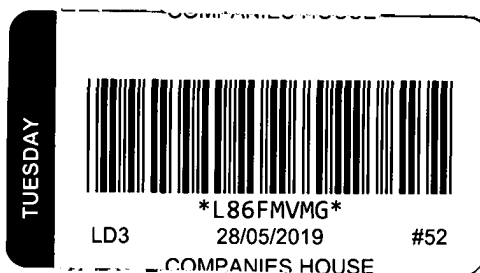


Registered number: 07873618

TYNEMOUTH ENERGY STORAGE LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**



TYNEMOUTH ENERGY STORAGE LIMITED

COMPANY INFORMATION

Director

L Noviello

Registered office

St Bride's House
10 Salisbury Square
London
EC4Y 8EH

Independent auditor

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

Bankers

Citibank
Citigroup Centre
Canary Wharf
London
E14 5LB

TYNEMOUTH ENERGY STORAGE LIMITED

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TYNEMOUTH ENERGY STORAGE LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Director presents his Annual Report on the affairs of Tynemouth Energy Storage Limited (the "Company"), together with the audited financial statements and auditor's report for the year ended 31 December 2018.

Principal activity

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

The first utility-scale storage facility became operational on 4 June 2018.

Results and dividends

The profit for the year, after taxation, amounted to £487,000 (2017 - loss of £181,000). The net assets at the balance sheet date were £2,410,000 (2017: £1,923,000). The Director has not proposed a dividend for the current year (2017: £Nil).

Principal risks and uncertainties

The Director considers 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.

Director

The Director who served during the year and up to the date of signing the financial statements was:

L Noviello

Matters subsequent to the end of the financial year

There were no matters subsequent to the end of the financial year which require disclosure in these financial statements.

Going concern

The Company has made a profit after taxation in the year of £487,000 (2017: £181,000 loss). As highlighted in note 2.2 to the financial statements, the Company receives continuing support from its ultimate parent company Enel S.p.A and Enel Finance International N.V., who on 2 February 2018 provided a line of credit to fund the continuing operations of the company, and consequently the Director has adopted the going concern basis in preparing the financial statements.

Disclosure of information to auditors

The Director at the time when this Director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

TYNEMOUTH ENERGY STORAGE LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Auditor

Ernst & Young LLP were reappointed as auditors during the year and have indicated their willingness to continue in office.

Small companies note

In preparing this report, the Director has taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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

Director's responsibilities statement

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

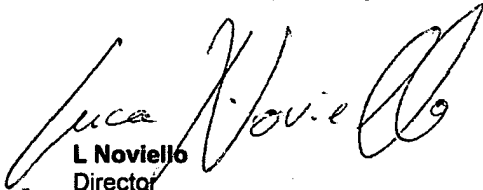
Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Director must not approve the financial statements unless he is 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 the Director:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments 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 Director is 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 to enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

This report was approved by the board on 15/05/2019 and signed on its behalf.


L Novello
Director

TYNEMOUTH ENERGY STORAGE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TYNEMOUTH ENERGY STORAGE LIMITED

Opinion

We have audited the financial statements of Tynemouth Energy Storage Limited (the 'Company') for the year ended 31 December 2018, 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 23, 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 Standard (IFRSs) as adopted by the European Union.

In this opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit 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 this audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of this report below. We are independent of the Company in accordance with the ethical requirements that are relevant to this audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled these 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 this 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 Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director has 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.

TYNEMOUTH ENERGY STORAGE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TYNEMOUTH ENERGY STORAGE LIMITED (CONTINUED)

Other Information

The other information comprises the information included in the Annual Report, other than the financial statements and this Auditors' report thereon. The Director is responsible for the other information. 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 this audit of the financial statements, this responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or this 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's 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 Director's 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 this opinion:

- adequate accounting records have not been kept, or returns adequate for this 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 Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for this audit; or
- the Director was not entitled to take advantage of the small companies' exemption in preparing the Director's report and from the requirement to prepare a Strategic report.

TYNEMOUTH ENERGY STORAGE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TYNEMOUTH ENERGY STORAGE LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Director's responsibilities statement set out on page 2, the Director is 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 Director determines 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 Director is 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 Director either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' report that includes this 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 this 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 this Auditors' report.

Use of this 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 Auditors' 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 this audit work, for this report, or for the opinions we have formed.

Ernst + Young LLP

Neil Warnock (Senior statutory auditor)

for and on behalf of

Ernst & Young LLP, (Statutory Auditor) Belfast

Date: *22 May 2019*

TYNEMOUTH ENERGY STORAGE LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover		2,053	-
Cost of sales		(489)	-
Gross profit		1,564	-
Administrative expenses		(736)	(181)
Operating profit/(loss)	5	828	(181)
Finance costs	7	(271)	-
Profit/(loss) before tax		557	(181)
Income tax expense	8	(70)	-
Total comprehensive profit/(loss) for the year		487	(181)

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.

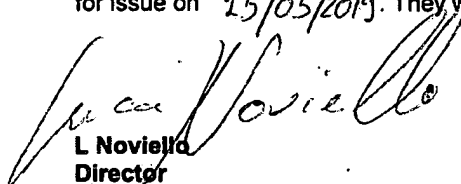
The notes on pages 11 to 24 form part of these financial statements.

TYNEMOUTH ENERGY STORAGE LIMITED
REGISTERED NUMBER: 07873618

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	9	10,927	6,574
Current assets			
Trade and other receivables	10	557	166
Cash and cash equivalents	11	127	831
		<u>684</u>	<u>997</u>
Trade and other payables	12	(9,131)	(5,648)
Net current liabilities		<u>(8,447)</u>	<u>(4,651)</u>
Total assets less current liabilities		<u>2,480</u>	<u>1,923</u>
Provisions for liabilities			
Deferred tax	19	(70)	-
Net assets / (liabilities)		<u><u>2,410</u></u>	<u><u>1,923</u></u>
Equity			
Share capital	13	-	-
Share premium	14	1,780	1,780
Capital reserve	15	333	333
Profit and loss account		297	(190)
		<u><u>2,410</u></u>	<u><u>1,923</u></u>

The financial statements of Tynemouth Energy Storage Limited were approved by the Director and authorised for issue on 15/05/2019. They were signed on its behalf by:


L Novello
Director

The notes on pages 11 to 24 form part of these financial statements.

TYNEMOUTH ENERGY STORAGE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Capital Reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2018	-	1,780	333	(190)	1,923
Comprehensive income for the year					
Profit for the year	-	-	-	487	487
At 31 December 2018	-	1,780	333	297	2,410

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 the owners' capital injection into the company.

Profit and loss account

Profit and loss account includes all current and prior period profit and losses.

The notes on pages 11 to 24 form part of these financial statements.

TYNEMOUTH ENERGY STORAGE LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £000	Share premium account £000	Capital Reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2017	-	-	-	(9)	(9)
Comprehensive income for the year					
Loss for the year	-	-	-	(181)	(181)
Shares issued during the year	-	1,780	-	-	1,780
Owners contribution to capital	-	-	333	-	333
Total transactions with owners	-	1,780	333	-	2,113
At 31 December 2017	-	1,780	333	(190)	1,923

The notes on pages 11 to 24 form part of these financial statements.

TYNEMOUTH ENERGY STORAGE LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £000	2017 £000
Cash flows from operating activities		
Cash generated from/(used in) operations (note 16)	1,378	(24)
Corporation tax paid	-	-
Net cash generated from/(used in) operating activities	<u>1,378</u>	<u>(24)</u>
Cash flows from investing activities		
Payments for property, plant and equipment (note 9)	(4,767)	(6,013)
Net cash used in investing activities	<u>(4,767)</u>	<u>(6,013)</u>
Cash flows from financing activities		
Proceeds from issuance of ordinary shares (note 14)	-	1,780
Owners' contribution to capital (note 15)	-	333
Funding received from group companies (note 12)	2,685	4,755
Net cash generated from financing activities	<u>2,685</u>	<u>6,868</u>
Net (decrease)/increase in cash and cash equivalents	<u>(704)</u>	<u>831</u>
Cash and cash equivalents at beginning of year	831	-
Cash and cash equivalents at the end of the financial year	<u>127</u>	<u>831</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>127</u>	<u>831</u>

The notes on pages 11 to 24 form part of these financial statements.

TYNEMOUTH ENERGY STORAGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. General information

Tynemouth Energy Storage Limited is a private limited liability company incorporated and domiciled in England, the United Kingdom under the Companies Act. The address of its registered office and principal place of business is St Bride's House, 10 Salisbury Square, London, United Kingdom, EC4Y 8EH. 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 Global Thermal Generation S.R.L

The Company was incorporated on 7 December 2011. These financial statements reflect the results for the year ended 31 December 2018.

2. Summary of significant accounting policies

2.1 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 historic 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 (note 13).

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 historic 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

IFRS 9, IFRS 15 and IFRS 16, as issued, were effective for the for the financial year beginning 1 January 2018 and 1 January 2019. The Director does not expect that the adoption of the standards listed above to have a material impact on the financial statements of the Company.

TYNEMOUTH ENERGY STORAGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Summary of significant accounting policies (continued)

2.2 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 by Enel S.p.A, the ultimate controlling party, 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 will continue to adopt the going concern basis in preparing the financial statements.

2.3 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 development are stated at cost. These are not depreciated until they are available for use, at which point they are transferred to plant and machinery.

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.

The estimated useful lives range as follows:

Plant and machinery - 10 to 15 years

TYNEMOUTH ENERGY STORAGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Summary of significant accounting policies (continued)

2.4 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.

2.5 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.

2.6 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.

2.7 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.

2.8 Revenue

Revenue from storage and distribution of electricity is recognised as the electricity is stored and distributed, based on the volumes recorded.

2.9 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

TYNEMOUTH ENERGY STORAGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Summary of significant accounting policies (continued)

2.10 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 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.

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

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

Amounts owed to group undertakings 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.

2.11 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.

2.12 Borrowings

Borrowing 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.

2.13 Capital Reserve

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

TYNEMOUTH ENERGY STORAGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Summary of significant accounting policies (continued)

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

3. Judgments In applying accounting policies 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 Director is 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 historic 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 the current and future periods.

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

The areas where judgements are made in these financial statements are deferred tax liabilities and estimated lives of plant and machinery. Deferred tax is calculated on timing differences at the tax rate prevailing at the balance sheet date. The lives of plant and machinery have been estimated to be between 10 and 15 years.

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 causing a material adjustment to a carrying value of assets and liabilities with this financial year.

4. Turnover

The company's principal revenue is derived from the storage and distribution of electricity to a single customer. All revenue arose from continuing operations within the United Kingdom.

Revenue performance obligations

Delivery point of the sale is the point at which electricity passes from the storage facility to the customer's grid. All revenue recognised in the year has been satisfied based on the company's performance obligations. However some revenue had not been invoiced at the year end, and so is in accrued income. There are no remaining performance obligations as at 31 December 2018.

TYNEMOUTH ENERGY STORAGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2018	2017
	£000	£000
Auditors' remuneration	15	15
Exchange differences	(97)	103
Operating lease rentals	5	3
Depreciation	514	-
	<u>631</u>	<u>(85)</u>

6. Employees

The Company had no employees during the year (2017: none)

The director did not receive any remuneration during the year in respect of their services to the Company (2017: £Nil).

7. Finance costs

	2018	2017
	£000	£000
Interest on loan from related parties	371	143
Capitalised interest	(100)	(143)
	<u>271</u>	<u>-</u>

TYNEMOUTH ENERGY STORAGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Taxation

The company is subject to taxation in the UK at a standard rate of 19% (2017: 19.25%).

	2018	2017
	£000	£000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	70	-
Total deferred tax	70	-
Taxation on profit on ordinary activities	70	-
Factors affecting tax charge for the year		
	2018	2017
	£000	£000
Profit/(loss) on ordinary activities before tax	557	(181)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	106	(35)
Effects of:		
Difference between the actual tax rate and the main corporate tax rate	(16)	-
Expenses not deductible / income not taxable	46	2
Deferred tax asset brought forward not recognised	(66)	33
Total tax charge for the year	70	-

A deferred tax asset of £Nil (2017: £391,000) 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 of 17%.

TYNEMOUTH ENERGY STORAGE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Property, plant and equipment

	Plant and machinery £000	Assets in development £000	Total £000
Cost			
At 1 January 2018	-	6,574	6,574
Additions	202	4,665	4,867
Transfers between classes	11,239	(11,239)	-
At 31 December 2018	<u>11,441</u>	<u>-</u>	<u>11,441</u>
Depreciation			
Charge for the year on owned assets	514	-	514
At 31 December 2018	<u>514</u>	<u>-</u>	<u>514</u>
Net book value			
At 31 December 2018	<u>10,927</u>	<u>-</u>	<u>10,927</u>
At 31 December 2017	<u>-</u>	<u>6,574</u>	<u>6,574</u>

Assets in development were energy site developments which became operational on 4 June 2018. Borrowing costs of £100,000 (2017: £143,000) that were directly attributable to the development of fixed assets were capitalised.

10. Trade and other receivables

	2018 £000	2017 £000
Other debtors	125	166
Prepayments and accrued income	432	-
	<u>557</u>	<u>166</u>

The carrying value of receivables is approximately equal to their fair value, including those from related parties. The Company does not have any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics.

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11. Cash and cash equivalents

	2018	2017
	£000	£000
Cash at bank	<u>127</u>	<u>831</u>

12. Trade and other payables

	2018	2017
	£000	£000
Trade payables	125	52
Amounts owed to group undertakings	8,451	5,395
Other taxation and social security	58	-
Accruals and deferred income	497	201
	<u>9,131</u>	<u>5,648</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 days terms.

The amount due to related parties relates to a loan in place with Enel S.p.A, unsecured and repayable on demand. Enel S.p.A charges a variable interest rate depending on the EURIBOR rate plus a spread of 1.05% (2017: 1.45% calculated on an annual basis).

The company has a line of committed credit available of £11 million. This is guaranteed by the parent company Enel S.p.A.

13. Share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
2 Ordinary shares of £1.00 each	<u>2</u>	<u>2</u>

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14. Share premium

	2018	2017
	£000	£000
As at 1 January 2018	1,780	-
Proceeds from issuance of ordinary shares	-	1,780
As at 31 December 2018	1,780	1,780

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

15. Capital reserve

	2018	2017
	£000	£000
As at 1 January 2018	333	-
Owners' contribution to capital	-	333
As at 31 December 2018	333	333

During the year ended 31 December 2018, the company recognised an equity contribution of £nil (2017: £333,000) from Enel S.p.A.

16. Cash flows from operating activities

	2018	2017
	£000	£000
Profit/ (loss) for the financial year	487	(181)
(Increase)/decrease in trade and other receivables (note 10)	(391)	8
Increase in trade and other payables	427	149
Depreciation	514	-
Interest expense	271	-
Tax charge	70	-
Net cash generated from/(used in) operating activities	1,378	(24)

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**NOTES TO THE FINANCIAL STATEMENTS
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17. Net Debt Reconciliation

	1 January 2018	Cash flows	Non-cash changes Interest Payable	31 December 2018
	£000	£000	£000	£000
Short-term funding from group companies	5,395	3,056	-	8,451
	5,395	3,056	-	8,451
Cash and cash equivalents	831	(704)	-	127
Net Debt	4,564	3,760	-	8,324

18. Financial instruments

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

Categories of financial instruments

	2018 £000	2017 £000
Loans and receivables		
Cash and cash equivalents	127	831
Loans and receivables	125	166
	252	997
Other financial liabilities		
Trade and other payables	9,072	5,648

Loans and receivables comprise group receivables. Other financial liabilities comprise group accounts payables, trade payables and includes accruals.

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**NOTES TO THE FINANCIAL STATEMENTS
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18. 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 in meeting its financial obligations as they fall due. Ultimately responsibility for liquidity risk management rests with the Director. The Director manages liquidity risk by regularly reviewing the Company's cash flow projections and ensuring sufficient funding by the group, as part of his going concern assessment (see note 2).

Foreign currency risk

As mentioned previously the Company's functional currency is Pounds Sterling. As the Company has all its loans in Pounds Sterling 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 of +1.05%.

	2018	2017
	£000	£000
Interest payable for the year - Note 7	371	143
Amount due to intercompanies - Note 12	8,451	5,395
Effective interest rate	4.39%	2.65%

Sensitivity analysis

Increased by 100 basis point	5.39%	3.65%
Revised interest payable	456	197
P&L effect	85	54

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**NOTES TO THE FINANCIAL STATEMENTS
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18. Financial instruments (Continued)

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 the loan of the company's parent (see note 2).

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

19. Deferred taxation

	2018 £000
At beginning of year	-
Charged to profit or loss	(70)
At end of year	(70)

The deferred taxation balance is made up as follows:

	2018 £000	2017 £000
Fixed asset timing differences	(70)	-

20. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	5	5
Later than 1 year and not later than 5 years	21	32
Later than 5 years	427	426
	453	463

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21. Related party transactions

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

	2018	2017
	£000	£000
Enel S.p.A	54	5,395
Enel Finance International N.V.	8,058	-
Enel Produzione S.p.a.	305	-
EGP Hellas	34	-
	8,451	5,395

22. Events after the balance sheet date

There were no events after the balance sheet date which require adjustment to, or disclosure in, these financial statements.

23. Immediate parent and ultimate controlling party

The company's immediate parent and ultimate controlling party until 16 May 2018 was Enel S.p.A, a company incorporated in Italy. From this date, Enel Global Thermal Generation S.R.L, a company incorporated in Italy is the company's immediate parent and the company's ultimate controlling party is Enel S.p.A.

The largest and smallest group in which the results of the company will be 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.