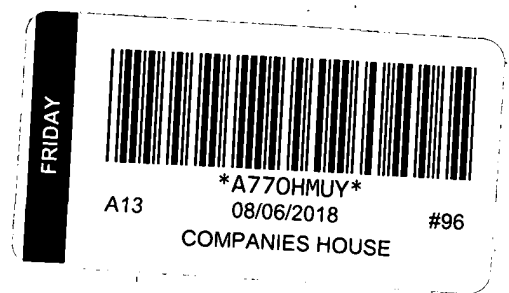


**Company Registration No. 03404639**

**Sancton Hill Limited**

**Annual Report and Financial Statements**

**For the year ended 31 December 2017**



# **Sancton Hill Limited**

## **Annual report and financial statements for the year ended 31 December 2017**

### **Contents**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Directors' responsibilities statement</b>	<b>4</b>
<b>Independent auditor's report</b>	<b>5</b>
<b>Statement of comprehensive income</b>	<b>8</b>
<b>Balance sheet</b>	<b>9</b>
<b>Statement of changes in equity</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11</b>

# **Sancton Hill Limited**

## **Officers and professional advisers**

### **Directors**

S Tetot  
P Raftery

### **Bankers**

ING Bank N.V.  
London branch  
60 London Wall  
London  
EC2M 5TQ

### **Registered office**

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

### **Independent auditor**

Deloitte LLP  
Statutory Auditor  
110 Queen Street  
Glasgow  
Strathclyde  
G1 3BX  
United Kingdom

## **Sancton Hill 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 year ended 31 December 2017.

This 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 year under review was the operation of the 10MW wind farm at Sancton Hill in Yorkshire and this is expected to continue to be the principal activity of the Company.

#### **Results and dividends**

The profit for the year after taxation was £460,124 (2016: £3,060).

The directors do not recommend the payment of a dividend (2016: £100).

#### **Directors**

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

C Reid (resigned 27 April 2018)

P Raftery

S Tetot (appointed 27 April 2018)

#### **Risks and uncertainties**

The Company uses interest rate swap derivative financial instruments 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.

#### **Directors' indemnities**

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

## **Sancton Hill Limited**

### **Directors' report (continued)**

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

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

#### **Auditors**

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

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



S Tetot - Director  
23 May 2018

## **Sancton Hill 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 year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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.

## **Sancton Hill Limited**

### **Independent auditor's report to the members of Sancton Hill Limited**

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:

- the Statement of comprehensive income;
- the Balance sheet;
- the Statement of changes in equity;
- the Accounting policies; and
- the related notes 1 to 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **Sancton Hill Limited**

### **Independent auditor's report to the members of Sancton Hill Limited (continued)**

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

#### **Use of our report**

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



## Sancton Hill Limited

### Independent auditor's report to the members of Sancton Hill Limited (continued)

#### Report on other legal and regulatory requirements

##### Opinion on other matters prescribed by the Companies Act 2006

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

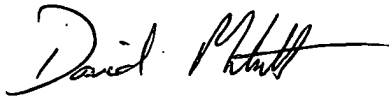
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

##### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a strategic report.



David Mitchell (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Glasgow  
United Kingdom

23 May 2018

# Sancton Hill Limited

## Statement of comprehensive income For the year ended 31 December 2017

	Notes	2017 £	2016 £
<b>Turnover</b>	2	2,337,379	2,307,740
<b>Cost of sales</b>		<u>(1,236,896)</u>	<u>(1,303,150)</u>
<b>Gross profit</b>		1,100,483	1,004,590
<b>Administrative expenses</b>		<u>(4,850)</u>	<u>(7,002)</u>
<b>Operating profit</b>	3	1,095,633	997,588
<b>Exceptional costs</b>	4	<u>-</u>	<u>(559,293)</u>
		1,095,633	438,295
<b>Net finance charge</b>		<u>(556,243)</u>	<u>(566,636)</u>
<b>Profit / (loss) on ordinary activities before taxation</b>		539,390	(128,341)
<b>Tax (charge) / credit on profit on ordinary activities</b>		<u>(79,266)</u>	<u>131,401</u>
<b>Profit on ordinary activities after taxation</b>		<u>460,124</u>	<u>3,060</u>
<b>Other comprehensive income / (loss)</b>			
Loss on interest rate swaps		-	(423,704)
Movement on deferred tax relating to interest rate swaps		-	(38,328)
		<u>-</u>	<u>(462,032)</u>
<b>Total comprehensive income / (loss) for the financial year</b>		<u>460,124</u>	<u>(458,972)</u>

All items in the above statement derive from continuing operations.

# Sancton Hill Limited

## Balance sheet

As at 31 December 2017

	Notes	2017 £	2016 £
<b>Fixed assets</b>			
Tangible assets	6	<u>8,860,942</u>	<u>9,256,034</u>
<b>Current assets</b>			
Debtors	7	693,222	530,160
Cash at bank and in hand		<u>118,245</u>	<u>645,359</u>
		811,467	1,175,519
<b>Creditors: amounts falling due within one year</b>	8	<u>(8,783,423)</u>	<u>(10,281,957)</u>
<b>Net current liabilities</b>		(7,971,956)	(9,106,438)
<b>Creditors: amounts falling due after more than one year</b>			
<b>Provisions for liabilities</b>	9	(521,929)	(242,663)
<b>Net assets / (liabilities)</b>		<u><u>367,057</u></u>	<u><u>(93,067)</u></u>
<b>Capital and reserves</b>			
Called-up share capital		1,000	1,000
Profit and loss account		366,057	(94,067)
<b>Shareholder's funds / (deficit)</b>		<u><u>367,057</u></u>	<u><u>(93,067)</u></u>

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

The financial statements of Sancton Hill Limited (registered number 03404639) were approved by the Board of Directors on 23 May 2018 and were signed on its behalf by:



S Tetot - Director

# Sancton Hill Limited

## Statement of changes in equity As at 31 December 2017

	Called-up share capital £	Hedging reserve £	Profit and loss account £	Total £
<b>As at 1 January 2016</b>	<u>1,000</u>	<u>(163,396)</u>	<u>528,401</u>	<u>366,005</u>
Profit for the financial year	-	-	3,060	3,060
Settlement of interest rate derivative	-	625,428	(625,428)	-
Other comprehensive income	-	<u>(462,032)</u>	-	<u>(462,032)</u>
<b>Total comprehensive income</b>	-	163,396	(622,368)	(458,972)
Dividends paid	-	-	(100)	(100)
<b>As at 31 December 2016</b>	<u>1,000</u>	<u>-</u>	<u>(94,067)</u>	<u>(93,067)</u>
Profit for the financial year	-	-	460,124	460,124
<b>Total comprehensive income</b>	-	-	460,124	460,124
Dividends paid	-	-	-	-
<b>As at 31 December 2017</b>	<u><u>1,000</u></u>	<u><u>-</u></u>	<u><u>366,057</u></u>	<u><u>367,057</u></u>

# **Sancton Hill Limited**

## **Notes to the financial statements For the year ended 31 December 2017**

### **1. Accounting policies**

#### **General information**

Sancton Hill Limited is a company incorporated in the United Kingdom, in England and Wales, 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 preparing the financial statements**

The financial statements have been prepared in accordance with the applicable United Kingdom accounting standards, including Financial Reporting Standard 102 section 1A small entities - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements apply the July 2015 amendments to FRS 102. The particular accounting policies adopted are described below and have been applied consistently throughout the current and prior financial period.

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

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

The Company also meets the definition of a qualifying entity under FRS 102 section 1A small entities. The Company is consolidated in the financial statements of its parent, Tranche 5 Limited, registered in England and Wales and the financial statements are available from the registered office at Edgeborough House, Upper Edgeborough Road, Guildford, Surrey, GU1 2BJ.

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

## Sancton Hill Limited

### Notes to the financial statements (continued) For the year ended 31 December 2017

#### 1. Accounting policies (continued)

##### **Critical accounting judgement and key source 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 judgement has had the most significant effect on amounts recognised in the financial statements.

##### **Deferred taxation**

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

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

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

##### **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.

##### **Decommissioning provision**

Liabilities for decommissioning costs are recognised when the Company has an obligation to decommission and restore the land, with which the project has been built upon, to its original state. The obligation is assessed annually for changes in estimated costs which are then discounted to their net present value. If the net present value is deemed to be immaterial then no provision is recognised.

##### **Turnover**

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

##### **Turnover recognition**

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

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

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

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

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

# Sancton Hill Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 1. Accounting policies (continued)

#### Turnover recognition (continued)

##### c) ROCs 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.

#### 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
----------------------	----------

#### 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.

# **Sancton Hill Limited**

## **Notes to the financial statements (continued)**

### **For the year ended 31 December 2017**

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

##### **Taxation (continued)**

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.

##### **Cash**

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

##### **Accrued income**

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

##### **Dividend distribution**

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

##### **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 generally expensed as incurred.

##### **Foreign currency translation**

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange ruling at the balance sheet date, with movements in the sterling equivalent of the balance being taken to the profit and loss account, with the exception of hedged transactions.



## Sancton Hill Limited

### Notes to the financial statements (continued) For the year ended 31 December 2017

#### 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 balance sheet 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).

# Sancton Hill Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 1. Accounting policies (continued)

#### **Financial Instruments (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.

#### **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.

## Sancton Hill Limited

### Notes to the financial statements (continued)

#### For the year ended 31 December 2017

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

###### Decommissioning provision

Liabilities for decommissioning costs are recognised when the Company has an obligation to decommission and restore the land, with which the project has been built upon, to its original state. The obligation is assessed annually for changes in estimated costs which are then discounted to their net present value. If the net present value is deemed to be immaterial then no provision is recognised.

When this provision relates to an asset with sufficient future economic benefits, a decommissioning asset is recognised and included as part of the associated plant and machinery and depreciated accordingly. Changes in these estimates and changes to the discount rates are dealt with prospectively and reflected as an adjustment to the provision with a corresponding decommissioning asset included within plant and machinery. Unwinding of the discount on the provision is included in the income statement within interest expense.

##### 2. Turnover

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

##### 3. Operating profit

	2017 £	2016 £
<b>Operating profit is stated after charging:</b>		
Depreciation (note 6)	595,092	595,093
Rentals under operating leases:		
Other operating leases	134,648	116,308
Auditor's remuneration:		
Audit fees	<u>4,000</u>	<u>4,000</u>

# Sancton Hill Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 4. Exceptional costs

There were no exceptional costs in 2017.

On 3 August 2016, the Company voluntarily prepaid its loan outstanding under its facility agreement with L1 Renewables Limited and settled the associated interest rate swap. The impact on the statement of comprehensive income in the year ended 31 December 2016 was as follows:

	£
Recognised in the Income statement:	
Release of loan issue costs	309,255
Prepayment and lender break costs	149,038
Legal and consultancy fees	101,000
	<u>559,293</u>
Recognised in Other comprehensive income:	
Loss on interest rate swap prior to redemption	(423,704)
Deferred tax associated with derivative financial liability	(38,328)
	<u>(462,032)</u>

On settlement of the interest rate swap a loss of £625,428 which had accumulated through other comprehensive income in the hedging reserve was reclassified to the profit and loss reserve. The hedging relationship ended on settlement of the loan and associated interest rate swap.

### 5. Information regarding directors and employees

The Company has no employees (2016: Nil). No directors received any remuneration from the Company during the year (2016: Nil). Services are provided to the Company through a third party asset management agreement.

### 6. Tangible fixed assets

	Operating wind sites £
<b>Cost</b>	
At 1 January 2017	11,901,831
Additions	200,000
At 31 December 2017	<u>12,101,831</u>
<b>Depreciation</b>	
At 1 January 2017	2,645,797
Charge for year	595,092
At 31 December 2017	<u>3,240,889</u>
<b>Net book value</b>	
At 31 December 2017	<u>8,860,942</u>
At 31 December 2016	<u>9,256,034</u>

# Sancton Hill Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 7. Debtors

	2017 £	2016 £
Prepayments and accrued income	648,537	526,889
VAT	17,143	3,271
Amounts owed by group companies	27,542	-
	<u>693,222</u>	<u>530,160</u>

Within amounts owed by group companies relates to short term intercompany loans to South Sharpley Limited of £8,782 (31 December 2016: £nil) and to Goonhilly Limited of £18,760 (31 December 2016: £nil). All amounts owed to group companies are repayable on demand.

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

	2017 £	2016 £
Trade creditors	27,747	38,405
Accruals	128,347	123,114
Amounts owed to group companies	8,627,329	10,120,438
	<u>8,783,423</u>	<u>10,281,957</u>

Within amounts owed to group companies are two amounts owed to Tranche 5 Limited, these being an interest free amount of £nil (31 December 2016: £20,275) and an interest bearing loan of £8,417,102 (31 December 2016: £9,314,053) charging interest at 6.3% per annum. The charge for the year amounted to £556,243 (31 December 2016: £243,179) of which £267,318 (31 December 2016: £243,179) is outstanding at year end.

The remaining balance of amounts owed to group companies relates to a debit for intercompany group relief amounts owed from Tranche 5 Limited of £57,091 (31 December 2016: £57,091) and to a short term intercompany loans to South Sharpley Limited of £nil (31 December 2016: £262,851) and to Goonhilly Limited of £nil (31 December 2016: £337,171). All amounts owed to group companies are repayable on demand.

# Sancton Hill Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 9. Provision for liabilities

	2017 £	2016 £
Deferred tax liability	(321,929)	(242,663)
Decommissioning provision	(200,000)	-
	<u>(521,929)</u>	<u>(242,663)</u>

#### The gross movement on the deferred tax account is:

Balance at 1 January	(242,663)	(278,645)
Credit / (charge) to profit and loss account	(79,266)	74,310
(Charge) to other comprehensive income	-	(38,328)
Balance at 31 December	<u>(321,929)</u>	<u>(242,663)</u>

#### Deferred tax is provided as follows:

Depreciation in advance of capital allowances	(321,929)	(272,811)
Tax losses available	-	30,148
	<u>(321,929)</u>	<u>(242,663)</u>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

	2017 £	2015 £
<b>Movement on decommissioning provision:</b>		
Balance at 1 January	-	-
Charge to plant and machinery	(200,000)	-
Balance at 31 December	<u>(200,000)</u>	<u>-</u>

## Sancton Hill Limited

### Notes to the financial statements (continued) For the year ended 31 December 2017

#### 10. Financial commitments

##### Operating lease commitments

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

	2017 £	2016 £
- within one year	15,000	15,000
- between one and five years	60,000	60,000
- after five years	300,000	315,000
	<u>375,000</u>	<u>390,000</u>

#### 11. Related party disclosures

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 section 1A small entities 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

#### 12. Ultimate parent undertaking

The ultimate parent undertaking and controlling party is considered to be BlackRock NTR Renewable Power Fund, a limited partnership which accounts for investments at fair value and does not prepare consolidated financial statements.

The immediate parent company, Tranche 5 Limited, prepares consolidated financial statements and is the smallest and largest member of the Group which prepares consolidated financial statements. The financial statements of Tranche 5 Limited are available from the registered office given on page 1.

#### 13. Off- balance sheet arrangements

The Company enters into operating lease arrangements for the land on which the wind farm is located. The Company lease rental expense is disclosed in note 3 and the operating lease commitments under these arrangements are disclosed in note 10. There are no other material off-balance sheet arrangements.