

Company Registration No. 07705453

**Tranche 2 Holdings Limited (formerly REG  
Tranche 2 Holdings Limited)**

**Annual Report and Financial Statements**

**For the period ended 31 December 2015**



# **Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)**

## **Annual report and financial statements for the period ended 31 December 2015**

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## **Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)**

### **Officers and professional advisers**

#### **Directors**

C Reid

P Raftery

#### **Bankers**

HSBC

3 Rivergate

Temple Quay

Bristol

BS1 6ER

#### **Registered office**

2nd Floor

Edgeborough House

Upper Edgeborough Road

Guildford

Surrey

GU1 2BJ

#### **Independent auditor**

Deloitte LLP

Chartered Accountants and Statutory Auditor

Abbots House

Abbey Street

Reading

RG1 3BD

## **Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)**

### **Directors' report**

The directors present their annual report on the affairs of the Group, together with the audited financial statements and auditor's report, for the period ended 31 December 2015.

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 1.

#### **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 (formerly REG Tranche 2 Holdings Limited) serves as a holding company for the subsidiaries owning the wind farms.

On 21 December 2015, the Company's parent, REG Holdings Limited sold the entire share capital of the Company to RI Income UK Holdings Limited as part of the wider transaction 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 voluntarily prepaid the loans outstanding under the facility agreements with L1 Renewables Limited and settled the associated interest rate swaps. This was treated as non-adjusting, refer to note 24.

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.

#### **Results and dividends**

The profit for the period after taxation was £32,596 (30 June 2015: £321,712).

The directors do not recommend the payment of a dividend (30 June 2015: £nil).

#### **Directors**

The directors, who served throughout the period unless otherwise stated, were as follows:

A Whalley (resigned 21 December 2015)

N Harris (resigned 21 December 2015)

D Crockford (resigned 21 December 2015 as director and company secretary)

S Wannop (resigned 21 December 2015)

S Booth (resigned 21 December 2015)

C Reid (appointed 21 December 2015)

P Raftery (appointed 21 December 2015)

#### **Risks and uncertainties**

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. At the date of approval of these financial statements, the cash flows are fully hedged for the duration of the loan. Hedge accounting has been applied in these financial statements and derivatives are held on the balance sheet at fair value.

#### **Director's indemnities**

The Company 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 (formerly REG Tranche 2 Holdings Limited)

### Directors' report (continued)

#### Independent auditor and statement of provision of information to the independent auditor

Deloitte LLP has expressed their willingness to continue in office as auditor of the Company and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware;  
and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors  
and signed on behalf of the Board



C Reid  
Director

29 September 2016

## **Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)**

### **Directors' responsibilities statement**

The directors are responsible for preparing the annual report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. 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 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 judgments and accounting estimates that are reasonable and prudent; 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 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.

## **Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)**

### **Independent auditor's report to the members of Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)**

We have audited the Group financial statements of Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited) for the period ended 31 December 2015 which comprise the Consolidated statement of comprehensive income, the Balance sheets, the Statements of changes in equity, the Consolidated cash flow statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and 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**

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 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 annual 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 Group's and parent company's affairs as at 31 December 2015 and of the Group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

## **Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)**

### **Independent auditor's report to the members of Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited) (continued)**

#### **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; or
- the Directors were not entitled to take advantage of the small companies exemption from preparing a Strategic report or in preparing the Director's report.



Andrew Evans (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Reading, United Kingdom  
29 September 2016



## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Consolidated statement of comprehensive income

For the period ended 31 December 2015

	Notes	1 July 2015 to 31 December 2015 £	1 July 2014 to 30 June 2015 £
<b>Turnover</b>	3	922,820	2,050,849
Cost of sales		<u>(567,853)</u>	<u>(1,079,686)</u>
<b>Gross profit</b>		354,967	971,163
Administrative expenses		<u>(13,075)</u>	<u>(12,617)</u>
<b>Operating profit</b>	4	341,892	958,546
Net finance charge	5	<u>(263,551)</u>	<u>(530,575)</u>
<b>Profit on ordinary activities before taxation</b>		78,341	427,971
Tax charge on profit on ordinary activities	7	<u>(45,745)</u>	<u>(106,259)</u>
<b>Profit on ordinary activities after taxation</b>		<u>32,596</u>	<u>321,712</u>
<b>Other comprehensive loss</b>			
Loss on interest rate swaps		(60,973)	(314,598)
Movement on deferred tax relating to interest rate swaps		<u>7,369</u>	<u>62,920</u>
		<u>(53,604)</u>	<u>(251,678)</u>
<b>Total comprehensive (loss) / income for the financial period</b>		<u>(21,008)</u>	<u>70,034</u>

All items in the above statement derive from continuing operations.

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

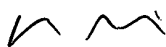
### Balance sheets

As at 31 December 2015

	Notes	Group		Company	
		31 December 2015 £	Restated 30 June 2015 £	31 December 2015 £	30 June 2015 £
<b>Fixed assets</b>					
Tangible assets	9	10,069,373	10,223,603	-	-
Investments	10	-	-	2,000	2,000
		<u>10,069,373</u>	<u>10,223,603</u>	<u>2,000</u>	<u>2,000</u>
<b>Current assets</b>					
Debtors	11	1,264,555	3,517,495	1	1
Restricted cash		1,288,200	1,278,200	-	-
Cash at bank and in hand		<u>1,162,272</u>	<u>951,444</u>	<u>-</u>	<u>-</u>
		<u>3,715,027</u>	<u>5,747,139</u>	<u>1</u>	<u>1</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(13,426,141)</u>	<u>(7,271,752)</u>	<u>(2,000)</u>	<u>(2,000)</u>
<b>Net current (liabilities) / assets</b>		<u>(9,711,114)</u>	<u>(1,524,613)</u>	<u>(1,999)</u>	<u>(1,999)</u>
<b>Creditors: amounts falling due after more than one year</b>	13	-	(8,319,723)	-	-
<b>Net assets</b>		<u><u>358,259</u></u>	<u><u>379,267</u></u>	<u><u>1</u></u>	<u><u>1</u></u>
<b>Capital and reserves</b>					
Called-up share capital	18	1	1	1	1
Hedging reserve	19	(390,846)	(337,242)	-	-
Profit and loss account	19	749,104	716,508	-	-
<b>Shareholder's funds</b>		<u><u>358,259</u></u>	<u><u>379,267</u></u>	<u><u>1</u></u>	<u><u>1</u></u>

The financial statements of Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited), registered number 07705453 were approved by the board of directors and authorised for issue on 2<sup>nd</sup> September 2016.

Signed on behalf of the board



C Reid  
Director

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Statements of changes in equity

As at 31 December 2015

<i>Group</i>	Called-up share capital £	Hedging reserve £	Profit and loss account £	Total £
As at 1 July 2014 as previously stated	1	-	394,796	394,797
Changes on transition to FRS 102 (see note 25)	-	(85,564)	-	(85,564)
<b>As at 1 July 2014 as restated</b>	<b>1</b>	<b>(85,564)</b>	<b>394,796</b>	<b>309,233</b>
Profit for the financial year	-	-	321,712	321,712
Other comprehensive loss	-	(251,678)	-	(251,678)
<b>Total comprehensive (loss) / income</b>	<b>-</b>	<b>(251,678)</b>	<b>321,712</b>	<b>70,034</b>
<b>As at 30 June 2015</b>	<b>1</b>	<b>(337,242)</b>	<b>716,508</b>	<b>379,267</b>
Profit for the financial period	-	-	32,596	32,596
Other comprehensive loss	-	(53,604)	-	(53,604)
<b>Total comprehensive income / (loss)</b>	<b>-</b>	<b>(53,604)</b>	<b>32,596</b>	<b>(21,008)</b>
<b>As at 31 December 2015</b>	<b>1</b>	<b>(390,846)</b>	<b>749,104</b>	<b>358,259</b>

<i>Company</i>	Called-up share capital £	Hedging reserve £	Profit and loss account £	Total £
As at 1 July 2014 as previously stated	1	-	-	1
Changes on transition to FRS 102 (see note 25)	-	-	-	-
<b>As at 1 July 2014 as restated</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
Profit for the financial year	-	-	-	-
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at 30 June 2015</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
Profit for the financial period	-	-	-	-
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>As at 31 December 2015</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Consolidated cash flow statement For the period ended 31 December 2015

	Notes	1 July 2015 to 31 December 2015 £	1 July 2014 to 30 June 2015 £
<b>Net cash inflow from operating activities</b>	17	<u>762,152</u>	<u>1,288,383</u>
<b>Investing activities</b>			
Purchases of tangible fixed assets		<u>(180,720)</u>	<u>(71,579)</u>
<b>Net cash used in investing activities</b>		<u>(180,720)</u>	<u>(71,579)</u>
<b>Financing activities</b>			
Proceeds from intercompany loans		8,500	30,336
Repayments of borrowings		(134,528)	(391,137)
Interest paid on borrowings		(234,576)	(452,900)
Movement in restricted cash		<u>(10,000)</u>	<u>-</u>
<b>Net cash outflow from financing activities</b>		<u>(370,604)</u>	<u>(813,701)</u>
<b>Net increase in cash and cash equivalents</b>		210,828	403,103
Cash and cash equivalents at the beginning of the period		951,444	548,341
Cash and cash equivalents at the end of the period		<u><u>1,162,272</u></u>	<u><u>951,444</u></u>

# Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

## Notes to the financial statements

### For the period ended 31 December 2015

#### 1. Accounting policies

##### General information

Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's and Group's operations and their principal activities are set out in the Directors' report on page 2.

##### Basis of preparation

The financial statements have been prepared in accordance with the applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The particular accounting policies adopted are described below and have been applied consistently throughout the current financial period and preceding financial year, except where noted.

This is the first period in which the financial statements have been prepared under FRS 102. The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current period. Refer to note 25 for an explanation of the transition.

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.

##### 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 going concern assessment includes a formal review of covenant compliance for the life of the loans against the forecasts and there is sufficient headroom within the key variables before any breaches would arise.

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

##### Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited) as permitted by section 408 of the Companies Act 2006. No Cash flow statement has been prepared for the Company only as there were no cash transactions in the period. This is the first period of consolidation, which has then been applied retrospectively.

##### Turnover

Turnover represents the value of power generated during the period, 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:

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

##### 1. Accounting policies (continued)

###### Turnover recognition (continued)

###### 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 stations 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.

###### 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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###### Cash

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

Restricted cash amounts comprise of cash balances held with the banks that are not available to the Group. The funds are used to provide collateral against future debt service costs as part of the Group's finance facilities.

###### Accrued income

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

###### Dividend distribution

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

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

##### 1. 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 Group has a legally enforceable right to set off current tax assets against current tax liabilities.

###### 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.

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

##### 1. Accounting policies (continued)

###### Investments

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

###### Financial Instruments

Financial assets and financial liabilities are recognised when the Group 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 Group 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 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 Group 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 (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

##### 1. Accounting policies (continued)

###### Financial Instruments (continued)

###### *Financial assets and liabilities (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 period 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 Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, 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 Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group 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 Group 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 Group 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 Group 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 Group assesses whether the hedging instrument is highly effective in offsetting the designated hedged risk.

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

##### 1. Accounting policies (continued)

###### **Financial Instruments (continued)**

###### *Hedge accounting (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 Group 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 (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

#### 2. 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 period. 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.

##### Valuation of derivative financial instruments

External valuations are used to revalue derivative financial instruments with any movements going to the hedging reserve. Management do not produce internal models to value the derivatives.

##### Operating lease commitments

The classification of leases as operating or finance leases requires the Group 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.

##### 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

#### 3. Turnover

The total turnover of the Group for the rendering of services for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

#### 4. Operating profit

	1 July 2015 to 31 December 2015 £	1 July 2014 to 30 June 2015 £
<b>Operating profit is stated after charging:</b>		
Depreciation (see note 9)	334,950	662,780
Rentals under operating leases:		
Other operating leases	<u>17,266</u>	<u>41,031</u>
Auditor's remuneration:		
Audit fees for the Company's annual accounts	2,200	-
Audit fees for the Company's subsidiaries	8,000	10,000
Tax service fees	-	5,200
	<u>10,200</u>	<u>15,200</u>

Tax compliance fees have been borne by another group company in the current period.

In the prior year, the Company's audit fees were borne by another group company.

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

##### 5. Net finance charge

	1 July 2015 to 31 December 2015 £	1 July 2014 to 30 June 2015 £
Loan interest paid	232,402	469,080
Amortisation of issue costs	19,723	40,493
Bank charges	11,426	21,002
	<u>263,551</u>	<u>530,575</u>

##### 6. Information regarding directors and employees

The Group has no employees (30 June 2015: Nil). No directors received any remuneration from the Group during the period (30 June 2015: Nil). Services are provided through an asset management agreement.

##### 7. Tax charge on profit on ordinary activities

###### a) Tax charge on profit on ordinary activities

The tax charge is made up as follows:

	1 July 2015 to 31 December 2015 £	1 July 2014 to 30 June 2015 £
<b>Current tax</b>		
United Kingdom corporation tax at 20.00% (30 June 2015: 20.75%) based on the profit for the period	84,079	226,331
Adjustment in respect of prior periods	(2,948)	5,232
Total current tax charge	<u>81,131</u>	<u>231,563</u>
<b>Deferred tax</b>		
Origination of reversal of temporary differences	(61,674)	(125,819)
Adjustment in respect of prior periods	14,267	(4,032)
Impact of change in tax rate	12,021	4,547
Total deferred tax credit (see note 14)	<u>(35,386)</u>	<u>(125,304)</u>
Total tax in profit and loss	<u>45,745</u>	<u>106,259</u>

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

#### 7. Tax charge on profit on ordinary activities (continued)

##### b) Factors affecting total tax in profit and loss

The difference between the total tax in the profit and loss shown above and the amount calculated by applying the standard rate of UK corporation tax at 20.00% (30 June 2015: 20.75%) to the profit before tax is as follows:

		1 July 2015 to 31 December 2015 £	1 July 2014 to 30 June 2015 £
Profit on ordinary activities before taxation		78,341	427,971
Theoretical tax at UK corporation tax rate	20.00%	15,668	88,804
Effects of:			
Expenses not deductible for tax purposes	8.60%	6,738	11,706
Impact of change in tax rates	33.56%	26,288	4,548
Adjustment in respect of prior periods	-3.76%	(2,949)	1,201
Total tax in profit and loss	58.39%	45,745	106,259

##### c) Factors which may affect future tax charges

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The closing deferred tax asset as at 31 December 2015 has been calculated at 19% reflecting the tax rate at which the deferred tax asset is expected to be reversed in future periods.

We estimate that the future rate change to 18% would further reduce our UK deferred tax asset recognised at 31 December 2015 from £591,157 at 19% to £560,043 at 18%. The actual impact will be dependent on our deferred tax position at that time.

#### 8. Profit attributable to the Company

The profit for the financial period dealt with in the financial statements of the parent Company was £nil (30 June 2015: £nil). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued) For the period ended 31 December 2015

#### 9. Tangible fixed assets

<b>Group</b>	<b>Operating wind sites £</b>
<b>Cost</b>	
At 1 July 2015	12,522,447
Additions	180,720
At 31 December 2015	<u>12,703,167</u>
<b>Depreciation</b>	
At 1 July 2015	2,298,844
Charge for period	334,950
At 31 December 2015	<u>2,633,794</u>
<b>Net book value</b>	
At 31 December 2015	<u>10,069,373</u>
At 1 July 2015	<u>10,223,603</u>

#### 10. Investments

	<b>Company</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2015</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Subsidiary undertakings	<u>2,000</u>	<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 activity in the period being the operation of wind farms.

#### 11. Debtors

	<b>Group</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2015</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Trade debtors	-	182,508
Prepayments and accrued income	651,178	654,828
Amounts owed by group companies	-	2,112,073
Deferred tax (see note 14)	591,157	548,402
Other debtors	21,249	19,684
VAT	971	-
	<u>1,264,555</u>	<u>3,517,495</u>

The Company has an outstanding debtor of £1 (30 June 2015: £1) in relation to called-up share capital not yet paid-up.

Amounts owed by group companies are repayable on demand.

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

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

	Group	
	31 December	30 June
	2015	2015
	£	£
Bank loans and overdrafts (see note 13)	8,113,701	353,625
Derivative financial instruments (see note 16)	524,489	19,949
Trade creditors	11,033	120,376
Accruals	162,439	104,578
Other creditors	81,131	-
Amounts owed to group companies	4,533,348	6,673,224
	<u>13,426,141</u>	<u>7,271,752</u>

The Company has creditors of £2,000 falling due within one year relating to unpaid share capital (30 June 2015: £2,000).

Amounts owed to group companies are repayable on demand.

##### 13. Creditors: amounts falling due after more than one year

###### Borrowings are repayable as follows:

	Group	
	31 December	30 June
	2015	2015
	£	£
<b>Bank loans</b>		
Between one and two years	-	405,213
Between two and five years	-	1,729,132
Over five years	-	5,740,536
<b>Derivative financial instruments (note 16)</b>		
Between one and two years	-	22,871
Between two and five years	-	97,589
Over five years	-	324,382
	<u>-</u>	<u>8,319,723</u>

As at the reporting date, it was management's intention to voluntarily prepay the Group loans outstanding under its facility agreement with L1 Renewables Limited and settle the associated interest rate swaps within a year. As a result the outstanding balances have been reflected in creditors falling due within one year. Refer to note 24 for details of the settlement following the period end.

The borrowing facilities have a term which runs until 30 September 2026 and carry interest at 6 month LIBOR plus 2.75%. The exposure to movements in interest rates has been hedged using interest rate swap contracts (see note 16). The facilities are secured against the tangible fixed assets of the Group.

The Company has no outstanding creditors falling due within one year (30 June 2015: £nil).

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

#### 14. Deferred tax

	Group	
	31 December 2015 £	30 June 2015 £
Deferred tax asset	591,157	548,402
<b>The gross movement on the deferred tax account is:</b>		
Balance at 1 July	548,402	360,178
(Charge) / credit to profit and loss account	35,386	125,304
(Charge) / credit to other comprehensive income	7,369	62,920
Balance at 31 December / 30 June	591,157	548,402
<b>Deferred tax is provided as follows:</b>		
Depreciation in advance of capital allowances	499,477	464,091
Other timing differences	91,680	84,311
	591,157	548,402

#### 15. Financial instruments

	31 December 2015 £	30 June 2015 £
<b>Financial assets</b>		
Measured at undiscounted amount receivable		
Trade and other debtors (see note 11)	559,835	427,639
Amounts owed by group companies (see note 11)	-	2,112,073
	559,835	2,539,712
<b>Financial liabilities</b>		
Designated in an effective hedging relationship:		
Derivative financial liability (see note 16)	524,489	464,791
Debt instruments measured at amortised cost		
Bank loans payable (see note 12 & 13)	8,113,701	8,228,506
Measured at undiscounted amount payable		
Trade and other creditors (see note 12)	254,603	224,954
Amounts owed to group companies (see note 12)	4,533,348	6,673,224
	13,426,141	15,591,475
<b>Fair value gain / (loss)</b>		
On derivative financial liabilities designated in an effective hedging relationship (see note 16)	(59,698)	(311,342)



## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

#### 16. Derivative financial instruments

	Due within one year		Due after one year	
	31 December 2015 £	30 June 2015 £	31 December 2015 £	30 June 2015 £
Derivatives designated and effective as hedging instruments carried at fair value				
Liabilities				
Interest rate swaps	(524,489)	(19,949)	-	(444,842)

The interest rate swaps are valued at present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. In the current period, it has been disclosed as due within one year as it is managements intention to repay within one year, refer to note 24.

#### Cash flow hedges

##### Interest rate swaps

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

Outstanding receive floating pay fixed contract	Notional principal value		Fair value	
	31 December 2015 £	30 June 2015 £	31 December 2015 £	30 June 2015 £
Less than one year	8,113,701	353,625	(524,489)	(19,949)
Between one and two years	-	405,213	-	(22,871)
Between two and five years	-	1,729,132	-	(97,589)
Over five years	-	5,740,536	-	(324,382)
	<u>8,113,701</u>	<u>8,228,506</u>	<u>(524,489)</u>	<u>(464,791)</u>

The interest rate swaps held by the Group pay semi-annually and until 30 September 2026 at an average fixed rate of 2.758% in GBP and receive LIBOR in GBP in respect of an amortising notional. The Group will settle the difference between the fixed and floating interest rates on a net basis.

The interest rate swap is designated in a cash flow hedge relationship to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings (see note 13). The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swap.

A loss of £60,973 (30 June 2015: loss of £314,598) was recognised in other comprehensive income. The hedge was 100% effective resulting in no impact in the profit or loss.

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

#### 17. Cash flow statement

*Reconciliation of operating profit to net cash inflow from operating activities:*

	1 July 2015 to 31 December 2015 £	1 July 2014 to 30 June 2015 £
Operating profit	341,892	958,546
Adjustment for:		
Depreciation	334,950	662,780
Bank charges	(11,426)	(21,002)
Operating cash flow before movement working capital	665,416	1,600,324
Decrease / (increase) in debtors	183,621	(242,783)
(Decrease) / increase in creditors	(86,885)	(69,158)
<b>Cash generated by operations</b>	<b>762,152</b>	<b>1,288,383</b>

*Restrictions on cash and cash equivalents*

At 31 December 2015, restricted cash and cash equivalents amounted to £1,288,200 (30 June 2015: £1,278,200) that was used to provide collateral against future debt service costs as part of the Group's finance facilities and therefore not available for immediate use by the Group.

#### 18. Called-up share capital

	31 December 2015 £	30 June 2015 £
<b>Allotted and called-up</b>		
1 Ordinary share of £1 at par	1	1

#### 19. Reserves

Called-up share capital - represents the nominal value of shares that have been issued

Hedging reserve - comprises the fair value of interest rate swaps less the deferred tax thereon

Profit and loss account - includes all current and prior period retained profits and losses

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

##### 20. Financial commitments

Total future minimum lease payments under non-cancellable operating leases for and buildings are as follows:

	31 December 2015 £	30 June 2015 £
- within one year	20,000	20,000
- between one and five years	80,000	80,000
- after five years	320,000	340,000
	<u>420,000</u>	<u>440,000</u>

##### 21. Related party disclosures

The consolidated financial statements include the financial statements of Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited) and the wholly owned UK incorporated primary subsidiaries High Haswell Limited and Loscar Limited. For both entities, the holdings are of Ordinary shares with the nature of the business being the operation of wind farms.

The Group holds loans of £4,533,348 (30 June 2015: £6,673,224 owed to REG Holdings Limited) to the Company's immediate parent company, RI Income UK Holdings Limited. The loans are repayable on demand.

The Group is owed £1 (30 June 2015: £1) from the Company's immediate parent company, RI Income UK Holdings Limited. The loan is repayable on demand.

The Group is owed by a fellow group company £nil (30 June 2015: 2,112,073), which is repayable on demand.

The Group did not enter into any other transactions with related parties.

##### 22. Ultimate parent undertaking

The ultimate parent undertaking and controlling party up until 21 December 2015 was Renewable Energy Generation Limited, a company incorporated in Jersey. The Registered Office of the ultimate parent undertaking was Elizabeth House, 9 Castle Street, St Helier, Jersey, JE4 2QP. This was the largest and smallest group which prepared consolidated financial statements including the Company.

On 21 December 2015, the Company was purchased as part of a wider transaction by RI Income UK Holdings Limited. The ultimate parent undertaking and controlling party in this group is considered to be 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 2015 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.

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

##### 23. Off- balance sheet arrangements

The Group enters into operating lease arrangements for the land on which the wind farms are located. The Group lease rental expense is disclosed in note 4 and the Group commitments under these arrangements are disclosed in note 20. There are no other material off-balance sheet arrangements.

##### 24. Post balance sheet event

On 29 June 2016, the Group voluntarily prepaid its loans outstanding under its facility agreement with L1 Renewables Limited and settled the associated interest rate swaps. This was treated as non-adjusting and the estimated impact on the Consolidated statement of comprehensive income for 2016 financial statements is as follows:

	£
Release of loan issue costs	246,016
Prepayment and lender break costs	85,949
Legal and consultancy fees	11,202
Swap break costs and accrued interest	1,034,644
Swap value as at 31 December 2015	(524,489)
	<hr/>
	853,322
	<hr/>

## Tranche 2 Holdings Limited (formerly REG Tranche 2 Holdings Limited)

### Notes to the financial statements (continued)

#### For the period ended 31 December 2015

#### 25. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 30 June 2015 and the date of transition to FRS 102 was therefore 1 July 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

#### Reconciliation of equity

Note	At 1 July 2014 £	At 30 June 2015 £
Equity reported under previous UK GAAP	394,797	716,509
<b>Adjustments to equity on transition to FRS 102</b>		
1 Fair value of interest rate swaps	(106,955)	(421,554)
2 Deferred tax on instrument at fair value	21,391	84,311
Equity reported under FRS 102	<u>309,233</u>	<u>379,266</u>

#### Notes to the reconciliation of equity at 1 July 2014 and 30 June 2015

##### 1 Derivatives

Interest rate swaps are designated as cash flow hedging instruments and recorded on the balance sheet at fair value. They are 100% effective, with all changes in the fair value being recognised in other comprehensive income. Under previous UK GAAP, these were not re-valued to fair value or shown on the balance sheet at year end.

##### 2 Deferred tax

Under FRS 102, deferred tax is recognised on a timing difference plus approach, whereas previous UK GAAP required a timing difference approach. Consequently deferred tax has been recognised on all fair value remeasurements.

#### Reconciliation of profit or loss for year ending 30 June 2015

There are no differences to note between the FRS 102 and previous UK GAAP in regard to the profit and loss account for year ending 30 June 2015. The fair value of the interest rate swaps qualified for hedge accounting with the hedge being 100% effective and as such the fair value and the respective deferred tax charge was recognised in other comprehensive income.