<p>Our audit procedures did not identify any material misstatements regarding the risk of inaccurate revenue recognition.</p>

In the prior year, we named the key audit matter as the risk of inaccurate revenue recognition, including service fee income, however, we have revised the risk this year to focus on service fee income, hence, the revised key audit matter of the risk of inaccurate revenue recognition in relation to service fee income.

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 £2.01 million (2023: £2.62 million), which is 1% (2023: 1%) of net asset value. 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% (2023: 50%) of our planning materiality, namely £1.01 million (2023: £1.31 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 £0.10 million (2023: £0.13 million), which is set at 5% (2023: 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

Independent Auditor's Report continued

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 contained 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 Report of the Remuneration and Nomination Committee 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 Report of the Remuneration and Nomination Committee 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 UK 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:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 63;
- 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 63;
- Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities set out on page 63;
- Directors' statement on fair, balanced and understandable set out on page 79;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 58;
- The section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems set out on page 75; and;
- The section describing the work of the Audit and Risk Committee set out on page 78.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 77, 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 Manager, 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 years.
- The period of total uninterrupted engagement including previous renewals and reappointments is 3 years, covering the period ended 31 October 2022 to year ended 31 October 2024.
- 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

25 February 2025

Financial Statements

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The addition of Hawthorn Pit and Wormald Green to the Company's operational portfolio brought total capacity to 790.8 MWh / 395.4 MW



Statement of Comprehensive Income

For the year ended 31 October 2024

	Notes	Revenue £	Capital £	For the year ended 31 October 2024 Total £	Revenue £	Capital £	For the year ended 31 October 2023 Total £
Income							
Net loss on investments at fair value through profit and loss	10	–	(63,833,218)	(63,833,218)	–	(7,161,610)	(7,161,610)
Service fee income	6	1,468,830	–	1,468,830	1,837,458	–	1,837,458
Investment Income	6	12,880,688	–	12,880,688	11,936,674	–	11,936,674
Investment income write off	6 & 10	(4,335,532)	–	(4,335,532)			
Other income	6	389	–	389			
		10,014,375	(63,833,218)	(53,818,843)	13,774,132	(7,161,610)	6,612,522
Expenses							
Administrative and other expenses	7	(2,699,333)	–	(2,699,333)	(3,475,884)	–	(3,475,884)
Profit/(loss) before taxation		7,315,042	(63,833,218)	(56,518,176)	10,298,248	(7,161,610)	3,136,638
Taxation	8	–	–	–	–	–	–
Profit/(loss) after tax and Total Comprehensive Income for the year		7,315,042	(63,833,218)	(56,518,176)	10,298,248	(7,161,610)	3,136,638
Earnings per share (basic and diluted): Ordinary Shares	9			(0.25)			0.01

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 100 to 116 form an integral part of these Financial Statements.

Statement of Financial Position

As at 31 October 2024

	Notes	31 October 2024 £	31 October 2023 £
Non-current assets			
Investments held at fair value	10	194,764,869	240,025,781
		194,764,869	240,025,781
Current assets			
Cash and cash equivalents	12	4,211,249	18,093,379
Trade and other receivables	11	2,444,923	4,452,273
		6,656,172	22,545,652
Total assets		201,421,041	262,571,433
Current liabilities			
Trade and other payables	13	373,691	463,341
Net current assets		6,282,481	22,082,311
Total net assets		201,047,350	262,108,092
Shareholders' equity			
Share capital	17	2,271,283	2,271,283
Share premium	17	21,370,889	21,370,889
Capital reduction reserve	18	191,822,914	194,094,197
Revenue reserve	18	8,150,155	3,106,396
Capital reserve	18	(22,567,891)	41,265,327
Total Shareholders' equity		201,047,350	262,108,092
Net asset value per Ordinary share (pence)	19	88.52	115.40

The Financial Statements of Harmony Energy Income Trust Plc (registered number 13656587) were approved by the Board of Directors and signed on its behalf on 25 February 2025 by:

Norman Crighton

Chair

25 February 2025

The notes on pages 100 to 116 form an integral part of these Financial Statements.

Statement of Changes in Equity

For the year ended 31 October 2024

	Notes	Share capital £	Share premium £	Capital reduction reserve £	Revenue reserve £	Capital reserve £	Total Shareholders' equity £
Balance at 31 October 2022		2,100,000	–	202,693,046	(63,003)	48,426,937	253,156,980
Transactions with owners:							
Conversion of C Shares to Ordinary Shares	17	171,283	21,370,889	–	–	–	21,542,172
Dividends paid	20	–	–	(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
Balance at 31 October 2023		2,271,283	21,370,889	194,094,197	3,106,396	41,265,327	262,108,092
Transactions with owners:							
Dividends paid	20	–	–	(2,271,283)	(2,271,283)	–	(4,542,566)
Total comprehensive income for the year:							
Profit/(loss) for the year			–	–	7,315,042	(63,833,218)	(56,518,176)
Balance at 31 October 2024		2,271,283	21,370,889	191,822,914	8,150,155	(22,567,891)	201,047,350

The notes on pages 100 to 116 form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31 October 2024

	Notes	For the year ended 31 October 2024 £	For the year ended 31 October 2023 £
Cash flows from operating activities			
(Loss)/profit for the year		(56,518,176)	3,136,638
Adjustments for non-cash items:			
Net loss on investments at fair value through profit and loss	10	63,833,218	7,161,610
Investment Income	6	(12,880,688)	(11,582,996)
Investment income write off	6	4,335,532	
Service fee income	6	(1,468,830)	(1,837,458)
Operating cash flows before movements in working capital		(2,698,944)	(3,122,206)
Increase in trade and other receivables	11	(287,760)	(1,233,122)
Decrease in trade and other payables	13	(89,650)	(267,023)
Net cash outflow from operating activities		(3,076,353)	(4,622,351)
Cash flows used in investing activities			
Loan to shareholder discharged		–	1,443,506
Loan advanced to subsidiary	10	(6,263,212)	–
Purchase of Investments	10	–	(101,223,411)
Proceeds from sale of investment	10	–	13,651,707
Net cash outflow from investing activities		(6,263,212)	(86,128,198)
Cash flows used in financing activities			
Dividends paid	20	(4,542,566)	(15,727,698)
Net cash outflow from financing activities		(4,542,566)	(15,727,698)
Net decrease in cash and cash equivalents for the year		(13,882,130)	(106,478,247)
Cash and cash equivalents at the beginning of the year		18,093,379	124,571,626
Cash and cash equivalents at the end of the year	12	4,211,249	18,093,379

The notes on pages 100 to 116 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the year from 1 November 2023 to 31 October 2024

1. GENERAL INFORMATION

Harmony Energy Income Trust Plc, (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. Its share capital is denominated in British Pounds Sterling (£) and currently consists of Ordinary Shares. 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 battery energy storage systems ("BESS"), located in diverse locations across Great Britain.

2. BASIS OF PREPARATION

The audited Annual Report and Financial Statements have been prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006 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 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 the 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 UK-adopted international accounting standards 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 for at least 12 months from the approval of the Annual Report (the "Going Concern Period").

As at 31 October 2024, the Company and its subsidiaries had net current assets of £10.9 million which was sufficient to meet commitments made under construction contracts signed by subsidiaries.

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 £5.9 million.

As previously announced, the Company remains in advanced negotiations in relation to the sale of the entire Portfolio. Should negotiations conclude successfully, the transaction would require an amendment to the Company's investment policy and the agreement of Shareholders and would therefore be subject to a Shareholder vote. The Directors have taken into account the probability of negotiations concluding successfully and the probability of a subsequent shareholder vote passing, which may result in a subsequent members' voluntary liquidation, in making their assessment.

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 the NAV of the Company is below £250 million at the end of 2024. The NAV of the Company was below £250 million at the end of 2024, and whilst it is possible that a Shareholder vote in relation to the proposed asset sale transaction would remove the requirement for a continuation vote, the possibility, and the probability of a continuation vote passing have also been taken into account by the Directors in making their assessment.

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 reasonably possible worst case scenario. Both scenarios take into account the availability of cash reserves and receivables during the Going Concern Period.

The prudent scenario assumes that the revenue performance of the Company's operating projects is in line with third-party forecasts of revenue. In previous assessments, the IA had based the prudent scenario on a reduction to third-party revenue forecasts, however as noted in the description of NAV movements, these forecasts have been reduced significantly over the past year and are now deemed a prudent forecast for the coming year.

In addition, the Directors have considered a reasonably possible worst case scenario which assumes non-contracted revenue earned by underlying investee companies is c.38% 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).

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. 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 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 and therefore believe it remains appropriate to prepare the financial statements on a going concern basis. However, when taking into account the probability of a shareholder vote passing in favour of the proposed asset sale and subsequent members' voluntary liquidation, the Directors note that this represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern during the Going Concern Period. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

3. NEW AND REVISED STANDARDS AND INTERPRETATIONS

NEW AND REVISED STANDARDS AND INTERPRETATIONS

The below amendments came into force during the year. None of these had a material impact on these financial statements.

- IAS 1 (amended) – Amendment to IAS 1 – Non-Current liabilities with covenants – effective from 1 January 2024

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:

- IFRS 18 – Presentation and Disclosures in Financial Statements – effective from 1 January 2027
- 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 Statement of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless detailed below, the accounting policies used in the preparation of the Financial Statements have been consistently applied during the year ended 31 October 2024.

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.

Notes to the Financial Statements continued

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.

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.

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

The Company classifies all financial liabilities as financial liabilities at amortised cost.

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 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 projects 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 have 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. 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 16.

Notes to the Financial Statements continued

6. INCOME

	31 October 2024 £	31 October 2023 £
Service fee income	1,468,830	1,837,458
Investment Income	12,880,688	11,582,996
Bank interest income	389	340,939
Investment income write off	(4,335,532)	–
Interest income on loan to shareholder	–	12,739
	10,014,375	13,774,132

Refer to note 10 for further detail on interest on loan to subsidiary recognised in Investment income and the Investment income write off.

7. ADMINISTRATIVE AND OTHER EXPENSES

	31 October 2024 £	31 October 2023 £
Administrative fees	107,204	57,300
AIFM fees	67,434	67,424
Director and officer insurance	30,196	40,725
Directors' fees	237,038	225,750
Fees payable to the auditor for the audit of the Company's Financial Statements	222,550	184,000
Legal and professional fees	609,715	519,464
Investment adviser fees	1,093,542	2,163,222
Secretarial fees	56,250	82,097
Sundry expenses	275,404	135,902
	2,699,333	3,475,884

The Company has no employees and therefore no employee related costs have been incurred.

The audit fees for the Company's Financial Statements for the 2024 financial year totalled to £190,550 (2023: £184,000) as shown in note 13. During the year, £32,000 relates to the 2023 financial year audit fees. No non-audit fees were paid to the auditors.

During the year the audit fees relating to the statutory audits of HEIT Holdings Ltd and its subsidiaries totalled £74,907 (2023: £64,675).

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 £163,454 (2023: £139,397) and £5,007 (2023: £28,000) remained payable as at 31 October 2024.

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 £67,434 (2023: £67,434) and £5,620 (2023: £5,620) remained payable as at 31 October 2024.

INVESTMENT ADVISER

Investment Adviser fees are payable monthly in arrears. Details on how the fees are charged are disclosed in note 21.

8. TAXATION

The Company is recognised as an Investment Trust Company (“ITC”) for accounting years 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 2024. 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 year ended 31 October 2024.

	Revenue £	Capital £	31 October 2024 £	Revenue £	Capital £	31 October 2023 £
a) Tax charge in profit or loss UK corporation tax	–	–	–	–	–	–
b) Reconciliation of the tax charge for the year						
Profit before tax	7,315,042	(63,833,218)	(56,518,176)	10,298,248	(7,161,610)	3,136,638
Tax at UK main rate of 25% (2023: 22.52%)	1,828,761	(15,958,305)	(14,129,544)	(2,318,940)	(1,612,638)	706,302
Tax effect of:						
Non-taxable investment gains on investments	–	15,958,305	15,958,305	–	1,612,638	1,612,638
Non-deductible expenses	1,084,656	–	1,084,656	56,343	–	56,343
Tax deductible interest distributions paid	(1,290,639)	–	(1,290,639)	(2,476,959)	–	(2,476,959)
Group relief claimed	(1,590,893)	–	(1,590,893)	–	–	–
Movement in deferred tax not recognised	(31,884)	–	(31,884)	101,676		101,676
Tax charge for the year	–	–	–	–	–	–

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 existed as of the balance sheet date which was 25%.

As at 31 October 2024, 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 £Nil.

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 loss attributable to Shareholders £	EPS 31 October 2024 £
Ordinary Shares	227,128,295	(56,518,176)	(0.25)
	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

Notes to the Financial Statements continued

10. INVESTMENTS HELD AT FAIR VALUE

The Company held the following investments in subsidiary at 31 October 2024:

Subsidiary	Place of business	Percentage ownership	Equity £	Loan £	Closing balance: equity and loan £
HEIT Holdings Ltd	Grimbald Crag Court, Knaresborough	100%	122,638,125	72,126,744	194,764,869

The Company held the following investments in subsidiary at 31 October 2023:

Subsidiary	Place of business	Percentage ownership	Equity £	Loan £	Closing balance: equity and loan £
HEIT Holdings Ltd	Grimbald Crag Court, Knaresborough	100%	84,185,808	155,839,973	240,025,781

The Company meets the definition of an investment entity. Therefore, it does not consolidate its subsidiaries but, rather, recognises them as investments at fair value through profit or loss.

On 18 October 2024, the Company subscribed for 102,285,533 ordinary shares in HEIT Holdings Ltd for an amount of £102,285,533, the consideration for which was settled by reducing the value of its loan to HEIT Holdings Ltd by the same amount. Interest from the investment in subsidiary loan incurred amounted to £12,880,683, and £4,335,532 was written off. During the year the Company settled £3,763,939 of outstanding management fees due from HEIT Holdings Ltd to the loan account and made cash loan advances of £6,263,211.

On 31 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, 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 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 was the fair value of the projects at the date of transfer. HEIT Holdings Ltd satisfied this transfer by issuing and allotting 8,893,079 ordinary shares of £1 each to the Company.

On 4 September 2023, the Company announced the sale of its investment 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 2024:

	31 October 2024 £	31 October 2023 £
Opening balance	240,025,781	141,032,691
Investments purchased during the year	–	21,936,818
Investment in equity of HEIT Holdings Ltd	102,285,533	99,998,291
Loans advanced during the year	10,027,150	86,286,593
Loan converted to equity	(102,285,533)	–
Interest on loans	12,880,688	11,582,996
Loan interest written off	(4,335,532)	–
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	(63,833,218)	(7,161,610)
Closing balance	194,764,869	240,025,781

INVESTMENT HELD IN HEIT HOLDINGS LTD

The Company owns 100% of the ordinary share capital of HEIT Holdings Ltd which holds investments in the following underlying subsidiaries. The Company has several indirectly held subsidiaries held by HEIT Holdings Ltd. The investment totalling £194,764,868 (31 October 2023: £240,025,781) in HEIT Holdings Ltd comprises of the underlying investments in the following subsidiaries. The fair value measurements and sensitivities used to measure these investments are disclosed in note 16.

Underlying Subsidiaries	Project	Place of business	Percentage ownership	Fair value 31 October 2024 £	Fair value 31 October 2023 £
HEIT PW Limited	Pillswood 1	Grimbald Crag Court, Knaresborough	100%	38,708,062	48,918,397
HEIT PW2 Limited	Pillswood 2	Grimbald Crag Court, Knaresborough	100%	38,025,163	49,012,689
HEIT BD Limited	Broadditch	Grimbald Crag Court, Knaresborough	100%	10,334,834	11,516,954
HEIT FM Limited	Farnham	Grimbald Crag Court, Knaresborough	100%	19,108,999	20,578,103
HEIT RH Limited	Rusholme	Grimbald Crag Court, Knaresborough	100%	27,770,369	27,130,822
HEIT LR Limited	Little Raith	Grimbald Crag Court, Knaresborough	100%	41,860,051	42,789,696
HEIT BF Limited	Bumpers	Grimbald Crag Court, Knaresborough	100%	90,935,939	87,028,196
HEIT HP Limited	Hawthorn	Grimbald Crag Court, Knaresborough	100%	33,748,519	27,508,395
HEIT WG Limited	Wormald Green	Grimbald Crag Court, Knaresborough	100%	20,300,944	17,402,843
Total fair value of projects				320,792,880	331,886,095
Working capital				3,971,988	3,196,508
Senior loan facility				(130,000,000)	(95,056,822)
Total investment				194,764,868	240,025,781

As at 31 October 2024 (“**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.

Wormald Green (66 MWh / 33 MW) and Hawthorn Pit (99.8 MWh / 49.9 MW) were successfully energised during the Period and have commenced trading, taking the Company’s total operational capacity to 790.8 MWh / 395.4 MW (100% of the portfolio). Revenue for these projects is recognised from November 2024 onwards.

Two of these providers focus on long-term fundamental-based forecasts whereas one is focused on shorter-term battery specific performance.

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).

Notes to the Financial Statements continued

11. TRADE AND OTHER RECEIVABLES

	31 October 2024 £	31 October 2023 £
Prepayments	72,210	48,486
VAT receivable	1,493,988	1,367,690
Intercompany loans receivable	820,131	748,668
Amounts due from related parties	56,520	2,247,402
Other receivables	2,074	40,027
	2,444,923	4,452,273

12. CASH AND CASH EQUIVALENTS

	31 October 2024 £	31 October 2023 £
Cash at bank	4,211,249	18,093,379
	4,211,249	18,093,379

13. TRADE AND OTHER PAYABLES

	31 October 2024 £	31 October 2023 £
Trade creditors and operating accruals	85,504	101,599
Administrator fees	5,007	28,000
AIEM fees	5,620	5,621
Audit fees	190,550	184,000
Investment adviser fee accrual	87,010	144,121
	373,691	463,341

14. CATEGORIES OF FINANCIAL INSTRUMENTS

	31 October 2024 £	31 October 2023 £
Financial assets		
Financial assets at fair value through profit and loss:		
Investments	194,764,868	240,025,781
Financial assets at amortised cost:		
Trade and other receivables	2,444,923	4,452,273
Cash and cash Equivalents	4,211,249	18,093,379
Total financial assets	201,421,040	262,571,433
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	373,691	463,341
Total financial liabilities	373,691	463,341

At the balance sheet date, all financial assets and liabilities were measured at amortised cost except for the investment in subsidiary which is measured at fair value as further explained in note 16. The carrying amount for the financial assets and liabilities measured at amortised costs approximates fair value.

15. 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.

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.

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 2024, the Company held cash at bank of £4,211,249 (2023: £18,093,379) and had trade and other payables totalling £373,691 (2023: £463,341). 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 2024	<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 subsidiary	–	–	–	72,126,744	72,126,744
Financial assets at amortised cost:					
Trade and other receivables	2,444,923	–	–	–	2,444,923
Cash at bank	4,211,249	–	–	–	4,211,249
Total financial assets	6,656,172	–	–	72,126,744	78,782,916

As at 31 October 2024	<1 year £	1 to 2 years £	2 to 5 years £	>5 years £	Total £
Financial liabilities					
Financial liabilities at amortised cost:					
Trade and other payables	373,691	–	–	–	373,691
Total financial liabilities	373,691	–	–	–	373,691

Notes to the Financial Statements continued

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 subsidiary	–	–	–	155,839,973	155,839,973
Financial assets at amortised cost:					
Cash at bank	18,093,379	–	–	–	18,093,379
Total financial assets	18,093,379	–	–	155,839,973	173,933,352

As at 31 October 2023	<1 year £	1 to 2 years £	2 to 5 years £	>5 years £	Total £
Financial liabilities					
Financial liabilities at amortised cost:					
Trade and other payables	463,341	–	–	–	463,341
Total financial liabilities	463,341	–	–	–	463,341

* 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 of 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 2024, 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 £19,475,427 (2023: £24,002,578) 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 16.

(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 2024 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.

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 £130m.

HEIT Holdings Ltd uses interest rate swaps to mitigate the interest rate risk on its external borrowings. At the beginning of the Reporting Period, HEIT Holdings Ltd benefitted from an interest rate cap at a rate of 5.25%. HEIT Holdings Ltd terminated its interest rate cap in February 2024 (receiving a payment of £0.5 million) and replaced it with an interest rate swap for the SONIA element of the loan. The new interest rate swap (the "Swap") fixes the SONIA element of the loan at a rate of 4.101% per annum.

As at 31 October 2024, the swap in place in HEIT Holdings Ltd was fair valued as a liability of £413,349.

The interest rate cap previously held 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.

The Company does not have any borrowings as at 31 October 2024 however the Company has access to a long-term facility through its subsidiary HEIT Holdings Ltd. As at 31 October 2024 HEIT Holdings Ltd had successfully negotiated an amendment and restatement of its debt facilities with NatWest and Rabobank. The term loan and revolving credit facility have been consolidated into a single long-term facility with a facility size of £130,000,000, an extension of the legal maturity date from June 2027 to February 2031 and a reduction in margin to 275bps over SONIA for the first two years, rising over time to a maximum of 350bps in the final year. HEIT Holdings Ltd had drawdowns of £34,943,178 on its long-term facility during the year.

As at 31 October 2023, HEIT Holdings Ltd had drawn £10,629,073 on its RCF and £84,427,749 on its long-term facility. It was a five-year facility with an initial margin of 300bps over SONIA, rising over time to a maximum of 375bps by year 5.

At 31 October 2024, 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 16.

CAPITAL RISK MANAGEMENT

The capital structure of the Company at year end consists of equity attributable to equity holders of the Company of £201,047,350 (2023: £262,108,092), 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.

16. 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 2024:

	Level 1 £	Level 2 £	Level 3 £
Investment in subsidiary	–	–	194,764,868

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 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 in note 10. No transfer between levels took place during the year.

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.

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 2022 ("IPEV") Valuation Guidelines, using levered and unlevered discounted cash flow principles.

The valuation of all the Company's subsidiary's investments is based primarily on a DCF methodology, "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.

Notes to the Financial Statements continued

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 Forvis 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 2024, 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.

Investment	Project	Investment fair value £	Valuation technique	Significant input description	Sensitivity	31 October 2024 Estimated effect on fair value £	31 October 2023 Estimated effect on fair value £
HEIT PW Limited	Pillswood 1	38,708,062	DCF	Discount rate	+0.5%	(1,659,098)	(1,962,728)
					-0.5%	1,783,978	2,116,324
				Revenue	+10%	4,320,222	5,061,300
					-10%	(4,500,514)	(5,090,193)
HEIT PW2 Limited	Pillswood 2	38,025,163	DCF	Discount rate	+0.5%	(1,620,450)	(1,918,210)
					-0.5%	1,741,488	2,067,967
				Revenue	+10%	4,250,728	5,052,974
					-10%	(4,393,470)	(5,096,376)
HEIT BD Limited	Broadditch	10,334,834	DCF	Discount rate	+0.5%	(433,936)	(454,100)
					-0.5%	466,655	488,989
				Revenue	+10%	1,088,471	1,135,280
					-10%	(1,107,223)	(1,138,960)
HEIT FM Limited	Farnham	19,108,999	DCF	Discount rate	+0.5%	(818,743)	(880,030)
					-0.5%	881,149	947,875
				Revenue	+10%	2,094,519	2,136,741
					-10%	(2,061,817)	(2,157,962)
HEIT RH Limited	Rusholme	27,770,369	DCF	Discount rate	+0.5%	(1,250,954)	(1,356,277)
					-0.5%	1,349,139	1,461,224
				Revenue	+10%	3,331,897	3,450,997
					-10%	(3,435,915)	(3,503,648)
HEIT LR Limited	Little Raith	41,860,051	DCF	Discount rate	+0.5%	(1,745,884)	(1,819,262)
					-0.5%	1,877,039	1,957,919
				Revenue	+10%	4,745,004	4,941,061
					-10%	(4,825,519)	(5,053,689)

Investment	Project	Investment fair value £	Valuation technique	Significant input description	Sensitivity	31 October 2024 Estimated effect on fair value £	31 October 2023 Estimated effect on fair value £
HEIT BF Limited	Bumpers	90,935,939	DCF	Discount rate	+0.5%	(3,889,947)	(4,010,981)
					-0.5%	4,183,997	4,318,710
				Revenue	+10%	9,881,199	9,685,739
					-10%	(10,022,580)	(9,930,227)
HEIT HP Limited	Hawthorne Pit	33,748,519	DCF	Discount rate	+0.5%	(1,630,106)	(1,733,055)
					-0.5%	11,756,926	1,870,705
				Revenue	+10%	4,606,023	4,708,722
					-10%	(4,720,732)	(4,804,294)
HEIT WG Limited	Wormald Green	20,300,944	DCF	Discount rate	+0.5%	(1,010,267)	(1,154,003)
					-0.5%	1,090,394	1,246,378
				Revenue	+10%	3,168,375	3,170,805
					-10%	(3,168,516)	(3,354,679)

PORTFOLIO SENSITIVITY

The below table reflects a range of sensitivities which the Directors consider to have a significant impact on the portfolio of investments held by the Company:

Investment	Sensitivity	31 October 2024 Estimated effect on fair value £	31 October 2023 Estimated effect on fair value £
Inflation	+0.5%	15,677,071	18,522,081
	-0.5%	(14,976,606)	(18,269,983)
Construction Costs	+15%	–	(9,880,088)
	-15%	–	11,205,647
Operating costs	+15%	(10,563,465)	(9,251,227)
	-15%	10,110,183	9,031,841
Cell replacement costs	+15%	(2,695,698)	(2,769,237)
	-15%	2,530,323	2,786,110

The capex sensitivity has been applied to projects which have not yet achieved substantial completion. The proportionate change has been applied to the full capex budget even though most works have now been completed and the scope for increase is therefore limited. In the context of capex increase, this is viewed as a highly conservative methodology, however it is consistent with previously reported sensitivity results.

Notes to the Financial Statements continued

17. SHARE CAPITAL, SHARE PREMIUM AND CAPITAL REDUCTION RESERVE

	Number of ordinary shares	Share capital £	Share premium £	Capital reduction reserve £	Total £
As at 1 November 2023	227,128,295	2,271,283	21,370,889	194,094,197	217,736,369
Dividends paid	–	–	–	(2,271,283)	(2,271,283)
As at 31 October 2024	227,128,295	2,271,283	21,370,889	191,822,914	215,465,086

	Number of ordinary shares	Share capital £	Share premium £	Capital reduction reserve £	Total £
As at 1 November 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)
As at 31 October 2023	227,128,295	2,271,283	21,370,889	194,094,197	217,736,369

SHARE CAPITAL, SHARE PREMIUM ACCOUNT AND CAPITAL REDUCTION 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.

There were no changes to the share capital during the year ended 31 October 2024.

18. RESERVES

The nature and purpose of each of the reserves included within equity at 31 October 2024 are as follows:

- Share premium: 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.
- Capital reserve: represents a non-distributable reserve of cumulative net capital gains and losses recognised in the Statement of Comprehensive Income.

The movements in these reserves during the year are disclosed in the statement of changes in equity. The distributable reserves as at 31 October 2024 were £199,967,619 (2023: £197,200,593).

19. NET ASSET VALUE PER SHARE

Basic Net Asset Value ("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.

	Shares in issue	Assets £	Liabilities £	NAV £	Pence per Share
Ordinary Shares at 31 October 2024	227,128,295	201,421,041	373,691	201,047,350	88.52
Ordinary Shares at 31 October 2023	227,128,295	262,571,433	463,341	262,108,092	115.40

20. DIVIDENDS

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

	Dividend per share	31 October 2024 Total £
For the 3-month period ended 31 October 2023 (paid 22 December 2023)	2 pence	4,542,566
Total		4,542,566

	Dividend per share	31 October 2023 Total £
For the 6-month period ended 31 October 2022 (paid December 2022)	1 pence	2,100,000
For the 3-month period ended 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
Total		15,727,698

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. There were no further dividends declared or paid for the financial year.

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 2024 £	31 October 2023 £
Interim dividends paid 2024 (2023: 6 pence)	–	13,627,698
Final interim dividend for 2024 (2023: 2 pence)	–	4,542,566
	–	18,170,264

21. 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 £237,038 (2023: £225,750) were incurred in respect of the year with none being outstanding and payable at the end of the year. The cost for director and officer insurance for the year was £30,186 (2023: £40,725).

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 18 October 2024, the Company subscribed for 102,285,533 ordinary shares at a nominal value of £1 per share, £102,285,533 from HEIT Holdings Ltd, which was settled via the loan and waived £4,335,532 of interest receivable.

HEIT Holdings Ltd subscribed for 83,434,981 ordinary shares from its wholly owned subsidiaries at the subscription price by the release of the subsidiaries' liability and waived £32,895,965 interest receivable.

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 £130 million debt facility. The Company also provides parent company guarantees to subsidiaries in relation to certain construction and/or battery supply contracts.

As at 31 October 2024, total committed funding to subsidiaries was £18 million.

Notes to the Financial Statements continued

INVESTMENT ADVISER

The Investment Adviser 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:

- a. 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
- b. 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 £1,093,542 (2023: £2,163,222) was incurred during the year and £87,010 (2023: £144,121) remained payable as at 31 October 2024.

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 of the Company.

22. CAPITAL COMMITMENTS

As described in the going concern note in note 2, the Company is a guarantor to its wholly owned subsidiary, HEIT Holdings Ltd in respect of the £130 million debt facility.

The Company also provides parent company guarantees to subsidiaries in relation to certain construction and/or battery supply contracts. As at 31 October 2024, total committed funding to subsidiaries was £18.0 million.

Other than as reported above, the Company had no contingent liabilities and no significant capital commitments at the reporting date.

23. POST BALANCE SHEET EVENTS

There were no events after the reporting date that require disclosure.

Company Information

DIRECTORS

Appointed: 12 October 2021
Norman Crighton
Janine Freeman
Dr Hugh McNeal
William Rickett CB
Dr Shefaly Yogendra

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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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Glossary

Set out below is an explanation of some of the industry-specific and other terms used in this report:

2-hour duration	“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;
Adjusted NAV	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 the Adjusted NAV is equal to NAV;
Adjusted NAV Total Return	the change in Adjusted NAV plus dividends paid over the Period;
Arbitrage	wholesale trading and/or Balancing Mechanism;
Ancillary Services	contracts and tools that NESO 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”;
Balance-of-plant or BOP	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;
Balancing Mechanism or BM	NESO’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;
Balancing Settlement Code or BSC	a document, as amended from time to time, setting out electricity balancing and settlement arrangements for Great Britain (or part thereof applicable to BESS);
Capacity Market or CM	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;
C Shares	the C Shares of £0.10 each in the capital of the Company (converted to Ordinary Shares in January 2023);
De-Rated or De-Rating	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%;
Distribution Network Operator or DNO	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;
Dynamic Containment or DC	one of NESO’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;
Dynamic Moderation or DM	one of NESO’s Ancillary Services which operates similar to DC but for which the minimum response times are longer, meaning less demanding technical requirements for participants;
Dynamic Regulation or DR	one of NESO’s Ancillary Services, designed to operate pre- fault to correct continuous but small deviations in network frequency;
Elexon	the company which administers the BSC in the United Kingdom electricity market;
EPEX or European Power Exchange	an electricity market that trades short-term power contracts in Europe;
Flexibility	the capability of a power system to adjust supply and demand to achieve balance;

Frequency Deviation	<p>the electricity network in Great Britain operates at a frequency of 50Hz and one of NESO's roles is to manage and maintain the frequency of the network within 1% (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, NESO 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, NESO 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>
National Energy System Operator (NESO)	the National Electricity System Operator for Great Britain is the nationalised energy system operator for the United Kingdom as of the 1 October 2024. It operates the electricity and gas distribution systems. Prior to this, it was owned by National Grid plc, and known as National Grid ESO;
Ordinary Shares	the Ordinary Shares of £0.01 each in the capital of the Company;
Revenue Optimiser	<p>a third-party company which provides revenue optimisation services to BESS projects (or other technologies), including:</p> <ul style="list-style-type: none"> (i) market access; (ii) optimisation of market selection; (iii) submission of bid and offer pricing into a range of markets; and (iv) the physical dispatch of the projects;
ROFR	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);
Shovel ready	<p>a BESS project which has in place:</p> <ul style="list-style-type: none"> (i) a completed lease, lease option or agreement for lease in relation to the land upon which that project is situated; (ii) planning permission enabling the construction of a suitable project on that land (subject to any amendments to reflect final technical specifications); (iii) an industry standard grid connection offer from a DNO (or TSO); and (iv) a BESS supply and installation contract with material terms in agreed form with a reputable counterparty;
T-1 Auction	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;
T-4 Auction	this is the main CM auction at which NESO 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;
TSO	Transmission System Operator, being NESO;
Unabated gas	Greenhouse gases that are released into the atmosphere from fossil fuels without any offsetting or removal, contributing to global warming in the process;
Under construction	<p>a BESS project which has in place:</p> <ul style="list-style-type: none"> (i) an agreed lease on satisfactory terms in relation to the land upon which that project is situated; (ii) an accepted industry standard grid connection offer from a DNO/TSO, and having made at least one milestone payment; and (iii) a fully executed BESS supply and installation contract with a reputable counterparty;
2022/2023 Report	HEIT Annual Report and Accounts for the year ended 31 October 2023.



The Bumpers Community Fund launched during the Period and supported seven community initiatives located within a 5-mile radius of the Bumpers BESS



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