

Registered no: 07873618

TYNEMOUTH ENERGY STORAGE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2017



Company Information

Director

Luca Noviello

Independent auditor

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

Registered office

Pricewaterhousecoopers LLP
Hays Galleria
1 Hays Lane
London
SE1 2RD

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Tynemouth Energy Storage Limited

Directors' report

The Directors present their Annual Report on the affairs of Tynemouth Energy Storage Limited (the "Company"), together with the financial statements and auditor's report for the year ended 31 December 2017.

Principal activity and future developments

The principal activity of the Company is to develop, acquire, build and operate utility-scale battery energy storage facilities within the United Kingdom.

The Company was sold on 11 May 2017 to Enel S.p.A. On this date, the Company issued 1 Ordinary share for a consideration of £1,780,000.

The utility-scale battery energy storage facility became operational mid-2018 and the company expects to generate turnover by the end of the next financial year.

Results

The Company has made a loss of £181,000 in the year (2016: £9,000).

Principal risks and uncertainties

The Directors consider the principal risks and uncertainties facing the Company to be foreign exchange fluctuations. Risks are monitored by the Board on a regular basis and the Company seeks to mitigate these risks wherever possible.

Directors

The Director who served throughout the year and up to the date of signing this report, unless otherwise indicated, are:

Luca Noviello (appointed 11 May 2017)
Nicholas Hexter (resigned 11 May 2017)
Michael O'Neill (resigned 11 May 2017)

Dividends

The Directors have not proposed a dividend for the current year (2016: £nil).

Matters subsequent to the end of the financial year

The utility-scale storage facility, which was under construction during the year, became operational on 4th of June 2018.

Going concern

The Company has made a loss in the year of £181,000 (2016: £9,000). As highlighted in note 2 to the financial statements, the Company receives continuing support from its parent company Enel S.p.A, who on 11 May 2017 extended a line of credit to fund the continuing development of the project, and consequently the Directors have adopted the going concern basis in preparing the financial statements.

Tynemouth Energy Storage Limited

Directors' report

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take, as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

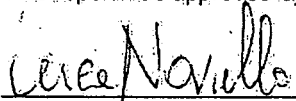
Ernst & Young LLP were appointed as auditors during the year and have indicated their willingness to continue in office, and a resolution that they will be re-appointed will be proposed at the annual general meeting.

Small companies exemption

In preparing this report, the directors have taken advantage of the small companies exemption under section 415A of the Companies Act 2006.

The directors have also taken advantage of the small companies exemption under section 414B of the Companies Act 2006 and not prepared a Strategic Report.

This report was approved by the board on 28/09/18 2018 signed on its behalf by:



Luca Noviello

Director

Tynemouth Energy Storage Limited

Directors' responsibilities statement

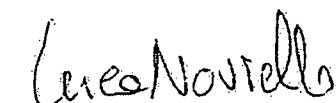
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed; subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that 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 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.

On Behalf of the Board



Luca Noviello

Director

28/09/2018

Tynemouth Energy Storage Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TYNEMOUTH ENERGY STORAGE LIMITED

Opinion

We have audited the financial statements of Tynemouth Energy Storage Limited for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Tynemouth Energy Storage Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TYNEMOUTH ENERGY STORAGE LIMITED (continued)

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirements to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Tynemouth Energy Storage Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TYNEMOUTH ENERGY STORAGE LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Ruth Logan (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

1st of October 2018

Tynemouth Energy Storage Limited

Statement of comprehensive income for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Administration expenses		(181)	(9)
Operating loss	4	(181)	(9)
Finance costs	6	-	-
Loss before tax		(181)	(9)
Tax	7	-	-
Total comprehensive loss for the year		(181)	(9)
Attributable to the equity holders of the Company		(181)	(9)

All of the activities of the Company relate to continuing operations.

There are no items of other comprehensive income for the current or preceding year.

The notes on pages 11 to 23 are an integral part of these financial statements.

Tynemouth Energy Storage Limited

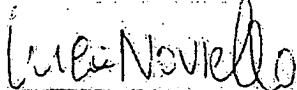
Statement of financial position as at 31 December 2017

Registered no: 07873618

	Notes	31 December 2017 £'000	31 December 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	6,574	561
Non-current receivables	9		125
		<u>6,574</u>	<u>686</u>
Current assets			
Trade and other receivables	9	166	49
Cash and cash equivalents	10	831	-
Total current assets		<u>997</u>	<u>49</u>
Total assets		<u>7,571</u>	<u>735</u>
Liabilities			
Current liabilities			
Trade and other payables	11	(5,648)	(744)
Total liabilities		<u>(5,648)</u>	<u>(744)</u>
Net assets/(liabilities)		<u>1,923</u>	<u>(9)</u>
Equity			
Share capital	12	-	-
Share premium	12	1,780	-
Capital reserve	12	333	-
Retained losses		(190)	(9)
Total shareholders' funds		<u>1,923</u>	<u>(9)</u>

The notes on pages 11 to 23 are an integral part of these financial statements.

The financial statements of Tynemouth Energy Storage Limited were approved by the Director and authorised for issue on 28/09/18 2018. They were signed on its behalf by:



Luca Noviello
Director

Tynemouth Energy Storage Limited

Statement of changes in equity for the year ended 31 December 2017

	Share Capital £'000	Share Premium £'000	Capital Reserve £'000	Retained Losses £'000	Total £'000
Balance at 1 January 2016	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(9)	(9)
Balance at 31 December 2016	-	-	-	(9)	(9)
Total comprehensive loss for the year	-	-	-	(181)	(181)
Proceeds from issuance of ordinary shares	-	1,780	-	-	1,780
Owners contribution to capital	-	-	333	-	333
Balance at 31 December 2017	-	1,780	333	(190)	1,923

Share capital

Share capital represents the issued and fully paid up equity share capital of the company.

Share Premium

Share premium includes any premiums received on the share capital. Any transactions costs associated with the issuing of shares are deducted from share premium.

Capital Reserve

Capital reserve relates to owners capital injection into the company.

Retained loss

Retained loss includes all current and prior period profit and losses.

The notes on pages 11 to 23 are an integral part of these financial statements.

Tynemouth Energy Storage Limited

Cash flow statement for the year ended 31 December 2017

		Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flows from operating activities			
Cash used in operations	13	(24)	(79)
Net cash used in operating activities		<u>(24)</u>	<u>(79)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	8	(6,013)	(487)
Net cash used in investing activities		<u>(6,013)</u>	<u>(487)</u>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	12	1,780	
Funding received from group companies	11	4,755	566
Owners contribution to capital	12	333	-
Net cash generated from financing activities		<u>6,868</u>	<u>566</u>
Net increase in cash and cash equivalents	10	<u>831</u>	<u>-</u>
Cash and cash equivalents at the beginning of the financial year		-	-
Cash and cash equivalents at the end of the financial year		<u><u>831</u></u>	<u><u>-</u></u>

The notes on pages 11 to 23 are an integral part of these financial statements.

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

1. General information

Tynemouth Energy Storage Limited is a private limited liability company incorporated in England, the United Kingdom under the Companies Act. The address of its registered office and principal place of business is Pricewaterhousecoopers LLP, Hays Galleria, 1 Hays Lane, London, United Kingdom, SE1 2RD. The principal activity of the Company is to develop, acquire, build and operate utility-scale battery energy storage facilities, within the United Kingdom.

Tynemouth Energy Storage Limited is 100% owned by Enel S.p.A.

The Company was incorporated on 7 December 2011. These financial statements reflect the results for the year ended 31 December 2017.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS, and IFRIC interpretations. The financial statements have been prepared under the historical cost convention. The financial statements of the Company have been prepared in Pounds Sterling which is the functional currency of the Company. The financial statements have been rounded to the nearest £,000, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations on future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Changes in accounting policy and disclosures

a. New and amended standards adopted by the company

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2017 that have been adopted or have an impact on the financial statements of the company.

b. New standards, amendments and interpretations not yet effective or adopted

IFRS 9, IFRS 15 and IFRS 16, as issued, are effective for annual periods beginning January 2018 and 1 January 2019 respectively. The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

2. Significant accounting policies (continued)

Going concern

The Company's business activities and performance, its principal financial risks and uncertainties and its financial position are set out in the Directors' Report on page 1.

The Company is ultimately reliant on funding from funds controlled by Enel S.p.A, which has confirmed that it will provide necessary financial support to ensure the Company remains a going concern for at least 12 months from the date of signing these financial statements. Considering all relevant factors, including review of the relationship with its ultimate owners, the Director has reasonable expectation that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Development expenditure

Development expenditure is project related expenditure incurred during the period between project initiation and commencement of construction of the wind or solar generation facility. Typically, this will include expenditure on the following:

- acquisition of rights and options over existing projects partially developed by third parties;
- land purchase, land purchase options, land leases, title insurance;
- land improvements, structures and monitoring equipment;
- surveys, assessments and feasibility studies;
- project related legal and professional fees; and
- Internal salary costs and attributable overheads of staff directly involved with project development.

The Company's policy on initial capitalisation of development expenditure and the subsequent presentation and disclosure of the resulting assets is as follows:

Costs are capitalised to the extent that they can be directly attributed to clearly defined projects from which economic benefit is expected (i.e. more likely than not) to flow.

The Company has established procedures to:

- ensure opportunities are assessed and, where there is a good indication of their ultimate operational and economic viability, a project is initiated which will then be included in the formal development tracking and monitoring process; and
- track progress of projects through the development process including regularly reassessing its operational and economic viability.

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

2. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are recognised at cost and subsequently stated at cost, net of accumulated depreciation and any provision for impairment.

Assets in the course of construction are stated at cost. These are not depreciated until they are available for use.

Depreciation is calculated so as to write off the cost less estimated residual value of assets on a straight-line basis over the expected economic useful lives, commencing when the assets are first brought into use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the original part that has been replaced is derecognised.

All other repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred. The residual values and the remaining economic useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

Assets are tested for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Operating expenses' in the statement of comprehensive income.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and other short-term liquid investments with a maturity of three months or less.

Trade payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

2. Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. These exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

Taxation

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when recognition of interest would be immaterial.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Capital risk management

The Company manages its capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

2. Significant accounting policies (continued)

Finance costs

Financial debt consists of all current and non-current financial borrowings and debt.

Finance costs consist of expenses arising on the items making up net financial debt during the accounting period, including gains and losses on the corresponding interest rate and foreign exchange rate hedges.

Borrowings

Borrowings costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Capital Reserve

Owner's capital contributions are recognised as equity in the statement of financial position.

3. Areas of judgement in applying accounting judgement and key sources of estimation uncertainty

Critical accounting judgements

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The Company has made a loss in the year and is in a net assets position this year. As highlighted in the Directors' report and note 2, the Company anticipates receiving continuing support from its ultimate owners; consequently the Directors have adopted the going concern basis in preparing the financial statements.

Key sources of estimation uncertainty

There are no key assumptions or any other sources of estimation uncertainty at the end of the reporting year that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within this financial year.

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

4. Operating loss

This has been arrived at after charging:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Auditor's remuneration: For the audit of the statutory financial statements of the Company	15	9

5. Employees

The Company had no employees during the year (2016: none)

None of the Directors received any remuneration during the year in respect of their services to the Company (2016: £Nil)

6. Finance costs

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Interest on loan from Element Power Northern Europe Developments Limited	-	74
Interest on loan from Enel S.p.A.	143	-
Capitalised interest	(143)	(74)

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

7. Tax on loss on ordinary activities

There was no income tax expense for the year ended 31 December 2017 (2016: £Nil)

The company is subject to taxation in the UK at a standard rate of 19.25% (2016: 20%).

The factors affecting the tax charge for the year are as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Loss before tax	(181)	(9)
Tax credit at the UK corporation tax rate of 19.25% (2016: 20%)	(35)	2
Tax effects of:		
Expenses not deductible	2	-
Losses incurred on which no deferred tax is recognised	33	(2)
Tax expense for the year	-	-

A deferred tax asset of £66,000 (2016: £2,000) is not recognised as there is insufficient evidence of future profitability to utilise the carried forward tax losses.

Future tax changes

The UK corporation tax decreased from 20% to 19% from 1 April 2017. A reduction in the UK Corporation Tax rate to 17% (effective from 1 April 2020) was substantially enacted on 6 September 2017 as part of the Finance Bill 2016. Deferred tax has been calculated at the resultant rate in the year the timing differences are expected to reverse and this will reduce the company's future tax and deferred tax charges / credits accordingly.

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

8. Property, plant and equipment

	Assets in development £'000
At 1 January 2016	
Cost	-
Additions	561
Closing net book amount at 31 December 2016	561
Opening net book amount at 1 January 2017	561
Additions	6,013
Closing net book amount at 31 December 2017	6,574
Cost	561
Additions	6,013
Net book amount	6,574

Assets in development are energy site developments. Borrowing costs of £143,000 (2016: £74,000) that are directly attributable to the development of fixed assets have been capitalised.

9. Trade and other receivables

	31 December 2017 £'000	31 December 2016 £'000
<i>Non-current</i>		
Security deposit	-	125
	-	125
<i>Current</i>		
Amounts due from related parties (see note 14)	-	4
Security deposit	125	
VAT receivable	41	45
	166	174

The carrying value of receivables is approximately equal to their fair value, including those from related parties. There are no specific payment terms on the amounts due from related parties, which relate to current account balances and none are considered past due or impaired. The Company does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics.

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

10. Cash and cash equivalents

	31 December 2017 £'000	31 December 2016 £'000
Cash at bank	831	-

11. Trade and other payables

	31 December 2017 £'000	31 December 2016 £'000
<i>Financial liabilities measured at amortised cost</i>		
Trade creditors and accruals	253	104
Amounts due to related parties (see note 14)	5,395	640
	<u>5,648</u>	<u>744</u>

The carrying value of trade payables, other than the loan payable (see below) is approximately equal to their fair value. Trade creditors are contractually required to be paid under standard 30 day terms.

The amount due to related parties relates to a loan in place with Enel S.p.A, repayable on demand. Enel S.p.A charges a variable interest rate depending on the EURIBOR rate plus a spread of 1.45% calculated on an annual basis. (2016: Element Power Northern Europe Developments Limited, loan is repayable on demand and charges interest at an annual rate of 17%

The company has a line of cash credit available of £6.1 million and a line of committed credit available of £9 million. This is all guaranteed by the parent company Enel S.p.A.

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

12. Capital and reserves

Share capital

	31 December 2017 £	31 December 2016 £
Issued and fully paid:		
2 Ordinary shares (2016: 1) of £1	<u>2</u>	<u>1</u>

Share capital represents the issued and fully paid up equity share capital of the company.

At the balance sheet date, Enel S.p.A. owned 100% of the share capital.

Share premium

	31 December 2017 £'000	31 December 2016 £'000
As at 1 January 2017	-	-
Proceeds from issuance of ordinary shares	<u>1,780</u>	-
As at 31 December 2017	<u>1,780</u>	-

On 11 May 2017, the company issued 1 ordinary share to Enel S.p.A. for a consideration of £1,780,000.

Capital reserve

	31 December 2017 £'000	31 December 2016 £'000
As at 1 January 2017	-	-
Owners contribution to capital	<u>333</u>	-
As at 31 December 2017	<u>333</u>	-

During the year ended 31 December 2017, the company recognised an equity contribution of £333,000 from Enel S.p.A.

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

13. Cash flows from operating activities

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Loss for the financial year	(181)	(9)
Movement in working capital:		
Decrease/(Increase) in trade and other receivables (note 9)	8	(174)
Increase in trade and other payables (note 11)	149	104
Net cash generated used in operating activities	<u>(24)</u>	<u>(79)</u>

14. Financial instruments

The Company is exposed to risks that arise from its use of financial instruments. This note describes the objectives, policies and process of the Company in managing those risks and the methods used to measure them.

Categories of financial instruments

	2017 Carrying Value £'000	2016 Carrying Value £'000
Loans and receivables		
Loans and receivables	166	129
Cash and cash equivalents	831	-
	<u>997</u>	<u>129</u>
Other financial liabilities		
Trade and other payables	5,648	744
	<u>5,648</u>	<u>744</u>

Loans and receivables comprise non-current receivables and group receivables.

Other financial liabilities comprise group accounts payables and trade payables but exclude accruals

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

14. Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's principal financial assets are other receivables. The credit risk from debtors' balances is considered small as it is the company policy to transact with counterparties with good credit ratings.

Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board manages liquidity risk by regularly reviewing the Company's cash flow projections, and ensuring sufficient funding by the group.

Foreign currency risk

As mentioned previously the Company's functional currency is Pounds Sterling. As the Company has all its loans in Pounds Sterling and therefore there is no foreign currency risk.

Interest rate risk

The Company's borrowings are charged with interest rates at a variable annual rate of the EURIBOR base rate +1.45%.

Capital risk

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of equity of the company's parent (see note 2).

The Company is not subject to any externally imposed capital requirements.

Tynemouth Energy Storage Limited

Notes to the financial statements for the year ended 31 December 2017

15. Related party transactions

The following related party balances are included in trade and other payables and receivables:

	31 December 2017 £'000	31 December 2016 £'000
Amounts due to related parties:		
Element Power Northern Europe Developments Limited		(640)
Enel S.p.A	(5,395)	-
	<u>(5,395)</u>	<u>(640)</u>
	31 December 2017 £'000	31 December 2016 £'000
Amounts due from related parties:		
Element Power Limited	-	4
	<u>-</u>	<u>4</u>

16. Events after the balance sheet date

The utility-scale storage facility, which was under construction during the year, became operational on 4th of June 2018.

17. Group consolidated financial statements

The company's immediate and ultimate controlling party until 11 May 2017 was Element Power Northern Europe Developments Limited. From this date, Enel S.p.A, a company incorporated in Italy, is the company's immediate and ultimate controlling party.

The largest and smallest group in which the results of the company will consolidated into is headed by Enel S.p.A. The consolidated financial statements of this group will be filed with the Registro delle Imprese in Italy. These financial statements are available at (RM) Viale Regina Margherita 137.