Levenseat Renewable Energy Ltd

Report and Financial Statements

31 December 2017

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Corporate information

Directors

P J MacLaren
M J Hamilton
C Campbell
R H McPherson

Auditors

Ernst & Young LLP
G1
5 George Square
Glasgow G2 IDY

Bankers

Investec Bank plc
2 Gresham Street
London EC2V 7QP

Barclays Bank plc
1 Churchill Place
London E14 5HP

Royal Bank of Scotland plc
36 St Andrew Square
Edinburgh EH2 2YB

Solicitors

Pinsent Masons
Princes Exchange
1 Earl Grey Street
Edinburgh EH3 9AQ

Registered Office

Levenseat Waste Management Site
Wilsontown
Forth
Lanark
United Kingdom ML11 8EP

Directors' report

Registered No. SC480543

The directors present their report for the year ended 31 December 2017.

Directors of the company

The directors, who served during the year and subsequently, were as follows:

Peter James MacLaren
Matthew James Hamilton
Colin Campbell
James Peter Samworth (resigned 19th December 2018)
Robert Hamish McPherson (appointed 18th December 2018)

Results and dividends

The audited financial statements for the year are set out in the attached financial pages. The loss for the year amounted to £722,831 (2016: Loss - £2,521,917).

The directors do not recommend the payment of a dividend for the year.

Principal activity and review of the business

The principal activity of the company is to operate an energy centre utilising the recovery of waste to generate electricity and, in the year under review, the primary focus was on the development of the project. The energy centre is anticipated to be completed in March 2019.

During the year the entity commenced trading with regards to its secondary activity and to date has earned £1,469,589 (Prior year: 0) from these activities. No trade has commenced regarding the primary income earning activity.

Going Concern

The company had net current liabilities of £4,629,912 (2016: net current liabilities of £49,953) as at 31 December 2017.

The shareholders have each provided written confirmation that they will provide financial support to the company to ensure it can meet its liabilities as they fall due for a period covering at least 12 months from the date of approval of this report. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis in preparing the annual financial statements.

Financial risk management objectives and policies

Credit risk

The company's principal financial assets are bank balances and other debtors.

The company's credit risk is primarily attributable to completion of the development project on budget and in accordance with current funding arrangements.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of debt finance.

Directors' report (Continued)

Disclosure of information to the auditors

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

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with Section 487 of the Companies Act 2006.

Small companies exemption

This report has been prepared in accordance with the special provisions applicable to companies subject to small companies regime within Part 15 of the Companies Act 2006.

The entity has elected to take exemption from preparing a strategic report as is allowed under S414 of the Companies Act 2006.

On behalf of the Board

Matthew James Hamilton
Director
27th February 2019

Statement of directors' responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable to 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 for that year.

In preparing those 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's report to the members of Levenseat Renewable Energy Limited

Opinion

We have audited the financial statements of Levenseat Renewable Energy Limited (the 'company') for the year ended 31 December 2017 which comprise the Income Statement, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 15, 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 FRS 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 company's affairs as at 31 December 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the provisions available for small entities, in the circumstances set out in note 1 to the financial statements 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.

Independent Auditor's report to the members of Levenseat Renewable Energy Limited (continued)

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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

Independent Auditor's report to the members of Levenseat Renewable Energy Limited (continued)

- 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 set out on page 5, 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.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Janie McMinn (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Glasgow

4/3/19

Income statement
for the year ended 31 December 2017

	Notes	*2017* £	*2016* £
Revenue		1,469,589	-
Cost of Sales	2	(1,586,725)	-
Gross Profit		(117,136)	-
Other Income		470,427	
Administrative expenses		(1,658,839)	(462,942)
Gain / loss on interest rate swap		581,518	(2,061,026)
Bank interest income		1,199	2,051
Loss before tax		(722,831)	(2,521,917)
Tax	3	-	-
Loss and total comprehensive loss for the year		(722,831)	(2,521,917)

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

	Called-up share capital	*Profit and loss account*	*Total equity*
	£	£	£
At 1 January 2016	2	(847,851)	(847,849)
Loss and total comprehensive loss for the year	-	(2,521,917)	(2,521,917)
At 31 December 2016	2	(3,369,768)	(3,369,766)
At 1 January 2017	2	(3,369,768)	(3,369,766)
Loss and total comprehensive loss for the year	-	(722,831)	(722,831)
At 31 December 2017	2	(4,092,599)	(4,092,597)

Statement of financial position

as at 31 December 2017

	Notes	2017 £	2016 £
Fixed assets			
Tangible fixed assets	5	100,158,694	80,541,376
Other non-current asset	6	2,958,201	2,671,802
Current assets			
Stock	7	160,859	-
Other debtors	8	1,580,607	240,944
Cash at bank		7,298,873	3,876,143
		9,040,339	4,117,087
Creditors – amounts falling due within one year	9	13,670,251	4,167,040
Net current assets/ (liabilities)		(4,629,912)	(49,953)
Total assets less current liabilities		98,486,983	83,163,225
Creditors – amounts falling due after more than one year	10	102,579,580	86,532,991
Net liabilities		(4,092,597)	(3,369,766)
Capital and reserves			
Called-up share capital	11	2	2
Profit and loss account		(4,092,599)	(3,369,768)
		(4,092,597)	(3,369,766)

This report has been prepared in accordance with the special provisions applicable to companies subject to small companies regime within Part 15 of the Companies Act 2006.

The financial statements were approved by the Board of Directors on 27th February 2019 and signed on its behalf by:

Matthew J Hamilton

Matthew James Hamilton
Director

Notes to the financial statements
at 31 December 2017

1. Accounting policies

Statement of compliance

Levenseat Renewable Energy Ltd is a limited liability company incorporated in Scotland on 23 June 2014. Its Registered Office is Levenseat Waste Management Site Wilsontown, Forth, Lanark, United Kingdom ML11 8EP.

The company's financial statements have been prepared in compliance with FRS 102 as it applies for the year ended 31 December 2017. The company has taken advantage of the exemption allowed by FRS 102 for small companies for not preparing a Statement of Cash Flows.

Basis of preparation and change in accounting policy

The financial statements of Levenseat Renewable Energy Ltd were authorised for issue by the Board of Directors on 27th February 2019 and have been prepared in accordance with applicable accounting standards. These financial statements are prepared in sterling which is the functional currency of the company.

Going Concern

The shareholders have each provided written confirmation that they will provide financial support to the company to ensure it can meet its liabilities as they fall due for a period covering at least 12 months from the date of approval of this report. Therefore the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis in preparing the annual financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the financial reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There were no judgements, estimates and assumptions made during the year that would have a material impact on the financial statements.

Liquidated Damages

During the year some of the assets under construction were completed late as a result of supplier delays. As such the entity was entitled to liquidated damages. The liquidated damages due to the delay in the delivery of the construction milestones from the contactor amounting to £7,289,473 have been deducted from the capitalised fixed assets

Significant accounting policies

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for the supply of services rendered net of discounts, rebates, value added tax and other sales related taxes.

1. Accounting policies (continued)

Significant accounting policies (continued)

The company recognises revenue when the outcome of the transaction involving the rendering of services can estimated reliably. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied

a) The amount of revenue can measured reliability

b) It is probable that the economic benefits associated with the transaction will flow to the entity

c) The stage of completion of the transaction at the end of the reporting period can be measured reliability; and

d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliability.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Assets in the course of construction for operation purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets, borrowing costs which are capitalised. Depreciation of these assets commences when the assets are ready for their intended use.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Derivative instruments

The company uses interest rate swaps to adjust interest rate exposures. These are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

The company does not undertake any hedge accounting transactions.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

1. Accounting policies (continued)

Significant accounting policies *(continued)*

Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements, except that:

- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the financial reporting date.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the lender (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment.

2. Loss and total comprehensive loss for the year

This is stated after charging:

	2017	*2016*
	£	£
Depreciation	12,086	-
Auditors' remuneration		
- Audit of the financial statements	11,090	12,000

Notes to the financial statements
at 31 December 2017

3. Tax on loss on ordinary activities

(a) The charge based on the loss for the year comprises:

	2017	2016
	£	£
Current tax		
UK corporation tax on loss for the year	-	-
Total tax per income statement	-	-

(b) Factors affecting the tax charge for the year

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2017	2016
	£	£
Loss for the year	(722,831)	(2,521,917)
Tax on loss at standard UK tax rate of 19.25% (2016: 20%)	(139,145)	(504,384)
Expenses not deductible	(109,497)	412,206
Effects of group relief/other reliefs	1	(410)
Deferred tax asset not recognised	248,641	92,588
Tax charge for the year	-	-

(c) Factors that may affect future tax charges

The Finance Act 2013 reduced the main rate of corporation tax from 21% to 20%, effective from 1 April 2016. The Finance Act (No 2) 2016, which was substantively enacted on 26 October 2016, includes legislation to further reduce the main rate of corporation tax to 19%, effective from 2 April 2017, and to 17%, effective from 1 April 2020.

4. Directors' emoluments

None of the directors were remunerated in respect of their qualifying services to the company (2016: Nil).

Although the entity has directors they are currently being remunerated through other entities within the same ownership and it is not possible at this stage to apportion the remuneration for the services performed for Levenseat Renewable Energy Limited.

Notes to the financial statements
at 31 December 2017

5. Tangible fixed asset

	Assets under Construction	Site Equipment & Infrastructure £	Office Equipment £	Workshop Equipment £	Total Fixed Assets £
Cost					
At 1 January 2017	80,541,376	-	-	-	80,541,376
Additions	19,629,404				19,629,404
Transfers	(149,432)	96,860	3,952	48,620	-
Revaluation	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2017	**100,021,348**	**96,860**	**3,952**	**48,620**	**100,170,780**
Depreciation					
At 1 January 2017	-	-	-	-	-
Charge	-	6,400	334	5,352	12,086
At 31 December 2017	-	6,400	334	5,352	12,086
Net Book Value					
At 31 December 2017	**100,021,348**	**90,460**	**3,618**	**43,268**	**100,158,694**
At 31 December 2016	80,541,376	-	-	-	80,541,376

(a) The above assets have been pledged as security in respect of borrowings of the company.

6. Other non-current asset

	2017	2016
	£	£
Capitalised arrangement fees	2,958,201	2,671,802

7. Stock

	2017	2016
	£	£
Stock of Engineering Parts	144,110	-
Stock of Wear Parts	16,749	-
	160,859	-

8. Debtors

	2017	2016
	£	£
Trade debtors	890,926	29,449
Other debtors	571,216	136,269
Prepayments	118,465	75,226
	1,580,607	240,944

9. Creditors – amounts falling due within one year

	2017	2016
	£	£
Amounts payable on construction contracts	3,156,912	4,154,345
Other creditors	42,776	12,695
Bank loan	3,181,090	-
Deferred revenue	7,289,473	-
	13,670,251	4,167,040

Notes to the financial statements
at 31 December 2017

10. Creditors – amounts falling due after more than one year

	2017	*2016*
	£	£
Loan from holding company (note 14(b))	62,995,254	60,819,791
Bank loan	37,752,225	23,299,582
Derivative financial instrument – Interest rate swap	1,832,101	2,413,618
	102,579,580	86,532,991

(a) The bank loan is payable to Investec Bank plc in half yearly instalments commencing on 31 December 2017. Floating interest is calculated based on LIBOR plus Margin and is in monthly arrears. Margin of 3.75% per annum will be charged form the date of first utilisation up to and including commercial operations date. This will then be reduced to 3.25% per annum for a period of three years and go back up to 3.75%per annum thereafter

(b) The loan is secured on a floating charge over the assets of the company

11. Called-up share capital

	2017	*2016*
	£	£
Allotted, called-up and fully paid 2 ordinary shares of £1 each	2	2

12. Capital commitments

Amounts contracted but not provided in the financial statements amounted to £8.1m as at 31 December 2017 (2016: £24.9m).

13. Contingent liabilities

There were no contingent liabilities as at 31 December 2017 (2016: Nil).

14. Related parties

	2017	2016
	£	£
Entity with common directors (note (a) below)		
- Purchases of services	2,660,573	1,006,555
- Payables	1,263,658	154,383
- Sale of services	1,589,422	-
- Receivables	554,356	-
Holding company (note (b) below)		
- Loan received	-	16,242,838
- Loan payable	62,995,254	60,819,791

(a) In the ordinary course of business, services of £2,660,573 (2016: £1,006,555) were purchased from Levenseat Ltd and a balance of £1,263,658 (2016: 154,383) was outstanding at year-end.

In the ordinary course of business, services of £1,589,422 (2016: nil) were sold to Levenseat Ltd and a balance of £554,356 (2016: nil) was outstanding at year-end.

(b) This balance represents the proceeds of loan notes issued by Levenseat Renewable Energy Holdings Limited, the company's parent entity, which was subsequently loaned to Levenseat Renewable Energy Ltd. It is repayable in accordance with the terms and timetable of these loan note instruments, together with all interest accrued and any other amounts due by the company to the lender. The first repayment amounts to £434,467 and is due on 30 June 2019. Earlier repayments may be made by the Board by a special resolution.

This loan bears interest at the rate of 12% (2016: 12%).

15. Parent Undertaking

The company's parent undertaking is Levenseat Renewable Energy Holdings Limited, a company incorporated in Scotland. Its registered address is Levenseat Waste Management Site Wilsontown, Forth, Lanark, United Kingdom ML11 8EP