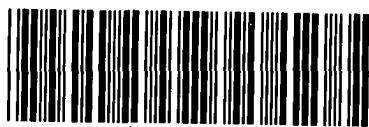


**Tranche 2 Holdings Limited**  
**Directors' report and**  
**Audited consolidated financial statements for the year ended 31 December 2016**

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## **Tranche 2 Holdings Limited**

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**Tranche 2 Holdings Limited**

**Company information  
For The Year Ended 31 December 2016**

**Directors:**

P G Raftery  
C D K Reid

**Registered office:**

2nd Floor Edgeborough House  
Upper Edgeborough Road  
Guildford  
Surrey  
GU1 2BJ

**Registered number:**

07705453 (England and Wales)

**Independent auditors:**

Deloitte LLP  
Statutory Auditor  
Abbots House  
Abbey Street  
Reading  
Berkshire  
RG1 3BD

## **Tranche 2 Holdings Limited**

### **Directors' report For The Year Ended 31 December 2016**

The directors present their report with the financial statements of the Company and the Group for the year ended 31 December 2016.

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Further information on the basis of preparation of these financial statements and the going concern assumption can be found in note 2.

#### **Principal activity**

The principal activity of the Group in the period under review was the operation of two wind farms with total capacity of 8.5MW. This is expected to continue to be the principal activity of the Group. Tranche 2 Holdings Limited serves as a holding company for the subsidiaries owning the wind farms.

On 21 December 2015, the Company's entire share capital was acquired by RI Income UK Holdings Limited and subsequently a number of resolutions were passed. New directors were appointed on the date of the transaction and following this, the accounting reference date was changed from 30 June to 31 December to bring it into line with the new group's accounting reference date and as such a six month reporting period was decided upon. Finally the name was changed from REG Tranche 2 Holdings Limited to Tranche 2 Holdings Limited.

On 29 June 2016, the Group's subsidiaries voluntarily prepaid their loans outstanding under the facility agreements with L1 Renewables Limited and settled the associated interest rate swaps. Refer to note 5.

With the exception of the repayment of the bank loans, the Group will function in the same manner as before and as such there will be no fundamental change to the way the Group is operated or managed.

#### **Dividends**

The loss for the year after taxation was £150,029 (31 December 2015 : £32,595 profit).

The directors do not recommend the payment of a dividend (31 December 2015: £nil).

#### **Directors**

The directors shown below have held office during the whole of the period from 1 January 2016 to the date of this report.

P G Raftery  
C D K Reid

#### **Risks and uncertainties**

The Group is exposed to fluctuations in UK power prices. The Group seeks to manage the volatility in power prices by fixing prices at least six months in advance whenever possible.

#### **Directors' indemnities**

The Group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

## **Tranche 2 Holdings Limited**

### **Directors' report For The Year Ended 31 December 2016**

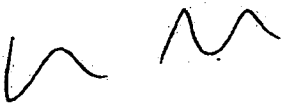
#### **Statement as to disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

#### **Auditors**

The auditors, Deloitte LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

#### **On behalf of the board:**



C D K Reid - Director

Date: 18 September 2017

## **Tranche 2 Holdings Limited**

### **Statement of directors' responsibilities For The Year Ended 31 December 2016**

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 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 the Group and of the profit or loss of the Group 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 accounting estimates that are reasonable and prudent;
- 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 and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the members of Tranche 2 holdings limited**

We have audited the financial statements of Tranche 2 Holdings Limited for the year ended 31 December 2016 which comprise the Consolidated income statement, the Consolidated statement of other comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated statement of changes in equity, the Company statement of changes in equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, 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 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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of directors' responsibilities set out on page four, 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 December 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Independent auditors' report to the members of  
Tranche 2 holdings limited**

**Opinion on other matter 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.

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 any material misstatements in the Directors' Report.

**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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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' exemption from the requirement to prepare a Group strategic report or to prepare Directors' report.

*Andrew Evans*

Andrew Evans (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Reading  
Berkshire

Date *18 September, 2017*



**Tranche 2 Holdings Limited**

**Consolidated income statement  
For The Year Ended 31 December 2016**

	Notes	Year ended 31/12/16 £	Period 1/7/15 to 31/12/15 £
<b>Turnover</b>	3	1,692,311	922,820
Cost of sales		<u>(1,208,761)</u>	<u>(567,852)</u>
<b>Gross profit</b>		483,550	354,968
Administrative expenses		<u>(10,518)</u>	<u>(13,077)</u>
<b>Operating profit</b>	4	473,032	341,891
Exceptional costs	5	<u>(323,921)</u>	<u>-</u>
		149,111	341,891
Interest payable and similar expenses		<u>(546,229)</u>	<u>(263,551)</u>
<b>(Loss)/profit before taxation</b>		(397,118)	78,340
Tax on (loss)/profit		<u>247,089</u>	<u>(45,745)</u>
<b>(Loss)/profit for the financial year</b>		<u>(150,029)</u>	<u>32,595</u>
(Loss)/profit attributable to: Owners of the parent		<u>(150,029)</u>	<u>32,595</u>

The notes on pages 13 to 26 form part of these financial statements

**Tranche 2 Holdings Limited**

**Consolidated statement of other comprehensive loss  
For The Year Ended 31 December 2016**

	Notes	Year ended 31/12/16 £	Period 1/7/15 to 31/12/15 £
<b>(Loss)/profit for the year</b>		(150,029)	32,595
<b>Other comprehensive loss</b>			
(Loss) on interest rate swaps		(440,253)	(60,973)
Deferred tax movement interest rate swap		(91,681)	7,369
Income tax relating to components of other comprehensive loss		<u>-</u>	<u>-</u>
<b>Other comprehensive loss for the year, net of income tax</b>		<u>(531,934)</u>	<u>(53,604)</u>
<b>Total comprehensive loss for the year</b>		<u>(681,963)</u>	<u>(21,009)</u>
 Total comprehensive income attributable to: Owners of the parent		 <u>(681,963)</u>	 <u>(21,009)</u>

The notes on pages 13 to 26 form part of these financial statements

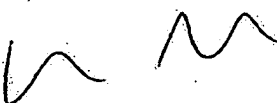
**Tranche 2 Holdings Limited (Registered number: 07705453)**

**Consolidated balance sheet  
31 December 2016**

	Notes	31/12/16 £	31/12/15 £
<b>Fixed assets</b>			
Tangible assets	7	9,402,158	10,069,373
Investments	8	-	-
		<u>9,402,158</u>	<u>10,069,373</u>
<b>Current assets</b>			
Debtors	9	1,169,954	2,552,754
Cash at bank		<u>172,846</u>	<u>1,162,272</u>
		1,342,800	3,715,026
<b>Creditors</b>			
Amounts falling due within one year	10	<u>(11,068,663)</u>	<u>(13,426,140)</u>
<b>Net current liabilities</b>		<u>(9,725,863)</u>	<u>(9,711,114)</u>
<b>Total assets less current liabilities</b>		<u>(323,705)</u>	<u>358,259</u>
<b>Capital and reserves</b>			
Called up share capital		1	1
Hedging reserve		-	(390,846)
Retained earnings		<u>(323,706)</u>	<u>749,104</u>
		<u>(323,705)</u>	<u>358,259</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on 18 September 2017 and were signed on its behalf by:



C D K Reid - Director

The notes on pages 13 to 26 form part of these financial statements

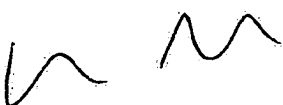
**Tranche 2 Holdings Limited (Registered number: 07705453)**

**Company balance sheet  
31 December 2016**

	Notes	31/12/16 £	31/12/15 £
<b>Fixed assets</b>			
Tangible assets	7	-	-
Investments	8	<u>2,000</u>	<u>2,000</u>
		<u>2,000</u>	<u>2,000</u>
<b>Current assets</b>			
Debtors	9	1	1
<b>Creditors</b>			
Amounts falling due within one year	10	<u>(2,000)</u>	<u>(2,000)</u>
<b>Net current liabilities</b>		<u>(1,999)</u>	<u>(1,999)</u>
<b>Total assets less current liabilities</b>		<u>1</u>	<u>1</u>
<b>Capital and reserves</b>			
Called up share capital		<u>1</u>	<u>1</u>
		<u>1</u>	<u>1</u>
<b>Company's profit for the financial year</b>		<u>-</u>	<u>-</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on 18 September 2017 and were signed on its behalf by:



Director

The notes on pages 13 to 26 form part of these financial statements

**Tranche 2 Holdings Limited**

**Consolidated statement of changes in equity  
For The Year Ended 31 December 2016**

	Called up share capital £	Retained earnings £	Hedging reserve £	Total equity £
<b>Balance at 1 July 2015</b>	1	716,509	(337,242)	379,268
<b>Changes in equity</b>				
Total comprehensive (loss)/profit	-	32,595	(53,604)	(21,009)
<b>Balance at 31 December 2015</b>	1	749,104	(390,846)	358,259
<b>Changes in equity</b>				
Total comprehensive (loss)/profit	-	(1,072,810)	390,846	(681,964)
<b>Balance at 31 December 2016</b>	1	(323,706)	-	(323,705)

The notes on pages 13 to 26 form part of these financial statements

**Tranche 2 Holdings Limited**

**Company statement of changes in equity  
For The Year Ended 31 December 2016**

	Called up share capital £	Retained earnings £	Total equity £
<b>Changes in equity</b>			
As at 1 July 2015	<u>1</u>	<u>-</u>	<u>1</u>
<b>Balance at 31 December 2015</b>	<u>1</u>	<u>-</u>	<u>1</u>
<b>Changes in equity</b>			
<b>Balance at 31 December 2016</b>	<u>1</u>	<u>-</u>	<u>1</u>

The notes on pages 13 to 26 form part of these financial statements

## **Tranche 2 Holdings Limited**

### **Notes to the consolidated financial statements For The Year Ended 31 December 2016**

#### **1. Statutory information**

Tranche 2 Holdings Limited is a company incorporated in the United Kingdom, England and Wales, under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's and Group's operations and its principal activities are set out in the Directors' report on page 2.

#### **2. Accounting policies**

##### **Basis of preparing the financial statements**

The financial statements have been prepared in accordance with the applicable United Kingdom accounting standards, including Financial Reporting Standard 102 section 1A small entities - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements apply the July 2015 amendments to FRS 102. The particular accounting policies adopted are described below and have been applied consistently throughout the current financial period. The prior financial period was prepared under Financial Reporting Standard 102 without taking the section 1A exemption for small companies.

Section 1A for small companies has been applied on the basis that the entity meets the criteria set out within the Companies Act. The directors believe the entity is part of an eligible group on the basis that the ultimate controlling party is not listed on any market.

The Company has taken advantage of the exemptions available to small entities under section 1A in relation to presentation of a cash flow statement and disclosures of net finance charge, current taxation, financial instruments, share capital and reserves.

The financial statements are prepared under the historical cost convention, except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

## **Tranche 2 Holdings Limited**

### **Notes to the consolidated financial statements - continued For The Year Ended 31 December 2016**

#### **2. Accounting policies - continued**

##### **Going concern**

The financial statements have been prepared on the basis the Group is a going concern, which the directors consider appropriate.

The directors have separately reviewed integrated forecasts for the Group, for the foreseeable future, which indicate that the Group will be able to meet its cash flow demands and liabilities as they fall due from cash flows from operations and existing working capital.

The directors have written confirmation that RI Income UK Holdings Limited intends to continue to financially support the Company and Group during the 12 months following the date the financial statements are signed.

##### **Critical accounting 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 balance sheet 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. The following judgements have had the most significant effect on amounts recognised in the financial statements.

##### **Deferred taxation**

Deferred tax assets are only recognised when management deem that it is highly probable that there will be sufficient taxable profits in future periods which can utilise the deferred tax asset.

##### **Operating lease commitments**

The classification of leases as operating or finance leases requires the Company to determine, based on evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires recognition on the balance sheet.



## **Tranche 2 Holdings Limited**

### **Notes to the consolidated financial statements - continued For The Year Ended 31 December 2016**

#### **2. Accounting policies - continued**

##### **Turnover**

Turnover represents the value of power generated during the year, excluding value added tax, in the UK.

##### **Turnover recognition**

Turnover is recognised when the significant risks and rewards are considered to have transferred to the buyer and is recorded at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before turnover is recognised:

##### **a) Generation and embedded benefits turnover**

Turnover from the sale of electricity represents the invoice value, pre sales tax, of electricity provided to third parties and is recognised when electricity is generated. Embedded benefits are paid to generating plant located on the distribution network to reflect the lower cost of transporting electricity to the end user and are recorded at the invoice value.

##### **b) TRIADS turnover**

Turnover from the sale of TRIADS (bonus for generating at peak demand times during the winter months) represents the invoice value, before sales tax, of TRIADS provided to third parties and is recognised when eligible electricity is generated.

##### **c) ROCs, LECs turnover**

Renewable Obligation Certificates (ROCs) are issued to qualifying renewable generators under the terms of the generating station's OFGEM Renewable Obligation registration. These certificates may be traded separately from the electricity to which they relate. The ROCs are recorded as accrued income at fair value and recognised in turnover when the electricity to which they relate is generated. Any impairment of ROCs due to reduction in the market price is recorded in profit and loss.

Renewable energy generators who meet Customs & Excise conditions for exemption will be issued with Levy Exemption Certificates (LECs) for their generation. The LECs transfer along with the electricity and can be used by business consumers to claim levy exemption. These certificates carry a statutory value and are recognised at this value as generated.

Effective from 1 August 2015, the Government withdrew the exemption from the Climate Change Levy (CCL) meaning that power generated thereafter no longer accrued LECs and as such this is no longer a source of turnover.

##### **Tangible fixed assets**

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met, but excludes the costs of day-to-day servicing which is expensed as incurred.

Depreciation is provided on all tangible fixed assets, other than freehold land, at the following annual rates in order to write off each asset over its estimated useful life.

Operating wind sites	-	20 years
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**Notes to the consolidated financial statements - continued**  
**For The Year Ended 31 December 2016**

**2. Accounting policies - continued**

**Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

**Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

## **Tranche 2 Holdings Limited**

### **Notes to the consolidated financial statements - continued For The Year Ended 31 December 2016**

#### **2. Accounting policies - continued**

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss. Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### **Derivative financial instruments**

The Company uses derivative financial instruments to reduce exposure to interest rate movements. The Company does not hold derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

#### **Fair value measurement**

The Company determines the fair value of its derivatives using the income approach which converts future cash flows to a single current (discounted) amount, reflecting current market expectations about those future amounts through the use of observable inputs, e.g. interest rates and yield curves observable at commonly quoted intervals.

#### **Hedge accounting**

The Company designates certain derivatives as cash flow hedging instruments in respect of variable interest rate risk of the cash flows associated with recognised debt instruments measured at amortised cost.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with the clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge and on an ongoing basis, the Company assesses whether the hedging instrument is highly effective in offsetting the designated hedged risk.

**Notes to the consolidated financial statements - continued**  
**For The Year Ended 31 December 2016**

**2. Accounting policies - continued**

The effective portion of changes in the fair value of the designated hedging instrument is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends. Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

**Equity instruments**

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

**Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

**Non-financial assets**

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

**Financial assets**

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

## **Tranche 2 Holdings Limited**

### **Notes to the consolidated financial statements - continued For The Year Ended 31 December 2016**

#### **2. Accounting policies - continued**

##### **Taxation**

Current tax, including UK corporation and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

-provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

-deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Deferred tax assets and liabilities are offset only if the Company has a legally enforceable right to set off current tax assets against current tax liabilities.

##### **Cash**

Cash at bank and in hand on the balance sheet comprise cash in hand and deposits held at call with banks.

##### **Accrued income**

Accrued income represents accruals for electricity generation and ROC income not yet billed.

##### **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the year in which the dividends are approved by the Company's shareholders.

## Tranche 2 Holdings Limited

### Notes to the consolidated financial statements - continued For The Year Ended 31 December 2016

#### 2. Accounting policies - continued

##### Operating leases

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

##### Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period which they arise.

##### Borrowing costs

Borrowing costs are expensed as incurred.

##### Investments

Fixed asset investments are stated at cost less any provision for impairment.

#### 3. Turnover

The turnover and loss (2015 - profit) before taxation are attributable to the one principal activity of the Group.

#### 4. Operating profit

The operating profit is stated after charging:

	Year ended 31/12/16 £	Period 1/7/15 to 31/12/15 £
Rentals under operating lease	37,901	17,266
Depreciation - owned assets	673,445	334,950
Auditor's remuneration	<u>10,200</u>	<u>10,200</u>

## Tranche 2 Holdings Limited

### Notes to the consolidated financial statements - continued For The Year Ended 31 December 2016

#### 5. Exceptional items

On 29 June 2016, the Group voluntarily prepaid its loans outstanding under its facility agreements with L1 Renewables Limited and settled the associated interest rate swaps. The impact on the Consolidated income statement and the Consolidated statement of other comprehensive income in the year ended 31 December 2016 is as follows:

	£
Recognised in Income statement:	
Release of loan issue costs	226,770
Prepayment and lender break costs	85,949
Legal and consultancy fees	<u>11,202</u>
	<u>323,921</u>
Recognised in Other comprehensive income:	
Loss on interest rate swap prior to redemption	(440,253)
Deferred tax associated with derivative financial liability	<u>(91,681)</u>
	<u>(531,934)</u>

On settlement of the interest rate swap a loss of £922,781 which had accumulated through other comprehensive income in the hedging reserve has been reclassified to the profit and loss reserve. The hedging relationship having ended on settlement of the loan and associated interest rate swap.

#### 6. Individual income statement

As permitted by Section 408 of the Companies Act 2006, the Income statement of the parent company is not presented as part of these financial statements.

The result of the Company for the financial year has been included within the Company balance sheet.

## Tranche 2 Holdings Limited

### Notes to the consolidated financial statements - continued For The Year Ended 31 December 2016

#### 7. Tangible fixed assets

##### Group

	Plant and machinery £
<b>Cost</b>	
At 1 January 2016	12,703,167
Additions	<u>6,230</u>
At 31 December 2016	<u>12,709,397</u>
<b>Depreciation</b>	
At 1 January 2016	2,633,794
Charge for year	<u>673,445</u>
At 31 December 2016	<u>3,307,239</u>
<b>Net book value</b>	
At 31 December 2016	<u>9,402,158</u>
At 31 December 2015	<u>10,069,373</u>

#### 8. Fixed asset investments

##### Company

	Shares in group undertakings £
<b>Cost</b>	
At 1 January 2016 and 31 December 2016	<u>2,000</u>
<b>Net book value</b>	
At 31 December 2016	<u>2,000</u>
At 31 December 2015	<u>2,000</u>

Investments are directly owned 100% holdings of the ordinary share capital of two subsidiaries, High Haswell Limited and Loscar Limited. These subsidiaries are both incorporated in the United Kingdom with their principle activities in the period being the operation of wind farms.



## Tranche 2 Holdings Limited

### Notes to the consolidated financial statements - continued For The Year Ended 31 December 2016

#### 9. Debtors

##### Group

	31/12/16	31/12/15
	£	£
Prepayments and accrued income	497,829	651,178
Amounts owed by group companies	12,086	-
Deferred tax (see note 15)	656,361	591,157
Other debtors	-	21,249
VAT	3,678	971
Restricted cash	-	1,288,200
	<u>1,169,954</u>	<u>2,552,755</u>

The company has an outstanding debtor of £1 (31 December 2015: £1) in relation to called-up share capital not yet paid-up.

Amounts owed by group companies are repayable on demand.

#### 10. Creditors: amounts falling due within one year

	Group		Company	
	31/12/16	31/12/15	31/12/16	31/12/15
	£	£	£	£
Bank loans and overdrafts	-	8,113,701	-	-
Trade creditors	20,261	11,033	-	-
Amounts owed to group companies	11,017,364	4,533,348	2,000	2,000
Other creditors	(2,949)	81,130	-	-
Interest rate swap derivative	-	524,489	-	-
Accruals	<u>33,987</u>	<u>162,439</u>	<u>-</u>	<u>-</u>
	<u>11,068,663</u>	<u>13,426,140</u>	<u>2,000</u>	<u>2,000</u>

Amounts owed to group companies are repayable on demand.

On 29 June 2016, the Group voluntarily prepaid its loans outstanding under its facility agreements with L1 Renewables Limited and settled the associated interest rate swaps.

## Tranche 2 Holdings Limited

### Notes to the consolidated financial statements - continued For The Year Ended 31 December 2016

#### 11. Leasing agreements

Minimum lease payments fall due as follows:

##### Group

	Non-cancellable operating leases	
	31/12/16	31/12/15
	£	£
Within one year	20,000	20,000
Between one and five years	80,000	80,000
In more than five years	<u>300,000</u>	<u>320,000</u>
	<u>400,000</u>	<u>420,000</u>

#### 12. Off-balance sheet arrangements

The Group enters into operating lease arrangements for the land on which the wind farms are located. The Group's lease rental expense is disclosed in note 4 and the Group commitments under these arrangements are disclosed in note 11. There are no other material off-balance sheet arrangements.

#### 13. Related party disclosures

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

The Company has an outstanding debtor of £1 (31 December 2015: £1) in relation to called-up share capital not yet paid-up.

The Company has creditors of £2,000 falling due within one year relating to unpaid share capital (31 December 2015: £2,000)

Within amounts owed by group companies, is an amount £7,831 owed by Denzell Downs Limited as Denzell Downs Limited received the VAT due back to the Group as part of a VAT group registration arrangement.

Within amounts owed to group companies is an interest free amount of £3,625,646 owed to RI Income UK Holdings Limited (31 December 2015: £4,531,348) and an interest bearing amount of £7,347,220 (31 December 2015: £nil) owed to BRI UK Finance Limited. As at 31 December 2016 the interest bearing amount had accrued interest of £44,498 (31 December 2015: £nil).

## Tranche 2 Holdings Limited

### Notes to the consolidated financial statements - continued For The Year Ended 31 December 2016

#### 14. Ultimate controlling party

The ultimate parent undertaking and controlling party in this group is considered to be Renewable Income UK, a sub-fund of Blackrock Infrastructure Funds Public Limited Company, an investment company registered in Ireland which accounts for investments at fair value and does not prepare consolidated financial statements.

The immediate parent company as at 31 December 2016 is RI Income UK Holdings Limited, an investment company registered in England & Wales which accounts for investments at fair value and does not prepare consolidated financial statements. The accounts are available from the registered office at 12 Throgmorton Avenue, London, EC2N 2DL.

#### 15. Deferred tax

	31/12/16 £	31/12/15 £
Deferred tax asset	<u>656,361</u>	<u>591,157</u>

The gross movement on the deferred tax account is:

Balance at 1 January/ 1 July	591,157	548,402
(Charge)/credit profit and loss account	156,884	35,386
(Charge)/credit to other comprehensive income	<u>(91,680)</u>	<u>7,369</u>

Balance at 31 December	<u>656,361</u>	<u>591,157</u>
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Deferred tax is provided as follows:

Depreciation in advance of capital allowances	533,535	499,477
Loss for the period	122,826	-
Other timing differences	<u>-</u>	<u>91,680</u>
	<u>656,361</u>	<u>591,157</u>

## Tranche 2 Holdings Limited

### Notes to the consolidated financial statements - continued For The Year Ended 31 December 2016

#### 16. Derivative financial instruments

	Due within one year		Due after one year	
	31/12/16	31/12/15	31/12/16	31/12/15
	£	£	£	£
<b>Derivatives designated and effective as hedging instruments carried at fair value liabilities</b>				
Interest rate swaps	-	(524,489)	-	-

The interest rate swaps were valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. On 29 June 2016, the Group voluntarily prepaid its loans outstanding under its facility agreements with L1 Renewables Limited and settled the associated interest rate swaps, refer to note 5.

#### Cash flow hedges

##### Interest rate swap

The following table details the notional principal amounts and fair value of the interest rate swap outstanding as at the reporting date:

##### Outstanding receiving floating pay fixed contract

	Notional principal value		Fair value	
	31/12/16	31/12/15	31/12/16	31/12/15
	£	£	£	£
Less than one year	-	8,113,701	-	(524,489)
	-	8,113,701	-	(524,489)

A loss of £440,253 (31 December 2015: £60,973 loss) was recognised in other comprehensive income. The hedge was 100% effective resulting in no impact in the profit or loss.

#### 17. Information regarding directors and employees

The Company has no employees (31 December 2015: Nil). None of the directors received any remuneration from the Company during the period (31 December 2015: Nil). Services are provided to the Company through a third party asset management agreement.