FINAL RESULTS AND NOTICE OF AGM

HARMONY ENERGY INCOME TRUST PLC

Released 07:00:07 23 February 2023

RNS Number : 7757Q
Harmony Energy Income Trust PLC
23 February 2023

23 February 2023

Harmony Energy Income Trust plc
(the "Company")

Maiden Financial Results for the Financial Year Ended 31 October 2022
and Notice of Annual General Meeting

Harmony Energy Income Trust plc, which invests in commercial scale battery energy storage systems (**"BESS"**) in Great Britain, is pleased to announce its inaugural set of results for the period since incorporation on 1 October 2021 to 31 October 2022 (the "**Period**").

Financial Highlights

- On 09 November 2021, the Company successfully listed on the Specialist Fund Segment of the Main Market of the London Stock Exchange with an initial market capitalisation of £210 million
- Ordinary Share NAV increased by 24.84% to £257.8 million, or 122.70 pence per Ordinary Share up 24.43 pence per Ordinary Share since IPO to the Period end
- The Company secured a debt finance facility of up to £60 million from NatWest plc, with an accordion for a further £70 million, to facilitate the acquisition and construction of the Company's first pipeline project
- On 14 October 2022, the Company issued 14.78 million C Shares at a value of £1 per C Share
- Maiden dividend declared and paid of 1 pence per Ordinary Share in July 2022, with second dividend relating to the Period declared of 1 pence per Ordinary Share in December 2022

Operational Highlights

- As at 31 October 2022, the Company had six 2-hour duration BESS projects totalling 312.5 MW / 625 MWh. All projects were "under construction" at the end of the Period
    - During the Period, all projects progressed to "under construction" status with construction contracts signed for Broadditch in January 2022, Farnham and Rusholme in April 2022, Little Raith in June 2022 and Bumpers in July 2022. The Pillswood project was already "under construction" when acquired immediately post-IPO of the Company
    - Target commercial operations date of the Pillswood project accelerated across both phases, especially phase II, which was brought forward from March 2023 to November 2022

Environment, Social and Governance (ESG)

- The Net Zero transition is a core theme of the Company's investment policy. The Company was awarded the London Stock Exchange Green Economy Mark and became a signatory of the United Nations Principles for Responsible Investment
- The Company has committed to report against the recommendations of Taskforce for Climate-related Financial Disclosures (TCFD) and the Taskforce for Nature-related Financial Disclosures (TNFD), which the Investment Adviser has joined as a supporting member

- The Company set up an ESG Committee that reports to the Board, completed a materiality assessment and adopted an ESG strategy. The Investment Adviser has embedded ESG considerations in their investment process and expanded their own ESG team
- The Company launched its Supplier Code of Conduct, containing requirements for suppliers in respect of climate, nature, communities, waste and resources and societal impacts and employee wellbeing

Post Period End highlights

- Post period end the Company's NAV grew further to 125.50 pence per Ordinary Share as at 31 January 2023, representing an increase of 27.6% (or 27.16 pence per Ordinary Share) since IPO to 31 January 2023
- In November 2022, Pillswood was successfully energised. At the time of energisation, the Pillswood project was the largest BESS project in Europe (by MWh)
- In December 2022, the Company acquired three 'shovel-ready' pipeline projects with capacity of 181.9 MW / 363.8 MWh, increasing the Company's portfolio to nine BESS projects with a total capacity of c.500MW / 1GWh
- Subsequently, the Company announced it entered into contracts for the supply, installation and maintenance of the BESS for the Wormald Green (33 MW / 66 MWh) and Hawthorn Pit (49.9 MW / 99.8 MWh) projects and appointed a balance-of-plant contractor in relation to the construction of the two projects

Project	MW / MWh	Location	Target Commercial Operations Date	Status[1]
Pillswood	98 / 196	Yorkshire	Operational	Operational
Broadditch	11 / 22	Kent	Q1 2023	Under Construction
Farnham	20 / 40	Surrey	Q2 2023	Under Construction
Rusholme	35 / 70	Yorkshire	Q3 2023	Under Construction
Bumpers	99 / 198	Bucks.	Q3 2023	Under Construction
Little Raith	49.5 / 99	Fife	Q4 2023	Under Construction
Wormald Green	33 / 66	Yorkshire	Q1 2024	Under Construction
Hawthorn Pit	49.9 / 99.8	County Durham	Q2 2024	Under Construction
Rye Common	99 / 198	Surrey	Q3 2024	Shovel Ready[2]
Total	**494.4 / 988.8**			

1 *Status as at the date of publication of this announcement*

2 *Phase 2 of this project (49.5 MW) is awaiting final planning permission*

- On 31 January all of the C Shares were converted into Ordinary Shares

Outlook

- Construction of the Company's portfolio remains on track with an additional 214.5 MW / 429 MWh expected to become operational before the end of 2023, with the balance of the current portfolio coming online in 2024
- Development of pipeline projects by Harmony Energy continues with over 400 MW / 800 MWh of BESS projects identified and subject to the exclusive right of first refusal from which the Company benefits. These projects have the potential to be acquired over the next 12 months and could commence operations over the next 36 months
- The Company remains on track to meet its target returns of paying an 8 pence per Ordinary Share for the financial year 2023, paid quarterly commencing in March 2023

Norman Crighton, Chair of Harmony Energy Income Trust plc, said:

"The Company has had a productive first full year as a listed company, with multiple BESS project acquisitions and strong NAV growth. We are pleased to be enabling the transition to an environmentally, financially and socially sustainable energy system whilst delivering attractive and sustainable returns to shareholders"

Results Presentation

A results presentation will take place at 8.00 a.m. today by conference call. Those wishing to attend should email harmony@camarco.co.uk. The annual report and accounts and a copy of the presentation slides, for those unable to attend, will be available on the company website.

Notice of Annual General Meeting ("AGM")

The Company also announces that its 2023 Annual General Meeting will be held on Wednesday 22 March 2023 at 10.00am at 60 Threadneedle Street, London, EC2R 8HP.

The Company's Annual Report and Financial Statements for the Period and the formal Notice of the Annual General Meeting will be posted to Shareholders who have elected to receive hard copies. In accordance with Listing Rule 9.6.1 copies of the documents have been submitted to the UK Listing Authority, will shortly be available to view on the Company's corporate website at https://www.heitp.co.uk/investors/results-reports-and-presentations/ and https://www.heitp.co.uk/investors/shareholder-documents/ . The documents have also been submitted to the UK Listing Authority and will be shortly available for inspection from the National Storage Mechanism at: https://data.fca.org.uk/#/nsm/nationalstoragemechanism

END

For further information, please contact:

Harmony Energy Advisors Limited

Paul Mason

Max Slade

Peter Kavanagh

James Ritchie

info@harmonyenergy.co.uk

Berenberg +44 (0)20 3207 7800

Gillian Martin

Ben Wright

Dan Gee-Summons

Camarco +44 (0)20 3757 4980
Eddie Livingstone-Learmonth
Georgia Edmonds
Lily Pettifar

JTC (UK) Limited +44 (0)20 3832 3877
Uloma Adighibe
Harmony.CoSec@jtcgroup.com

LEI: 254900O3XI3CJNTKR453

About Harmony Energy Advisors Limited (the "Investment Adviser")

The Investment Adviser is a wholly owned subsidiary of Harmony Energy Limited. The Investment Adviser is an appointed representative of Laven Advisors LLP, which is authorised and regulated by the Financial Conduct Authority.

The management team of the Investment Adviser have been exclusively focussed on the energy storage sector (across multiple projects) in Great Britain for over six years, both from the point of view of asset owner/developer and in a third-party advisory capacity.

Important legal information

This announcement contains (or may contain) certain forward looking statements with respect to certain of the Company's plans and/or the plans of one or more of its investee companies and their respective current goals and expectations relating to their respective future financial condition and performance and which involve a number of risks and uncertainties. The Company cautions readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements

CHAIR'S STATEMENT

NORMAN CRIGHTON
CHAIR

AFTER AN ACTIVE FIRST YEAR OF PROJECT ACQUISITIONS AND NAV GROWTH, THE COMPANY IS NOW PROGRESSING THE PORTFOLIO THROUGH CONSTRUCTION AND INTO OPERATIONS, WITH 312 MW/625 MWH DUE TO ENERGISE BY THE END OF 2023. WE LOOK FORWARD TO CONTINUING TO DELIVER ON TARGET SHAREHOLDER RETURNS AS WELL AS OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE AMBITIONS.

It gives me great pleasure to present, on behalf of the board of directors (the "**Board**"), the annual report for Harmony Energy Income Trust plc ("**HEIT**" or the "**Company**") relating to our first financial period ending 31 October 2022.

The Company has had a productive first full year as a listed company, with multiple BESS project acquisitions and strong NAV growth. The £210 million gross proceeds successfully raised at Initial Public Offering ("**IPO**") in November 2021 were immediately committed to the acquisition and construction of the Company's first five BESS projects, and a £60 million debt facility secured (and hedged) with NatWest in June 2022 allowed the Company to acquire and begin construction of a sixth BESS project. Total capacity of the portfolio acquired and under construction as at the end of the reporting period was therefore 312.5 MW / 625 MWh.

Progress in the first financial period was achieved despite the volatility and uncertainty caused by the war in Ukraine. This aggression by Russia led to huge increases in gas prices, electricity bills in the UK increasing by a multiple of their previous levels and unprecedented volatility in electricity pricing. The Company also had to navigate the consequences of the UK Government's "mini budget" in September which caused market turmoil and negatively impacted our capital raise launched in that period. However, the capital raise via a C Share issue in October 2022 was supported by a number of our Shareholders which meant that the Company was still able, post-reporting period, to acquire the project rights to a further three BESS projects, taking the total capacity of the portfolio to 494.4 MW / 988.8 MWh. This support was vital in continuing the growth plans of the Company, increasing diversification of suppliers and improving liquidity for all Shareholders. Board members have supported the Company by purchasing shares at IPO, during the market turmoil following the UK Government's "mini-budget" and as part of the C Share issue.

The GB BESS market has enjoyed record-breaking levels of revenues during the reporting period, driven by high gas pricing and volatility in electricity wholesale markets. The Company's model of building 2-hour duration projects means it is well placed to take advantage of this strong revenue earning environment, whilst also providing National Grid ESO with additional tools to manage network stability and to avoid blackouts.

Despite the high revenue environment, supply chain issues and grid connection delays have contributed to a lower-than-expected number of new GB BESS projects being commissioned in GB during 2022, and the total GB fleet size remains below National Grid's Net Zero targets. It was therefore pleasing that, in relation to the Company's portfolio, the Pillswood project - the Company's first project and largest (by MWh) in Europe - was energised in November ahead of schedule.

The Company's exclusive rights to an identified large pipeline of BESS projects means we are well placed to continue growing the portfolio at pace over the near-term.

The success of our acquisition activity so far was made possible by our Shareholders who supported us at IPO and then again with the C Share issue. We thank Shareholders for recognising the strong underlying business case for HEIT despite the recent challenging environment in the wider equity and bond markets.

NAV AND OPERATING RESULTS

During the reporting period, NAV per Ordinary Share increased from 98.34p to 122.77p, representing 24.8 per cent. growth. The valuation of the C Shares, having only commenced dealing two weeks prior to the end of the reporting period, was static at 98.45p per C Share. The C Shares have since converted into Ordinary Shares, which were admitted to trading on 31 January 2023.

Since IPO the market price for the Ordinary Shares has traded positively. It reached a high of 121.00p per share before the UK Government's "mini-budget". Although it closed at 111.75p per share at the end of the reporting period following the "mini-budget", this was up 11.75 per cent. from the IPO price. The Board was pleased that the Ordinary Shares enjoyed prolonged periods of trading at a premium to NAV, showing strong support from its Shareholders. As more of our assets begin commercial operations during 2023, we look forward to reporting on operating performance and continuing our open dialogue with Shareholders in relation to the portfolio.

Since the period end the NAV per Ordinary Share has increased further to 125.50p as at 31 January 2023, the latest valuation date prior to the publication of this document.

DIVIDEND

The Board declared and paid dividends totalling 2p per share in relation to the reporting period, with 1p per Ordinary Share paid in July 2022 and a further 1p per Ordinary Share paid in December 2022. This was in line with the dividend policy announced at IPO, which also states that the Company intends to declare and pay 8p per Ordinary Share per annum for the next financial year onwards, with 2p per Ordinary Share targeted to be paid in each of March, June, September and December. With projects moving into operations against a backdrop of strong market fundamentals and an ongoing high revenue environment during which the majority of our initial portfolio is due to complete construction, the Board has additional confidence that such dividend payments will be well covered.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

BESS projects are essential to underpin the transition to a low-carbon, secure and affordable GB energy system. This crucial infrastructure class also provides critical stability services which enable National Grid ESO to efficiently manage a greater proportion of renewable Wind and Solar generation on the GB network. As such, the Net Zero transition is a core theme underpinning the Company's investment policy. In addition to this, the Board has ambitions to meet and even exceed the highest standards of sustainable business practices. Consideration of ESG risks and opportunities sits at the heart of the Company's (and the Investment Adviser's) decision making both at project-and corporate level.

During the Company's initial reporting period, the Company has been proactive in understanding and designing appropriate monitoring and reporting frameworks and processes. We are proud to have qualified for the LSE's Green Economy Mark as well as become a signatory to the United Nations Principles for Responsible Investing ("**UN PRI**"). The Board and Investment Adviser have jointly undertaken a materiality assessment, identifying relevant ESG-related issues with support from independent ESG advisors. We have drafted and adopted a supplier code of conduct; engaged with suppliers, investors and other stakeholders to conduct gap analysis against the TCFD and TNFD frameworks, and with this report, have started to disclose in line with these frameworks on a voluntary basis. In relation to UN PRI specifically, the Company intends to participate in its first voluntary reporting period in 2023 and publish the first transparency report in the 2024 reporting cycle. Please see the dedicated ESG section of this report for more details.

In addition to the varied and multiple ESG activities and initiatives which have been and/or will be undertaken as part of our reporting framework described above, the Board pledged to create an "ESG Fund" once the assets of the Company exceeded £250m. The ESG Fund is designed to support various environmental and social initiatives. The increase in Company NAV during the reporting period means that the qualifying threshold for accruals in relation to the ESG Fund has now passed, and the Board look forward to deciding how best to deploy the ESG Fund in upcoming ESG Committee meetings.

OTHER ISSUES

The Directors firmly believe that greater diversity in the board room leads to better decision making and therefore higher returns for our Shareholders. Fortunately, your Board meets the various recommendations issued by the FTSE Women Leaders Review and the Parker Review for gender and ethnic diversity. However, the Board has even greater and, I would argue more important, diversity within its ranks: the diversity of social background; of education; of skills; of work experience, and of lived experience. The diversity of gender and ethnicity is a happy coincidence of constructing a Board with these broader attributes. Ultimately, I believe that corporate boards should comprise the best people for the job and can confirm to Shareholders that for your Board these people are in place.

Investment trusts are different from operating companies. We do not have CEOs or CFOs which the FCA mentions in their recommendation for positive diversity on boards. In our Prospectus, we laid out the reasons why the Board chose not to appoint a Senior Independent Director ("**SID**"), one of the roles that the FCA believes should count towards diversity targets. If a board is functioning correctly then there should be no need for a SID. The Directors of HEIT are strong, knowledgeable, professional individuals who would not hesitate to provide challenge. It is the Chairman's role to foster a culture where independence of directors helps them serve as effective stewards of Shareholder wealth. This is how all boards should operate.

We believe that for investment trusts a much more important role than SID is filled by the Chair of the Audit Committee and strongly believe that the FCA should recognise the unusual position of investment trusts and include the Chair of Audit role when looking at diversity issues. Your Board's Chair of Audit role is held by a capable female Director.

The role of proxy advisors has increased over the past few years. This, I believe, is to the detriment of the investment trust industry as a whole. Proxy advisors seem to have little understanding of how investment trusts and their boards operate, and unfortunately their decision-making at project and at corporate level remains opaque and final.

The use of a proxy advisor is understandable for an index fund charging minimal fees, but those shareholders are in a minority, or non-existent, in most investment trusts which are actively managed and where investment manager decisions are scrutinised by active boards. While there are good reasons why a board and an investment manager may make certain decisions, there is no forum or opportunity for boards to explain the rationale and circumstances for particular decisions to proxy advisors, who may then advise a vote against particular resolutions.

The Investment Adviser, your Board and I are respectful of the workload of our institutional investors. But we remain available to all our Shareholders - institutional and retail - who may wish to discuss an issue or ask a question.

In the coming weeks I shall be meeting any institutional investors who would like to see me and I encourage as many Shareholders as possible to attend our first AGM.

OUTLOOK

As already mentioned, post-reporting period the Company completed construction and commenced commercial operations on our Pillswood project, which (at 98 MW / 196 MWh) constitutes a significant proportion of the Company's portfolio. In addition, the Company has successfully extended its debt facility and has also commenced construction in relation to two of the three projects acquired in December 2022.

The balance of the Company's projects under construction continue to progress well despite some minor supply chain disruption and grid connection delays, and we continue to target 312.5 MW being fully operational by the end of 2023. These events set the theme for 2023, being a focus on portfolio construction and supplier diversification as we move into revenue generation and performance reporting.

The Company plans to host its inaugural AGM on 22 March 2023. Further details will be provided in the Notice of AGM.

NORMAN CRIGHTON
Chair
22 February 2023

INVESTMENT ADVISER'S REPORT

HARMONY ENERGY ADVISORS LIMITED ("**HEAL**" OR "**THE INVESTMENT ADVISER**"), IS PROUD TO DELIVER ITS INAUGURAL INVESTMENT ADVISER'S REPORT IN RELATION TO THE COMPANY.

£210m initial market capitalisation IPO in November 2021 - initial market capitalisation of £210m	**£60m debt facility** Debt facility of £60m secured from NatWest (fully committed and hedged but not yet drawn)
100% IPO funds committed IPO funds fully committed immediately following IPO	**687.5 MW pipeline** At 31 October 2022, Company had a right of first refusal ("**ROFR**") over Harmony Energy Limited's pipeline of near-term projects
312.5 MW / 625 MWH portfolio At 31 October 2022, the Company had six 2-hour duration BESS projects totalling 312.5 MW / 625 MWh. All projects were "under construction" during the reporting period	**£14.7m C Share issue** Company raised an additional £14.7m in October 2022 by way of the issue of 14.7m C Shares. Proceeds committed against identified pipeline projects
+24.8% NAV increase Ordinary Share NAV increased 24.8% since IPO due to strong market fundamentals and revaluation of assets through construction lifecycle	

PORTFOLIO UPDATE

PORTFOLIO OVERVIEW

The initial five BESS projects, namely Pillswood, Broadditch, Farnham, Rusholme and Little Raith, were acquired from Harmony Energy Limited upon IPO, with a total capacity of 213.5 MW / 427 MWh. At the time of acquisition, Pillswood was categorised as "under construction" and the other four were "shovel ready" (as defined in the Prospectus).

During the reporting period, the Company successfully progressed the projects to "under construction". In addition, the Company acquired a sixth project (known as "Bumpers") from Harmony Energy Limited which was categorised as "under construction", taking the total portfolio to 312.5 MW / 625 MWh.

All projects owned by the Company during the reporting period are contracted with Tesla under an engineering, procurement and construction contract ("**EPC**"), to supply and install 2-hour duration BESS. These projects also benefit from operation and maintenance ("**O&M**") and revenue optimisation contracts with Tesla, using Tesla's Autobidder software platform.

Post-reporting period:

The Company's Pillswood project was energised ahead of schedule in November 2022, as Europe's largest BESS project (by MWh), and is divided into two operational phases. Phase 1 commenced operations in November 2022, with Phase 2 commencing shortly after in December 2022. As at the date of publication of this report, both phases are fully active across wholesale markets and also participating in ancillary services and is performing in line with expectations.

Phase 2 of this project was originally planned to commence commercial operations in March 2023. The Investment Adviser is therefore very pleased to have delivered this project ahead of schedule for the benefit of the Company, enabling a significant portion of the Company's portfolio to commence operations as early as possible and in time for winter 2022/23.

The construction of the balance of the portfolio has progressed well and Tesla Megapack battery modules are already on site at the Broadditch, Farnham and Rusholme projects.

On 14 December 2022, the Company completed the acquisition of the three "pipeline" projects from Harmony Energy Limited (totalling 181.9 MW), and the Company has moved quickly to execute BESS supply and installation contracts in relation to the Wormald Green and Hawthorn Pit projects (as described further below). This takes the total portfolio of the Company as at the date of publication of this report to 494.4 MW / 988.8 MWh, broken down as:

- 98 MW / 196 MWh operational / energised;
- 297.4 MW / 594.8 MWh under construction; and
- 99 MW / 198 MWh "shovel ready".*

**As previously disclosed, 49.5 MW of this project is held within a single project SPV and is awaiting final planning consent.*

CAPACITY MARKET

The Capacity Market auctions which took place in February 2022 saw record prices in both the T-1 and T-4 auction. Due to an undersupply of qualifying generation plant, the T-1 auction cleared at its maximum amount of £75/kW/yr. The T-4 auction cleared at a record high level of £30.59/kW/yr as some of the older generation plant (coal and nuclear) failed to take contracts.

The Company's Pillswood, Rusholme and Little Raith projects each secured 15-year index-linked contracts (commencing in October 2025) at £30.59 /kW/yr in the T-4 auction (commencing in October 2025). The Company's Farnham and Broadditch projects secured similar length contracts in the T-4 auction 2021 (commencing in October 2024) at a clearing price of £18 /kW/yr. No Company projects participated in the T-1 auction in February 2022.

Post-reporting period, each of the Pillswood, Broadditch, Farnham and Rusholme projects secured T-1 Capacity Market contracts on 14 February 2023 (for delivery from October 2023) at the price of £60/kW/yr, the second highest T-1 price on record. The combined contracts represent a total of £3.65 million of revenue in exchange for services to be delivered between October 2023 and September 2024. The Bumpers project as well as the Company's recently acquired Wormald Green and Hawthorn Pit projects, have each pre-qualified for the T-4 auction at the time of writing expected to take place on 21/22 February 2023 (for delivery from October 2026). The Company's Rye Common project is anticipated to pre-qualify for the 2024 auctions, once final planning for Phase 2 has been obtained.

Capacity Market revenue can be earned simultaneously with normal daily BESS operating strategies without disruption. This is known as "stacking" revenues.

SUPPLIER DIVERSIFICATION

Tesla are currently engaged (as BESS supplier, contractor, maintenance provider revenue optimiser) on six of the Company's projects. The Board and the Investment Adviser continue to value Tesla's technology and expertise, as well as the commercial relationship between them and the Company. However, in order to reduce supplier concentration risk (and retain competitive tension amongst suppliers for future tenders), the Investment Adviser ran a full tender and contracting process during Q4 2022 to source an additional BESS supplier and maintenance provider. On 17 February 2023, the Company procured (via relevant Project SPV's) the engagement of Envision Energy International Trading Limited and Envision Energy International UK Limited (on a joint and several basis) ("**Envision**") to supply and install its ENS-L7300-3300 battery energy storage system in relation to the Wormald Green and Hawthorn Pit projects. Envision Energy International UK Limited is also contracted under long term maintenance and services agreements in relation to these two projects.

Key factors which influenced the Company's choice include:

1) Envision's ability to commit to required BESS delivery dates which maintains project energisation timetables;

2) Envision have their own cell manufacturing facilities, located in multiple jurisdictions (including UK). This diversifies key component supply chain risk;

3) Envision's track record in installing 2-hour duration BESS in various jurisdictions; and

4) Envision's sustainability initiatives, including its plans for its manufacturing facilities at Ordos, China (which will manufacture the BESS for the Company) to be powered by 100% renewable energy.

The Investment Adviser has also appointed a balance-of-plant contractor to proceed with the construction of the Wormald Green and Hawthorn Pit projects.

In addition, the Investment Adviser is in the final stages of procuring revenue optimisation services for these projects and expects to finalise that appointment shortly. Going forward, the Investment Adviser (on behalf of the Company) will continue dialogue with existing and potential suppliers to ensure enduring quality of service and cost competitiveness.

PIPELINE

The need for substantial amounts of energy storage on the GB network is widely understood. The ROFR enables the Company to have an exclusive right of first refusal over Harmony Energy Limited's substantial and well-developed pipeline of projects.

The ROFR granted the Company an exclusive right to acquire up to 1 GW of BESS projects from Harmony Energy Limited. The Company has, as at the date of publication of this report, exercised this right in relation to 494.4 MW, leaving at least 505.6 MW still to be acquired. The Investment Adviser has identified more than 400 MW of BESS projects (subject to the ROFR) located in GB which have the potential to be acquired over the next 12 months, and could commence operations over the next 36 months.

As demonstrated through the delivery of the Company's Pillswood project, a strong track record of delivering sites on time will allow the Company to grow its portfolio fast and establish one of the largest portfolios in the sector.

The Company is not restricted to only acquiring BESS projects from Harmony Energy Limited, and will continue to monitor the wider market for third party opportunities.

DEBT FINANCE SECURED

During the reporting period, on 21 June 2022, the Company completed the contracting of a debt finance facility of up to £60 million from NatWest plc (the "**Initial Facility**") with an accordion for an additional £50 million. It is a five-year facility with an initial margin of 300bps over SONIA, rising over time to a maximum of 375bps by year 5. The SONIA element is fully hedged and the Company is therefore not exposed to interest rate movements in relation to this facility. The facility is "interest-only" for the first three years.

Post-reporting period, on 17 February 2023, the Company successfully negotiated an amendment and restatement of the Initial Facility with NatWest (together with its syndicate partner, Coöperatieve Rabobank U.A. ("**Rabobank**")) to give effect to the previously agreed accordion. This amendment and restatement gives the Company access to an additional £50 million of debt, taking the total facility to £110 million (the "**Enlarged Facility**"). The Enlarged Facility is on the same terms as the Initial Facility concerning margin and term, and is expected to be fully hedged.

In addition, the Company, NatWest and Rabobank have agreed a revolving credit facility of up to £20 million which will be a 3-year facility with a margin of 325bps over SONIA ("**RCF**").

The debt facilities described above provide the Company with funding certainty to complete construction of the Bumpers, Wormald Green and Hawthorn Pit projects. The Company only expects to draw down on the Enlarged Facility over time upon meeting certain construction milestones and does not expect to be fully drawn until at least mid-2024, if at all, at which point the Company expects to have eight projects in operation with total capacity of ca.400MW / 800MWh. Once drawn the Enlarged Facility can be repaid at any time with limited cost to the Company.

ASSET MANAGEMENT AND OPTIMISATION OF ENERGY STORAGE

During the reporting period, and in preparation for the Company having operational assets from 2023, the Investment Adviser has expanded its experienced asset management team. This team will further enhance the technical and financial performance of each BESS project by working closely with the Company revenue optimisation supplier(s). By internally benchmarking portfolio and market performance, the asset management team will scrutinize and query performance data to ensure the best strategies are taken. Warranty, asset availability and state of health metrics are carefully monitored on the Investment Adviser's proprietary "Harmonise" platform to ensure the Company's portfolio remain at peak performance while also establishing an evidence-based risk management system.

The Investment Adviser (via its asset management team) also oversees the maintenance of each BESS project by our contractor(s), ensuring all scheduled maintenance (including capacity tests) is adhered to and that any reactive issues are dealt with as quickly as possible.

MARKET COMMENTARY

OVERVIEW

The UK has a legally binding target to achieve "net zero" by 2050 and has enshrined in law a target to reduce emissions by 78 per cent. by 2035 compared to 1990 levels. UK renewable generation, primarily wind and solar, has more than quadrupled over the past 10 years, with wind farms contributing a record 26.8 per cent. of the country's electricity in 2022. This growth has been supported by government subsidies, such as the Feed-In Tariff, the Contracts for Difference (CfD) scheme and the Renewable Obligation but has also been driven by rapid reductions in cost that have allowed some renewable energy projects to start competing in a subsidy-free environment. National Grid ESO predicts that by 2038 we will have a minimum of 150 GW of renewables (Falling Short Scenario) and a possible maximum of 249 GW (Consumer Transformation Scenario).

Wind and solar are known as "intermittent" generation assets as their output relies on prevailing weather conditions and can therefore be difficult to forecast accurately ahead of delivery. Supply and demand of electricity must be balanced and matched in real-time in order to maintain the stability of the electricity system. Responsibility for this balancing lies with National Grid ESO as the system operator. This role has become more challenging and costly, with a key contributing factor being the proportion of intermittent generation being used to meet electricity demand.

Energy storage is an essential tool to balance supply and demand of electricity efficiently. National Grid ESO predicts that, in order to enable the growth of renewables, between 22 GW (Falling Short Scenario) and 50 GW+ (Leading the Way Scenario) of energy storage is required by 2050. As at the date of this report, there is currently c.4.8 GW of storage in GB, of which c.2 GW constitutes utility-scale BESS. Therefore, there continues to be a large growth opportunity for BESS in GB.

Despite this opportunity, storage and renewable projects are facing long waits of "15 years plus" for new grid connections, and this is contributing to slower-than-forecast deployment of BESS. The Company is well placed to navigate this challenge, benefitting from a large and exclusive pipeline of 2-hour duration BESS projects which already benefit from grid connection offers capable of energisation over the next 36 months.

It is therefore expected that BESS revenues in 2023 will be more weighted towards wholesale trading - a trend which stands to benefit 2-hour duration BESS, in contrast to shorter-duration BESS which are less able to complement ancillary services with wholesale trading.

BALANCING MECHANISM

Whilst potential spreads in the BM often exceed those available in wholesale markets, the value available to BESS has to date been limited by relatively high "skip rates" - instances where National Grid ESO ignores BESS in favour of larger, more expensive power stations. Recent months have seen an increase in BESS BM activity and revenues. The Investment Adviser expects this to be an increasingly important revenue stream in 2023 and beyond.

FUTURE MARKET OUTLOOK

The next year will see the Ancillary Service markets (which has primarily driven BESS revenue in 2022) become increasingly saturated, which should in turn translate to downward pressure on clearing prices. Flexibility and agility in optimisation strategies will continue to be key. Constantly assessing and comparing opportunities across markets will drive long-term value. Having strong forecasting capabilities and knowing when to operate in the wholesale or balancing service markets will allow revenue optimisers to differentiate themselves.

As Ancillary Service markets are expected to remain saturated, BESS revenues will become increasingly dominated by wholesale markets and BM.

The Company goes into 2023 with the largest portfolio of 2-hour batteries in the UK listed market (by MWh) and is therefore well placed to capitalise on this trend.

ALTERNATIVE INVESTMENT FUND MANAGER'S REPORT

BACKGROUND

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

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

1. Material Changes in the Disclosures to Investors

During the financial period under review, there were no material changes to the information required to be made available to investors before they invest in the Company under Article 23 of the AIFMD from that information set out in the Company's prospectus dated 15 October, 2021, save as disclosed below and in certain sections of the annual financial report, those being the Chair's Statement, Investment Adviser's Report, the sections headed "Environmental, Social and Governance", "Principal Risks and Uncertainties", "Section 172 Statement" and

"Viability and Going Concern", the Directors' Report and Corporate Governance Report and note 25 to the financial statements.

2. Risks and Risk Management Policy

The current principal risks facing the Company and the main features of the risk management systems employed by AIFM and the Company to manage those risks are set out in the section headed "Principal Risks and Uncertainties", the Directors' Report, the Report of the Audit and Risk Committee and in note 16 to the financial statements.

3. Leverage and borrowing

The Company is entitled to employ leverage in accordance with its investment policy and as set out in the Company's prospectus. However, as at the balance sheet date and the date of this report, the Company had not drawn down any debt. There were no changes in the Company's borrowing powers and policies.

4. Environmental, Social and Governance ("ESG") Issues

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

As a member of the JTC group of Companies, the AIFM's ultimate beneficial owner and controlling party is JTC Plc, a Jersey-incorporated company whose shares have been admitted to the Official List of the UK's Financial Conduct Authority and to trading on the London Stock Exchange's Main Market for Listed Securities (mnemonic JTC LN, LEI 213800DVUG4KLF2ASK33). In the conduct of its own affairs, the AIFM is committed to best practice in relation to ESG matters and has therefore adopted JTC Plc's ESG framework (the "**ESG Framework**") and a copy of the ESG Framework can be viewed on the AIFM's website at https://www.jtcgroup.com/wp-content/themes/jtcgroup/dist/img/review-2019/pdfs/esg.pdf. During 2021 JTC achieved its goal of becoming carbon neutral through a partnership with Carbon Footprint Limited, a leading independent accreditation firm. Working with Carbon Footprint, JTC makes a demonstrable difference through a series of carbon offsetting projects, including helping to fund projects that offset carbon emissions, including a UK tree planting scheme which also supports emission reductions in the Brazilian rainforest by helping preserve parts of the forest and supporting local communities there, the installation and operation of a solar power project in two villages in India, which feeds in to the power generated to the state grid in India and native tree planting in the Great Rift Valley In Kenya, which is also linked to further support for emission reductions in the Brazilian rainforest. In 2022 JTC extended UN PRI signatory status to the whole group, covering over 1,400 people in 30 offices spanning 20 jurisdictions. JTC also reports under TCFD and under the SASB framework.
The AIFM and Harmony Energy Advisors Limited ("**HEAL**") as the Company's alternative investment fund manager and investment adviser respectively do consider ESG matters in their respective capacities, as explained in the Company's prospectus dated 15 October 2021, a copy of which can be found at https://www.jtcgroup.com/services/funds/aifmd/harmony-energy-income-trust-plc/

Since the publication of those documents, the AIFM, HEAL and the Company have continued to enhance their collective approach to ESG matters and detailed reporting on (a) enhancements made to each party's policies, procedures and operational practices and (b) our collective future intentions and aspirations is included in the Investment Adviser's Report, the section headed "Environmental, Social and Governance" and the Section 172 Statement.

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

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

5. Remuneration of the AIFM's Directors and Employees

During the period under review, no separate remuneration was paid by the AIFM to its executive directors, Graham Taylor, Gregory Kok, James Tracey and Kobus Cronje, because they were all employees of the JTC group of companies, of which the AIFM forms part. During the period under review, Messrs Kok and Tracey resigned as directors of the AIFM and Mr Kobus Cronje was appointed as a director. Matthew Tostevin is a non-executive director and is paid a fixed fee of £10,000 for acting as a director, attendance at all quarterly Board meetings and work performed as a director of the Company in the ordinary course of business. Subject to the prior approval of the Board of directors on each occasion, Mr Tostevin is paid additional remuneration on a time spent basis for services rendered to the Company which are not in the ordinary course of business. Other than the directors, the AIFM has no employees. The Company has no agreement to pay any carried interest to the AIFM. During the period under review, the AIFM paid £10,000 in fixed fees and £42,936.25 in variable remuneration to its directors.

6. Remuneration of the AIFM Payable by the Company

The AIFM was during the period under review paid a fee of 0.03% per annum of the equity capital raised by the Company, subject to a minimum of £30,000 per annum, such fee being payable quarterly in arrears. Subsequent secondary issues of shares of the Company in the primary market are supported on a time spent basis, subject to a cap of £10,000 per each such issue. Other significant non-routine work may be agreed between the AIFM and the Company from time to time and charged for on a time spent basis. The total fees paid to the AIFM during the period under review were £61,573.37.

JTC Global AIFM Solutions Limited
Alternative Investment Fund Manager
22 February, 2023

INVESTMENT OBJECTIVE

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

INVESTMENT POLICY

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

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

Projects which are "shovel ready" will have in place:

- a completed lease, lease option or agreement for lease in relation to the land upon which that project is situated;
- planning permission enabling the construction of a suitable project on that land (subject to any amendments to reflect final technical specifications);
- an industry standard grid connection offer from a DNO or TSO; and
- a BESS supply & installation contract with material terms agreed with a reputable counterparty.
- Projects which are "under construction" will in addition, have in place:
- an agreed lease on satisfactory terms;
- an accepted industry standard grid connection offer from a DNO or TSO, and having made at least one milestone payment; and
- a fully executed BESS supply & installation contract with a reputable counterparty.
- Projects which are "operational" will, in addition, have in place:
- completed lease on satisfactory terms in relation to the land upon which that project is situated;
- an executed grid connection agreement with a DNO; and
- satisfactory completion of relevant commissioning tests.

The investment restrictions as set out in the Company's Prospectus remain applicable, with the Company prohibited (inter alia) from making investments in fossil fuel assets.

BUSINESS MODEL

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

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

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

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

a) a right of first refusal ("**ROFR**") to acquire up to 1 GW of BESS projects from the Sellers. The Company has, as at the date of publication of this report, exercised this right in relation to 494.4 MW, leaving at least 505.6 MW still capable of acquisition under the ROFR; and

b) a right of first offer ("**ROFO**") in relation to (i) BESS projects once the 1 GW ROFR threshold has been reached; (ii) BESS projects co-located with solar photovoltaics ("**PV**"); or (iii) stand-alone solar PV projects.

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

The terms of the Pipeline Agreement provide that the Sellers shall be prohibited from selling any qualifying projects to any other party during the term of the agreement without first offering them to the Company. Upon any projects becoming "shovel ready", the Sellers shall give notice of such status to the Company.

The Company will then be entitled to either (i) if the ROFR applies, acquire the relevant project pursuant to the terms of the pro forma share purchase agreement (and subject to a valuation calculated using a minimum discount rate); or (ii) if the ROFO applies, make an offer to the Sellers pursuant to the Pro Forma Share Purchase Agreement.

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

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

DIVIDEND POLICY

On the basis of factors including market conditions and financial performance, following the end of the reporting period ended 31 October 2022, the Company is targeting a dividend yield, by reference to the issue price at IPO of 100p per Ordinary Share, of 8 per cent. per annum payable quarterly in March, June, September and December of each year. All dividends will be in the form of interim dividends. The target dividend yield of 8 per cent. applies only to the Ordinary Shares and not to any tranche of C Shares prior to conversion into Ordinary Shares. The Board reserves the right to retain within a revenue reserve a proportion of the Company's net income in any financial year, such reserve then being available at the Board's absolute discretion for subsequent distribution to Shareholders, subject to the requirements of any applicable regulations.

The dividend policy will be subject to Shareholder vote at the 2023 Annual General Meeting.

PRINCIPAL RISKS AND UNCERTAINTIES

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

WHAT WE MONITOR

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

HOW WE MONITOR RISK

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

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

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

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

TABLE OF PRINCIPAL RISKS AND UNCERTAINTIES

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

The Directors have assessed climate change risk and have concluded that the risk of climate change on the Company's business model and investment valuation is not considered significant. This is primarily due to the fact the Company's business model is energy storage which makes low carbon electricity systems more effective, and is a facilitator of growth in use of renewable energy. The local impacts of climate change risk on projects have been considered under environmental risk.

Risk Description	Possible Consequences	Mitigating Actions
Project supplier delivery delays delays in delivery under existing supply contracts; adverse changes to estimated costs and delivery timetable from key suppliers; battery installation delays.	• Increased costs • Delay to income generation • Reduced NAV	• Contingencies are built into the modelled project timelines. • Tender processes for future contracts are only conducted with suppliers with a strong track record. • EPC (or BESS supply) contracts contain robust obligations regarding price and delivery timetables. • Contingency is included in project budgets for unexpected cost increases or loss of income caused by project delays.
Project development and construction risk risk of failure to deliver Pipeline Projects and incurrence of costs, including planning delays, grid connection delays, land disputes	• Increased costs • Reduced returns • Delays to deployment of capital and/or income generation • Non-compliance with investment policy	• Harmony Energy Limited has an extensive track record in development and delivery of renewable energy projects and its project managers oversee the delivery of each site. • The Company's investment policy prohibits the Company from acquiring projects which are not "shovel ready" meaning the project has, planning permission, binding grid offers and options over land in place as well as a BESS supply & installation contract with material terms agreed with a reputable counterparty. These qualifications are corroborated by independent due diligence during the investment process. • The Investment Adviser monitors appropriate factors and reports to the

		Board any relevant information as soon as practicable. • Portfolio diversification and budget contingency provide mitigation. • The investment process allows the pipeline to be controlled and acquired with full visibility of the capital deployment timetable.
Cyber risk		
risk of data loss; risk of cyber attack.	• Increased costs • Reputational damage • Non-compliance with relevant laws and regulations	• The Company reviews all third party service providers' and suppliers' IT security policies, including the Investment Adviser, revenue optimiser and key hardware suppliers. • Reports will be required from suppliers on ISO compliance, penetration testing and attempted attacks. • Operational level equipment complies with Energy Networks Association Cyber Security Connection Guidance and the Investment Adviser has multi-factor authentication for its internal data platform. • The Investment Adviser appoints external IT specialists who assess the adequacy of its cybersecurity measures and suggest updates to address new cyber threats and reflect best practice.

Reliance on third parties		
risk that key personnel in the Investment Adviser and other third party service providers are not properly incentivised or managed to deliver the Company goals.	• Delayed deployment of capital • Reduced returns • Non-compliance with relevant laws and regulations	• Performance of service providers is regularly monitored by the Investment Adviser and the Management Engagement Committee against agreed KPIs • Termination periods for key service providers are negotiated to ensure sufficient time for tendering and onboarding. • The Management Engagement Committee ensures service providers, including the Investment Adviser, are paid sufficient fees to attract and retain staff. • Independent power price forecasts and other industry intelligence subscriptions are used to support NAV calculations. • Valuations are carried out by an independent provider. • Engagement of a revenue optimiser ensures revenue is maximised. The revenue optimiser is engaged on a rolling short term contract to enable replacement in the event of poor performance, and the fee is structured to incentivise performance.
Environmental risk		
risk of unexpected environment-related costs and liabilities.	• Unsafe working conditions • Reputational damage • Increased costs • Non-compliance with relevant laws and regulations	• Full due diligence is undertaken on proposed investments, including environmental due diligence. • This includes consideration of future climate change related risks such as severe weather events or flooding. • Due diligence recommendations to mitigate environmental risks are factored into investment proposal costs and implemented on the projects. • Construction contracts ensure that the third party contractor is liable for any environmental hazards discovered during construction which would not have been discovered by a reasonable investigation performed by a competent third party specialist. • Projects are insured to cover delays to commencement of operations and other environmental risks, including damage to assets from severe weather.

Market risk		
reduced growth of renewables sector; fluctuations in pricing of natural gas and carbon taxes.	• Reduced revenue • Reduced NAV	• Subscriptions to market intelligence services ensure the Investment Adviser is aware of industry outlook and developments at the earliest stage. • The Investment Adviser and Board regularly engage with industry stakeholders and policymakers. • Any changes to the market outlook are factored into revenue forecasts and investment proposals.
Regulatory risk		
reduced returns from changes to applicable law; unfavourable energy or power network policies; non-compliance with legal and regulatory requirements for investment trusts	• Non-compliance with relevant laws and regulations • Reduced returns • Reputational damage	• The Company is well positioned to monitor and react to the energy policy and political landscape, and inputs to relevant energy industry consultations. • Attendance at energy policy and regulatory seminars and engagement with industry stakeholders and policymakers ensure up to date insights. • A monitoring programme put in place by the Company Secretary monitors compliance with all applicable legal and financial legislation and regulatory requirements. • An experienced AIFM has been appointed, with an independent compliance officer. • Across the Board, Investment Adviser and AIFM there is an in-depth knowledge of the relevant laws and regulations relating to NAV and revenue. • A tax advisor is appointed to monitor tax law changes. • The Company Secretary, AIFM and Board monitor regulatory requirements and compliance in order to always retain investment trust status.
Safety risk		
risks to health and safety during construction or operation.	• Unsafe working conditions • Workplace injuries • Reputational damage • For project SPVs, non-compliance with relevant laws and regulations	• The Investment Adviser appoints health and safety advisors to undertake audits of all sites and provide support to the Investment Adviser's project management team. • The Investment Adviser and Board monitor health and safety compliance and performance. • For projects under construction during the reporting period, the EPC contracts with Tesla contain obligations in respect of health and safety on sites and Tesla has the role and responsibilities of Client under the Construction (Design & Management) Regulations. • Procurement due diligence includes an assessment of contractor health and safety track record and compliance framework. • Insurance policies are in place to provide cover against certain losses.
Conflicts of interest		
risk of acquiring projects other than at fair market price; risk of over valuing assets to increase share price; conflicts of interest in acquisition of projects from a related party, Harmony Energy Limited.	• Increased costs • Reduced returns • Reputational damage	• Mitigants of potential conflicts of interest are built into the contractual structure, including a significant portion of consideration for projects being paid to Harmony Energy Limited in the Company shares rather than cash, more comprehensive warranties than would be expected in a usual arms length transaction with more limited disclosure and clawback provisions to allow the Company to

		recover consideration from Harmony Energy Limited in certain circumstances. • In addition, the Company has built mitigants into its governance processes and commercial arrangements, including the separation of the Investment Adviser's investment committee from the Harmony Energy Limited development team and the requirement to procure an independent valuation and external due diligence prior to acquisition, and all acquisitions are subject to approval of the Board, all of whom are independent.
Changing macro economic conditions changing economic conditions may lead to increased costs or lower returns and could result in shares trading at a discount to NAV.	• Increased investor return requirement leading to reduced NAV • Reduced returns • Increased costs • Reduced NAV	• Macro economic factors are monitored and reported to the Board. • Changes to the economic outlook are factored into revenue forecasts, valuations and investment proposals for future investments. • As a relatively new asset class, BESS asset valuations are less directly linked to interest rate movements than other renewable assets. Discount rates have been coming down despite increasing interest rates as investors become more comfortable with the track record demonstrated by the sector. • The Company has taken appropriate hedging actions to address the risk of interest rate fluctuations. Hedging strategies will be evaluated on an ongoing basis in relation to any additional borrowing. • Supply of certain items of key equipment is priced in USD, EUR or RMB. In these cases the FX risk has been passed to suppliers through the relevant supply and installation contracts. In future the Company may consider financial hedging instruments if deemed appropriate. The Company benefits from a natural FX hedge in that revenues are linked to gas prices which are priced in USD.

EMERGING RISKS

The Investment Adviser, the AIFM and the Board monitor emerging risks and assess their potential to adversely impact operations on a quarterly basis. Following a comprehensive review of risks and probabilities, the Board discussed the potential existence of any new emerging risks which were not yet reflected on its risk register. Whilst no such new thematic emerging risks were identified, the Board wish to highlight the ongoing regulatory risk posed by the ongoing Review of Electricity Market Arrangements ("**REMA**").

REMA was launched in July 2022 by the Department for Business, Energy & Industrial Strategy ("**BEIS**"). The scope of the review is comprehensive and covers the entire British electricity market design, with the goal of ensuring that it is fit for the purpose of maintaining energy security and affordability for consumers as the electricity sector decarbonises. BEIS has set out five key future system challenges out to 2035, which are: investment; flexibility; location and networks; operability; and whole system flexibility. The Company sees opportunity creation for BESS given how flexible the technology is and the clear operability benefits this brings to National Grid ESO.

The consultation closed on 10 October 2022. The Company participated by submitting comprehensive responses.

The Company also took the opportunity to highlight that BESS does not benefit from any taxpayer support or subsidy, so a stable and supportive regulatory landscape is especially important to ensure that the growth of this vital enabling technology keeps pace with system demands.

VIABILITY AND GOING CONCERN

SHARE BUYBACKS

The Company is authorised to make market purchases of up to 14.99 per cent. of the issued Ordinary Shares immediately following IPO and expiring at the conclusion of the Company's 2023 Annual General Meeting. The Board intends to seek Shareholder approval to renew its authority to make market purchases of its own issued Ordinary Shares at the 2023 Annual General Meeting. Purchases of shares will be made within guidelines established from time to time by the Board and only in accordance with the Statutes and the Disclosure Guidance and Transparency Rules. At the date of this Annual Report, the Company does not hold any shares in treasury and has no intention to buy back shares at the present time.

GOING CONCERN

As at 31 October 2022, the Company had net current assets and net cash balances of £127 million. In addition, the Company, through its wholly owned subsidiary HEIT Holdings Ltd had access to an undrawn £60 million senior debt facility with NatWest. The combination of cash balances and undrawn debt facility was sufficient to meet commitments made under construction contracts signed by subsidiaries.

HEIT Holdings Ltd's debt facility was extended in February 2023, to £110 million and a £20 million RCF was also agreed. The additional funds are expected to be used in relation to the construction of the Hawthorn Pit and Wormald Green projects which were acquired by the Company in December 2022. All debt facilities remain undrawn as at the date of publication and will be drawn down over time subject to certain construction milestones.

As at 31 October 2022, the Company was a guarantor to its wholly owned subsidiary, HEIT Holdings Ltd in respect of the £60 million debt facility. Post reporting period, this guarantee has been increased to cover the new £110 million debt facility and the ancillary revolving credit facility of up to £20 million. The Company also provides parent company guarantees to subsidiaries in relation to certain construction and/or battery supply contracts. As at 31 October 2022, total committed funding to subsidiaries was £161 million. As at the date of publication, the aggregate outstanding funding commitment stands at £148 million, recognising both expenditure incurred post reporting period as well as new commitments made in relation to the Hawthorn Pit and Wormald Green projects. These commitments are covered by the Company's cash reserves and debt facilities.

In December 2022, the Company acquired the 99MW Rye Common project and has made key grid connection milestone payments in line with its construction schedule in order to maintain the project timetable and protect project value but is not contractually obligated to make any payments. Construction of this project remains subject to putting in place funding arrangements. The Investment Adviser and the Board continue to evaluate options in relation to this project which could include, inter alia, extension of debt facilities, further capital raises, vendor financing or sale of the project.

The Directors have reviewed the results of financial models analysing the expected position of the Company under base case as well as two downside scenarios. Under all scenarios the financial model shows that sufficient cash is expected to be available to meet the Company's obligations and commitments (including but not limited to construction contracts, working capital requirements and debt service).

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

VIABILITY STATEMENT

The Directors have considered the period to January 2026 for the purposes of assessing the Company's viability. The assessment takes into account the availability of cash reserves and committed debt funding whilst assuming that all projects except Rye Common are brought into operations during the assessment period.

The base case financial model prepared to assess viability utilises the same prudent revenue and other key assumptions which are used to value the Company's investments. Revenue assumptions are based on forecasts from three independent providers, have been agreed with Mazars as independent valuers and are in line with or lower than the revenue generated by operating 2-hour duration batteries in 2022. Key costs such as operations and maintenance costs, revenue optimisation fees, lease costs etc are modelled in line with executed contracts which have been reviewed by Mazars (as independent valuer).

In addition, the Directors have considered a downside scenario which *inter-alia*, assumes base case EBITDA performance of underlying subsidiaries is reduced by c.25 per cent. on average over the assessment period. This downside scenario is based on a low-commodity price environment in which gas prices and carbon prices in particular are at significantly reduced levels. This environment in turn impacts the revenue opportunities for battery storage. In addition the Directors have considered the impact of delays to construction.

Given the current commodity pricing environment, as well as the observed performance of 2-hour duration batteries in 2022, the downside cases are considered unlikely.

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 financial models, the Directors have a reasonable expectation that the Company is able to meet its working capital and debt service commitments over the assessment period and that key risks have been considered in this assessment.

The Board therefore consider that there are no significant doubts about the Company's ability to continue as a going concern and the Company remains viable under a reasonable worst-case scenario.

DIRECTORS' RESPONSIBILITY STATEMENT

THE DIRECTORS ARE RESPONSIBLE FOR PREPARING THE ANNUAL REPORT AND FINANCIAL STATEMENTS IN ACCORDANCE WITH APPLICABLE LAW AND REGULATIONS.

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

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

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

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

WEBSITE PUBLICATION

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

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

The Directors confirm to the best of their knowledge that:

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

DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors confirm that:

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

Signed by order of the Board,

Norman Crighton
Chair
22 February 2023
The notes form an integral part of these Financial Statements

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

				1 October 2021 to 31 October 2022
		£	£	£
	Notes	Revenue	Capital	Total
Net gain on investments at fair value through profit and loss	10	-	53,080,091	53,080,091
Service fee income	6	1,853,151	-	1,853,151
Investment income	6	2,083,035	-	2,083,035
		3,936,186	**53,080,091**	**57,016,277**
Expenditure				
Administrative and other expenses	7	(3,999,189)	-	(3,999,189)
Profit/(loss) before taxation		**(63,003)**	**53,080,091**	**53,017,088**
Taxation	8	-	-	-
Profit/(loss) after tax and Total Comprehensive Income for the period		**(63,003)**	**53,080,091**	**53,017,088**
Earnings per share (basic and diluted):				
Ordinary Share	9			0.25

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

The Total column of this statement represents Company's Income Statement 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 SORP**").

STATEMENT OF FINANCIAL POSITION

		31 October 2022
	Notes	£
Non-current assets		
Investments held at fair value	10	145,685,845
		145,685,845
Current assets		
Trade and other receivables	11	1,381,693
Loan to Shareholder	12	1,443,506
Cash and cash equivalents	13	124,571,626
		127,396,825
Total assets		**273,082,670**
Current liabilities		
Trade and other payables	14	730,364
Financial Liability at fair value	15	14,542,172
		15,272,536
Net current assets		**112,124,289**
Total net assets		**257,810,134**
Shareholders equity		
Share capital	19	2,100,000

Capital reduction reserve	19	202,693,046
Revenue reserve		(63,003)
Capital reserve		53,080,091
Total Shareholders' equity		**257,810,134**
Net asset value per Ordinary share (pence)	21	122.77

The Financial Statements of Harmony Energy Income Trust Plc (registered number 13656587) were approved by the Board of Directors and authorised for issue on 22 February 2023. They were signed on its behalf by:

Norman Crighton
Chairman
22 February 2023

.

STATEMENT OF CHANGES IN EQUITY

	Notes	Ordinary Share capital £	Share premium: Ordinary Shares £	Capital reduction reserve £	Revenue reserve £	Capital reserve £	Total Shareholders' equity £
Balance at 1 October 2021		-	-	-	-	-	-
Transactions with owners:							
Issue of share capital	19	2,100,000	207,900,000	-	-	-	210,000,000
Equity issue costs	19	-	(3,106,954)	-	-	-	(3,106,954)
Transfer to capital reduction reserve	19	-	(204,793,046)	204,793,046	-	-	-
Dividends paid	19	-	-	(2,100,000)	-	-	(2,100,000)
Total comprehensive income for the period:							
Profit/(loss) for the period		-	-	-	(63,003)	53,080,091	53,017,088
Balance at 31 October 2022		**2,100,000**	**-**	**202,693,046**	**(63,003)**	**53,080,091**	**257,810,134**

STATEMENT OF CASH FLOWS

	Notes	1 October 2021 to 31 October 2022 £
Cash flows from operating activities		
Profit for the period		53,017,088
Adjustments for non-cash items:		
Net gain on investments at fair value through profit and loss	10	(53,080,091)
Investment Income	6	(2,083,035)
Service fee income	6	(1,853,151)
Operating cash flows before movements in working capital		**(3,999,189)**
Increase in trade and other receivables	11	(1,381,693)
Increase in trade and other payables	14	730,364
Net cash outflow from operating activities		**(4,650,518)**
Cash flows used in investing activities		
Loan to Shareholder	12	(1,443,506)
Purchases of Investments		(65,185,873)
Net cash outflow from investing activities		**(66,629,379)**
Cash flows used in financing activities		
Proceeds from issue of Ordinary Shares		186,516,305
Proceeds from borrowings		14,542,172
Share issue costs		(3,106,954)
Dividend paid		(2,100,000)
Net cash inflow from financing activities		**195,851,523**
Net increase in cash and cash equivalents for the period		**124,571,626**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	13	**124,571,626**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 OCTOBER 2021 (INCORPORATION DATE) TO 31 OCTOBER 2022

1. GENERAL INFORMATION

Harmony Energy Income Trust Plc was incorporated as a Public Company, limited by shares, in England and Wales on 1 October 2021 with registered number 13656587. The registered office of the Company is The Scalpel 18th Floor, 52 Lime Street, London, England EC3M 7AF. The Company's principal activity is to invest in commercial scale battery energy storage and renewable energy generation projects, with an initial focus on a portfolio of utility scale battery energy storage systems ("**BESS**"), located in diverse locations across Great Britain.

2. BASIS OF PREPARATION

The audited Annual Report and Financial Statements has been prepared in accordance with UK adopted IAS and in conformity with the requirements of the Companies Act 2006 and also considers the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts", issued by the AIC SORP in April 2021. The Financial Statements are prepared on a historical cost basis, except where balances are recognised at fair value. The principal accounting policies are set out in Note 5.

In terms of the AIC SORP, the Company presents an Income Statement which shows amounts split between those 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. 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 which holds all its subsidiaries at fair value and therefore only prepares separate accounts. The Financial Statements are also prepared on the assumption that approval as an investment trust will continue to be granted.

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. Bearing in mind the nature of the Company's business and assets, the Directors consider the Company to have adequate resources to continue in operational existence.

The going-concern analysis takes into account expected increases to Investment Adviser's fee in line with the Company's NAV and assumes operating costs continues at the current rate. It is assumed that discretionary dividend payments to shareholders are made at the target annual rate of 8 pence per ordinary share. On this basis the Company will continue to be operational and will have excess cash after payment of its liabilities.

As at 31 October 2022, the Company had net current assets of £112,124,289 and had cash balances of £124,571,626 (excluding cash balances within investee companies), which are sufficient to meet current obligations as they fall due.

The major cash outflows of the Company are the payment of dividends and costs relating to the acquisition of new assets, both of which are discretionary. The Company had no outstanding debt as at 31 October 2022. The financial position of the Company, its cash flows, and liquidity position are described in the Financial Statements and related notes. In addition, note 16 to the Financial Statements includes the policies and processes for managing its capital, its financial risk management, details of its financial instruments and its exposure to credit risk and liquidity risk.

As at 31 October 2022, the Company was a guarantor to its wholly owned subsidiary, HEIT Holdings Ltd in respect of the £60 million debt facility. Post reporting period, this guarantee has been increased to cover the new £110 million debt facility and ancillary revolving credit facility of up to £20 million. Subject to Directors approval, the Company also provides parent company guarantees to subsidiaries in relation to certain construction and/or battery supply contracts. As at 31 October 2022, total committed funding to subsidiaries was £161 million. As at the date of publication, the aggregate outstanding funding commitment stands at £148 million, recognising both expenditure incurred post reporting period as well as new commitments made in relation to the Hawthorn Pit and Wormald Green projects. These commitments are covered by the Company's cash reserves and debt facilities.

As at period end, total committed capital expenditure of subsidiaries was £166 million. As at the date of publication, the aggregate outstanding capital expenditure stands at £148 million, recognising both expenditure incurred post reporting period as well as new commitments made in relation to the Hawthorn Pit and Wormald Green projects. These commitments are covered by the Company's cash reserves and debt facilities.

The Company has no direct exposure to either Ukraine or Russia and therefore does not consider the conflict to have an impact on the going concern operations of the Company.

The Directors considered the impact of climate change on the investments included in Company's financial statements and have assessed that it does not materially impact the estimates and assumptions used in determining the fair value of the investments.

The Directors acknowledge their responsibilities in relation to the financial statements for the year ended 31 October 2022 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, they have adopted the going concern basis in preparing the Annual Report and Financial Statements.

3. NEW AND REVISED STANDARDS AND INTERPRETATIONS

NEW AND REVISED IFRSS IN ISSUE BUT NOT YET EFFECTIVE

The following standards have been issued but are not effective for this accounting period and have not been adopted early:

- IAS 1 (amended) - Amendments regarding classifications of liabilities, and disclosure of accounting policies - effective from 1 January 2023.
- IAS 8 (amended) - Amendments regarding the definition of accounting estimates - effective from 1 January 2023.

Adoption of the new and revised standards and relevant interpretations in future periods is not expected to have a material impact on the Financial Statements of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the Financial Statements have been consistently applied during the period ended 31 October 2022.

The principal accounting policies applied in the preparation of the Financial Statements are set out below:

SEGMENTAL INFORMATION:

The Board is of the opinion that the Group is engaged in a single segment business, being the investment in in energy storage and complementary renewable energy generation assets, with an initial focus in a diversified portfolio of utility scale battery energy storage systems (**BESS**), located in diverse locations across Great Britain.

INCOME

Income comprises Investment income and Service fee income. Investment income arising from interest on the portfolio assets loan investments is recognised on an accrual basis in the Revenue account of the Statement of Comprehensive Income. Service fee income is recognised from fees charged to each portfolio company regarding the Company's resources used for project related matters. The Service fee income is recognised in the Revenue account of the Statement of Comprehensive Income.

EXPENSES

Operating expenses are the Company's costs incurred in connection with the on-going management of the Company's investments and administrative costs. Operating expenses are accounted for on an accruals basis and charged to the Statement of Comprehensive Income. Expenses are charged through the Revenue account except those which are capital in nature, these include those which are incidental to the acquisition, disposal or enhancement of an investment, which are accounted for through the Capital account. In terms of the AIC SORP the Company applies the general accounting basis and charges the full Investment Adviser fees to revenue ("the non-allocation approach"). Costs directly relating to the issue of Ordinary Shares are charged to share premium.

TAXATION

The Company is approved as an Investment Trust Company ("**ITC**") under sections 1158 and 1159 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999 for accounting periods commencing on or after 25 May 2018. The approval is subject to the Company continuing to meet the eligibility conditions of the Corporations Tax Act 2010 and the Statutory Instrument 2011/2999. The Company intends to ensure that it complies with the ITC regulations on an ongoing basis and regularly monitors the conditions required to maintain ITC status.

Current tax is the expected tax payable on any taxable income for the period, using tax rates enacted or substantively enacted at the end of the relevant period. The current tax rate is 19% but this will increase to 25% with effect from 1 April 2023 as announced by the UK Government. This is not expected to have a material impact on the Company.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and call deposit held with the bank on a 32 day notice which can be readily converted to cash. The fixed deposit account held with the bank is used for cash management purposes.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently stated at amortised cost less loss allowance which is determined using the simplified approach to measuring expected credit losses, the effect of which is considered immaterial.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value and subsequently stated at amortised cost.

EQUITY

Equity instruments issued by the Company are recorded as the amount of the proceeds received, net of directly attributable issue costs. Costs not directly attributable to the issue are immediately expensed in the Statement of Comprehensive Income.

FINANCIAL INSTRUMENTS

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of amortised cost or fair value through profit or loss. Derivative instruments are measured at fair value through profit and loss.

FINANCIAL ASSETS

The Company's financial assets, other than cash and cash equivalents and trade and other receivables, are measured at fair value through profit or loss as they are held in the business model whose performance is evaluated and assessed on a fair value basis.

FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

The Company classifies all financial liabilities as financial liabilities at amortised cost expect the C Share Liability which is measured at fair value through profit or loss.

RECOGNITION AND DERECOGNITION

Financial assets are recognised on trade date, the date on which the Company commits to purchase or sell an asset. A financial asset is derecognised where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset. The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

IMPAIRMENT OF FINANCIAL ASSETS

The Company holds trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such has chosen to apply the simplified approach to measuring expected credit losses, as permitted by IFRS 9, which uses a lifetime expected loss allowance for all trade receivables.

DIVIDENDS PAYABLE

Dividends are recognised when they become legally payable, as a reduction in equity in the Financial Statements. Interim equity dividends are recognised when paid. Dividends on the shares will be payable quarterly from 2023 onwards, all in the form of interim dividends (the Company does not intend to pay any final dividends).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period 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:

ASSESSMENT AS AN INVESTMENT ENTITY

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them unless their main purpose and activities are providing services related to the Company's investment activities. To determine that the Company continues to meet the definition of an investment entity, the Company is required to satisfy the following three criteria:

a) the Company obtains funds from one or more investors for the purpose of providing those investors with investment management services;

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

c) the Company measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company meets the criteria as follows:

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

As at 31 October 2022, the Company had the following subsidiaries;

- Harmony (PW) Limited,
- Harmony (PW) 2 Limited,
- Harmony BD Limited,
- Harmony FM Limited,
- Harmony RH Ltd,
- Daisy No. 2 Limited,
- HEIT Holdings Ltd,
- Harmony BF Limited

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 the AIFM recommends (acting upon advice given by the Investment Adviser) that such realisation is in the interests of the Company. Such circumstances may include (without limitation) disposals for the purposes of realising or preserving value, or of realising cash resources for reinvestment or otherwise.

The Directors are responsible for the determination of the Company's investment policy and strategy and has overall responsibility for the Company's activities including the review of investment activity and performance. The Board will also make the decision to acquire or dispose of Projects, based on recommendations made by the AIFM acting upon advice given by the Investment Adviser.

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 subsidiaries are measured at fair value through profit or loss, in accordance with IFRS 9 'Financial Instruments'.

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 17.

6. INCOME

	31 October 2022 £
Service fee income	1,853,151
Investment Income	1,614,060
Bank interest income	453,973
Interest income on loan to Shareholder	15,002
	3,936,186

Refer to note 10 for further detail on interest on loans to subsidiaries recognised in Investment income.

7. ADMINISTRATIVE AND OTHER EXPENSES

	31 October 2022 £
Administrative fees	48,000
AIFM Fees	61,573
Director & officer insurance	44,917
Directors' fees	226,577
Fees payable to the auditor for the audit of the Company's Financial Statements	140,000
Fees payable to the auditor for the audit of the Company's Initial accounts	100,000
Legal and Professional fees	791,052
Listing fees expensed	377,035
Investment Adviser fees	1,848,845
Secretarial Fees	45,000
Sundry expenses	316,190
	3,999,189

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

ADMINISTRATIVE AND SECRETERIAL FEES

JTC (UK) Limited has been appointed to act as administrator and secretary for the Company through the Administration and Company Secretarial Agreement with effect from 14 October 2021. JTC (UK) Limited is entitled to a minimum fee of £48,000 per annum for accounting and administration services to the Company as well as a minimum fee of £45,000 per annum for the provision of Governance and Company Secretarial services.

During the year, fees incurred with JTC (UK) Limited amounted to £123,000 including set up fees and £93,000 remained payable as at 31 October 2022.

AIFM

JTC Global AIFM Solutions Limited ("**the AIFM**") has been appointed to act as the AIFM for the Company through the AIFM Agreement with effect from 14 October 2021. The AIFM is entitled to charge an annual rate of 0.03% of the Company's equity raised subject to a minimum annual fee of £30,000.

During the year, fees incurred with the AIFM amounted to £61,573 and £21,000 remained payable as at 31 October 2022.

INVESTMENT ADVISER

Investment Adviser fees are payable monthly in arrears. Details on how the fees are charged are disclosed in note 24.

8. TAXATION

The Company is recognised as an ITC for accounting periods beginning on or after 1 October 2021 and is taxed at the main rate of 19%. An ITC may claim a tax deduction for the distribution of income that arises from interest receipts on the loan notes. Therefore, no corporation tax charge has been recognised for the Company for the period to 31 October 2022.

	Revenue £	Capital £	31 October 2022 Total £
a) Tax charge in profit or loss			
UK corporation tax	-	-	-
b) Reconciliation of the tax charge for the period			
Profit before tax	(63,003)	53,080,091	53,017,088
Tax at UK main rate of 19%	(11,971)	10,085,217	10,073,247
Tax effect of:			
Non-taxable investment gains on investments	-	(10,085,217)	(10,085,217)
Non-deductible expenses	71,637	-	71,637
Tax deductible interest distributions	(59,667)	-	(59,667)
Tax charge for the period	-	-	-

(c) Factors that affect future tax charges

ITCs which have been approved by HM Revenue & Customs are exempt from UK corporation tax on their capital gains. Due to the Company's status as an approved ITC, and the intention to continue meeting the conditions required to maintain that approval for the foreseeable future, the Company has not provided for deferred tax in respect of any gains or losses arising on the revaluation of its investments. Taxes are based on the UK Corporate tax rates which existed as of the balance sheet date which was 19%. The UK Government confirmed their intention to increase the main rate of corporation tax from 19% to 25% from 1 April 2023 for companies with profits over £250,000.

As at 31 October 2022 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.

9. EARNINGS PER SHARE

Earnings per share 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 profit attributable to Shareholders	31 October 2022 £
Ordinary Shares	210,000,000	53,017,088	0.25

10. INVESTMENTS AT FAIR VALUE

Subsidiaries	Place of business	Percentage ownership
Harmony (PW) Limited	Cottingham, East Yorkshire	100%
Harmony (PW) 2 Limited	Cottingham, East Yorkshire	100%
Harmony BD Limited	Broadditch, Kent	100%
Harmony FM Limited	Farnham, Surrey	100%
Harmony RH Ltd	Drax, North Yorkshire	100%
Daisy No. 2 Limited	Lochgelly, Fife	100%
HEIT Holdings Ltd	Knaresborough, North Yorkshire	100%
Harmony BF Limited	Ilmer, Buckinghamshire	100%

Subsidiaries	Equity acquisitions during the period £	Loans: principal advanced £	Loans: Interest Charged £	Cost at 31 October 2022 £	Net Fair value movement £	Closing balance equity and loans £
Harmony (PW) Limited	8,224,633	4,075,047	175,023	12,474,703	12,058,246	**24,532,949**
Harmony (PW) 2 Limited	8,931,692	1,631,222	51,287	10,614,201	11,723,982	**22,338,183**
Harmony BD Limited	592,489	2,451,079	157,786	3,201,354	2,956,881	**6,158,235**
Harmony FM Limited	2,821,324	5,777,562	250,916	8,849,802	3,531,263	**12,381,065**
Harmony RH Ltd	5,039,989	8,144,129	313,329	13,497,447	(383,339)	**13,114,108**
Daisy No. 2 Limited	7,912,631	10,565,352	301,390	18,779,373	(263,988)	**18,515,385**
HEIT Holdings Ltd	1	1,379,402	32,703	1,412,106	2,399,840	**3,811,946**
Harmony BF Limited	-	23,445,142	331,626	23,776,768	21,057,206	**44,833,974**
TOTAL	**33,522,759**	**57,468,935**	**1,614,060**	**92,605,754**	**53,080,091**	**145,685,845**

On 9 November 2021 the Company acquired issued share capital of each of the companies above (excluding Harmony BF Limited and HEIT Holdings Ltd) (the "**Seed Portfolio Companies**") from Harmony Energy Limited. The investments were purchased at an aggregate purchase price of £38,455,614 plus acquisition costs of £427,255 less the aggregate amount of the Harmony Energy Limited shareholder loans of £1,820,240 and deferred consideration of £3,690,591. As part of the purchase price, shares to the value of £23,483,695 were issued by the Company to Harmony Energy Limited, and are credited as fully paid.

On 9 November 2021, the Company entered into an Intercompany Services Agreement ("**ISA**") with its subsidiaries. The Company earned service fee income of £1,853,151 during the period some of which has been settled using the loan to the subsidiaries.

On 12 November 2021, the Company granted Sterling term loan facilities to its subsidiaries totalling £113,000,000. The intra-group loans are payable on the longstop date being 12 November 2036. The loans bear interest at a rate of 8% compounded monthly, payable monthly in arrears after the date of substantial completion. The interest on the intra group loans is recognised as Investment income.

On 4 February 2022, HEIT Holdings Ltd was incorporated as a wholly owned subsidiary of the Company.

On 29 July 2022, the Company acquired the issued share capital of Harmony BF Limited from Harmony Energy Limited. The investment was purchased at an aggregate purchase price of £0. The purchase price was determined by a formula agreed on 9 November 2021 to mirror the acquisition mechanics of the Seed Portfolio Companies. Cost increases between 9 November 2021 and the date of acquisition resulted in a purchase price of £0, a discount to fair market value of £17.3m (as supported by the independent valuation performed by Mazars at the date of purchase). The commitment to purchase was legally binding on 9 November 2021 hence the forward contract was recognised from that date and fair valued through profit or loss. Of the fair value gain recognised through profit and loss recorded regarding Harmony BF limited, £15,688,215 is in respect of that forward contract.

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

The Company has current intentions to provide financial or other support to the subsidiaries, including intentions to assist its subsidiaries in obtaining financial support.

The Fair value measurements and sensitivities used to measure these investments are disclosed in note 17.

11. TRADE AND OTHER RECEIVABLES

	31 October 2022 £
Prepayments	35,172
VAT receivable	482,555
Intercompany loans receivable	482,925
Amounts due from related parties	381,041
	1,381,693

12. LOAN TO SHAREHOLDER

	31 October 2022 £
Loan to Shareholder	1,443,506
	1,443,506

On 1 July 2022, the Company granted a £5,000,000 revolving credit facility to Harmony Energy Limited ("**the Facility**"). Interest is charged on the Facility at margin rate of 3% plus 1 year SONIA (sterling overnight index average).

The purpose of the Facility is to fund next stage grid connection payments in order to maintain energisation dates, in relation to near-term pipeline projects, over which the Company has an exclusive right of first refusal.

The loan is due to be received at the earlier of:

(a) the Repayment Date of 30 June 2023; or

(b) within 10 Business Days of demand by the Lender, provided that the Lender shall not serve such demand prior to 31 December 2022.

As the Facility was repaid within 12 months of the reporting date on 14 December 2022 the loan has been classified as current.

13. CASH AND CASH EQUIVALENTS

	31 October 2022 £
Cash at bank	105,471,626
Fixed Deposit account	19,100,000
	124,571,626

14. TRADE AND OTHER PAYABLES

	31 October 2022 £
Creditors and Operating Accruals	301,013
Administrator fees	48,000
AIFM Fees	21,000
Audit fees	140,000
Investment Adviser Fee Accrual	220,351
	730,364

15. FINANCIAL LIABILITY AT FAIR VALUE

	31 October 2022 £
Balance at 1 October 2021	-
Convertible C Shares	14,771,364
Less equity costs	(229,192)
	14,542,172

On 12 October 2022, the Company issued 14,771,364 C Shares of £0.10 each at a price of £1.00 per C Share. The C Shares so issued have equal voting rights with Ordinary Shares. The total number of Ordinary and C Shares with voting rights in issue immediately following admission was 224,771,364. The assets representing the net proceeds of the C Share issue will be accounted for and managed as a distinct pool of assets until the C Shares are converted into Ordinary Shares.

The conversion of the C Shares took place following the acquisition of the pipeline projects as described in note 26.

The C Shares are converted into Ordinary Shares on the basis of a conversion ratio. The Conversion Ratio is the ratio of the net asset value per C Share to the net asset value per Ordinary Share as at the Conversion Calculation Date. On conversion, the new Ordinary Shares issued as a result of the conversion of C Shares will rank pari passu with the existing Ordinary Shares in issue on the date of conversion.

C Class shares in issue are convertible and as required under IAS 32, are presented as financial liabilities at fair value in the Statement of Financial Position. No profit or loss on the pool of assets related to the C Shares has occurred during the period.

16. CATEGORIES OF FINANCIAL INSTRUMENTS

	31 October 2022 £
Financial assets	
Financial assets at fair value through profit and loss:	
Investments	145,685,845
Financial assets at amortised cost:	
Trade and other receivables	1,381,693
Loan to Shareholder	1,443,506
Cash and Cash Equivalents	124,571,626
Total financial assets	**273,082,670**
Financial liabilities	
Financial liabilities at fair value through profit and loss:	
Financial liability at fair value	14,542,172
Financial liabilities at amortised cost:	
Trade and other payables	730,364
Total financial liabilities	**15,272,536**

At the balance sheet date, all financial assets and liabilities were measured at amortised cost except for the financial liability and investment in subsidiaries which are measured at fair value as further explained in note 15 and 18 retrospectively. The carrying amount for the financial assets and liabilities measured at amortised costs approximates fair value.

17. FINANCIAL RISK MANAGEMENT

The Company is exposed to certain risks through the ordinary course of business and the Company's financial risk management objective is to minimise the effect of these risks. The management of risks is performed by the Directors of the Company and the exposure to each financial risk considered potentially material to the Company, how it arises and the policy for managing it is summarised below:

CREDIT RISK

The Company is exposed to third-party credit risk in several instances and the possibility that counterparties with which the Company and its subsidiaries, together the "**Group**", contracts may fail to perform their obligations in the manner anticipated by the Group.

Counterparty credit risk exposure limits are determined based on the credit rating of the counterparty. Counterparties are assessed and monitored on the basis of their ratings from Standard & Poor's and/or Moody's. No financial transactions are permitted with counterparties with a credit rating of less than BBB- from Standard & Poor's or Baa3 from Moody's unless specifically approved by the Board.

Cash and other assets that are required to be held in custody will be held at bank. Cash and other assets may not be treated as segregated assets and will therefore not be segregated from the bank's own assets in the event of the insolvency of a custodian. Cash held with the bank will not be treated as client money subject to the rules of the FCA and may be used by the bank in the ordinary course of its own business. The Company will therefore be subject to the creditworthiness of the bank. In the event of the insolvency of the bank, the Company will rank as a general creditor in relation thereto and may not be able to recover such cash in full, or at all.

Credit risk is mainly at subsidiary level where the capital commitments are being made and is managed by diversifying exposures among a portfolio of counterparties and through applying credit limits to those counterparties with lower credit standing.

Cash and bank deposits are held with major international financial institutions who each hold a Moody's credit rating of A2 or higher.

CURRENCY RISK

The Company is not exposed to currency risk as all its assets, liabilities and transactions during the current period were denominated in British Pound Sterling.

LIQUIDITY RISK

The objective of liquidity management is to ensure that all commitments which are required to be funded can be met out of readily available and secure sources of funding. The Company's only financial liabilities are trade and other payables. The Company intends to hold sufficient cash across the Company and subsidiaries' operating accounts to meet the working capital needs.

As at 31 October 2022, the Company held cash at bank of £124,571,626 and had trade and other payables totaling £730,363.

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

As at 31 October 2022	<1 year £	1 to 2 years £	2 to 5 years £	>5 years £	Total £
Financial assets					
Financial assets at fair value through profit and loss:					
Loan investment to subsidiaries*	-	-	-	59,082,995	59,082,995
Financial assets at amortised cost:					
Cash at bank	124,571,626	-	-	-	124,571,626
Total financial assets	**124,571,626**	**-**	**-**	**59,082,995**	**183,654,621**

As at 31 October 2022	<1 year £	1 to 2 years £	2 to 5 years £	>5 years £	Total £
Financial liabilities					
Financial liabilities at fair value through profit and loss:					
Financial liability at fair value	14,542,172	-	-	-	14,542,172
Financial liabilities at amortised cost:					
Trade and other payables	730,364	-	-	-	730,364
Total financial liabilities	**15,272,536**	**-**	**-**	**-**	**15,272,536**

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

MARKET RISK

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects: (i) other price risks, and (ii) interest rate risk. The objective is to minimise market risk through managing and controlling these risks to acceptable parameters, while optimising returns. The Company uses financial instruments in the ordinary course of business in order to manage market risks. Further commentary on financial and market risks is provided in the Principal Risks and Uncertainties section, including inflation.

(i) PRICE RISK

The Company's investments are susceptible to market price risk arising from uncertainties about future values of the instruments. The Company's Investment Adviser provides the Company with investment recommendations. The Company's Investment Adviser's recommendations are reviewed and approved by the Board before the investment decisions are implemented. To manage the market price risk, the Company's Investment Adviser reviews the performance of the investments on a regular basis and is in regular contact with the management of the non-current investments for business and operational matters.

Price risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. At 31 October 2022, if the valuation of investments had been 10% higher with all other variables held constant, the increase in net assets attributable to Shareholders for the period would have been £14,568,585 higher, arising due to the increase in the fair value of financial instruments. A 10% decrease would have the equal and opposite effect.

The impact of changes in unobservable inputs to the underlying investments is considered in note 17.

(ii) INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Company is exposed to interest rate risk on its cash balances held with counterparties, bank deposits, and through loans to related parties. Bank deposits advance carry a fixed rate of interest for a definite period and loans to subsidiaries carry a fixed rate of interest. The Company is not exposed to changes in variable market rates of interest and has therefore not considered any sensitivity to interest rates.

The Company does not have any borrowings as at 31 October 2022 however the Company has access to a £60,000,000 loan facility through its subsidiary HEIT Holdings Ltd. As at 31 October 2022, there has been no drawdown on this loan. It is a five-year facility with an initial margin of 300bps over SONIA, rising over time to a maximum of 375bps by year 5. HEIT Holdings Ltd entered into an interest rate swap in relation to this facility. The swap hedges the risk of fluctuation in the SONIA rate, and fixes the underlying interest rate at 2.508% to provide stability in interest costs over the term of the loan. The fair value of the swap fluctuates in line with interest rates and the risk of the movement in swap value is not considered material. The Company is required to enter into similar hedging agreements on the extended loan facility completed in February 2023.

Where not a requirement of the underlying loan facilities, the Company will consider the costs and benefits of hedging on a case by case basis.

At 31 October 2022, the Company is indirectly exposed to interest rate risk through its investments in the subsidiaries. The Company may be exposed to changes in variable market rates of interest and this could impact the discount rate and therefore the valuation of the projects. The sensitivity of the valuation of the investment projects due to discount rates are disclosed in note 17.

CAPITAL RISK MANAGEMENT

The capital structure of the Company at period end consists of equity attributable to equity holders of the Company of £272,352,306, comprising issued capital, reserves and accumulated loss. The Board continues to monitor the balance of the overall capital structure so as to maintain investor and market confidence. The Company is not subject to any external capital requirements.

18. FAIR VALUE MEASUREMENT

FAIR VALUE MEASUREMENT AND HIERARCHY

Fair value is the price that would be received on the sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a Level 3 measurement.

The following table analyses within the fair value hierarchy the Company's assets measured at fair value at 31 October 2022:

	Level 1	Level 2	Level 3
	£	£	£
Investment in subsidiary	-	-	**145,685,845**

The Company only invests in assets at fair value through profit or loss that are Level 3 in the fair value hierarchy and the reconciliation in the movement of this Level 3 investment is presented below. No transfers between levels took place during the period.

	31 October 2022
	£
Opening balance	-
Add: purchases during the period	92,605,754
Total fair value movement through the profit or loss	53,080,091
Closing balance	**145,685,845**

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

There are three traditional valuation approaches that are generally accepted and typically used to establish the value of a business: the income approach; the market approach; and the net assets (or cost based) approach. Within these three approaches, several methods are generally accepted and typically used to estimate the value of a business.

The valuation of all the Company's investments (excluding the investment in HEIT Holdings Ltd), 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.

The valuation at 31 October 2022, reflecting the status of the investments to date, was determined using the DCF method whereby the value of an asset is based on the projected cash flows adjusted for time value of money and inherent risk of the cash flows using an appropriate discount rate.

Included in the fair value of the investments is £9,623,045 in cash at project level.

The fair value of the investment in HEIT Holdings Ltd represents the net assets of the company as determined (presented by the Investment Adviser and reviewed) by the Company's administrator and further presented to and reviewed by the Company's Board of Directors. As at 31 October 2022, HEIT Holdings Ltd held an investment in an interest rate swap measured at fair value but no projects. The interest rate swap is valued on a mark to market basis using a mid-market price at the close of business as at valuation date.

There has been no change in the valuation methodology during the period.

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 Investment Adviser's assessment of fair value of investments is determined in accordance with the International Private Equity and Venture Capital 2018 ("IPEVC") Valuation Guidelines, using levered and unlevered DCF principles.

In the period, the Company acquired battery storage projects from Harmony Energy Limited, which is a leading developer of utility scale battery storage projects, alongside developing, owning, and operating wind and solar projects.

As at 31 October 2022 ("**Valuation Date**"), the Company had live investments in the following seven battery energy storage systems projects in the UK - Pillswood 1, Pillswood 2, Broadditch, Farnham, Rusholme, Little Raith, and Bumpers. These projects, taken together, have a combined rated power capacity of 312.5MW and an energy storage capacity of c.625MWh.

All the projects in the portfolio are under construction (as at 31 October 2022) with an expected construction period of c. 9-15 months for each site. The Projects are expected to have an operational life of 30 years with a repowering or cell replacement assumed after 15 years.

The Projects attract four different streams of revenues: trading revenue (wholesale, Balancing Mechanism and churn), Ancillary Services (Frequency Response Revenue, Dynamic Containment and Dynamic Regulation), Capacity Market revenue and embedded benefits (via the Embedded Export Tariff). Given the difficulty in accurately forecasting revenues over the long-term, the Company purchases independent forecasts from three well respected providers. By blending three forecasts, the Company is able to take account for differing views of long-term drivers of value. Two of these providers focus on long-term fundamental-based forecasts whereas one is focused on shorter-term battery specific performance.

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.

As at 31 October 2022, the fair value of all the investments held within the portfolio, with the exception of the investment in HEIT Holdings Ltd, have been determined (presented by the Investment Adviser and reviewed) by Mazars LLP and further presented to 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. The individual project valuations are disclosed in note 10.

The Directors consider the changes in inputs to be within a reasonable expected range based on their understanding of market transactions. This is not intended to imply that the likelihood of change or that possible changes in value would be restricted to this range.

Investment	Project	Investment fair value £	Valuation technique	Significant input description	Sensitivity	Estimated effect on fair value £
Harmony (PW) Limited	Pillswood 1	24,532,949	DCF	Discount rate	+1%	(2,755,218)
					-1%	3,152,484
				Revenue	+10%	5,166,096
					-10%	(5,218,460)
Harmony (PW) 2 Limited	Pillswood 2	22,338,183	DCF	Discount rate	+1%	(2,753,742)
					-1%	3,150,947
				Revenue	+10%	5,166,553
					-10%	(5,219,204)
Harmony BD Limited	Broadditch	6,158,235	DCF	Discount rate	+1%	(627,886)
					-1%	718,932
				Revenue	+10%	1,140,544
					-10%	(1,147,759)
Harmony FM Limited	Farnham	12,381,065	DCF	Discount rate	+1%	(1,242,714)
					-1%	1,425,694
				Revenue	+10%	2,057,807
					-10%	(2,079,858)
Harmony RH Ltd	Rusholme	13,114,108	DCF	Discount rate	+1%	(1,937,654)
					-1%	2,226,456
				Revenue	+10%	3,226,431
					-10%	(3,243,603)
Daisy No. 2 Limited	Little Raith	18,515,385	DCF	Discount rate	+1%	(2,516,173)
					-1%	2,905,779
				Revenue	+10%	4,190,210
					-10%	(4,186,939)
Harmony BF Limited	Bumpers 1&2	44,833,974	DCF	Discount rate	+1%	(5,778,738)
					-1%	6,668,644
				Revenue	+10%	8,679,227
					-10%	(8,674,979)

Portfolio Sensitivity

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

Investment	Sensitivity	Estimated effect on fair value £
Inflation	+0.5%	13,322,583
	-0.5%	(12,444,295)
Construction Costs	+15%	(24,862,381)
	-15%	24,573,989
Operating costs	+15%	(7,803,622)
	-15%	7,789,333
Cell replacement costs	+15%	(1,290,494)
	-15%	1,327,324

19. SHARE CAPITAL

	Number of shares	Share capital £	Share premium £	Capital reduction reserve £	Total Shareholders' equity £
As at 1 October 2021	-	-	-	-	-
Issue of fully paid Ordinary Shares at £1	210,000,000	2,100,000	207,900,000	-	210,000,000
Ordinary Shares Equity issue costs	-	-	(3,106,954)	-	(3,106,954)
Transfer to capital reduction reserve	-	-	(204,793,046)	204,793,046	-
Dividends paid	-	-	-	(2,100,000)	(2,100,000)
As at 31 October 2022	**210,000,000**	**2,100,000**	**-**	**202,693,046**	**204,793,046**

SHARE CAPITAL, SHARE PREMIUM ACCOUNT AND CAPITAL REDUCTION RESERVE

On 12 October 2021, the Board approved the proposed placing and offer for subscription (together the "**Placing**") of Ordinary Shares of £0.01 nominal value each in the capital of the Company at a price of £1.00 per Ordinary Share. The Board also approved the acquisition of the Seed Portfolio Companies (refer note 10), consideration for which included the issue of 23,483,695 Ordinary Shares at a price of £1.00 per Ordinary Share to Harmony Energy Limited. The Placing raised gross proceeds of £186,516,305, and therefore the number of Ordinary Shares of £0.01 each issued by the Company and admitted to trading was 210,000,000 in aggregate.

Following a successful application to the High Court and lodgement of the Company's statement of capital with the Registrar of Companies, the Company was permitted to cancel its share premium account. This was effected on 15 December 2021 by a transfer of the balance of £204,793,046 from the share premium account to the capital reduction reserve. The capital reduction reserve is classed as a distributable reserve and dividends to be paid by the Company are to be offset against this reserve.

20. RESERVES

The nature and purpose of each of the reserves included within equity at 31 October 2022 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 maybe 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 only movements in these reserves during the period are disclosed in the statement of changes in equity.

21. NET ASSET VALUE PER SHARE

Basic NAV per share is calculated by dividing the Company's net assets as shown in the statement of financial position that are attributable to the ordinary equity holders of the Company by the number of Ordinary Shares outstanding at the end of the period. As there are no dilutive instruments outstanding, basic and diluted NAV per share are identical.

	31 October 2022					
	Shares in issue	Assets	Liabilities	Profit	Pence per Share	Net Asset Value £
Ordinary Shares	210,000,000	273,082,670	15,272,536	53,017,088	122.77	257,810,134

22. DIVIDENDS

	Dividend per share	Estimated effect on fair value £
For the 6 month period ended 30 April 2022	1 pence	2,100,000

The dividends paid during the year were paid out of capital reduction reserve.

On 23 November 2022 the Company declared a dividend of 1 pence per Ordinary Share in relation to the period 1 May 2022 to 31 October 2022 which was paid on the 16 December 2022 to Shareholders on the register as at the close of business on 2 December 2022.

23. DEFERRED CONSIDERATION

On 14 October 2021 the Company acquired issued share capital of each of the Seed Portfolio Companies from Harmony Energy Limited. The investment was purchased at an aggregate purchase price of £38,455,614 with acquisition costs of £427,255 less the aggregate amount of the Harmony Energy Limited shareholder loans of £1,820,240 and deferred consideration of £3,690,591.

The share purchase agreement in relation to this acquisition set out an amount of £3,690,591 to be deferred until the signing of EPC contracts on each project within the Seed Portfolio. The projects were acquired at a fixed price per megawatt including construction costs basis, with part of the consideration deferred. To the extent certain actual contract costs had increased above the anticipated costs, such cost increases were deducted from the deferred consideration.

As at 31 October 2022 all Seed Portfolio Companies (as well as Harmony BF Limited) have signed EPC contracts, with the latest being executed in June 2022. No deferred consideration was payable due to increases in the contract costs and the Company has no outstanding obligations or liabilities in this respect. As such, the deferred consideration has not been recognised in the Financial Statements as none was ultimately payable.

24. TRANSACTIONS WITH RELATED PARTIES

Following admission of the Ordinary Shares (refer to note 18), 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 £226,577 were incurred in respect of the period with none being outstanding and payable at the end of the period.

SUBSIDIARIES

On 9 November 2021 the Company acquired issued share capital of each of the Seed Portfolio Companies at an aggregate purchase price of £38,455,614 from Harmony Energy Limited as disclosed below.

During the period the Company granted Sterling term loan facilities to its subsidiaries totalling £194,000,000.

Refer to note 10 for further detail.

As described in the going concern note, the Company was a guarantor to its wholly owned subsidiary, HEIT Holdings Ltd in respect of the £60 million debt facility. Post reporting period, this guarantee has been increased to cover the new £110 million debt facility and an ancillary revolving credit facility of up to £20 million. The Company also provides parent company guarantees to subsidiaries in relation to certain construction and/or battery supply contracts. As at 31 October 2022, total committed funding to subsidiaries was £161 million. As at the date of publication, the aggregate outstanding funding commitment stands at £148 million, recognising both expenditure incurred post reporting period as well as new commitments made in relation to the Hawthorn Pit and Wormald Green projects. These commitments are covered by the Company's cash reserves and debt facilities.

INVESTMENT ADVISER

The Investment Adviser is entitled to advisory fees under the terms of an investment advisory agreement dated 14 October 2021. The Company shall pay to the Investment Adviser an annual fee (exclusive of value added tax, which shall be added where applicable) payable monthly in arrears calculated at the rate of:

- One twelfth of 0.9% per calendar month of the lesser of the (i) NAV or (ii) Average Market Capitalisation of the Company up to the threshold of £250,000,000; and
- One twelfth of 0.8% per calendar month of the lesser of the (i) NAV or (ii) Average Market Capitalisation of the Company in excess of £250,000,000

An advisory fee of £1,848,845 was incurred during the period and £220,351 remained payable as at 31 October 2022.

Harmony Energy Limited is the parent of the Investment Adviser and therefore an entity with significant control over the Investment Adviser. Harmony Energy Limited is also a significant shareholder of the Company.

The table below details the transactions between Harmony Energy Limited and the Company:

Investment Purchases	Fair value of investment at purchase date £	Purchase price £
Harmony (PW) Limited	8,224,633	8,224,633
Harmony (PW) 2 Limited	8,931,692	8,931,692
Harmony BD Limited	592,489	592,489
Harmony FM Limited	2,821,324	2,821,324
Harmony RH Ltd	5,039,989	5,039,989
Daisy No.2 Limited	7,912,631	7,912,631
Harmony BF Limited	17,300,000	-

All purchases were independently fair valued by Mazars at the time of acquisition and were considered to be at arm's length.

Harmony BF Limited was purchased at a discount of £17.3m as a result of the derivative contract entered into as described in note 10.

After period end the Company purchased further investments from Harmony Energy Limited as disclosed in note 26.

Other transactions	Amount £
Loan to Shareholder	1,443,506

Details of the Loan to Shareholder is disclosed in note 12.

OTHER RELATED PARTIES

James Ritchie-Bland is a director of Harmony Energy Limited as well as an indirect shareholder of Harmony Energy Limited through Ritchie-Bland Energy (Number 1) Limited. He is also a director of the Investment Adviser and a shareholder in the Company.

Ritchie-Bland Energy (Number 2) Limited, of which James Ritchie-Bland is also a director and an indirect shareholder (through Renewable Environmental Investments Limited) is party to a joint venture agreement with Harmony Energy Limited in regards to the three projects purchased by the Company after period end as disclosed in note 26

25. CAPITAL COMMITMENTS

The Company had no contingencies and no other significant capital commitments at the reporting date.

26. POST BALANCE SHEET EVENTS

On 23 November 2022, the Board approved a dividend of one pence per Ordinary Share for the period ending 31 October 2022, bringing the total dividend approved for the period to £4,200,000.

On 15 December 2022 the Company announced the acquisition of three 'shovel ready' pipeline projects totalling 181.9 MW / 363.8 MWh, increasing the Company's portfolio to nine battery energy storage system ("**BESS**") projects with a total capacity of c.500 MW / 1 GWh.

The Company has acquired the projects pursuant to a Pipeline Agreement entered into on IPO which granted the Company a right of first refusal of up to 1GW of BESS projects, from Harmony Energy Limited ("HEL") and Ritchie Bland Energy No. 2 Ltd (together the "**Developers**"). The total consideration for the three projects is c. £21.5 million (supported by the independent valuation performed by Mazars) being satisfied through the net proceeds of the recent C Share issue in conjunction with the issue of 7 million new C Shares to the Developers.

The three projects, known as Wormald Green, Hawthorn Pit and Rye Common (Phases I and II), are expected to be energized in Q1 2024, Q2 2024 and Q3 2024 respectively, with grid offers secured. In February 2023, Envision (as defined in the Investment Adviser's Report) were engaged to supply and install BESS for the Wormald Green and Hawthorn Pit projects, and contracted to provide long term maintenance and services to those projects. The Company provided parent company guarantees in relation to the BESS supply agreements.

The Company has also agreed terms to increase borrowing under its existing loan facility to enable it to draw down on the previously agreed accordion, alongside drawdown of funds pursuant to a new revolving credit facility. The funds available to the Company, through this borrowing and its cash resources, will fund the construction of the Wormald Green and Hawthorn Pit projects as well as the remaining grid connection payments for Rye Common, which are essential to maintain that project's timeline. The combined facility will increase the total debt available to £130 million, subject to fulfilment of conditions precedent to drawdown.

On 26 January 2023, the Company announced that it would be converting C Shares into new Ordinary Shares at a ratio of 0.786735 new Ordinary Shares for every 1 C Share held, resulting in (after aggregating fractional entitlements) additional issued share capital of 17,128,295 Ordinary Shares of £0.01.

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

END

FR TTMJTMTBTTFJ