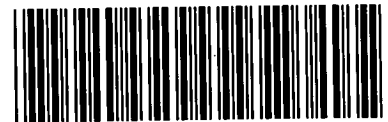


COMPANY REGISTRATION NUMBER: 07123788

Romney Hydropower Company Limited
Financial statements
31 March 2017



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Romney Hydropower Company Limited

Financial statements

Year ended 31 March 2017

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Romney Hydropower Company Limited

Strategic report

Year ended 31 March 2017

Principal activities

The company operates a hydro-electric power station in the river Thames at Romney Weir, Windsor which generates electricity which is sold to a third party purchaser.

Strategy review

The company's operations are monitored both remotely and by regular site visits by the managing director, who has expertise in this area, to ensure the proper running of the turbines that generate the electricity. The electricity generated is sold under a long term contract. Beyond this the strategic issues are outwith the directors' control: either the river current generates enough electricity to enable the company to meet its loan obligations or it doesn't. Further details on the ability of the company to meet its loan repayment obligations are set out in note 3 to these accounts.

This report was approved by the board of directors on 27th July 2017 and signed on behalf of the board by:



S J K Barratt
Company Secretary

Registered office:
Melita House
124 Bridge Road
Chertsey
Surrey
KT16 8LA

Romney Hydropower Company Limited

Directors' report

Year ended 31 March 2017

The directors present their report and the financial statements of the company for the year ended 31 March 2017.

Directors

The directors who served the company during the year were as follows:

Mr NA Roberts
Mr D DeChambeau
Mr JJ Silkowski

Dividends

The directors do not recommend the payment of a dividend.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board of directors on 27th July 2017 and signed on behalf of the board by:



S J K Barratt
Company Secretary

Registered office:
Melita House
124 Bridge Road
Chertsey
Surrey
KT16 8LA

Romney Hydropower Company Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

Year ended 31 March 2017

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) FRS 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 and then apply them consistently;
- make judgements and 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; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Romney Hydropower Company Limited

Independent auditor's report to the members of Romney Hydropower Company Limited

Year ended 31 March 2017

We have audited the financial statements of Romney Hydropower Company Limited for the year ended 31 March 2017, on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its loss for the year 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.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £349,226 during the year ended 31 March 2017 and, at that date, the company's current liabilities exceeded its current assets by £176,180 and it had net liabilities of £2,045,779.

The company's ongoing financial viability is dependent on the financial support of Southeast Power Engineering Ltd, the company's current immediate parent company. These conditions, along with the matters discussed in note 3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Romney Hydropower Company Limited

Independent auditor's report to the members of Romney Hydropower Company Limited (continued)

Year ended 31 March 2017

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



Andrew Overton (Senior Statutory Auditor)

For and on behalf of
KPMG LLP
Chartered Accountants & statutory auditor
Arlington Business Park
Theale
Reading
RG7 4SD

31 July 2017

Romney Hydropower Company Limited

Statement of income and retained earnings

Year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	4	257,453	325,881
Cost of sales		(11,902)	(10,042)
Gross profit		245,551	315,839
Administrative expenses		(198,374)	(205,524)
Operating profit	5	47,177	110,315
Interest payable	7	(396,403)	(473,890)
Loss before taxation		(349,226)	(363,575)
Tax on loss	8	—	—
Loss for the financial year and total comprehensive income		<u>(349,226)</u>	<u>(363,575)</u>
Retained losses at the start of the year		(1,696,555)	(1,332,980)
Retained losses at the end of the year		<u>(2,045,781)</u>	<u>(1,696,555)</u>

All the activities of the company are from continuing operations.

The notes on pages 8 to 13 form part of these financial statements.

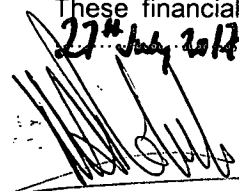
Romney Hydropower Company Limited

Statement of financial position

31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	9	2,424,473	2,558,460
Current assets			
Debtors	10	133,382	136,391
Cash at bank and in hand		<u>1,924</u>	<u>19,385</u>
		135,306	155,776
Creditors: amounts falling due within one year	11	<u>(311,486)</u>	<u>(71,513)</u>
Net current (liabilities)/assets		<u>(176,180)</u>	<u>84,263</u>
Total assets less current liabilities		2,248,293	2,642,723
Creditors: amounts falling due after more than one year	12	<u>(4,294,072)</u>	<u>(4,339,276)</u>
Net liabilities		<u>(2,045,779)</u>	<u>(1,696,553)</u>
Capital and reserves			
Called up share capital	13	2	2
Profit and loss account	14	<u>(2,045,781)</u>	<u>(1,696,555)</u>
Members deficit		<u>(2,045,779)</u>	<u>(1,696,553)</u>

These financial statements were approved by the board of directors and authorised for issue on 27th July 2017 and are signed on behalf of the board by:


Mr NA Roberts
Director

Company registration number: 07123788

The notes on pages 8 to 13 form part of these financial statements.

Romney Hydropower Company Limited

Notes to the financial statements

Year ended 31 March 2017

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Melita House, 124 Bridge Road, Chertsey, Surrey, KT16 8LA.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Financing arrangements

The financial statements have been prepared on the going concern basis, notwithstanding a loss in the year of £349,226 and net liabilities at 31 March 2017 of £2,045,779. The directors believe this to be the appropriate basis for the following reasons. In order to meet its liabilities as they fall due, the company is reliant upon additional funds (over and above those generated from its operating activities) provided to it by its immediate parent company, Southeast Power Engineering Ltd ("SEPEL"), pursuant to the terms of a guarantee proved by SEPEL to the company's principal creditor. This guarantee continues in force.

The directors note that SEPEL's ability to continue as a going concern is dependent upon the receipt by SEPEL of a letter of support from a third party, which has also stated its intention to acquire the 75% of SEPEL's share capital which is currently owned by Summit Asset Management Ltd. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on another entity for financial support, the directors acknowledge that there can be no certainty that this support will be provided although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on these indications the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, this reliance on a currently unconnected third party represents a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Romney Hydropower Company Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2017

Disclosure exemptions

The entity satisfies the criterion of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Summit Asset Management Ltd which can be obtained from Companies House. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company;
- (b) disclosures in respect of financial instruments have not been presented; and
- (c) no disclosure has been given of related party transactions where all parties to the transaction are wholly owned within the group.

The company intends to apply this exemption both this year and indefinitely hereafter.

Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue recognition

Turnover represents the amounts receivable (excluding value added tax) from the company's activities described in the strategic report.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Taxation

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.

Tangible assets

Fixed assets held under construction are recorded at their then current cost. Once completed, they are depreciated over their expected useful life.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful-economic life of that asset as follows:

Plant & Machinery	- 20 years straight line
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Romney Hydropower Company Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2017

4. Turnover

Turnover arises from:

	2017 £	2016 £
Rendering of services	<u>257,453</u>	<u>325,881</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible assets	148,710	149,036
Fees payable for the audit of the financial statements	<u>4,750</u>	<u>4,350</u>

6. Particulars of employees and directors

In both years, there were no employees other than directors and directors' remuneration was £nil.

7. Interest payable

	2017 £	2016 £
Other interest payable and similar charges	<u>396,403</u>	<u>473,890</u>

8. Tax on loss

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK of 20% (2016: 20%).

	2017 £	2016 £
Loss on ordinary activities before taxation	<u>(349,226)</u>	<u>(363,575)</u>
Loss on ordinary activities by rate of tax	<u>(69,845)</u>	<u>(72,715)</u>
Effect of expenses not deductible for tax purposes	-	17
Effect of capital allowances and depreciation	29,742	29,807
Unused tax losses	<u>40,103</u>	<u>42,891</u>
Tax on loss	<u>-</u>	<u>-</u>

The company had no taxable profits for either of the years ended 31 March 2016 or 2017.

Romney Hydropower Company Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2017

8. Tax on loss *(continued)*

Factors that may affect future tax income

The company has a deferred tax asset of £388,562 (2016: £339,168), which consists of unutilised tax losses of £280,546 (2016: £255,208) and timing differences on depreciation of £108,016 (2016: £83,960) which would be recoverable against future taxable profits of the company. This asset has been provided for in full. The directors are unaware of any other factors which may affect the future tax charge of the company.

The movement in the year represents the effect of capital allowances and depreciation and losses not utilised as shown above, plus an adjustment of £(5,686) relating to fixed assets and £(14,765) relating to losses for the reduction in the UK corporation tax rates to 19% from 1 April 2017.

9. Tangible assets

	Plant and machinery £	Total £
Cost		
At 1 April 2016	2,978,260	2,978,260
Additions	14,723	14,723
At 31 March 2017	2,992,983	2,992,983
Depreciation		
At 1 April 2016	419,800	419,800
Charge for the year	148,710	148,710
At 31 March 2017	568,510	568,510
Carrying amount		
At 31 March 2017	2,424,473	2,424,473
At 31 March 2016	2,558,460	2,558,460

10. Debtors

	2017 £	2016 £
Trade debtors	26,381	54,170
Prepayments and accrued income	77,001	52,221
Other debtors	30,000	30,000
	133,382	136,391

11. Creditors: amounts falling due within one year

	2017 £	2016 £
Amounts owed to group undertakings	154,090	3,095
Accruals and deferred income	33,301	28,753
Other creditors	124,095	39,665
	311,486	71,513

Romney Hydropower Company Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2017

11. Creditors: amounts falling due within one year *(continued)*

Included within other creditors is an amount of £45,204 (2016: £34,971) relating to loans due within one year (see creditors due after one year for the terms of the loan).

12. Creditors: amounts falling due after more than one year

	2017 £	2016 £
Other loans	<u>4,294,072</u>	<u>4,339,276</u>

At the year-end other loans (falling due within one year and after one year) represent a senior secured loan of £4,380,944 (2016: £4,418,533) from Ability Insurance Company ("Ability") made under a facility agreement dated 25 February 2014 (as amended by an agreement dated 23 December 2015). The loan bears interest at 9% per annum. The loan is repayable by quarterly instalments in the period to 23 February 2033. The loan is secured by a debenture over the entirety of the company's assets. The loan is stated net of capitalised legal costs of £50,840, which are being amortised over 207 months from March 2014 to 23 February 2033. The obligations of the company under the loan facility agreement are guaranteed by SEPEL.

13. Called up share capital

Authorised share capital

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

14. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

15. Related party transactions

During the year the company paid the following fees to related parties:

Summit Asset Management Ltd ("SAM")

£6,000 (2016: £6,000) paid for management and accountancy services and the provision of non-executive directors. Amounts owed to SAM at the year end are £nil (2016: £nil). SAM is the parent company of the immediate parent company, SEPEL.

SQN Capital Management LLC ("SQN")

Mr J Silkowski is a director of the company. Mr Silkowski is also president and chief executive officer of, and holds ownership interests in, SQN, which manages assets on behalf of Ability referred to in note 11 above. SQN receives fees for such management services. During the year the company paid interest to Ability totalling £396,403 (2016: £469,344); the year-end balances owed to those two entities were £4,339,276 (2016: £4,374,247) and £nil (2016: £nil) respectively.

Romney Hydropower Company Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2017

16. Controlling party

The ultimate parent company is Brighthand Ltd and the immediate parent company is Southeast Power Engineering Ltd. Both companies are registered in England and Wales. Accounts for both these companies are available at Companies House. The address of the registered office for the ultimate parent company is 10 Cloisters House, Cloisters Business Centre, 8 Battersea Park Road, London, SW8 4BG and for the immediate parent company is Melita House, 124 Bridge Road, Chertsey, KT16 8LA.