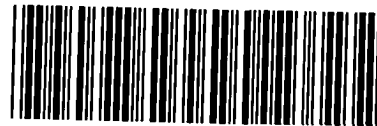


Registered number: 10610190

**HC ESS2 Limited**  
Report And Financial Statements  
*28 February 2018*

Rees Pollock  
Chartered Accountants

FRIDAY



\*L7KAØVP7\*

LD6

07/12/2018

#48

COMPANIES HOUSE

**COMPANY INFORMATION**

<b>Directors</b>	Bozkurt Aydinoglu Benjamin Guest Gareth Owen Marc Thomas Zhenni Wang
<b>Registered number</b>	10610190
<b>Registered office</b>	Gresham House Plc Octagon Point 5 Cheapside London England EC2V 6AA
<b>Independent auditors</b>	Rees Pollock 35 New Bridge Street London EC4V 6BW

---

**DIRECTORS' REPORT**  
**For the Period Ended 28 February 2018**

The directors present their report and the financial statements for the period from incorporation on 9 February 2017 to 28 February 2018.

**Principal activity**

The principal activity of the company is the supply of electricity.

**Results**

The profit for the period, after taxation, amounted to £773,370.

**Directors**

The directors who served during the period were:

Bozkurt Aydinoglu (appointed 9 February 2017)  
Benjamin Guest (appointed 9 February 2017)  
Gareth Owen (appointed 9 February 2017)  
Marc Thomas (appointed 5 June 2017)  
Zhenni Wang (appointed 5 June 2017)

**Directors' responsibilities statement**

The directors are responsible for preparing the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

**DIRECTORS' REPORT (CONTINUED)**  
**For the Period Ended 28 February 2018**

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director 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.

**Auditors**

The auditors, Rees Pollock, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**Small companies note**

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

This report was approved by the board on 7<sup>th</sup> December 2018 and signed on its behalf.



Gareth Owen  
Director

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HC ESS2 LIMITED**

### **Opinion**

We have audited the financial statements of HC ESS2 Limited (the 'Company') for the period ended 28 February 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HC ESS2 LIMITED (CONTINUED)**

### **Opinion 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 period 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, 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 1, 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.

### **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 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' 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 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 our audit work, for this report, or for the opinions we have formed.

Catherine Kimberlin (Senior Statutory Auditor)  
for and on behalf of  
Rees Pollock, Statutory Auditor

7 December 2018

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the Period Ended 28 February 2018**

	Note	2018 £
Turnover	3	3,328,846
Cost of sales		(532,490)
<b>Gross profit</b>		<b>2,796,356</b>
Administrative expenses		(837,448)
<b>Operating profit</b>		<b>1,958,908</b>
Interest receivable and similar income	2	
Interest payable and expenses		(988,515)
<b>Profit before tax</b>		<b>970,395</b>
Tax on profit		(197,025)
<b>Profit for the financial period</b>		<b>773,370</b>
<b>Other comprehensive income for the period</b>		
<b>Total comprehensive income for the period</b>		<b>773,370</b>

The notes on pages 7 to 15 form part of these financial statements.

**BALANCE SHEET**  
**As at 28 February 2018**

	Note	28 February 2018 £
<b>Fixed assets</b>		
Tangible assets	5	18,094,844
Investments	6	856,537
		<u>18,951,381</u>
<b>Current assets</b>		
Debtors	7	2,318,282
Cash at bank and in hand		499,076
		<u>2,817,358</u>
Creditors: amounts falling due within one year	8	<u>(4,258,330)</u>
<b>Net current (liabilities)/assets</b>		<u>(1,440,972)</u>
<b>Total assets less current liabilities</b>		<u>17,510,409</u>
Creditors: amounts falling due after more than one year	9	(16,540,009)
<b>Provisions for liabilities</b>		
Deferred tax		<u>(197,025)</u>
		<u>(197,025)</u>
<b>Net assets</b>		<u><u>773,375</u></u>
<b>Capital and reserves</b>		
Called up share capital	11	5
Profit and loss account		773,370
		<u><u>773,375</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

7<sup>th</sup> December 2018.



Gareth Owen  
Director

The notes on pages 7 to 15 form part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Period Ended 28 February 2018**

**1. General information**

HC ESS2 Limited is a UK Limited company incorporated on 9th February 2017.

The registered address of the company is Gresham House Plc, Octagon Point, 5 Cheapside, London, England, EC2V 6AA

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. Management do not consider there are any key accounting estimates or assumptions made that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Management are also required to exercise judgement in applying the company's accounting policies. Due to the straightforward nature of the business management consider that no critical judgements have been made in applying the company's accounting policies.

The following principal accounting policies have been applied:

**2.2 Cash flow**

The Company, being a qualifying entity according to Section 1 of FRS 102, is exempt from the requirement to draw up a cashflow statement.

**2.3 Going Concern**

Forecasts have been prepared that show the company is able to operate for at least 12 months from the balance sheet date. Accordingly, the directors consider it appropriate to prepare the financial statements on a going concern basis.

**2.4 Turnover**

Turnover comprises revenue recognised by the company in respect of electricity generated during the year, exclusive of Value Added Tax.

**2.5 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.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.6 Interest income**

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Period Ended 28 February 2018**

**2. Accounting policies (continued)**

**2.7 Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.8 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 7 - 20 years
---------------------	----------------

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**2.9 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

**2.10 Financial instruments**

**(i) Financial assets**

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Other financial assets, including investments in equity instruments of entities which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is nominally the

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Period Ended 28 February 2018**

**2. Accounting policies (continued)**

**2.10 Financial instruments (continued)**

transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the profit and loss account.

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the associated contractual obligation is discharged, cancelled or expires.

**(iii) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Period Ended 28 February 2018**

**2. Accounting policies (continued)**

**2.11 Foreign currency translation**

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

**2.12 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Period Ended 28 February 2018**

**2. Accounting policies (continued)**

**2.13 Current and Deferred Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**3. Turnover**

The whole of the turnover is attributable to the principal activity of the company.

All turnover arose within the United Kingdom.

**4. Employees**

The average monthly number of employees, including directors, during the period was 5.

---

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Period Ended 28 February 2018**

**5. Tangible fixed assets**

	<b>Plant and machinery £</b>
<b>Cost or valuation</b>	
Additions	<b>18,617,214</b>
At 28 February 2018	<u><b>18,617,214</b></u>
<b>Depreciation</b>	
Charge for the period on owned assets	<b>522,370</b>
At 28 February 2018	<u><b>522,370</b></u>
<b>Net book value</b>	
At 28 February 2018	<u><u><b>18,094,844</b></u></u>
At 8 February 2017	<u><u><b>-</b></u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Period Ended 28 February 2018

**6. Fixed asset investments**

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
Additions	923,114
At 28 February 2018	<u>923,114</u>
<b>Impairment</b>	
Charge for the period	66,577
At 28 February 2018	<u>66,577</u>
<b>Net book value</b>	
At 28 February 2018	<u>856,537</u>
At 8 February 2017	<u>-</u>

During the year, the company purchased 100% of the share capital of Sout West Grid Storage One Ltd.

**7. Debtors**

	28 February 2018 £
Trade debtors	494,939
Amounts owed by group undertakings	11,000
Other debtors	5
Prepayments and accrued income	1,812,338
	<u>2,318,282</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Period Ended 28 February 2018

**8. Creditors: Amounts falling due within one year**

	28 February 2018 £
Trade creditors	681,482
Amounts owed to group undertakings	847,912
Other taxation and social security	37,488
Accruals and deferred income	2,691,448
	<u>4,258,330</u>

**9. Creditors: Amounts falling due after more than one year**

	28 February 2018 £
Other loans (net of capitalised costs)	16,540,009
	<u>16,540,009</u>

During the period the company borrowed £5,768,543 from Corlyus Capital LLP, a related entity. The principal amount accrues interest at 15% per annum. The loan is secured against the assets of the company and principal repayment date is 29 December 2028. Subsequent to the year end the balance of £5,768,543 was repaid in full as part of a refinancing transaction.

During the period the company additionally borrowed an amount of £11,575,000. The principal amount accrues interest at 10.5% per annum. The loan is secured against the assets of the company and the principal repayment date is 29 December 2028. Subsequent to the year end the balance of £11,575,000 was repaid in full as part of a refinancing transaction.

The balance shown above is net of capitalised finance costs of £803,534.

**10. Deferred taxation**

	2018 £
Charged to profit or loss	(197,025)
At end of year	<u>(197,025)</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
For the Period Ended 28 February 2018

**10. Deferred taxation (continued)**

The deferred taxation balance is made up as follows:

	28 February 2018 £	8 February 2017 £
Timing differences on fixed assets	(364,168)	-
Tax losses carried forward	167,143	-
	<u>(197,025)</u>	<u>-</u>

**11. Share capital**

	28 February 2018 £
<b>Allotted, called up and fully paid</b>	
500 Ordinary shares of £0.01 each	5
	<u>5</u>

**12. Commitments under operating leases**

At 28 February 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	28 February 2018 £
Not later than 1 year	84,655
Later than 1 year and not later than 5 years	338,620
Later than 5 years	1,377,533
	<u>1,800,808</u>

**13. Controlling party**

The ultimate controlling party is Corylus Capital LLP.

Subsequent to the year end a change in ownership resulted in the ultimate controlling party being Gresham House Energy Storage Fund PLC. The entity owns 100% of the share capital of HC ESS2 HoldCo Limited, being the 100% shareholder of HC ESS2 Limited. The acquisition completed on 13 November 2018.