Company Registration No. 07508897

Braich Ddu Limited (formerly REG Braich Ddu Limited)

Annual Report and Financial Statements

For the period ended 31 December 2015

Braich Ddu Limited (formerly REG Braich Ddu Limited)

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

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Braich Ddu Limited (formerly REG Braich Ddu 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

Braich Ddu Limited (formerly REG Braich Ddu Limited)

Directors' report

The directors present their annual report on the affairs of the Company, 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 Company in the period under review was the operation of the 3.9MW wind farm at Braich Ddu in Wales and this is expected to continue to be the principal activity of the Company.

On 21 December 2015, the Company's parent, Tranche 1 Holdings Limited, had its entire share capital purchased 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 Braich Ddu Limited to Braich Ddu Limited.

On 29 June 2016, the Company voluntarily prepaid its loan outstanding under its facility agreement with L1 Renewables Limited and settled the associated interest rate swap. This was treated as non-adjusting, refer to note 20.

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

Results and dividends
The profit for the period after taxation was £65,803 (30 June 2015: £123,327).

The directors do not recommend the payment of a dividend (30 June 2015: £nil). Following the period end, an interim dividend was paid for the period ended 31 December 2016 of £148,865 on 24 June 2016.

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 Company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. 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.

Braich Ddu Limited (formerly REG Braich Ddu 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

Braich Ddu Limited (formerly REG Braich Ddu 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.

Independent auditor's report to the members of Braich Ddu Limited (formerly REG Braich Ddu Limited)

We have audited the financial statements of Braich Ddu Limited (formerly REG Braich Ddu Limited) for the period ended 31 December 2015 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 21. 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 Company's affairs as at 31 December 2015 and of its 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.

Independent auditor's report to the members of Braich Ddu Limited (formerly REG Braich Ddu 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 Directors' report.

Andrew Evans.

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

Braich Ddu Limited (formerly REG Braich Ddu Limited)

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
		£	£
Turnover	3	449,629	806,234
Cost of sales		(272,037)	(489,626)
Gross profit		177,592	316,608
Administrative expenses		(5,816)	(7,600)
Operating profit	4	171,776	309,008
Net finance charge	5	(71,649)	(149,153)
Profit on ordinary activities before taxation		100,127	159,855
Tax charge on profit on ordinary activities	7	(34,324)	(36,528)
Profit on ordinary activities after taxation		65,803	123,327
Other comprehensive income / (loss)			
Gain / (loss) on interest rate swaps		3,444	(26,790)
Movement on deferred tax relating to interest rate swaps		(2,157)	5,358
		1,287	(21,432)
Total comprehensive income for the financial period / year		67,090	101,895

All items in the above statement derive from continuing operations.

Braich Ddu Limited (formerly REG Braich Ddu Limited)

Balance sheet
As at 31 December 2015

	Notes	31 December 2015 £	Restated 30 June 2015 £
Fixed assets			
Tangible assets	8	2,948,195	3,073,650
Current assets			
Debtors	9	584,310	580,057
Cash at bank and in hand		291,579	238,105
Restricted cash		214,972	214,972
		1,090,861	1,033,134
Creditors: amounts falling due within one year	10	(3,624,935)	(1,927,711)
Net current liabilities		(2,534,074)	(894,577)
Creditors: amounts falling due after more than one year	11	-	(1,832,042)
Net assets		414,121	347,031
Capital and reserves			
Called-up share capital	15	1,000	1,000
Hedging reserve	16	(118,918)	(120,205)
Profit and loss account	16	532,039	466,236
Shareholder's funds		414,121	347,031

The financial statements of Braich Ddu Limited (formerly REG Braich Ddu Limited), registered number 07508897 were approved by the board of directors and authorised for issue on 28 September 2016.

C Reid
Director

Braich Ddu Limited (formerly REG Braich Ddu Limited)

Statement of changes in equity
As at 31 December 2015

	Called-up share capital £	Hedging reserve £	Profit and loss account £	Total £
As at 1 July 2014 as previously stated	1,000	-	342,909	343,909
Changes on transition to FRS 102 (see note 21)	-	(98,773)	-	(98,773)
As at 1 July 2014 as restated	1,000	(98,773)	342,909	245,136
Profit for the financial year	-	-	123,327	123,327
Other comprehensive income	-	(21,432)	-	(21,432)
Total comprehensive income	-	(21,432)	123,327	101,895
As at 30 June 2015	1,000	(120,205)	466,236	347,031
Profit for the financial period	-	-	65,803	65,803
Other comprehensive income	-	1,287	-	1,287
Total comprehensive income	-	1,287	65,803	67,090
As at 31 December 2015	1,000	(118,918)	532,039	414,121

Notes to the financial statements
For the period ended 31 December 2015

1. Accounting policies

General information
Braich Ddu Limited (formerly REG Braich Ddu 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 operations and its 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 year. Refer to note 21 for an explanation of the transition.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Tranche 1 Holdings Ltd, as detailed in note 18. Exemptions have been taken in these separate Company financial statements in relation to presentation of a cash flow statement and remuneration of key management personnel.

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 polices below.

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

The directors have separately reviewed integrated forecasts for the Company, for the foreseeable future, which indicate that the Company 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 loan 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.

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:

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

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 Company. The funds are used to provide collateral against future debt service costs and scheduled operating costs as part of the Company's finance facilities.

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.

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 Company 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.

1. 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.

(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).

1. Accounting policies (continued)

Financial Instruments (continued)

Financial assets and liabilities (continued)

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.

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.

1. **Accounting policies (continued)**

Financial Instruments (continued)

Hedge accounting (continued)

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.

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 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.

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.

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 Company 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 £
Operating profit is stated after charging:		
Depreciation (note 8)	125,455	254,858
Rentals under operating leases:		
Other operating leases	8,586	15,337
Auditor's remuneration:		
Audit fees	4,000	5,000
Tax service fees	-	2,600

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

5. Net finance charge

	1 July 2015 to 31 December 2015 £	1 July 2014 to 30 June 2015 £
Loan interest paid	59,369	123,232
Amortisation of issue costs	9,686	20,348
Bank charges	2,594	5,573
	71,649	149,153

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

6. Information regarding directors and employees

The Company has no employees (30 June 2015: Nil). No directors received any remuneration from the Company during the period (30 June 2015: Nil). Services are provided through a third party 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 £
Current tax		
United Kingdom corporation tax at 20.00% (30 June 2015: 20.75%) based on the profit for the period / year	45,116	86,053
Prior period adjustment	-	(1,459)
Total current tax	45,116	84,594
Deferred tax		
Deferred tax credit	(23,638)	(49,868)
Impact of change in tax rate	12,846	1,802
Total deferred tax (note 12)	(10,792)	(48,066)
Total tax in profit and loss	34,324	36,528

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		100,127	159,855
Theoretical tax at UK corporation tax rate	20.00%	20,025	33,170
Effects of:			
Expenses not deductible for tax purposes	1.45%	1,453	3,015
Impact of change in tax rates	12.83%	12,846	1,802
Adjustment in respect of prior periods	0.00%	-	(1,459)
Total tax in profit and loss	34.28%	34,324	36,528

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

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 £271,968 at 19% to £257,654 at 18%. The actual impact will be dependent on our deferred tax position at that time.

8. Tangible fixed assets

	Operating wind sites £
Cost	
At 1 July 2015	4,067,635
Additions	-
At 31 December 2015	4,067,635
Depreciation	
At 1 July 2015	993,985
Charge for period	125,455
At 31 December 2015	1,119,440
Net book value	
At 31 December 2015	2,948,195
At 1 July 2015	3,073,650

9. Debtors

	31 December 2015 £	30 June 2015 £
Trade debtors	-	87,461
Prepayments and accrued income	305,801	229,264
Deferred tax (note 12)	271,967	263,332
Other debtors	6,542	-
	584,310	580,057

10. Creditors: amounts falling due within one year

	31 December 2015 £	30 June 2015 £
Bank loans and overdrafts	1,764,036	170,282
Derivative financial instruments (note 14)	146,812	13,713
Trade creditors	4,486	59,814
Accruals	57,951	59,029
Other creditors	45,116	-
Amounts owed to group companies	1,606,534	1,624,873
	3,624,935	1,927,711

Amounts owed to group companies are repayable on demand.

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

	31 December 2015 £	30 June 2015 £
Bank loans		
Between one and two years	-	198,502
Between two and five years	-	726,254
Over five years	-	770,743
Derivative financial instruments (note 14)		
Between one and two years	-	15,986
Between two and five years	-	58,487
Over five years	-	62,070
	-	1,832,042

As at the reporting date, it was management's intention to voluntarily prepay its loan outstanding under its facility agreement with L1 Renewables Limited and settle the associated interest rate swap within a year. As a result the outstanding balances have been reflected in creditors falling due within one year. Refer to note 20 for details of the settlement following the period end.

The borrowing facilities have a term which runs until 30 June 2023 and carry interest at 6 month LIBOR plus 2.5%. The exposure to movements in interest rates has been hedged using interest rate swap contracts (note 14).

The facilities are secured against the tangible fixed assets of the Company and cross collateralised against the share capital of Tranche 1 Holdings Limited, a company which owns the share capital of four other companies that operate wind farms.

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

12. Deferred tax

	31 December 2015 £	30 June 2015 £
Deferred tax asset	271,967	263,332
The gross movement on the deferred tax account is:		
Balance at 1 January	263,332	209,908
(Charge) / credit to profit and loss account	10,792	48,066
(Charge) / credit to other comprehensive income	(2,157)	5,358
Balance at 31 December / 30 June	271,967	263,332
Deferred tax is provided as follows:		
Depreciation in advance of capital allowances	244,073	233,281
Other timing differences	27,894	30,051
	271,967	263,332

13. Financial instruments

	31 December 2015 £	30 June 2015 £
Financial assets		
Measured at undiscounted amount receivable		
Trade and other debtors (see note 9)	268,161	255,442

	31 December 2015 £	30 June 2015 £
Financial liabilities		
Designated in an effective hedging relationship:		
Derivative financial liability (see note 14)	146,812	150,256
Debt instruments measured at amortised cost		
Bank loans payable (see note 10 & 11)	1,764,036	1,865,781
Measured at undiscounted amount payable		
Trade and other creditors (see note 10)	107,553	118,843
Amounts owed to group companies (see note 10)	1,606,534	1,624,873
	3,624,935	3,759,753

	31 December 2015 £	30 June 2015 £
Fair value gain / (loss)		
On derivative financial liabilities designated in an effective hedging relationship (see note 14)	3,444	(26,790)

14. 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 swap	(146,812)	(13,713)	-	(136,543)

The interest rate swap is 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 20.

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 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	1,840,025	178,101	(146,812)	(13,713)
Between one and two years	-	207,617	-	(15,986)
Between two and five years	-	759,604	-	(58,487)
Over five years	-	806,136	-	(62,070)
	1,840,025	1,951,458	(146,812)	(150,256)

The interest rate swap held by the Company pays semi-annually and until 30 June 2023, a fixed rate of 3.535% in GBP and receives LIBOR in GBP in respect of an amortising notional. The Company 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 company's cash flow exposure resulting from variable interest rates on borrowings (see note 11). 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 gain of £3,444 (30 June 2015: loss of £26,790) was recognised in other comprehensive income. The hedge was 100% effective resulting in no impact in the profit or loss.

15. Called-up share capital

	31 December 2015 £	30 June 2015 £
Allotted, called-up and fully paid		
1,000 Ordinary shares of £1 each at par	1,000	1,000

16. 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

17. Related party disclosures

The Company has taken advantage of the exemption under Section 33.1A of FRS 102, extended to subsidiary undertakings 100% of whose votes are controlled within a group where the consolidated financial statements of the group are publicly available, from providing details of related party transactions with group related parties.

18. 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.

Tranche 1 Holdings Limited continues to be the immediate parent company and is the largest group in which the Company is consolidated. Tranche 1 Holdings Limited is registered in England & Wales and the accounts are available from the registered office at Edgeborough House, Upper Edgeborough Road, Guildford, Surrey, GU1 2BJ.

19. Off- balance sheet arrangements

The Company enters into operating lease arrangements for the land on which the wind farm is located. The Company's lease rental expense is disclosed in note 4. There is no fixed element as payments are variable and dependent upon the output of the wind farm. There are no other material off-balance sheet arrangements.

20. Post balance sheet event

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

	£
Release of loan issue costs	75,991
Prepayment and lender break costs	14,997
Legal and consultancy fees	5,284
Swap break costs and accrued interest	248,560
Swap value as at 31 December 2015	(146,812)
	198,020

21. 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 UKGAAP	343,909	467,236
	Adjustments to equity on transition to FRS 102		
1	Fair value of interest rate swaps	(123,466)	(150,256)
2	Deferred tax on instrument at fair value	24,693	30,051
	Equity reported under FRS 102	245,136	347,031

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 UKGAAP 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.