

COMPANY REGISTRATION NUMBER: 06387074

Southeast Power Engineering Limited
Financial statements
31 March 2017

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Southeast Power Engineering Limited

Financial statements

Year ended 31 March 2017

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Southeast Power Engineering Limited

Strategic report

Year ended 31 March 2017

Principal activities

The company's principal activities are developing, financing and operating carbon free hydropower sites.

Strategy review

The company provides assistance to landowners in the development of hydro-electric power generating sites on their land, using the skills of the managing director to do so. From such activities it may earn fees and may, only if it has available to it the financial resources to do so, part-own the power generating facilities. The major operating issue perceived by the directors is the need for the company to generate sufficient levels of income to cover the costs of its one employee.

Terms have been agreed in principle for the company to be sold and for the amounts owed to its current immediate parent company (Summit Asset Management Ltd ("SAM")) to be written off (but at the date of signature of these accounts the transaction had not been completed). The proposed purchaser (or an entity forming part of its group) of SAM's shareholding in the company has agreed in any event to provide a letter of support to enable the company to continue as a going concern and to meet its liabilities as they fall due, including any amounts due in respect of the guarantee of the obligations of its wholly-owned subsidiary, Romney Hydropower Company Ltd ("Romney") as described in note 19 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

Southeast Power Engineering 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 N A Roberts
Mr S J K Barratt
Mr D DeChambeau

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

Southeast Power Engineering 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.

Southeast Power Engineering Limited

Independent auditor's report to the members of Southeast Power Engineering Limited

Year ended 31 March 2017

We have audited the financial statements of Southeast Power Engineering Limited for the year ended 31 March 2017, on pages 6 to 15. 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 £14,077 during the year ended 31 March 2017 and, at that date, the company's current liabilities exceeded its current assets by £132,892 and it had net liabilities of £131,383.

The company's ongoing financial viability is dependent on the financial support of SQN Capital Management (UK) Ltd, and the undertaking from its current immediate parent company (Summit Asset Management Ltd) that it will not seek repayment of the amounts due to it from the 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.

Southeast Power Engineering Limited

Independent auditor's report to the members of Southeast Power Engineering 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

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

Southeast Power Engineering Limited

Statement of income and retained earnings

Year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	4	54,458	12,750
Gross profit		<u>54,458</u>	<u>12,750</u>
Administrative expenses		<u>(67,422)</u>	<u>(108,348)</u>
Operating loss	5	<u>(12,964)</u>	<u>(95,598)</u>
Interest receivable	8	3,984	8,752
Interest payable	9	<u>(5,097)</u>	<u>(9,003)</u>
Loss before taxation		<u>(14,077)</u>	<u>(95,849)</u>
Tax on loss	10	<u>—</u>	<u>—</u>
Loss for the financial year and total comprehensive income		<u><u>(14,077)</u></u>	<u><u>(95,849)</u></u>
Retained losses at the start of the year		<u>(133,976)</u>	<u>(38,127)</u>
Retained losses at the end of the year		<u><u>(148,053)</u></u>	<u><u>(133,976)</u></u>

All the activities of the company are from continuing operations.

The notes on pages 8 to 15 form part of these financial statements.

Southeast Power Engineering Limited

Statement of financial position

31 March 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	11	1,507	1,432
Investments	12	<u>2</u>	<u>2</u>
		1,509	1,434
Current assets			
Stocks	13	24,594	24,594
Debtors	14	188,494	121,605
Cash at bank and in hand		<u>5,985</u>	<u>2,441</u>
		219,073	148,640
Creditors: amounts falling due within one year	15	<u>(351,965)</u>	<u>(267,380)</u>
Net current liabilities		<u>(132,892)</u>	<u>(118,740)</u>
Total assets less current liabilities		<u>(131,383)</u>	<u>(117,306)</u>
Net liabilities		<u>(131,383)</u>	<u>(117,306)</u>
Capital and reserves			
Called up share capital	17	4,680	4,680
Share premium account	18	11,990	11,990
Profit and loss account	18	<u>(148,053)</u>	<u>(133,976)</u>
Members deficit		<u>(131,383)</u>	<u>(117,306)</u>

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


Mr S J K Barratt
Director

Company registration number: 06387074

Southeast Power Engineering 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 £14,077 and net liabilities at 31 March 2017 of £131,383. The directors believe this to be the appropriate basis for the following reasons. The company has been provided with a letter of support from a third party, SQN Capital Management (UK) Ltd ("SQN UK"), which has also indicated its intention to acquire the 75% shareholding in SEPEL currently owned by Summit Asset Management Ltd ("SAM") in the near future.

SQN UK has written to the company to confirm that, for at least 12 months from the date of approval of these financial statements, it will make available such funds as are needed by the company. In addition, SAM, the company's current immediate parent company, has agreed that it will not seek repayment of the amounts currently due to SAM and that these amounts will be written off if the sale to SQN UK proceeds. The directors consider that the above 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 other entities 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 this 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 which 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.

Southeast Power Engineering 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.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State.

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.

Southeast Power Engineering Limited

Notes to the financial statements (continued)

Year ended 31 March 2017

3. Accounting policies (continued)

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

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:

Equipment - 3-5 years straight line

Investments

Shares in subsidiary companies are stated at cost less any provisions made.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Defined contribution plans

Employees of the company are eligible to participate in the stakeholder pension plan run by The Summit Group Ltd. The charge represents the contributions payable to the stakeholder pension plan in respect of the accounting period.

4. Turnover

Turnover arises from:

	2017	2016
	£	£
Rendering of services	<u>54,458</u>	<u>12,750</u>

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

Southeast Power Engineering Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2017

5. Operating profit

Operating profit or loss is stated after charging:

	2017	2016
	£	£
Depreciation of tangible assets	851	577
Fees payable for the audit of the financial statements	<u>3,750</u>	<u>3,350</u>

6. Particulars of employees

The average number of persons employed by the company during the year, including the directors, amounted to:

	2017	2016
	No.	No.
Management staff	<u>1</u>	<u>1</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2017	2016
	£	£
Wages and salaries	50,000	50,000
Social security costs	6,258	5,973
Other pension costs	<u>440</u>	<u>437</u>
	<u>56,698</u>	<u>56,410</u>

7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2017	2016
	£	£
Remuneration	52,866	51,747
Company contributions to defined contribution pension plans	<u>440</u>	<u>437</u>
	<u>53,306</u>	<u>52,184</u>

The number of directors who accrued benefits under company pension plans was as follows:

	2017	2016
	No.	No.
Defined contribution plans	<u>1</u>	<u>1</u>

8. Interest receivable

	2017	2016
	£	£
Other interest	<u>3,984</u>	<u>8,752</u>

Southeast Power Engineering Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2017

9. Interest payable

	2017 £	2016 £
Interest due to group undertakings	<u>5,097</u>	<u>9,003</u>

10. 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>(14,077)</u>	<u>(95,849)</u>
Loss on ordinary activities by rate of tax	<u>(2,815)</u>	<u>(19,170)</u>
Effect of expenses not deductible for tax purposes	241	96
Effect of capital allowances and depreciation	170	115
Unused tax losses	<u>2,404</u>	<u>18,959</u>
Tax on loss	<u>-</u>	<u>-</u>

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

Factors that may affect future tax income

The company has a deferred tax asset of £51,096 (2016: £51,211) which consists of unutilised tax losses of £50,727 (2016: £50,993) and timing differences on depreciation of £369 (2015: £218), 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 unutilised losses and the effect of capital allowances and depreciation as shown above, plus an adjustment of £(19) relating to fixed assets and £(2,670) relating to losses for the reduction in the UK corporation tax rates to 19% from 1 April 2017.

Southeast Power Engineering Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2017

11. Tangible assets

	Equipment £	Total £
Cost		
At 1 April 2016	2,611	2,611
Additions	926	926
At 31 March 2017	<u>3,537</u>	<u>3,537</u>
Depreciation		
At 1 April 2016	1,179	1,179
Charge for the year	851	851
At 31 March 2017	<u>2,030</u>	<u>2,030</u>
Carrying amount		
At 31 March 2017	<u>1,507</u>	<u>1,507</u>
At 31 March 2016	<u>1,432</u>	<u>1,432</u>

12. Investments

	Shares in group undertakings £
Cost	
At 1 Apr 2016 and 31 Mar 2017	<u>2</u>
Impairment	
At 1 Apr 2016 and 31 Mar 2017	<u>-</u>
Carrying amount	
At 31 March 2017	<u>2</u>

The investment in subsidiary companies represents 100% of the ordinary shares in Romney Hydropower Company Ltd a company registered in England and Wales.

13. Stocks

	2017 £	2016 £
Work in progress	<u>24,594</u>	<u>24,594</u>

Southeast Power Engineering Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2017

14. Debtors

	2017	2016
	£	£
Trade debtors	21,863	3,300
Amounts owed by group undertakings	154,090	3,095
Prepayments and accrued income	1,118	554
Director's loan account	10,723	10,723
Other debtors	700	103,933
	<u>188,494</u>	<u>121,605</u>

The director's loan is an interest free loan repayable at the company's request without a date for repayment, and is made to Mr D DeChambeau.

15. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	3,663	19,946
Amounts owed to group undertakings	343,398	242,492
Accruals and deferred income	4,445	3,931
Other creditors	459	1,011
	<u>351,965</u>	<u>267,380</u>

16. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £440 (2016: £437).

17. Called up share capital

Authorised share capital

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	75,000	75,000	75,000	75,000
Convertible preference shares of £1 each	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

Southeast Power Engineering Limited

Notes to the financial statements *(continued)*

Year ended 31 March 2017

17. Called up share capital *(continued)*

Issued, called up and fully paid

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	3,120	3,120	3,120	3,120
Convertible preference shares of £1 each	1,560	1,560	1,560	1,560
	<u>4,680</u>	<u>4,680</u>	<u>4,680</u>	<u>4,680</u>

Convertible preference shares

The holders of the convertible preference shares are entitled to convert each convertible preference share into one ordinary share if the company is to be sold, have its shares listed on any recognised stock exchange or if the board of directors of the company is unable to reach agreement on certain matters.

The directors consider the preference shares to be equity in nature.

18. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

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

19. Contingencies

The company has provided a guarantee of the obligations of its wholly-owned subsidiary, Romney Hydropower Company Limited, under a secured loan from Ability Insurance Company of £4,380,944 (2016: £4,418,533).

20. 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 and £5,097 (2016: £9,003) for interest payable in respect of loans made and repaid during the year. Amounts owed to SAM at the year end are £343,398 (2016: £242,492). SAM is the immediate parent company.

21. Controlling party

The ultimate parent company is Brighthand Ltd and the immediate parent company is Summit Asset Management 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.