



HARMONY ENERGY
INCOME TRUST PLC

Interim Report
For the period ended 30 April 2024



POWERING A SUSTAINABLE FUTURE

Strategic Report

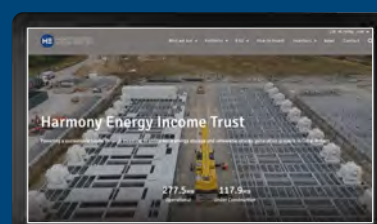
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Highlights and Statistics



Harmony Energy Income Trust Plc (“HEIT” or 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 located in Great Britain (“GB”). Highlights for the period 1 November 2023 to 30 April 2024 (the “Reporting Period”) include:

COMPANY HIGHLIGHTS AT 30 APRIL 2024

Total Portfolio

**790.8 MWh /
395.4 MW**

(31 October 2023:
790.8 MWh / 395.4 MW)

Estimated tonnes of CO₂e emissions avoided

29,858 tCO₂e

(H1 2022/23: 5,153 tCO₂e)

Dividend declared and paid in relation to the Reporting Period

n/a (4 pence per Ordinary
Share H1 2022/23)

Operational Revenue

£8.0m

(30 April 2023: £2.3m)

Operational Portfolio

70%
(by MW capacity) 555 MWh /
277.5 MW

(31 October 2023:
70% 555 MWh / 277.5 MW)

NAV per Ordinary Share

96.21p per Ordinary Share

(31 October 2023:
115.40 pence per Ordinary Share)

Net Asset Value

£218.53m

(31 October 2023: £262.12m)

A Diversified Portfolio Across Great Britain

Portfolio composition as at the date of this report

- 1

PILLSWOOD

196 MWh / 98 MW

STATUS: OPERATIONAL
- 2

BROADDITCH

22 MWh / 11 MW

STATUS: OPERATIONAL
- 3

FARNHAM

40 MWh / 20 MW

STATUS: OPERATIONAL
- 4

RUSHOLME

70 MWh / 35 MW

TARGET COD: Q3 2024

STATUS: COLD COMMISSIONED
- 5

BUMPERS

198 MWh / 99 MW

STATUS: OPERATIONAL
- 6

LITTLE RAITH

99 MWh / 49.5 MW

STATUS: OPERATIONAL
- 7

WORMALD GREEN

66 MWh / 33 MW

TARGET COD: Q3 2024

STATUS: COLD COMMISSIONED
- 8

HAWTHORN PIT

99.8 MWh / 49.9 MW

TARGET COD: Q3 2024

STATUS: COLD COMMISSIONED



- OPERATIONAL ASSETS (555 MWh / 277.5 MW)
- COLD COMMISSIONED ASSETS (235.8 MWh / 117.9 MW)

“COD” COMMERCIAL OPERATIONS DATE

Project Progress

1 PILLSWOOD



2 BROADDITCH



3 FARNHAM



4 RUSHOLME



5 BUMPERS



6 LITTLE RAITH



7 WORMALD GREEN



8 HAWTHORN PIT



Chair's Statement



I am pleased to present, on behalf of the board of directors (the "**Board**"), the Interim Report for Harmony Energy Income Trust plc ("**HEIT**" or the "**Company**") in relation to the Reporting Period.

NORMAN CRIGHTON
CHAIR



INTRODUCTION

The first six months of this financial year have been a busy period for the Company and for the industry. The continuation of the depressed revenue environment through the winter culminated in HEIT implementing several important changes to protect shareholder value. This was followed by an improvement in revenues over the second part of the Reporting Period, which provided HEIT with an opportunity to demonstrate how our portfolio of exclusively 2-hour duration BESS is well-positioned to benefit from evolving weather patterns, an increased utilisation of BESS in the Balancing Mechanism ("**BM**") by National Grid ESO ("**NG ESO**") and improvements in other macro drivers. Whilst we expect revenue volatility over the short-term to persist, we remain confident in the long-term prospects for BESS in GB as we continue to enable and support the transition to net zero.

CHANGES TO THE REVENUE ENVIRONMENT

The two primary revenue sources for BESS in GB remain Ancillary Services and Arbitrage. Pricing for the former is mainly driven by the amount of BESS competing for the fixed volumes available for each service, and pricing for the latter is driven by Wholesale Power Market (see glossary) spreads. Over the previous financial year, and throughout the Reporting Period, the increasing amount of operating BESS in GB has led to market saturation of Ancillary Services. This has coincided with a prolonged period of low wholesale power price volatility, impacting Wholesale

Power Market spreads. However, the flexibility and agility of BESS, especially 2-hour systems, to switch between different revenue strategies allows savvy operators to adopt new methods and increasingly sophisticated strategies to take advantage of changing power market landscapes. Wholesale Power Market spreads widened slightly in late-March and through April thanks to high wind and solar generation. HEIT's exclusively 2-hour duration BESS assets were able to maximise this opportunity by dedicating a high proportion of capacity to NG ESO's BM, an Arbitrage strategy which offers more trading opportunities than in the Wholesale Power Market and provides greater potential revenues (per MW) to 2-hour duration BESS versus shorter-duration BESS. This shift in strategy away from Ancillary Services coincides with increased demand for BESS participation in the BM from NG ESO, who view BESS as a long-term, cost efficient and low-carbon solution to their daily challenge of managing supply/demand imbalances across the national electricity network. Volumes captured by HEIT's portfolio in the BM increased by over 400% between March and May versus the average over November – February inclusive.

MARKET AND PORTFOLIO PERFORMANCE

Revenue performance for the Company's portfolio was mixed, with the initial quarterly period averaging £46.3k/MW/Yr before rising to average £68.7k/MW/Yr over the second quarter. Throughout the Reporting Period, the Company's operating portfolio continued to outperform shorter-duration peers (on a £/MW basis).

DEBT REFINANCING AND CHANGE TO DIVIDEND POLICY

Whilst the current uncertainty around short-term revenue trends persist, the Board has resolved to take a prudent approach to capital allocation and cash management. This includes the cancellation of the financial year 2023/24 Q1 dividend and the amendment to the Company's dividend policy. See the Investment Adviser's Report on pages 6 to 19 for more details.

The restructuring of our existing debt arrangements with NatWest plc ("**NatWest**") and Coöperatieve Rabobank U.A ("**Rabobank**") provides stability and freedom for the Company to operate in the current relatively low revenue environment, underpinned by lucrative contracts procured in February's T-1 Capacity Market ("**CM**") auction. The Company maintains the requisite funds to complete the construction of its remaining three under-construction projects. Once energised, the Company's operational portfolio, and therefore our ability to generate additional revenue, will increase by 42%, reaching 790.8 MWh / 395.4 MW.

CONSTRUCTION PROGRESS

All under-construction projects are expected to achieve energisation over the summer months. The Rusholme project (70 MWh / 35 MW) has completed BESS installation and the DNO (see glossary) is progressing on site to execute requisite connection works. At the Wormald Green and Hawthorn Pit projects, the balance-of-plant contractor is progressing the installation and connection of the Envision battery modules, which are on site. In addition to continued engagement with the contractor's senior management and regular collaboration on-site, the Company has begun to exercise its contractual rights to claim liquidated damages to compensate for lost revenues. In relation to all three projects, the BESS modules have been installed and "cold commissioned" by Tesla and Envision (respectively). This is to ensure that, post-energisation, full commissioning can be expedited so that the projects become revenue generating as quickly as possible.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE ("ESG")

During the Reporting Period, the Company made good progress on its ESG strategy, enabling it to deliver on its mission to "power a sustainable future" and deliver sustainable shareholder value.

The Company is pleased to voluntarily provide appropriate disclosures aligned with the EU's Sustainable Finance Disclosure Regulation ("**SFDR**") in this Interim Report. Aligned to Article 8 and including a full set of Principal Adverse Impact indicators, this not only meets the growing expectations of our existing investor base but also provides an opportunity to attract additional capital.

In the Reporting Period, the Company allocated funds towards both the Broadditch and Farnham Community funds. Contributing £10,000 to 14 deserving charities and community organisations local to our assets, these funds are a key component of our strategy to promote positive impacts across GB.

To continue to embed sustainability throughout the Company and the Investment Adviser (as defined on page 6), we launched our Environmental Policy and Human Rights Policy. The Investment Adviser engaged with key suppliers and partners to protect and enhance our natural environment through the design, construction and operation of our assets. This included site visits to evaluate and improve sustainability management in the construction process at the Wormald Green and the Hawthorn Pit projects and to review the landscaping and biodiversity management plan at Pillswood.

OUTLOOK

The role of BESS in GB is becoming better understood, more highly valued and increasingly utilised. The drivers of value and growth opportunities in the sector remain strong and attractive. Independent commentators and forecasters continue to predict revenue growth for the GB BESS sector over the short-term. Whilst the Company and its portfolio remain well-positioned to capitalise on this trend and the evolution of revenue strategies witnessed in March and April, the rate of change is still unknown. Moreover, the Investment Adviser believes that the current share price does not reflect the underlying value of GB BESS assets. The Company has therefore engaged JLL as an agent to seek offers for some or all of the Company's assets. Once this marketing exercise is complete, the Board will be better informed on all strategic options available for delivering value to Shareholders.

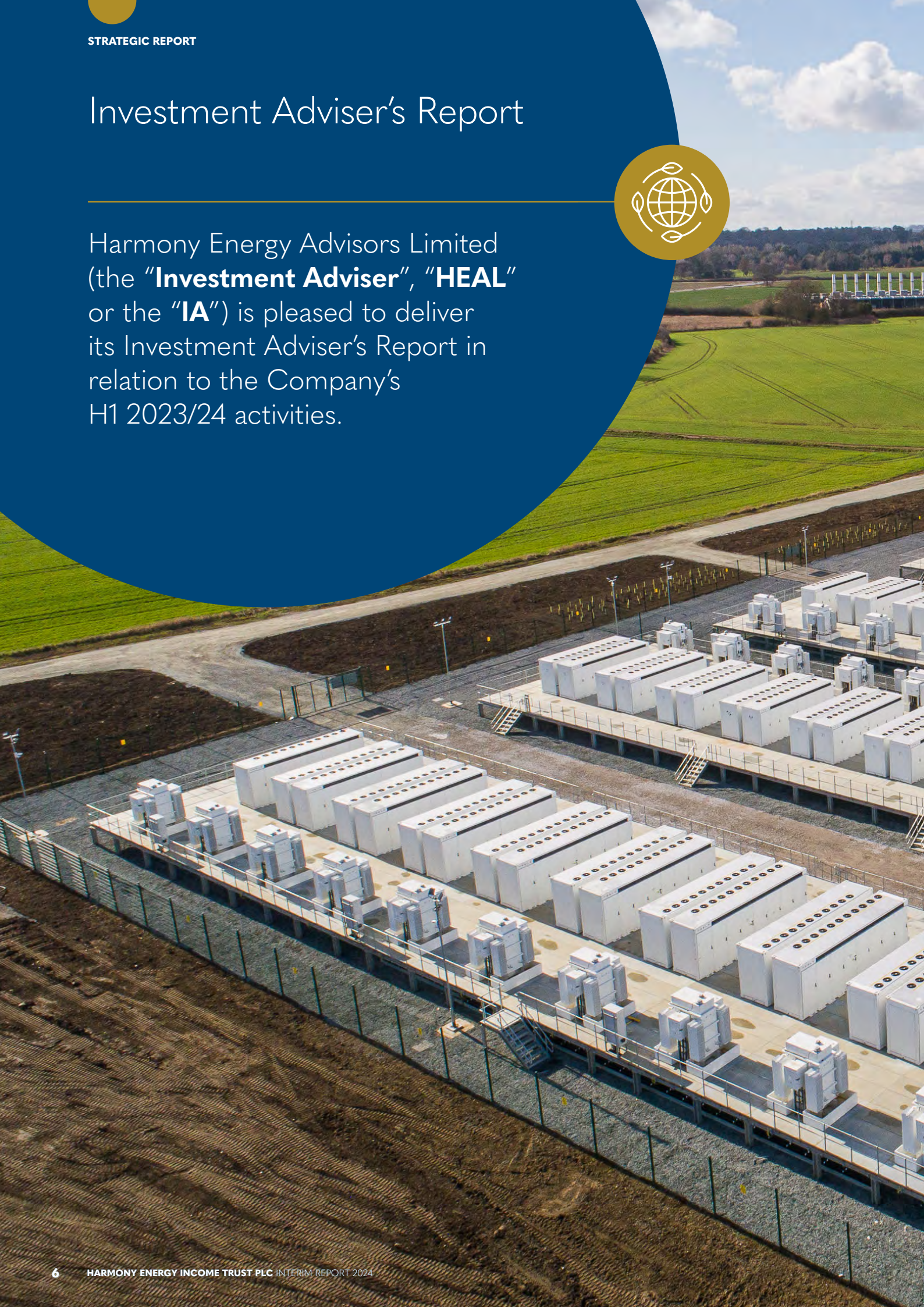
The Company has recently appointed Liberum as joint broker who, along with Stifel, will help explain the complex workings of the Company to existing and new investors. If you have any questions please do not hesitate to contact them. I would also like to thank Berenberg for their efforts on behalf of the Company during the IPO and since then.

The Company is working through a critical phase of its development cycle as an Investment Trust – we have fully drawn down our debt but are not yet seeing the revenue flowing through from this investment. Over the coming months, our final three assets will become fully operational, which will lead to a substantial increase in income, other things being equal. This factor, together with the encouraging market signals described in this Interim Report, encourages the Board that the worst is behind us and better, more profitable times lie ahead.

Norman Crighton
Chair

Investment Adviser's Report

Harmony Energy Advisors Limited (the "**Investment Adviser**", "**HEAL**" or the "**IA**") is pleased to deliver its Investment Adviser's Report in relation to the Company's H1 2023/24 activities.





PAUL MASON
MANAGING DIRECTOR



MAX SLADE
COMMERCIAL DIRECTOR



PETER KAVANAGH
INVESTMENT DIRECTOR



JAMES RITCHIE-BLAND
INVESTMENT DIRECTOR

The Pillswood BESS has garnered multiple accolades, including prestigious awards at the Energy Storage Awards and the Solar & Storage Live Awards.

Investment Adviser's Report continued

OVERVIEW

The Company operates the largest exclusively 2-hour duration BESS portfolio in GB. Over the previous financial year, and throughout the Reporting Period, we have witnessed a value-shift in revenue strategy away from the mainstream (but increasingly saturated) Ancillary Services towards Arbitrage (see the Market Overview section for more information on these revenue streams). This shift was anticipated and underpinned the Company's pioneering focus on 2-hour duration BESS. 2-hour duration BESS are less reliant on Ancillary Services and are able to trade more volume than short-duration BESS in deeper Arbitrage markets.

The recent revenue volatility has created short-term uncertainty, but has also provided opportunities for the Company and management team to prove the portfolio's potential to innovate and maximise revenues in the Arbitrage markets, outperforming its shorter-duration peers. As the value-shift continues, these opportunities are becoming more frequent, and should provide Shareholders with confidence in the Company's long-term ability to provide stable returns through a range of revenue environments and, crucially, without needing to rely upon Ancillary Services.



PORTFOLIO CONSTRUCTION UPDATE

As at the date of publication of this Interim Report, three projects (235.8 MWh / 117.9 MW) remain "under construction". All three projects have taken delivery of batteries and have been "cold-commissioned", meaning all batteries are on site and have been tested to the extent possible.

Unfortunately, both the Company's Wormald Green and Hawthorn Pit projects have suffered delays to energisation, caused by the balance-of-plant contractor running behind schedule. Latest estimates now assume these projects will commence commercial operations during calendar Q3 2024. The Investment Adviser is collaborating closely with the contractor to expedite completion as soon as possible. In the meantime, the Company has begun to exercise its contractual rights to claim liquidated damages to compensate for the lost revenue opportunity. The liquidated damages claimed have not yet been recognised in the Company's revenue updates.

Continued delays to the DNO's connection programme at the Rusholme project have resulted in the proposed energisation date being delayed to early calendar Q3 2024. The Company is working closely with Tesla to ensure that, post-energisation, commissioning can be expedited so that the project becomes revenue generating as quickly as possible.

Once the remaining projects are energised in calendar Q3 2024, the Company's portfolio of eight BESS projects will be 100% operational (790.8 MWh / 395.4 MW).



Key members of the Investment Adviser management team, Commercial Director Max Slade and Investment Director James Ritchie-Bland.



DEBT RESTRUCTURING

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

On 21 February 2024, the Company successfully negotiated an amendment and restatement of its debt facilities with NatWest and Rabobank. The revised structure recognises that the Company's portfolio is evolving from a construction portfolio into an operating portfolio. The term loan and revolving credit facility have been 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 resizing of market standard debt covenant ratios against conservative revenue forecasts to ensure ongoing headroom in the current revenue environment.

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

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

HEDGING

At the beginning of the Reporting Period, the Company benefitted from an interest rate cap at a rate of 5.25%. As part of the debt restructure previously described, 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.



The Investment Adviser's Company
Secretary and Head of Governance,
Alberto Buffa.

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 3 broad categories:

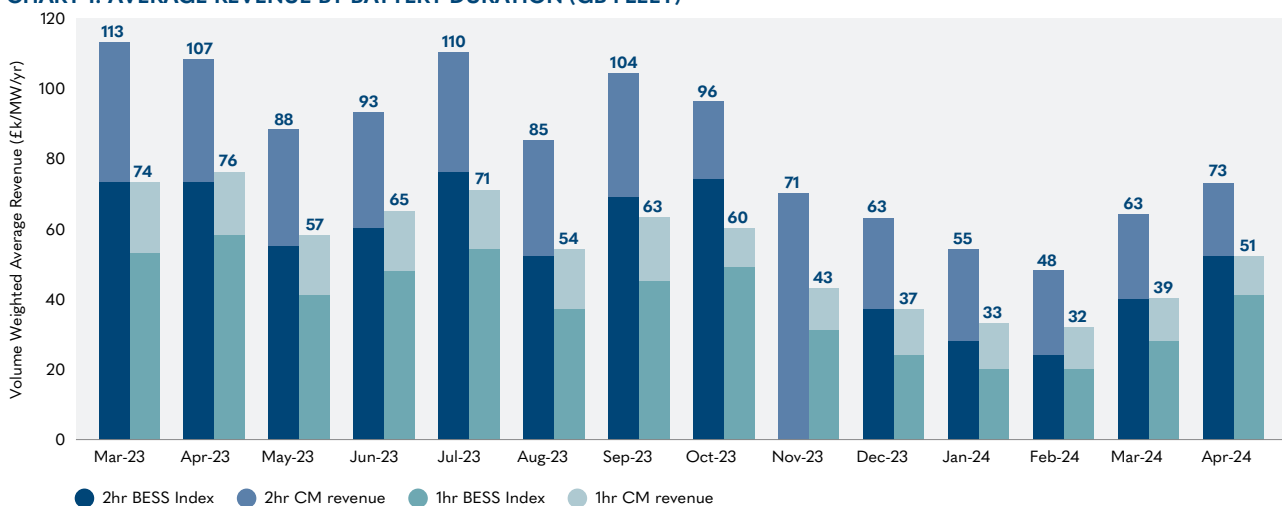
1. Capacity Market (see more detailed information on page 16): Contracts for 1 – 15 years. BESS projects receive an availability payment for being ready to respond to a period of potential energy shortfall;
- 2 Arbitrage, which is split into two sub-categories:
 - a. Wholesale electricity trading: buying wholesale electricity during cheap periods (e.g. overnight when demand is low and when 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;
 - b. Balancing Mechanism: the Wholesale Power Market closes one hour before delivery of power. At this point NG ESO 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 the Wholesale Power Market, however BESS have traditionally struggled to capitalise on this due to legacy systems used by NG ESO. There have been recent improvements as a result of new software developed by NG ESO. BESS still have a relatively small share of this lucrative and growing market;

3. Ancillary Services: short-term contracts with National Grid to provide grid stability.
 - a. Dynamic Frequency Response (“DFR”): contracts are awarded 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”): a new service launched in March 2024 under which BESS projects reserve their capacity to be available via the BM. They receive an availability payment for doing so and this commitment gives National Grid additional comfort that sufficient BESS capacity will be available to respond to an imbalance in the supply and demand of electricity throughout the day. See further detail on page 11.

Revenues for 2-hour duration BESS over the Reporting Period were on average 35% lower than the preceding six-month period. 1-hour duration BESS revenues similarly fell by 37% over the same period. 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.

The risk of saturation with regard to Ancillary Services was expected and was highlighted in the Company’s Prospectus at IPO as one of the advantages of constructing a portfolio of exclusively 2-hour duration BESS.

CHART 1: AVERAGE REVENUE BY BATTERY DURATION (GB FLEET)



Source: Modo Energy and Harmony Energy Advisors Limited

The Company has consistently highlighted the BM as an important revenue stream for BESS, especially 2-hour duration BESS. However promising trials in 2019 failed to materialise into new products and BESS was, for a long time, overlooked by NG ESO's control room in favour of larger, traditional power stations. The launch of the Open Balancing Platform ("OBP") in December 2023 was expected to unlock significant additional value for BESS in the BM, however the software suffered teething problems and was briefly taken offline before being relaunched in January. This led to a modest increase in BESS volume. It was not until the launch of BR in March 2024 that volume increased to a meaningful extent, with 2-hour duration BESS capturing the largest increase in such volume.

This slow start, combined with lower Wholesale Power Market spreads, has led to much lower than anticipated revenues over the Reporting Period. Average day-ahead Wholesale Power Market spreads narrowed to £52/MWh in January, the lowest since June 2021 and 64% lower than January 2023. This correlates with a continued decline in gas prices and carbon prices over the Reporting Period, and relatively mild weather. For Ancillary Service pricing, despite some services volumes growing in size, the competition for such services was extremely high as the rate of BESS build out grew during 2023. In addition, NG ESO upgraded its auction methodology and bidding structure in relation to Ancillary Services to allow for clearing prices for such services to (potentially) be negative.

However, continued depressed pricing in Ancillary Services markets encouraged BESS operators to focus more on Arbitrage revenue strategies (wholesale trading and BM), and with that came increased motivation on the part of NG ESO to facilitate the efficient utilisation of BESS in such markets. Volumes captured by BESS in the BM have increased materially since January thanks to the launch of OBP - the first of a series of software and process upgrades designed to facilitate greater utilisation of BESS in the BM.

This additional volume, coupled with a widening of wholesale spreads and the introduction by NG ESO of the new BR service in March, has supported stronger results for BESS during the second quarter of the Reporting Period, as explained further below.

BALANCING RESERVE

BR is a new Ancillary Service launched on 12 March 2024 where BM participants are paid both (i) an "availability" fee to keep some capacity in "reserve", ready for instruction from NG ESO; and (ii) the normal "pay-as-bid" price for utilisation in the BM (if/when called upon). Units must store enough energy to export/import for up to 30 minutes, 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.

The BR volume requirement is currently 800 MW per day (400 MW for each of the Positive service and Negative service, which reflects the fact that BESS can provide this service by either discharging or charging, respectively).

The primary reason for introducing the service is to provide NG ESO with more visibility over its options for securing reserve capacity on a daily basis. BESS (and other participating technologies) effectively guarantee they will be available in the BM over a longer timeframe than the next 30-minute settlement period. This is especially important for BESS, given potential state of charge limitations. BR gives NG ESO more confidence it can rely on BESS to deliver in the BM when needed. This allows NG ESO to allocate more capacity to OBP, which in turn allows more for BESS activations in the BM, regardless of whether a BR contract is held or not.

As expected, the availability fee for BR is not particularly lucrative and certainly not enough to support a BESS business case in isolation.

In order to be effective, a participating BESS must capture some BM volume, meaning it still must set its BM bid and offer prices competitively. So whilst BR increases the likelihood of BESS being called in the BM, it does not guarantee higher revenues unless both the underlying spreads are wide enough, and the BESS operator's pricing algorithm performs well.



MARKET COMMENTARY

IMPACT

The increase in wholesale spreads coincided with the launch of BR and the annulment of the “15-minute rule” – allowing BESS to be “called” in the BM for longer durations (and therefore transacting greater volumes of MWh). Since these changes were introduced, 2-hour duration BESS have enjoyed 2.5x greater increase in BM dispatch volumes than shorter-duration BESS (20 MWh/MW versus 8 MWh/MW. Source: Modo Energy).

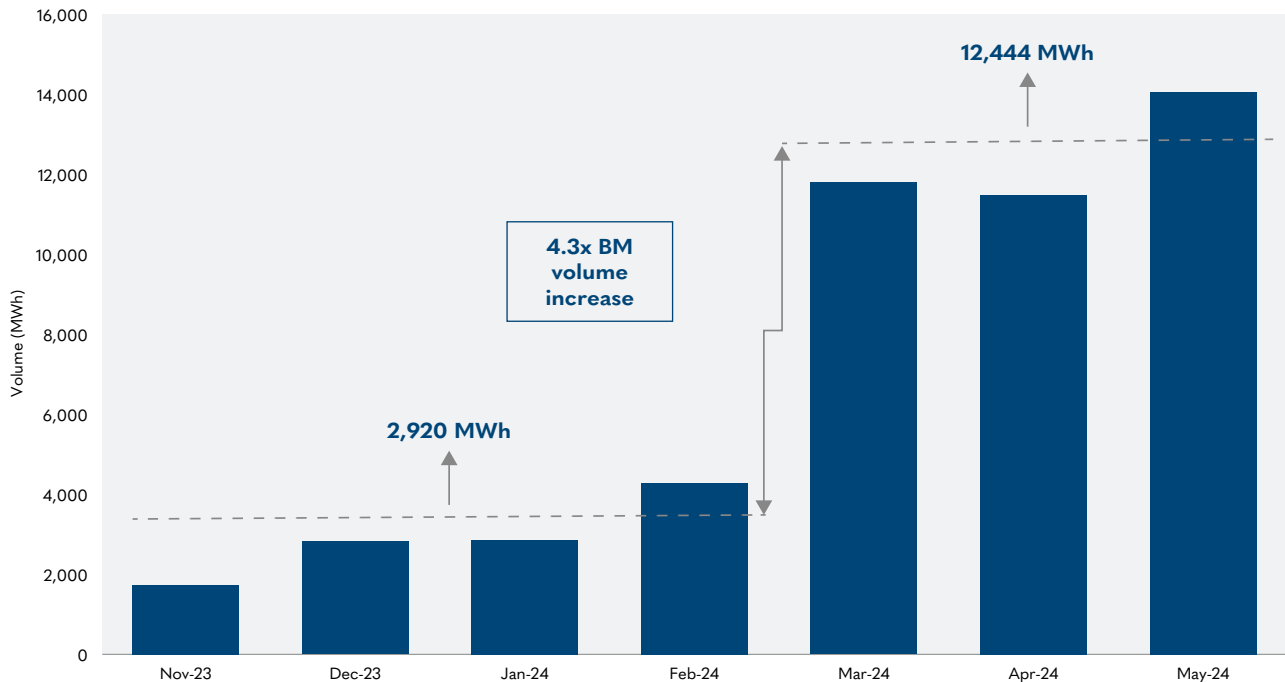
BM volume observed across HEIT’s portfolio since March 2024 has increased by more than four times from an average of 2,920 MWh per month between November 2023 and February 2024 to an average of 12,444 MWh per month between March and May 2024.

There is potential for the volume requirement for the BR service to expand by more than six times from the current 400 MW to up to 2,500 MW.

Towards the end of March and continuing into April, high penetration of wind generation in GB coincided with periods of low demand. This led to multiple hours of negative wholesale power prices – periods where BESS can be remunerated for charging via the Wholesale Power Market / BM which in turn increases the spread available when compared to a more traditional on-peak/off-peak trading strategy. Over the past few years, we have experienced an increasing number of hours of negative wholesale pricing, and commentators such as Bloomberg have recently forecast a five-fold increase in the number of such hours per annum between now and 2027.

On a few days in April, the high wind and low demand coincided with clear sunny skies. On these days the solar output can be sufficient to cause a “dip” in the wholesale price in the middle of the day, which provides BESS with the opportunity to perform two cycles within 24 hours (i.e. two complete charges and discharges).

CHART 2: HEIT PORTFOLIO - MONTHLY BM VOLUME

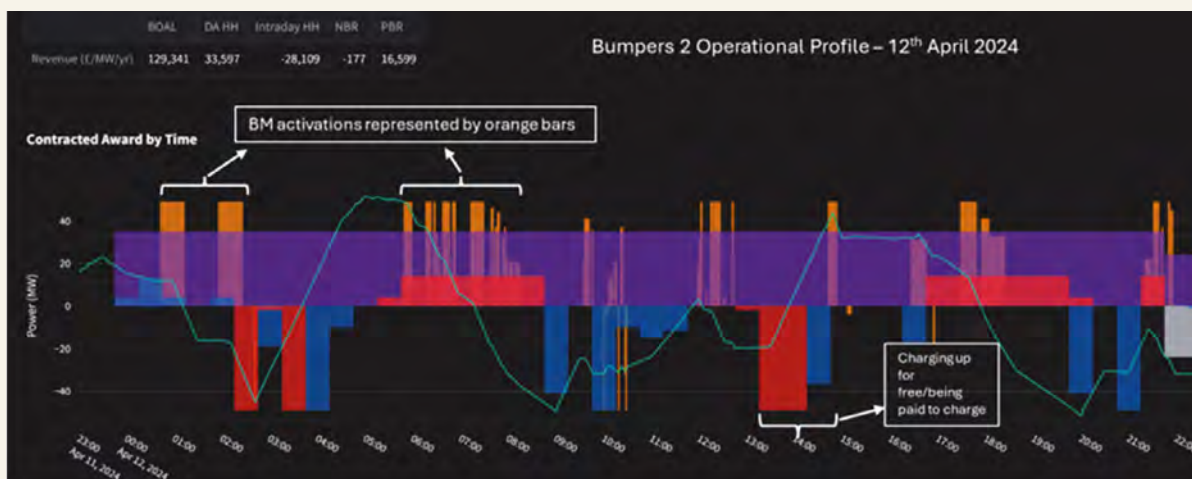


Source: Harmony Energy Advisors Limited



CASE STUDY

FIGURE 1: BUMPERS 2 (99 MWH / 49.5 MW) – 12 APRIL 2024



Source: Harmonise (the Investment Adviser's proprietary asset management software)

The above figure shows 24 hours of operation (time of day on x-axis) of the Company's Bumpers 2 project, in Buckinghamshire, on 12 April 2024. On this day, the project was contracted into BR all day (purple shading), which means it did not participate in other Ancillary Services. As has become more frequent, the existence of BR allowed NG ESO the confidence to "call" the BESS for multiple discharges via the BM (orange bars), using it as a tool to manage local and national constraints. These frequent discharges, in turn, allowed the BESS to charge up multiple times during the day via the Wholesale Power Market (red and blue bars), in some cases at negative prices. The BESS completed 2.4 cycles during the day (state of charge percentage depicted by the green line and y-axis (RH)), and booked net revenue worth £158k/MW/Yr equivalent.

This example demonstrates the agility of 2-hour BESS to adapt to, and maximise, revenue opportunities quickly and provide strong revenues to Shareholders without reliance on saturated Ancillary Service markets.

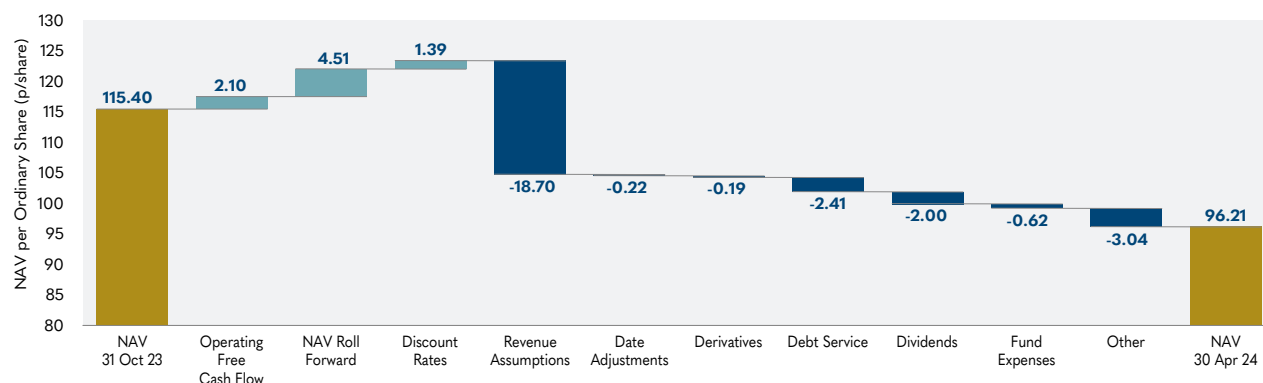


The 198 MWh / 99 MW Bumpers Project shares the accolade of being Europe's joint largest BESS (by MWh).

Investment Adviser’s Report continued

FINANCIAL PERFORMANCE

CHART 3: CHANGE IN NET ASSET VALUE PER ORDINARY SHARE 31 OCTOBER 2023 - 30 APRIL 2024



Source: Harmony Energy Advisors Limited

The unaudited NAV as at 30 April 2024 was £218.53 million (96.21 pence per Ordinary Share), a reduction of 16.63% (-19.19 pence per Ordinary Share) from the NAV reported as at 31 October 2023. The NAV total return over the Reporting Period was -14.89% (NAV total return since IPO is 6.1%).

Material factors which influenced the NAV over the Reporting Period included:

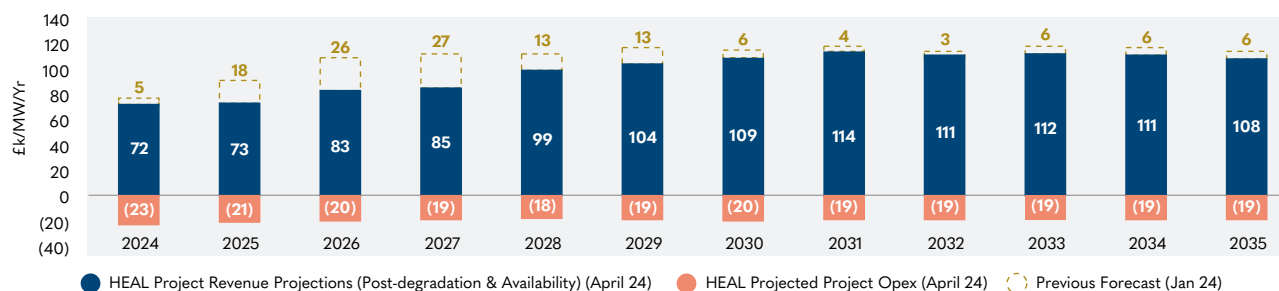
- a) lower revenue assumptions based on the latest revenue forecasts published by independent providers. The revision to the forecasts captures a reduction in near-term electricity demand as well as lower commodity pricing between 2024 and 2029 amounting to a reduction of 18.7 pence per Ordinary Share;
- b) positive movements from:
 - a. free cash flow generated by project operations amounting to 2.10 pence per Ordinary Share;
 - b. revaluations of the Company’s BESS projects as they progressed through construction and commenced operations amounting to 1.39 pence per Ordinary Share; and
 - c. the “NAV roll forward” impact which captures the time value of money as the projects progress amounting to 4.51 pence per Ordinary Share;

- c) other negative movements from:
 - a. dividend payments amounting to 2 pence per Ordinary Share relating to the fourth quarter of financial year 2022/23;
 - b. debt service over the period amounting to 2.41 pence per Ordinary Share; and
 - c. other project assumptions amounting to 2.84 pence per Ordinary Share, predominantly driven by an increase in the cost of operational insurance.

Whilst lower revenue forecasts have had a material impact on NAV, discount rates applied to the Company’s “operating” and “under construction” assets remained unchanged throughout the Reporting Period. The current discount rates used in modelling are: 10.5% for under construction projects; 10.25% for projects which have been operating for less than three months, reducing to 10.0% thereafter. These discount rates are applied to all revenues, with no differentiation for long-term contracted income generated through CM contracts.

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

CHART 4: HEAL REVENUE & COST ASSUMPTIONS, 2 HOUR BATTERY (£K/MW/YR, REAL, JANUARY 2024)



Source: Harmony Energy Advisors Limited

REVENUE TRENDING UP DURING REPORTING PERIOD

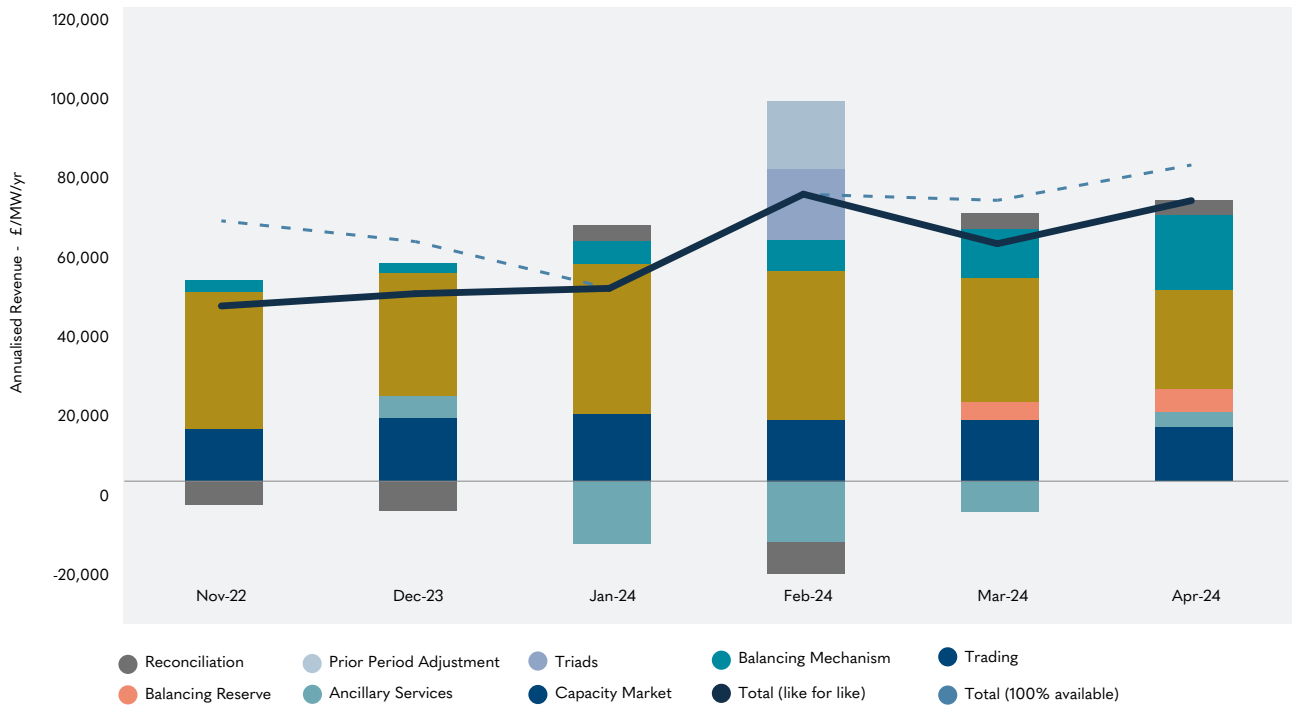
The Company's operational portfolio generated revenue (net of all electricity import charges and state of charge management costs) of £8.0 million over the Reporting Period (£58k/MW/Yr). The second quarter saw a 48% increase from the first quarter. This is despite the portfolio encountering a higher-than-usual number of outage events during the quarter, mostly for short-term DNO technical works. The Little Raith project was particularly impacted during April whilst the DNO addressed issues at the local sub-station (see further details on page 17). The Investment Adviser estimates that, had the portfolio been fully available during April, the revenue for that month would have been c.£80k/MW/Yr.

When the Company's three remaining projects come online in calendar Q3 2024, operating capacity will increase by 42% which is expected to result in a proportionate increase in revenue.

Wholesale trading and BM accounted for 72% of portfolio revenue during the Reporting Period, compared to 42% for the previous financial year. This increase is in line with the IA's expectation as Ancillary Services remain largely saturated.

Dynamic Regulation remained the most important Ancillary Service for the portfolio over the Reporting Period, however the launch of BR in March 2024 has helped to unlock the some of the potential within the BM, reducing the relative attractiveness of Ancillary Services.

CHART 5: HEIT PORTFOLIO – MONTHLY REVENUE STACK



Source: Harmony Energy Advisors Limited

Investment Adviser's Report continued



FINANCIAL PERFORMANCE

CAPACITY MARKET

T-1 Contract Status

As previously reported, during the Reporting Period the Company successfully procured additional T-1 CM contracts in relation to the 2023/24 delivery year to the aggregate value of £532k. These contracts are supplemental to the £3.57m of T-1 CM contracts awarded via auction in February 2023.

In relation to T-1 CM contracts for the upcoming 2024/25 delivery year (commencing in October 2024), six of the Company's projects successfully bid for contracts at the auction on 20 February 2024. The auction cleared at £35.79/KW/Yr, lower than the T-1 Auction in February 2023, but higher than the Company's expectations. Once De-Rating (see glossary) is taken into account, this puts the Company's contracted revenue for the 12-month period ending 30 September 2025 at £3.2 million (circa £8k/MW). The Company's Broadditch and Farnham projects did not participate in this T-1 Auction because their respective T-4 CM contracts will commence from 1 October 2024 (for delivery over 15 years) and it is not permitted for a project to hold two CM contracts in relation to the same delivery period.

T-4 Contract Status

As previously reported, all projects in the Company's portfolio successfully procured 15-year index linked T-4 CM contracts in the T-4 Auction in February 2023, or earlier. For this reason, none of the Company's projects participated in the T-4 Auction, which took place on 27 February 2024, during the Reporting Period.

Overview of CM contract income

The Investment Adviser's Report for the Company's Annual Report & Accounts for the financial year ended 31 October 2023 contains a comprehensive table depicting the contracted income to be received by each of the Company's projects from the CM, and this has not changed since the date of publication.

OPERATING FREE CASH FLOW

The table below shows the increase in revenue as the operational portfolio has increased. Debt service peaked in the first quarter of financial year 2023/24, as debt facilities were fully drawn and the restructuring of debt to lower interest costs did not occur until February 2024. Following the restructure, interest costs will reduce to £4.45 million per semi-annual period.

As outlined above, revenue per MW was at its lowest in January and February 2024 and has subsequently improved. Revenue is also expected to increase in proportion with the increase in operational capacity, which will rise by 42% when the remaining projects come online.

Unaudited Consolidated Financials	H1 2023	H2 2023	H1 2024
Revenue	2,338,745	4,268,509	8,003,823
SPV Costs	(1,730,942)	(906,380)	(3,388,791)
HEIT Costs	(1,323,741)	(1,556,139)	(682,377)
IA Management Fee	(712,084)	(580,391)	(727,909)
Interest Costs	(187,002)	(3,061,171)	(5,467,168)
Tax	(20,515)	(6,109)	(732,504)
Operational Free Cash Flow	(1,635,539)	(1,841,679)	(2,994,927)
Weighted Average Operational MW	81.8	119.0	277.5
Revenue / MW / Year	57,212	71,740	57,685



TECHNICAL PERFORMANCE

During the Reporting Period, the Company's portfolio performed slightly below expectations from a technical perspective, particularly during the second financial year quarterly period. The Company's Little Raith project was curtailed by the DNO during April whilst the DNO addressed reactive power oscillation issues at the local sub-station. In addition, the Bumpers project also experienced low availability during March as the DNO performed a scheduled outage whilst it connected a nearby, new solar farm. Other projects in the portfolio experienced short "rest" periods whilst the Company's O&M supplier, Tesla, performed firmware upgrades and standard annual capacity tests. Across the portfolio, availability averaged 97% (including grid outages), with a round-trip efficiency of 88%.

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

The portfolio has averaged 1.0 cycle per day, which is lower than assumed in the Company's business plan. Lower cycling leads to lower degradation, which in turn increases the operational life of the project.



Investment Director for HEAL, Peter Kavanagh.

Investment Adviser's Report continued



POST REPORTING PERIOD EVENTS

The Company operates the largest portfolio of exclusively 2-hour duration BESS in GB and, as such, is well positioned to outperform the wider market and capitalise upon emerging revenue opportunities. Having said this, the recent revenue volatility highlights the challenge faced by the Company in forecasting short-term revenues when most of the relevant markets contract on a day-ahead basis. Whilst the improving trend in the second quarter of the financial year is encouraging, there remains significant uncertainty regarding the outlook for the remainder of the financial year. The Investment Adviser and Board will take a prudent approach to capital allocation and cash management over this period.

DIVIDEND POLICY

It is with this aim in mind that the Company announced a change to its dividend policy on 30 May 2024. The new policy replaces the previous fixed 8 pence per Ordinary Share annual dividend target with a dynamic target which reflects the market at any given time.

The Board has 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, such amounts to be determined by the Board, declared and paid on a semi-annual basis.

The Board further resolved to cancel the (previously postponed) first financial year 2023/24 quarterly dividend and does not anticipate being able to declare a dividend in line with the new policy for the remainder of the current financial year, although if current market forecasts are correct, it is anticipated that the Company will have sufficient operating free cash flow to support payment of a covered dividend in 2025. 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.

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.

Operating capacity of the portfolio will grow by over 40% as the remaining assets come online. This will, in turn, drive an increase in operational free cash flow. For the purposes of providing guidance to Shareholders, and on the basis of a fully operational portfolio comprising all the Company's assets, an annual average revenue performance of c.£100k/MW would generate sufficient operational free cash flow to allow a distribution of 8 pence per Ordinary Share.

INTENDED INTRA-GROUP CAPITAL RESTRUCTURE

The Company has, to date, injected cash into its direct and indirect 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 made to subsidiaries, may not match the actual cash received by the underlying subsidiary holding the projects. As an Investment Trust, the Company is required to distribute the majority of gross income as dividends to Shareholders and the Investment Adviser is therefore working with advisers to restructure the capital mix throughout the group, and reduce 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) aligning the Company's accounting income to the underlying performance of its subsidiaries and therefore ensuring any required dividend payment under Investment Trust rules aligns to the cash generated through operations.

This restructure is seen as standard practice and will be reflected in the year-end accounts once completed.

ASSET SALE PROCESS

Chart 6 on the next page demonstrates the disconnect between the current market capitalisation and NAV:

- Taking a share price of 50 pence per share, the market is effectively valuing the Company's gross assets at £616k/MW.
- The Investment Adviser has live information from third party, 2-hour BESS projects being tendered and/or contracted for construction both in GB and Europe and based on this information estimates the average CapEx of a project (excluding any development premium) to be around £625k/MW.
- Recent transactions involving shovel ready projects imply development premiums remain at around £100-140k/MW which when combined with project CapEx implies a total new-build cost of at least £725k/MW.

- Assuming an 18-month build time (although many asset owners have experienced much longer build times than this), a cost of capital of 10.5% per annum would add a further £117k/MW to the cost of a new-build project thereby bringing the total new-build cost to £842k/MW.
- The above analysis implies the Company's NAV incorporates a premium of just £30k/MW for the benefit of a portfolio which is 70% operational compared to the cost and risk of building a new project. The IA sees this as a very low operating premium given the significantly reduced risk involved in acquiring an operating project versus a new build.

The Investment Adviser continues to observe private investors making investment decisions to break ground and commence construction of new projects in GB, and therefore believes that the Company's projects are valued appropriately. Since announcing that the Investment Adviser was instructed to explore the potential for one or more asset sales in February 2024, a number of informal expressions of interest were received. In order to demonstrate the valuation disconnect described above, and to maximise value for Shareholders, the Company has engaged JLL with a mandate to seek offers for some or all of the Company's assets.

Any decision to divest the entire portfolio would only be taken in the event of a deliverable and credible offer being received at pricing which the Board considers attractive

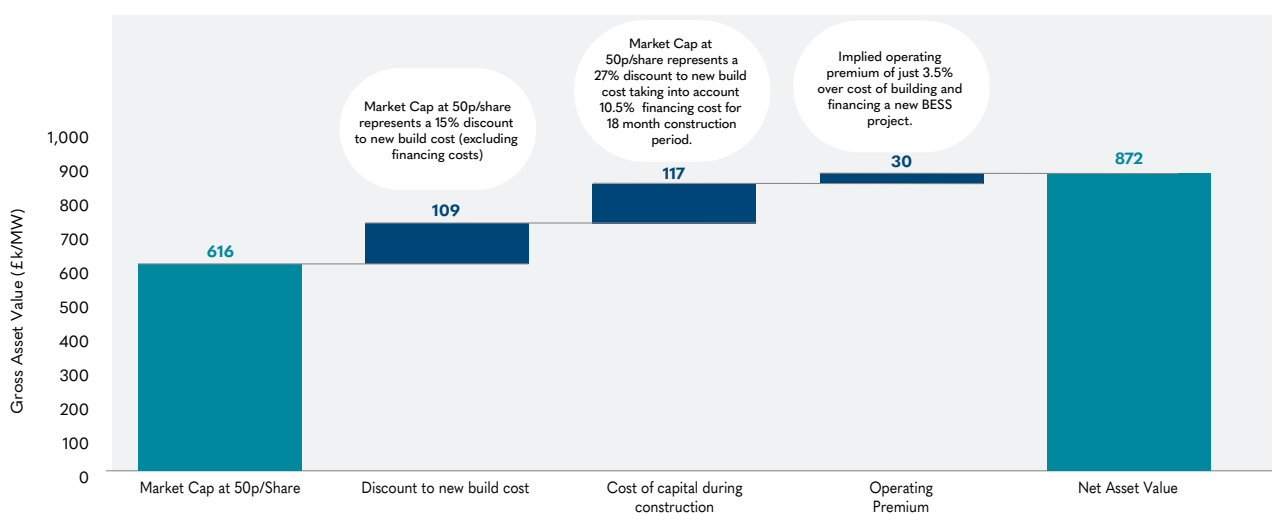
to Shareholders, and any such sale would be conditional upon shareholder approval.

In the event that the process results in the sale of one or more assets (but not the entire portfolio), the proceeds would be applied, at least partly, to reduce gearing. Depending on the level of proceeds, the Board will also consider buying back Shares if the significant discount to NAV at which the Ordinary Shares are trading persists.

MARKET OUTLOOK

The circumstances which created the opportunity for Bumpers 2 to perform so well on 12 April 2024 are likely to become more commonplace as GB continues to decarbonise its electricity system and intermittent, renewable-generating plants (i.e. wind and solar) more frequently become the dominant generating source. It is this kind of structural change, coupled with enabling operational enhancements such as OBP, which underpins the business case for 2-hour duration BESS and demonstrates the long-term ability of the portfolio to deliver stable returns. The recent revenue volatility is, in the Investment Adviser's opinion, a relatively short-term symptom of this transition away from reliance on Ancillary Services, and the asset sales process described above is expected to provide further evidence of the inherent value of BESS as an essential part of GB's transition to net zero.

CHART 6: MARKET CAP TO NAV BRIDGE



Source: Harmony Energy Advisors Limited

Principal Risks and Uncertainties

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

WHAT WE MONITOR

The AIFM initially prepared a risk register for the Company based on the risks stated in the Prospectus. The risk register is regularly reviewed by the Investment Adviser, the AIFM and the Board and updated to reflect any emerging risks or changes to the existing risks. Day-to-day ownership of risk sits with named individuals at the Investment Adviser, who monitor and assess both current and emerging risks, as well as with the AIFM, which is responsible for the function of risk management. Risks are categorised and assessed to determine the likelihood of their crystallising and the potential impact of such risks. Ratings are applied to the risks before any mitigating actions and again following consideration of the adequacy of mitigating actions implemented. Mitigating actions are summarised in the risk register and are subject to periodic 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 Company's Audit and Risk Committee meets at least three times each year. The Committee reviews the adequacy and effectiveness of the Company's internal controls and risk management systems and every six months it carries out a reassessment of the principal and emerging 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 supporting the Board in its maintenance of the Company's risk management policy and implementation of said policy. Representatives of the AIFM meet with 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 Risk Committee in advance of circulation of the risk register to the Board for its review.

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.

The Board considers the following to be, respectively, the principal and emerging risks facing the Company as at the date of approval of the Interim Report.

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. NG ESO is responsible for the structure and operation of both the BM and the Ancillary Service markets, and wholesale trading prices are influenced by factors outside of the Company's control.	<ul style="list-style-type: none"> • Reduced revenue; • Reduced NAV; • Inability to declare future dividends; • Inability to pay debts as they fall due. 	<ul style="list-style-type: none"> • Subscriptions to third-party revenue forecasters, regular market intelligence and understanding of macro-drivers. • Engagement with industry stakeholders and policymakers, including NG ESO. • Scrutiny of revenue optimiser performance to maintain high standards. • 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.
THE COMPANY'S NAV AT END OF 2024		
HEIT's NAV is lower than £250m by the end of the Financial Year 2023/24.	Such event will trigger a continuation vote, which could result in Company executing a managed wind down.	<ul style="list-style-type: none"> • All parties will monitor the situation on an ongoing basis at each Board meeting.

RISK DESCRIPTION	POSSIBLE CONSEQUENCES	MITIGATING ACTIONS
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PROJECT SUPPLIER RISK		
Adverse changes to estimated costs and delivery timetable from key suppliers; battery installation delays.	<ul style="list-style-type: none"> • Increased costs. • Delay to income generation. • Reduced NAV. 	<ul style="list-style-type: none"> • Tender processes for future contracts are conducted with suppliers with a strong track record. • EPC (or BESS supply) contracts contain robust obligations (including liquidated damages provisions) regarding price and delivery timetables. • Contingency is included in project budgets for unexpected price increases.

GENERAL RISKS AFFECTING THE SHARES		
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<p>The value of shares in the secondary market may fluctuate due to factors outside the control of the Company. It may be difficult for Shareholders to realise their shares at close to NAV and there may not be a liquid market. The market price of the shares may not reflect their underlying net asset value.</p> <p>Share buy backs may not adequately influence the discount in the secondary market.</p> <p>The Company may not have surplus cash available to buy back shares.</p>	<ul style="list-style-type: none"> • Shares trade at a deep discount, resulting in shareholder losses and complaints. • Inability to raise additional equity capital. • Inability to purchase additional projects. 	<ul style="list-style-type: none"> • The Joint Brokers and IA monitor the share price daily in the secondary market and report to the Board if necessary. The Board will then consider options to address the situation. • The Board discusses share buybacks at every quarterly Board meeting. Buybacks are dependent on having sufficient free cash. • Liberum has been appointed as a new Joint Broker and there is an increased focus on marketing HEIT to new investors. • The Board, the Joint Brokers and the IA monitor the market on a regular basis with a view to taking actions if and when it is necessary.
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VALUATION RISK		
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<p>The Company invests in unquoted assets and valuations will involve the IA, AIFM and Board.</p> <p>The Company is relying on the judgement, calculations and internal controls of the IA.</p>	<ul style="list-style-type: none"> • Errors in valuations could lead to shareholder complaints or suits for losses and regulatory censure. • The possible sale of assets for less than market value. 	<ul style="list-style-type: none"> • The IA has subscribed third-party forecasters to provide independent data to support the quarterly NAV valuations. • The IA valuation model and methodology has been independently audited to check it performs calculations appropriately and contains sensible internal controls, checks and balances. • The IA has implemented appropriate controls and approval processes around making any changes to the valuation model. • Semi-annual valuations will be provided by an independent valuer. The independent valuer will regularly update its valuation of each Project based upon, among other things, recent market comparables and the relative liquidity of the assets. • The NAV methodology and process is reviewed on a regular basis to ensure it is fit for purpose.
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DELAYS TO GRID CONNECTION TIMETABLES		
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Delays to grid connection timetables in relation to pipeline projects and portfolio projects which are not yet connected.	<ul style="list-style-type: none"> • The increased pressure on DNOs and TSOs to facilitate an increased number of new grid connections raises the risk of DNOs failing to meet pre-agreed timetables. • New pipeline projects may be allocated long-dated connection times, thus delaying the overall deployment of low carbon generation and progress towards net zero. 	<ul style="list-style-type: none"> • The Investment Adviser engages in a continuous dialogue with its relationship contacts at relevant DNOs and works with them to proactively manage the connection timetable, identifying and managing potential connection issues as early as possible and thus minimising the risk of delays. • The Investment Adviser also seeks to make prompt payment to the DNOs of relevant milestone amounts which enables the DNOs to order requisite equipment within appropriate timescales. In relation to future Pipeline Projects, (as defined in the Prospectus) the Investment Adviser also engages with DNOs early in the development process (prior to acquisition by the Company) to filter out those projects most at risk of delay caused by requisite network infrastructure upgrade works.
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Principal Risks and Uncertainties continued

RISK DESCRIPTION	POSSIBLE CONSEQUENCES	MITIGATING ACTIONS
RELIANCE ON THIRD PARTIES		
All directors are independent non-executive and the Company has no employees, so it is reliant on third party service providers for all operational processes.	<ul style="list-style-type: none"> Inability to perform its duties in the event of a disruption on the activities of a third-party supplier; The quality of the services that the Company receives may be impacted by third-party suppliers being inadequately resourced. 	<ul style="list-style-type: none"> The management of the IA and Harmony Energy Limited have made significant personal investment into the Company and have therefore aligned their interests with those of Shareholders. The Board, via its Management Engagement Committee (the "MEC"), reviews the performance of its main suppliers, including the IA, on at least a yearly basis and takes measures to address suppliers' performance when necessary. The Board, through the MEC, ensures that the fees paid to suppliers are adequate to ensure appropriate service levels.
INCOME RISK		
The ability of the Company to pay its core operating expenses is dependent on the Company receiving sufficient income.	<ul style="list-style-type: none"> Inability of the Company to pay its expenses as they fall due. 	<ul style="list-style-type: none"> For the current portfolio, operating expenses are subject to long-term contract with suppliers, which means that HEIT has greater control over its costs and is able to plan accordingly. The Company has the ability to sell one or more assets if necessary.
TARGET RETURNS		
Targets are based on estimates and assumptions, which may change over time and may be outside of the Company's control.	<ul style="list-style-type: none"> Failure to meet targets, resulting in shareholder criticism and complaints. Shares may continue to trade at a deep discount. 	<ul style="list-style-type: none"> The Board, AIFM and IA monitor performance on a regular basis and report to the Board on a quarterly basis on portfolio returns. The Board, AIFM and IA have the necessary experience to manage the portfolio and address issues as soon as they occur. The IA knows the market well, with the necessary experience to make appropriate recommendations. Conservative targets were set and they are continually monitored.
PERFORMANCE OF REVENUE OPTIMISERS		
Revenue optimisers may not perform as effectively as expected, leading to reduced revenue receipts.	<ul style="list-style-type: none"> Reduced revenue; Inability to declare future dividends; Reduced cash availability. 	<ul style="list-style-type: none"> Each revenue optimiser regularly reports to the Investment Adviser who uses its skills and experience to input into trading strategy evolution on a regular basis. The revenue optimisers are engaged on rolling short-term contracts so they can be replaced in the event of prolonged poor performance. Each revenue optimiser's fee is structured as a percentage of project revenues, so there is an incentive to outperform.

RELATED-PARTY TRANSACTIONS

Detailed information on related-party transactions can be found on pages 46 and 47 of this report.

Environmental, Social, and Governance (“ESG”) Update

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“Rapid expansion of batteries will be crucial to meet climate and energy security goals set at COP28”

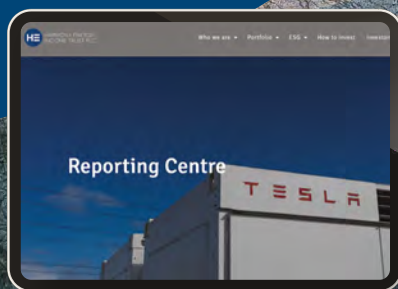
International Energy Agency¹

INTRODUCTION

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 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 of Directors 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.

More information on our materiality assessment and ESG strategy can be found in our previous Annual Report and Accounts and on our [website](#).



¹ Source: IEA ‘Batteries and Secure Energy Transitions’ <https://iea.blob.core.windows.net/assets/cb39c1bf-d2b3-446d-8c35-aae6b1f3a4a0/BatteriesandSecureEnergyTransitions.pdf>

Environmental, Social, and Governance Update continued

The Pillswood BESS has consistently ranked among one of GB's top-performing BESS facilities since its launch.

H1 2023/24 ESG PROGRESS UPDATE

During the first half of the year, the Company continued to progress its priority ESG workstreams. Notable activities during the Reporting Period are included below.



ENABLING A NET ZERO ENERGY SYSTEM

The Company's BESS assets contribute to climate change mitigation however, the Company also takes responsibility for measuring and reducing the Greenhouse Gas ("GHG") emissions associated with its operations and supply chain, and for managing climate-related risks and opportunities.

H1 2023/24 notable ESG updates

- The Company's five operational sites have a combined capacity of 555 MWh / 277.5 MW, capable of powering around 900,333 UK homes for two hours. During the Reporting Period, the Company's BESS assets stored 51,371 MWh of renewable energy and avoided an estimated 29,858 tonnes of CO₂e emissions from entering the atmosphere.
- The Investment Adviser continues to collaborate with delivery partners and suppliers to enhance GHG data collection processes for more accurate measurement and to encourage GHG emissions reduction measures across its operations and supply chain.
- The Company's approach to managing climate-related risks and opportunities was enhanced through the integration of the Company's first integrated Taskforce on Climate-related Financial Disclosures and Taskforce on Nature-related Financial Disclosures aligned assessment into the wider risk management process.

Looking ahead

- The Company's Rusholme, Wormald Green and Hawthorn Pit projects are due to come online during the second half of the year, adding an extra 235.8 MWh / 117.9 MW of storage capacity to the grid.

SDGs: 7, 9 and 13



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.

H1 2023/24 notable ESG updates

- The Company introduced its first Environmental Policy outlining its environmental commitments and enhancing its environmental management system.
- The Investment Adviser engaged with key suppliers and partners regarding the management of environmental issues to drive sustainable change across its indirect activities. This included site visits to support the Principal Contractor's efforts to improve sustainability practices at Wormald Green and Hawthorn Pit.
- There were zero incidents that met the Environment Agency definition of a reportable environmental incident at the Company's sites during the Reporting Period. However, following the unusually wet weather in H1 2023/4, there was a non-reportable environmental incident at Wormald Green involving sediment-laden water runoff into an adjacent field. The delivery team worked with an independent water drainage adviser to identify and implement mitigation measures to ensure runoff from the site is appropriately managed.

Looking ahead

- The Company will continue to further develop its understanding, management and disclosure of nature-related risks, opportunities, impacts and dependencies.

SDGs: 6, 12 and 15



In H1 2023/24, the Farnham Community Fund contributed towards the installation of ground-mounted solar panels at Farnham Community Farm.



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.

H1 2023/24 notable ESG updates

- The Farnham and Broadditch Community Funds were distributed to 14 local organisations, helping to ensure the Company's activities benefit the communities around its sites.
- The Company introduced its first [Human Rights Policy](#) outlining its human rights commitments and strengthening its approach to upholding human rights.
- Five Health and Safety incidents occurred at the Company's sites. This included one RIDDOR incident, one lost time incident, and three slips, trips, and falls-related incidents. All incidents have been investigated and closed, with mitigation measures implemented. Additionally, the Harmony Energy group, of which the Investment Adviser is a part, has enhanced the robustness of its Health and Safety procedures, such as the Emergency Response Plan.
- The Harmony Energy Group has strengthened certain HR policies and processes to promote equality, diversity and inclusion. This included updating the recruitment process and introducing a new parental leave policy with enhanced maternity and paternity pay.

Looking ahead

- The Pillwood, Bumpers and Little Raith Community Funds will be disbursed in H2 2023/24. Community Funds will also be established for Rusholme, Wormald Green and Hawthorn Pit once these projects are operational.

SDGs: 1, 3, 4, 5, 8, 10, 11, 16



BEHAVING AND INVESTING RESPONSIBLY

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 of the supply chain.

H1 2023/24 notable ESG updates

- The ESG Committee, which is responsible for certain aspects of ESG oversight and operational decision-making, met and agreed the ESG priorities and roadmap for the year.
- The Company elected to voluntarily publish its inaugural SFDR Article 8 disclosure [available here](#), as well as disclosing data against the full set of Principal Adverse Impact indicators. This is an important step in enhancing transparency and accountability, ensuring investors have the information needed to make informed investment decisions aligned with a sustainable future.
- The Company is updating the ESG section 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.


Looking ahead

- The Company will publish its first public United Nations Principles of Responsible Investment Transparency Report.

Governance Report

In this section

- 27 Directors' Report
- 29 Directors' Responsibility Statement



Harmony Energy's Asset Management team (Asset Manager Emily Taylor pictured) is responsible for the commercial and technical aspects of HEIT's assets, ensuring they are available and optimised efficiently.

Directors' Report

The Directors present their report together with the Condensed Financial Statements for the Reporting Period.

PRINCIPAL ACTIVITY AND STATUS

Harmony Energy Income Trust Plc (the "Company") was incorporated in England and Wales on 1 October 2021 with registered number 13656587. It is an investment company within the meaning of Section 833(1) of the Companies Act 2006.

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 Sterling Pounds (£) and currently consists of Ordinary Shares. The Company's principal activity is investing in commercial scale battery energy storage systems ("BESS") and renewable energy generation projects, with an initial focus on a diversified portfolio of BESS located in Great Britain.

COMPANY PERFORMANCE

Details on the performance of the Company and its assets can be found in the Chair's Statement and the Investment Adviser's Report on pages 4 and 6 respectively.

SHARE CAPITAL

At 30 April 2024, the Company's share capital comprised 227,128,295 Ordinary Shares of 1 pence each.

DISTRIBUTIONS – DIVIDEND AND INTEREST

All Ordinary Shares are entitled to receive dividends and interest distributions and, during the Reporting Period, the Company has declared and paid dividends, as shown in the table below.

The Company's dividend policy authorises the directors to declare and pay all dividends as interim dividends, and for the last dividend referable to a financial year not to be categorised as a final dividend that is subject to shareholder approval. The Company's dividend policy will be tabled for approval at each annual general meeting. Dividends are not recognised in the financial statements of the Company until paid. The results of the Company are disclosed in the Investment Adviser's Report on page 6 of this Interim Report.

Period in relation to which dividend was paid	Announcement date	Ex-dividend date	Payment date	Amount per Ordinary Share	Dividend	Interest Distribution	Total amount
31 October 2023	30 November 2023	7 December 2023	22 December 2023	2p	0.3p	1.7p	2p

DIRECTORS

During the Reporting Period there were no changes in Directors. All Directors are independent non-executive Directors. The Directors during the Reporting Period and the remuneration paid to them during the Reporting Period are set out below.

Director	Annual remuneration (£)	Remuneration received in period ended 30 April 2024 (£)
Norman Crighton	55,125	27,562.50
Janine Freeman	49,613	24,806.50
Hugh McNeal	44,100	22,050
William Rickett	44,100	22,050
Shefaly Yogendra	44,100	22,050

The Directors are also entitled to be paid all reasonable expenses properly incurred by them in connection with the performance of their duties. During the Reporting Period, such expenses were de minimis and were in line with the Directors' Expenses Policy.

The Directors' beneficial interests (including those of connected persons) as at 30 April 2024 in the issued share capital of the Company are outlined on the next page. There is no minimum holding requirement that the Directors need to adhere to.

Directors' Report continued

Director	Number of ordinary shares held	Percentage of issued share capital (per cent)
Norman Crighton	16,528	0.01
Janine Freeman	29,823	0.01
Hugh McNeal	26,514	0.01
William Rickett	16,633	0.01
Shefaly Yogendra	11,618	0.01

The Company maintains £20 million of Directors' and Officers' Liability Insurance cover for the benefit of the Directors and Officers, which was in place throughout the Reporting Period, and which continues in effect at the date of this Interim Report.

SIGNIFICANT SHAREHOLDINGS

As at 30 April 2024 the Company had been advised, in accordance with Rule 5 of the FCA's DTRs, of the following holdings of voting rights in the ordinary share capital of the Company:

Shareholder	Number of ordinary shares	Percentage of issued share capital (per cent)
Schroders Plc	40,564,329	17.86
Harmony Energy Limited	27,338,696	12.04
Close Asset Management Limited	19,069,480	8.40
Handelsbanken Wealth & Asset Management	9,964,783	4.39
EQ Investors	12,222,728	5.38
PrimeStone Capital LLP	11,802,116	5.20
Premier Miton Group	11,463,857	5.05
Walker Crips Group	8,228,470	3.62
Waverton Investment Management Limited	7,531,114	3.32
Nicholas Norman Cournoyer	6,840,830	3.01

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

- PrimeStone Capital LLP changed to 23,197,910 Ordinary Shares (10.21%).

ANNUAL GENERAL MEETING

The Company held its Annual General Meeting on 18 April 2024. All resolutions proposed were voted on a poll and duly passed with the requisite majority.

GOING CONCERN

As set out in Note 2 on page 35, the Directors consider it appropriate to prepare the Financial Statements of the Company on a going concern basis.

POLITICAL CONTRIBUTIONS

The Company made no political contributions during the Reporting Period.

Directors' Responsibility Statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for maintaining proper accounting records which are sufficient to show and explain the Company's transactions. These records must disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. Additionally, the Directors are responsible for safeguarding the assets of the Company, including taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for preparing the Interim Report and Financial Statements and the Directors confirm that they consider that, taken as a whole, the Interim Report and Financial Statements is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy. In accordance with the FCA's Disclosure and Transparency Rules DTR 4.2.7 and DTR 4.2.8, the Directors confirm to the best of their knowledge that:

- a) the Financial Statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole;
- b) The Interim Report and Financial Statements include a fair view of important events that have occurred during the Reporting Period, and their impact on the set of Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- c) The Interim Report and Financial Statements include the related party transactions that have taken place in the Reporting Period and that have materially affected the financial position or the performance of the enterprise during that period.

The Directors have acknowledged their responsibilities in relation to the Financial Statements for the Reporting Period.

Signed by order of the Board,

Norman Crighton
Chair

Date: 26 June 2024

Financial Statements

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HARMONY ENERGY
INCOME TRUST PLC

The Pillswood (pictured), Bumpers and Little Raith Community Funds will be disbursed in H2.

Condensed Statement of Comprehensive Income

For the period ended 30 April 2024

	Notes	Revenue £	Capital £	1 November 2023 to 30 April 2024 Unaudited Total £
Income				
Loss on investments at a fair value through profit and loss	8	–	(45,109,762)	(45,109,762)
Income	4	7,413,548	–	7,413,548
		7,413,548	(45,109,762)	(37,696,214)
Expenses				
Administrative and other expenses	5	(1,339,978)	–	(1,339,978)
Profit/(loss) before taxation		6,073,570	(45,109,762)	(39,036,192)
Taxation	6	–	–	–
Profit/(loss) after tax and Total Comprehensive Income for the period		6,073,570	(45,109,762)	(39,036,192)
Earnings per share (basic and diluted): Ordinary shares	7	0.03	(0.20)	(0.17)

	Notes	Revenue £	Capital £	1 November 2022 to 30 April 2023 Unaudited Total £
Income				
Loss on investments at fair value through profit and loss	8	–	(10,957,006)	(10,957,006)
Income	4	6,160,795	–	6,160,795
		6,160,795	(10,957,006)	(4,796,211)
Expenses				
Administrative and other expenses	5	(2,021,389)	–	(2,021,389)
Profit/(loss) before taxation		4,139,406	(10,957,006)	(6,817,600)
Taxation	6	–	–	–
Profit/(loss) after tax and Total Comprehensive Income for the period		4,139,406	(10,957,006)	(6,817,600)
Earnings per share (basic and diluted): Ordinary shares	7	0.02	(0.05)	(0.03)

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 35 to 47 form an integral part of these Financial Statements.

Condensed Statement of Financial Position

As at 30 April 2024

	Notes	30 April 2024 Unaudited £	31 October 2023 Audited £
Non-current assets			
Investments held at fair value	8	204,093,717	240,025,781
		204,093,717	240,025,781
Current assets			
Trade and other receivables	9	2,970,902	4,452,273
Cash and cash equivalents	10	11,914,491	18,093,379
		14,885,393	22,545,652
Total assets		218,979,110	262,571,433
Current liabilities			
Trade and other payables	11	449,776	463,341
Net current assets		14,435,617	22,082,311
Total net assets		218,529,334	262,108,092
Shareholders' equity			
Share capital	15	2,271,283	2,271,283
Share premium	15	21,370,889	21,370,889
Capital reduction reserve	15	194,094,197	194,094,197
Revenue reserve		4,637,400	3,106,396
Capital reserve		(3,844,435)	41,265,327
Total Shareholders' equity		218,529,334	262,108,092
Net asset value per Ordinary share (pence)	17	96.21	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 26 June 2024 by:

Norman Crighton

Chairman

The notes on pages 35 to 47 form an integral part of these Financial Statements.

Condensed Statement of Changes in Equity

For the period ended 30 April 2024

Six months ended 30 April 2024 Unaudited	Notes	Share capital £	Share premium £	Capital reduction reserve £	Revenue reserve £	Capital reserve £	Total Shareholders' equity £
Balance at 1 November 2023		2,271,283	21,370,889	194,094,197	3,106,396	41,265,327	262,108,092
Transactions with owners:							
Dividends paid	18	-	-	-	(4,542,566)	-	(4,542,566)
Total comprehensive income for the period:							
Profit/(loss) for the period		-	-	-	6,073,570	(45,109,762)	(39,036,192)
Balance at 30 April 2024		2,271,283	21,370,889	194,094,197	4,637,400	(3,844,435)	218,529,334

Six months ended 30 April 2023 Unaudited	Notes	Share capital £	Share premium £	Capital reduction reserve £	Revenue reserve £	Capital reserve £	Total Shareholders' equity £
Balance at 1 November 2022		2,100,000	-	202,693,046	(63,003)	53,080,091	257,810,134
Transactions with owners:							
C Share conversion into Ordinary Shares	15	171,283	21,370,889	-	-	-	21,542,172
Dividends paid	18	-	-	(4,213,783)	(2,428,783)	-	(6,642,566)
Total comprehensive income for the period:							
Profit/(loss) for the period		-	-	-	4,139,406	(10,957,006)	(6,817,600)
Balance at 30 April 2023		2,271,283	21,370,889	198,479,263	1,647,620	42,123,085	265,892,140

The notes on pages 35 to 47 form an integral part of these Financial Statements

Condensed Statement of Cash Flows

For the period ended 30 April 2024

	Notes	1 November 2023 to 30 April 2024 Unaudited £	1 November 2022 to 30 April 2023 Unaudited £
Cash flows from operating activities			
Loss for the period		(39,036,192)	(6,817,600)
Adjustments for non-cash items:			
Net loss on investments at fair value through profit and loss	8	45,109,762	10,957,006
Investment Income	4	(6,341,144)	(5,299,492)
Service fee income	4	(1,072,404)	(520,411)
Operating cash flows before movements in working capital		(1,339,978)	(1,680,497)
Decrease/(increase) in trade and other receivables		2,553,775	(83,581)
(Decrease)/increase in trade and other payables	11	(13,565)	96,265
Net cash inflow/(outflow) from operating activities		1,200,232	(1,667,813)
Cash flows used in investing activities			
Purchase of Investments		(2,836,554)	(110,050,093)
Net cash outflow from investing activities		(2,836,554)	(110,050,093)
Cash flows used in financing activities			
Dividends paid		(4,542,566)	(6,642,566)
Net cash outflow from financing activities		(4,542,566)	(6,642,566)
Net decrease in cash and cash equivalents for the period		(6,178,888)	(118,360,472)
Cash and cash equivalents at the beginning of the period		18,093,379	124,571,626
Cash and cash equivalents at the end of the period		11,914,491	6,211,154

The notes on pages 35 to 47 form an integral part of these Financial Statements.

Notes to the Financial Statements

For the period from 1 November 2023 to 30 April 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 Unaudited Condensed Interim Financial Statements (the “Financial Statements”) have been prepared in accordance with prepared in accordance with UK adopted International Accounting Standard 34 ‘Interim Financial Reporting’. The Financial Statements have been prepared on a historical cost basis except for financial assets and liabilities which are held at fair value through profit or loss. The Financial Statements have been prepared on a basis that is consistent with accounting policies applied in the preparation of the Company’s Annual Financial Statements for 31 October 2023 and in conformity with the requirements of the Companies Act 2006 and also considers Statement of Recommended Practice (“SORP”) “Financial Statements of Investment Trust Companies and Venture Capital Trusts”, updated by the AIC in July 2022.

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 that 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 its subsidiary at fair value and therefore prepares separate accounts only. The Financial Statements are also prepared on the assumption that approval as an investment trust will continue to be granted.

These Financial Statements do not include all information and disclosures required in the Annual Financial Statements and should be read in conjunction with the Company’s audited Financial Statements for the year ended 31 October 2023 which were prepared in accordance with UK adopted international accounting standards (“IAS”).

During the period ended 30 April 2024 there have been no new standards, amendments to current standards, or new interpretations which were deemed to materially impact these Financial Statements.

There are no new standards, amendments or interpretations at the reporting date which have been issued but are not yet effective, which could impact the Financial Statements of the Company, and which are deemed to be material for the Company.

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

In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council.

In reaching its conclusion, the Board has considered the risks that could impact the Company’s liquidity over the period from 26 June 2024 to 30 June 2025 (the “Going Concern Period”).

As at 30 April 2024, the Company and its subsidiaries had net current assets including net cash balances of £24.7 million. The Company, through its wholly owned subsidiary HEIT Holdings Ltd, has access to a £130 million debt facility with NatWest, in syndication with Rabobank. The facility was fully drawn at 30 April 2024.

The Investment Adviser and the Directors have assessed the cash flow forecasts and debt servicing commitments in light of recent trading performance. The Directors are aware and understand that the Company’s revenues can be volatile and therefore have reviewed the results of cash flow forecasts analysing the expected position of the Company under a prudent scenario as well as a reasonable worst-case scenario. Both scenarios take into account the availability of cash reserves and receivables whilst assuming that all projects are brought into operations during the Going Concern Period.

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

Notes to the Financial Statements continued

The reasonable worst-case scenario assumes non-contracted revenue earned by underlying investee companies is c.23% lower than in the prudent scenario. Under both scenarios the cash flow forecasts shows that sufficient cash is expected to be available to meet the Company's obligations and commitments (including but not limited to construction contracts, working capital requirements and debt service).

The Directors note that the Company is not reliant on revenues from operating projects in order to meet its commitments in relation to the funding of project construction costs. Having considered the results of the two 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 operating revenues over the Going Concern Period. The Company is also exploring the option of selling one or more assets but any such disposal is not included in the two forecast scenarios.

The Company's prospectus at the time of IPO commits the Directors to put forward a continuation vote at the subsequent annual general meeting of the Company if NAV is below £250 million at the end of 2024. This possibility, and the probability of such a vote passing has been taken into account by the Directors in making their assessment. The potential outcome of such a vote occurring and passing represents a material uncertainty that would cast significant doubt on the Company's ability to continue as a going concern and therefore to continue realising their assets and discharging their liabilities in the normal course of business.

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 Directors acknowledge their responsibilities in relation to the Financial Statements for the period ended 30 April 2024 and the preparation of the Financial Statements on a going concern basis remains appropriate. The Company expects to meet its obligations as and when they fall due for at least the next twelve months after the date of approval of the Financial Statements.

As such, the Directors have adopted the going concern basis in preparing the Financial Statements. The Financial Statements do not include the adjustments that would result if the Company were unable to continue on a going concern basis.

3. 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 period 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:

- the Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;
- 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
- 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 battery energy storage systems 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, 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 Harmony Energy Advisors Limited (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 Directors are responsible for the determination of the Company's investment policy and strategy and has overall responsibility for the Company's activities including the review of investment activity and performance. The Board will also make the decision to acquire or dispose of Projects, based on recommendations made by the AIFM acting upon advice given by the Investment Adviser.

A further indicator of whether a Company is an investment entity is the expectation they hold more than one asset. The Company holds one investment directly but several indirectly, as there is a portfolio of assets within HEIT Holdings Ltd.

As at 30 April 2024, the Company had the following subsidiary;

- HEIT Holdings Ltd

Through its subsidiary HEIT Holdings Ltd, the Company indirectly holds the following investments in subsidiaries:

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

The Directors have evaluated whether the Company is an investment entity and concluded that it meets the definition set out in IFRS 10. The Directors are also of the opinion that the Company meets the essential criteria of an investment entity. Therefore, its direct and indirect 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 8). 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. These estimates and assumptions are subject to measurement uncertainty by their nature. The impact on the Company's Financial Statements of changes in future periods may be significant. These estimates are further discussed in note 14.

4. INCOME

	30 April 2024 £	30 April 2023 £
Service fee income	1,072,404	520,411
Investment income*	6,341,144	5,299,492
Bank interest income	–	340,892
	7,413,548	6,160,795

Refer to note 8 for further detail on interest on loan to subsidiary recognised in Investment income.

* Refer to note 21 Post Balance Sheet Events, for further details of the proposed reduction of investment income to be recognised by the Company for the year ended 31 October 2024.

Notes to the Financial Statements continued

5. ADMINISTRATIVE AND OTHER EXPENSES

	30 April 2024 £	30 April 2023 £
Administrative fees	24,000	23,300
AIFM fees	28,098	38,505
Director & officer insurance	15,665	12,507
Directors' fees	118,519	125,580
Fees payable to the auditor for the audit of the Company's Financial Statements	92,000	70,000
Legal and professional fees	452,577	453,611
Investment adviser fees	580,905	1,201,609
Secretarial fees	22,500	53,275
Sundry expenses	5,714	43,002
	1,339,978	2,021,389

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

6. TAXATION

The Company is recognised as an Investment Trust Company ("ITC") for accounting periods beginning on or after 1 October 2021 and is taxed at the main rate of 19% until 31 March 2023 and then at 25% until 30 April 2024.

	30 April 2024 £	30 April 2023 £
a) Tax charge in profit or loss UK corporation tax	-	-
b) Reconciliation of the tax charge for the period		
Loss before tax	(39,036,192)	(9,123,346)
Tax at UK main rate of 25% (2023: 20%)	(9,759,048)	(1,824,898)
Tax effect of:		
Non-taxable investment losses on investments	11,277,441	2,652,550
Non-deductible expenses	-	28,131
Unrecognised tax losses	-	-
Tax deductible interest distributions paid	(1,135,642)	(454,133)
Future tax deductible interest distributions and other deductions	(382,751)	(401,650)
Tax charge for the period	-	-

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%. The main rate of corporation tax changed from 19% to 25% from 1 April 2023 for companies with profits over £250,000.

As at 30 April 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 no unrelieved losses.

7. BASIC AND DILUTED EARNINGS PER SHARE

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

	Weighted average number of ordinary shares	Net loss attributable to Shareholders £	EPS 30 April 2024 £
Ordinary Shares	227,128,295	39,036,192	(0.17)

	Weighted average number of Ordinary Shares	Net loss attributable to Shareholders £	EPS 30 April 2023 £
Ordinary Shares	227,128,295	6,817,600	(0.03)

8. INVESTMENTS HELD AT FAIR VALUE

The Company held the following investments at 30 April 2024:

Subsidiary	Place of business	Percentage ownership	Equity £	Loan £	Closing balance: equity and loan £
HEIT Holdings Ltd	Bond End, Knaresborough	100%	39,076,048	165,017,669	204,093,717

The Company held the following investments at 31 October 2023:

Subsidiary	Place of business	Percentage ownership	Equity £	Loan £	Closing balance: equity and loan £
HEIT Holdings Ltd	Bond End, 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 held at fair value through profit or loss.

As disclosed in note 21 (Post Balance Sheet Events), the Company intends to convert a portion of its loan to HEIT Holdings Ltd to equity during the year ended 30 October 2024.

The table below summarises the movement of investments held at fair value for the period 1 November 2023 to 30 April 2024 and the year ended 31 October 2023:

	1 November 2023 to 30 April 2024 £	1 November 2022 to 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	–	99,998,291
Loans advanced during the year	2,836,554	86,286,593
Interest on loans	6,341,144	11,582,996
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	(45,109,762)	(7,161,610)
Closing balance	204,093,717	240,025,781

Notes to the Financial Statements continued

The Company owns 100 per cent of the share capital of HEIT Holdings Ltd which holds investments in the following underlying subsidiaries. The investment totalling £204,093,717 (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 14.

Underlying Subsidiaries	Project	Place of business	Percentage ownership	Fair value 30 April 2024 £	Fair value 31 October 2023 £
HEIT PW Limited	Pillswood 1	Bond End, Knaresborough	100%	42,009,176	48,918,397
HEIT PW2 Limited	Pillswood 2	Bond End, Knaresborough	100%	41,297,543	49,012,689
HEIT BD Limited	Broadditch	Bond End, Knaresborough	100%	11,450,867	11,516,954
HEIT FM Limited	Farnham	Bond End, Knaresborough	100%	20,704,116	20,578,103
HEIT RH Limited	Rusholme	Bond End, Knaresborough	100%	23,266,131	27,130,822
HEIT LR Limited	Little Raith/ Daisy No.2	Bond End, Knaresborough	100%	43,943,233	42,789,696
HEIT BF Limited	Bumpers	Bond End, Knaresborough	100%	95,172,800	87,028,196
HEIT HP Limited	Hawthorn	Bond End, Knaresborough	100%	29,156,229	27,508,395
HEIT WG Limited	Wormald Green	Bond End, Knaresborough	100%	18,049,963	17,402,843
Total fair value of projects				325,050,058	331,886,095
Working capital				5,304,703	3,196,508
Senior loan facility				(126,261,044)	(95,056,822)
Total investment				204,093,717	240,025,781

9. TRADE AND OTHER RECEIVABLES

	30 April 2024 £	31 October 2023 £
Prepayments	60,148	48,486
VAT receivable	1,622,913	1,367,690
Intercompany loans receivable	820,131	748,668
Amounts due from related parties	465,905	2,247,402
Other receivables	1,805	40,027
	2,970,902	4,452,273

10. CASH AND CASH EQUIVALENTS

	30 April 2024 £	31 October 2023 £
Cash at bank	11,914,491	18,093,379
	11,914,491	18,093,379

11. TRADE AND OTHER PAYABLES

	30 April 2024 £	31 October 2023 £
Trade creditors and operating accruals	257,832	101,599
Administrator fees	52,000	28,000
AIFM fees	–	5,621
Audit fees	48,000	184,000
Investment adviser fees	91,944	144,121
	449,776	463,341

12. CATEGORIES OF FINANCIAL INSTRUMENTS

	30 April 2024 £	31 October 2023 £
Financial assets		
Financial assets at fair value through profit and loss:		
Investments held at fair value	204,093,717	240,025,781
Financial assets at amortised cost:		
Trade and other receivables	2,970,902	4,452,273
Cash and cash Equivalents	11,914,491	18,093,379
Total financial assets	218,979,110	262,571,433
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables	449,776	463,341
Total financial liabilities	449,776	463,341

At the balance sheet date, all financial assets and liabilities were measured at amortised cost except for investments held at fair value which is measured at fair value as further explained in note 8. The carrying amount for the financial assets and liabilities measured at amortised costs approximates fair value.

13. FINANCIAL RISK MANAGEMENT

As at 30 April 2024 there have been no changes to the financial risks identified in the Annual Financial Statements of 31 October 2023.

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 in the Annual Financial Statements of 31 October 2023.

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.

The Company was also guarantor to its subsidiary in the period in respect of a debt facility and in relation to certain construction and/or battery supply contracts. Per the going concern note, the Company has determined the likelihood of these guarantees being enforced to be remote.

As at 30 April 2024, the Company held cash at bank of £11,914,491 and had trade and other payables totalling £449,776.

Notes to the Financial Statements continued

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

As at 30 April 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*	–	–	–	165,017,669	165,017,669
Financial assets at amortised cost:					
Trade and other receivables	2,970,902	–	–	–	2,970,902
Cash at bank	11,914,491	–	–	–	11,914,491
Total financial assets	14,885,393	–	–	165,017,669	179,903,062

As at 30 April 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	449,776	–	–	–	449,776
Total financial liabilities	449,776	–	–	–	449,776

*Includes the interest on loans advanced and excludes the equity portion of the investment.

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:					
Trade and other receivables	4,452,273	–	–	–	4,452,273
Cash at bank	18,093,379	–	–	–	18,093,379
Total financial assets	22,545,652	–	–	155,839,973	178,385,625

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.

14. 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 30 April 2024:

	Level 1 £	Level 2 £	Level 3 £
Investments held at fair value	–	–	204,093,717

The valuation of investments in subsidiary at fair value through profit or loss is a Level 3 measurement in the fair value hierarchy and the reconciliation in the movement of these is presented on the next page. No transfers between levels took place during the period.

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 £
Investments held at fair value	–	–	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 disclosed in note 8 Investments at fair value.

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 discounted cash flow methodology ("DCF"), "Income Approach", which indicates value based on the sum of the economic income that an asset, or group of assets, is anticipated to produce in the future. Free cash flow to total invested capital is typically the appropriate measure of economic income. The method discounts free cash flows using an estimated discount rate Weighted Average Cost of Capital ("WACC"). The selected discount rate is supported by the benchmarking of discount rates for assets in the same, or analogous sectors as the portfolio.

VALUATION PROCESS

Valuations are the responsibility of the Board of Directors. The Investment Adviser is responsible for submitting fair market valuations of the Company's assets to the Directors. The Directors review and approve these valuations following appropriate challenge and examination. Valuations are carried out quarterly, with Mazars acting as independent valuer providing a valuation report semi-annually. The current portfolio consists of non-market traded investments and valuations are based on a DCF methodology.

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

The AIFM acts as an oversight function in order to ascertain whether the valuation risk is being appropriately managed.

As at 30 April 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 8.

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.

Notes to the Financial Statements continued

Investment	Project	Investment fair value £	Valuation technique	Significant input description	Sensitivity	30 April 2024 Estimated effect on fair value £	30 October 2023 Estimated effect on fair value £	
HEIT PW Limited	Pillswood 1	42,009,176	DCF	Discount rate	+0.5 per cent	(1,820,627)	(1,962,728)	
					-0.5 per cent	1,961,201	2,116,324	
					Revenue	+10 per cent	4,463,232	5,061,300
					-10 per cent	(4,533,936)	(5,090,193)	
HEIT PW2 Limited	Pillswood 2	41,297,543	DCF	Discount rate	+0.5 per cent	(1,809,699)	(1,918,210)	
					-0.5 per cent	1,948,556	2,067,967	
					Revenue	+10 per cent	4,413,396	5,052,974
					-10 per cent	(4,462,983)	(5,096,376)	
HEIT BD Limited	Broadditch	11,450,867	DCF	Discount rate	+0.5 per cent	(492,175)	(454,100)	
					-0.5 per cent	530,370	488,989	
					Revenue	+10 per cent	1,128,354	1,135,280
					-10 per cent	(1,145,190)	(1,138,960)	
HEIT FM Limited	Farnham	20,704,116	DCF	Discount rate	+0.5 per cent	(905,456)	(880,030)	
					-0.5 per cent	976,140	947,875	
					Revenue	+10 per cent	2,119,010	2,136,741
					-10 per cent	(2,150,971)	(2,157,962)	
HEIT RH Limited	Rusholme	23,266,131	DCF	Discount rate	+0.5 per cent	(1,292,604)	(1,356,277)	
					-0.5 per cent	1,394,836	1,461,224	
					Revenue	+10 per cent	3,271,072	3,450,997
					-10 per cent	(3,298,640)	(3,503,648)	
HEIT LR Limited	Little Raith/Daisy No.2	43,943,233	DCF	Discount rate	+0.5 per cent	(1,915,162)	(1,819,262)	
					-0.5 per cent	2,063,389	1,957,919	
					Revenue	+10 per cent	4,749,097	4,941,061
					-10 per cent	(4,868,891)	(5,053,689)	
HEIT BF Limited	Bumpers	95,172,800	DCF	Discount rate	+0.5 per cent	(4,288,428)	(4,010,981)	
					-0.5 per cent	4,623,503	4,318,710	
					Revenue	+10 per cent	9,624,449	9,685,739
					-10 per cent	(9,741,776)	(9,930,227)	
HEIT HP Limited	Hawthorne Pit	29,156,229	DCF	Discount rate	+0.5 per cent	(1,695,798)	(1,733,055)	
					-0.5 per cent	1,830,206	1,870,705	
					Revenue	+10 per cent	4,345,176	4,708,722
					-10 per cent	(4,431,860)	(4,804,294)	
HEIT WG Limited	Wormald Green	18,049,963	DCF	Discount rate	+0.5 per cent	(1,050,165)	(1,154,003)	
					-0.5 per cent	1,135,244	1,246,378	
					Revenue	+10 per cent	2,914,685	3,170,805
					-10 per cent	(3,090,104)	(3,354,679)	

PORTFOLIO SENSITIVITY

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

Investment	Sensitivity	30 April 2024 Estimated effect on fair value £	30 October 2023 Estimated effect on fair value £
Inflation	+0.5 per cent	15,907,683	18,522,081
	-0.5 per cent	(14,963,648)	(18,269,983)
Construction costs*	+15 per cent	(11,418,237)	(9,880,088)
	-15 per cent	10,961,538	11,205,647
Operating costs	+15 per cent	(9,610,411)	(9,251,227)
	-15 per cent	9,430,874	9,031,841
Cell replacement costs	+15 per cent	(2,423,608)	(2,769,237)
	-15 per cent	2,449,085	2,786,110

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

15. SHARE CAPITAL

	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
As at 30 April 2024	227,128,295	2,271,283	21,370,889	194,094,197	217,736,369

	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
C Share conversion into 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 have been no issues of shares for the period from 1 November to 30 April 2024.

Notes to the Financial Statements continued

16. RESERVES

The nature and purpose of each of the reserves included within equity at 30 April 2024 are as follows:

- Share premium reserve: represents the surplus of the gross proceeds of share issues over the nominal value of the shares, net of the direct costs of equity issues and net of conversion amount.
- Capital reduction reserve: represents a distributable reserve created following a Court approved reduction in capital. This reserve is distributable and may be used, where the Board considers it appropriate, by the Company for the purpose of paying dividends to Shareholders.
- Revenue reserve: represents a distributable reserve of cumulative net gains and losses recognised in the Revenue account of the Statement of Comprehensive Income.
- Capital Reserves: 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 period are disclosed in the statement of changes in equity.

17. 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 period. As there are no dilutive instruments outstanding, basic and diluted NAV per share are identical.

	30 April 2024				
	Shares in issue	Assets £	Liabilities £	NAV £	Pence per Share
Ordinary Shares	227,128,295	218,979,110	449,776	218,529,334	96.21

	31 October 2023				
	Shares in issue	Assets £	Liabilities £	NAV £	Pence per Share
Ordinary Shares	227,128,295	262,571,433	463,341	262,108,092	115.40

18. DIVIDENDS PER SHARE

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

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

	30 April 2023	
	Dividend per share	Total £
For the 6-month period ended 31 October 2022 (paid)	1 pence	2,100,000
For the 3-month period ended 31 January 2023 (paid)	2 pence	4,542,566
Total	3 pence	6,642,566

19. 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 period are set out in the Directors' Report.

Total Directors' fees of £118,519 (2023: £125,580) were incurred in respect of the period with none being outstanding and payable at the end of the period.

SUBSIDIARIES

Loans to subsidiaries represent amounts due to the Company and are disclosed in Note 8.

As described in the going concern note, 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 30 April 2024, total committed funding to subsidiaries was £24.2 million (31 October 2023: £55.2 million).

INVESTMENT ADVISER

The Investment Adviser, Harmony Energy Advisors Limited is entitled to advisory fees under the terms of an investment advisory agreement dated 14 October 2021.

An advisory fee of £580,905 (30 April 2023: £1,201,609) was incurred during the period and £91,943 (31 October 2023: £144,121) remained payable as at 30 April 2024.

Harmony Energy Limited (“HEL”) is the parent of the Investment Adviser and therefore an entity with significant control over the Investment Adviser. HEL is also a significant shareholder of the Company. There were no transactions with HEL during the period ended 30 April 2024.

20. CAPITAL COMMITMENTS

Other than the guarantees reported under subsidiaries in note 19, the Company had no contingencies and no significant capital commitments at the reporting date.

21. POST BALANCE SHEET EVENTS

The Company announced a change to its dividend policy on 30 May 2024. The new policy replaces the previous fixed 8 pence per Ordinary Share annual dividend target with a dynamic target which reflects the market at any given time.

The Board has 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 per cent of operational free cash flow, such amounts to be determined by the Board, declared, and paid on a semi-annual basis.

INTENDED INTRA-GROUP CAPITAL RESTRUCTURE

The Company has to date injected cash into its 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 made to subsidiaries, may not match the actual cash received by the underlying subsidiary holding the projects. As an Investment Trust, the Company is required to distribute the majority of gross income as dividends to shareholders and the Investment Adviser is therefore working with advisers to restructure the capital mix throughout the group, and reduce interest income recognised by the Company with the intention of:

- a. optimising the group’s tax position; and
- b. aligning the Company’s accounting income to the underlying performance of its subsidiaries and therefore ensuring any required dividend payment under Investment Trust rules aligns to the cash generated through operations

This restructure and reduction in investment income would not impact the net asset value position of the Company. This is seen as standard practice and will be reflected in the year-end accounts once completed.

There were no further events after the reporting date which require disclosure.

Company Information

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Glossary

Set out below is an explanation of some of the industry-specific terms used in this Interim 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 Arbitrage activity, whilst also providing downside protection against the risk of Ancillary Service market saturation over the longer term;
Arbitrage	Wholesale Power Market trading and/or Balancing Mechanism;
Ancillary Services	short-term 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”. Ancillary Services are priced in MW, rather than MWh, meaning that BESS is paid on a “per MW” basis, regardless of how long its duration is;
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	the NESO’s primary tool to balance supply and demand in real-time on Great Britain’s network, by instructing willing participants to either flex their power up or down. For a BESS, “flexing up” would mean increasing its output by discharging the battery (known as accepting an “offer”). “Flexing down” would be decreasing output by either discharging less or charging (known as accepting a “bid”). Bids and offers in the BM are priced in MWh, rather than MW, meaning that a 2-hour duration BESS can trade twice as much volume at full power output/input than a 1-hour 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 CM 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 Transmission grid and move it through their own network of power lines and underground cables, taking it to homes and businesses;
Dynamic Regulation or DR	one of National Grid ESO’s Ancillary Services, designed to operate pre- fault to correct continuous but small deviations in network frequency;
Flexibility	the capability of a power system to adjust supply and demand to achieve balance;
Frequency Deviation	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 one % (0.5Hz) of the 50Hz level. The system frequency is linked to the supply/demand balance of the network. When energy demand rises/supply decreases, National Grid ESO can instruct its contracted Ancillary Service providers to ramp up their energy production to prevent the frequency dropping. For a BESS project, this would involve an instruction to export its stored energy. When demand is low/supply is high, National Grid ESO may instruct providers to reduce generation in order to prevent frequency from spiking too high. For a BESS project, this would be an instruction to import energy from the network;
National Grid ESO	the Electricity System Operator for Great Britain;
Ordinary Shares	the ordinary shares of £0.01 each in the capital of the Company;

Glossary continued

Prospectus	Company's prospectus dated 15 October 2021;
Revenue Optimiser	a third-party company which provides revenue optimisation services to BESS projects (or other technologies), including: <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;
shovel ready	a BESS project which has in place: <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;
SPV	special purpose vehicle, meaning a corporate entity whose sole purpose is to hold relevant rights in relation a specific BESS project, and be the contracting party for relevant suppliers to such project.
T-1 Auction	a Capacity Market 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 Capacity Market auction at which National Grid ESO buys most of the capacity needed for delivery in four years' time. This auction provides long-term returns and is designed to promote new investments;
Transmission	Transportation of electricity generated power sources to low voltage networks through high-voltage electricity transmission network;
TSO	Transmission System Operator, being National Grid ESO;
under construction	a BESS project which has in place: <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
Wholesale Power Market	The wholesale electricity market is where electricity is bought and sold before being delivered to consumers.

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