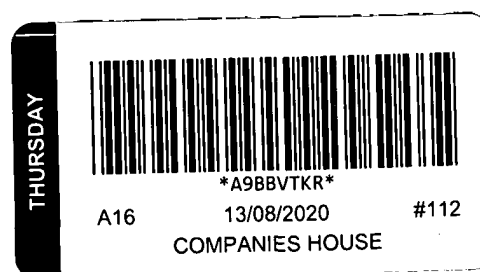


Company Registration No. 07472494

South Sharpley Limited

Annual Report and Financial Statements

For the year ended 31 December 2019



South Sharpley Limited

Annual report and financial statements for the year ended 31 December 2019

Contents

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

South Sharpley Limited

Officers and professional advisers

Directors

A Bhuwania
R Kraemer

Bankers

HSBC
3 Rivergate
Temple Quay
Bristol
BS1 6ER

Registered office

C/O Reg White Limited
Beaufort Court
Egg Farm Lane
Kings Langley
Hertfordshire
WD4 8LR
United Kingdom

Independent auditor

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

South Sharpley 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 2019.

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 6MW wind farm at South Sharpley in County Durham and this is expected to continue to be the principal activity of the Company.

Impact of COVID-19

Since the start of 2020 there has been an outbreak of COVID-19 (coronavirus) which has led to uncertainty in the market. The directors continue to follow advice given by the World Health Organisation and Public Health England to ensure that best practice measures are followed. To date there has not been a material impact on the company's operations. The directors do not believe that there is a significant risk to the business as a result of the COVID-19 pandemic but will continue to monitor any future developments.

Results and dividends

The profit for the year after taxation was £396,805 (2018: £381,197).

The directors do not recommend the payment of a final dividend (2018: £nil) and interim dividends of £246,366 was paid in the year (2018: £345,577).

Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements.

Directors

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

P Raftery (resigned on 1 February 2019)

S Tetot (resigned on 1 February 2019)

A Bhuvania (appointed on 1 February 2019)

R Kraemer (appointed on 2 April 2019)

J Smith (appointed on 1 February 2019 and resigned on 27 September 2019)

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The impact of the COVID-19 pandemic on operations and going concern has been assessed by the directors. To date, there has not been a material impact on the Company's operations or supply chain. The directors expect a negative impact on power prices in the short term due to a reduction in demand for electricity and lower commodities prices, however this is not expected to be significant enough to cause any going concern issues due to there being no material impact on the fixed prices per MWh associated with the Renewable Obligation Certificate (ROC) buyout revenue stream. The directors will continue to closely monitor the situation and to take appropriate action if deemed necessary.

Further details regarding the adoption of the going concern basis can be found in note 1 of the Accounting Policies.

South Sharpley Limited

Directors' report (continued)

Risks and uncertainties

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

The outbreak of COVID-19 is a very significant humanitarian and economic event facing many businesses. It has become clear that this will result in a significant economic slowdown, if not recession, in the months ahead. However, the directors believe that the impact of COVID-19 to the Company will be a temporary disruption and will ultimately pass. In the meantime, the business model has been stress tested to understand what the impact would be, with further details provided in the Going concern section of this annual report.

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.

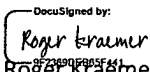
Statement as to disclosure of information to auditors

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:

DocuSigned by:

Roger Kramer - Director
5 August 2020

South Sharpley 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.

South Sharpley Limited

Independent auditor's report to the members of South Sharpley Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of South Sharpley Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 12.

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 auditor's 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 Financial Reporting Council's (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 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.

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

South Sharpley Limited

Independent auditor's report to the members of South Sharpley Limited

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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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.

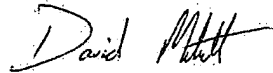
We have nothing to report in respect of these matters.

South Sharpley Limited

Independent auditor's report to the members of South Sharpley Limited

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.

A handwritten signature in black ink, appearing to read 'David Mitchell', with a stylized flourish at the end.

David Mitchell (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow
UK
6th August 2020

South Sharpley Limited

Statement of comprehensive income For the year ended 31 December 2019

	Notes	2019 £	2018 £
Turnover	2	1,430,691	1,503,258
Cost of sales		<u>(628,448)</u>	<u>(686,495)</u>
Gross profit		802,243	816,763
Administrative expenses		<u>(4,931)</u>	<u>(8,957)</u>
Operating profit	3	797,312	807,806
Net finance charge		<u>(303,700)</u>	<u>(338,449)</u>
Profit on ordinary activities before taxation		493,612	469,357
Tax (charge) / credit on profit on ordinary activities		<u>(96,807)</u>	<u>(88,160)</u>
Profit on ordinary activities after taxation		<u>396,805</u>	<u>381,197</u>
Total comprehensive income for the financial year		<u>396,805</u>	<u>381,197</u>

All items in the above statement derive from continuing operations.

South Sharpley Limited

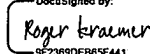
Balance sheet

As at 31 December 2019

	Notes	2019 £	2018 £
Fixed assets			
Tangible assets	5	<u>4,778,494</u>	<u>5,137,110</u>
Current assets			
Debtors	6	436,163	397,137
Cash at bank and in hand		<u>38,061</u>	<u>151,618</u>
		474,224	548,755
Creditors: amounts falling due within one year	7	<u>(4,620,721)</u>	<u>(5,246,827)</u>
Net current liabilities		(4,146,497)	(4,698,072)
Total assets less current liabilities		631,997	439,038
Provisions for liabilities	8	(355,535)	(313,015)
Net assets		<u><u>276,462</u></u>	<u><u>126,023</u></u>
Capital and reserves			
Called-up share capital		1,000	1,000
Profit and loss account		275,462	125,023
Shareholder's funds		<u><u>276,462</u></u>	<u><u>126,023</u></u>

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

The financial statements were approved by the Board of Directors on 5 August 2020 and were signed on its behalf by:

DocuSigned by:

 9F2389DEB85F441...

Roger Kraemer - Director

South Sharpley Limited

Statement of changes in equity

As at 31 December 2019

	Called-up share capital £	Profit and loss account £	Total £
As at 1 January 2018	1,000	89,403	90,403
Profit for the financial year	-	381,197	381,197
Total comprehensive income	-	381,197	381,197
Dividends paid	-	(345,577)	(345,577)
As at 31 December 2018	1,000	125,023	126,023
Profit for the financial year	-	396,805	396,805
Total comprehensive income	-	396,805	396,805
Dividends paid	-	(246,366)	(246,366)
As at 31 December 2019	1,000	275,462	276,462

The notes on pages 11 to 20 form part of these financial statements

South Sharpley Limited

Notes to the financial statements For the year ended 31 December 2019

1. Accounting policies

General information

South Sharpley Limited is a private company, limited by shares and registered 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 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 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 C/O Reg White Limited Beaufort Court, Egg Farm Lane, Kings Langley, Hertfordshire, England WD4 8LR.

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 impact of the COVID-19 pandemic on operations and going concern has been assessed by the directors. To date, there has not been a material impact on the Company's operations or supply chain. The directors expect a negative impact on power prices in the short term due to a reduction in demand for electricity and lower commodities prices, however this is not expected to be significant enough to cause any going concern issues due to there being no material impact on the fixed prices per MWh associated with the Renewable Obligation Certificate (ROC) buyout revenue stream. The directors will continue to closely monitor the situation and to take appropriate action if deemed necessary.

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

South Sharpley Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Deferred taxation

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

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

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.
- 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.

South Sharpley Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

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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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.

South Sharpley Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

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.

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.

South Sharpley Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

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).

South Sharpley Limited

Notes to the financial statements (continued)

For the year ended 31 December 2019

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.

South Sharpley Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

1. Accounting policies (continued)

Impairment of assets (continued)

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.

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

	2019 £	2018 £
Operating profit is stated after charging:		
Depreciation (note 5)	358,616	357,276
Auditor's remuneration:		
Audit fees	<u>4,326</u>	<u>4,160</u>

South Sharpley Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

4. Information regarding directors and employees

The Company has no employees (2018: Nil). No directors received any remuneration from the Company during the year (2018: Nil). Services are provided to the Company through a third party asset management agreement.

5. Tangible fixed assets

	Operating wind sites £
Cost	
At 1 January 2019	7,245,438
At 31 December 2019	<u>7,245,438</u>
Depreciation	
At 1 January 2019	2,108,328
Charge for year	<u>358,616</u>
At 31 December 2019	<u>2,466,944</u>
Net book value	
At 31 December 2019	<u>4,778,494</u>
At 31 December 2018	<u>5,494,386</u>

South Sharpley Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

6. Debtors

	2019 £	2018 £
Prepayments and accrued income	340,753	384,301
VAT	6,681	12,836
Amounts owed from group companies	88,729	-
	<u>436,163</u>	<u>397,137</u>

Within amounts owed from group companies is an intercompany group relief amount from Knight Renewables UK Limited of £88,729 (31 December 2018: £88,729). All amounts owed to group companies are repayable on demand.

7. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	7,442	45,494
Accruals	47,814	22,407
Amounts owed to group companies	4,565,465	5,178,926
	<u>4,620,721</u>	<u>5,246,827</u>

All loans are repayable on demand. Amounts owed to the Company by its subsidiaries are broken down in table below. The interest bearing loans accrue interest at 6.3% per annum, the charge for the year amounted to £301,601 (2018: £383,572).

Group company	Nature	2019 £	2018 £
Knight Renewables UK Limited	Group relief	-	(88,729)
Tranche 5 Limited	Interest bearing loan (IBL)	4,495,836	5,251,693
Tranche 5 Limited	Interest on IBL	-	2,719
Group relief estimates		69,628	13,243
		<u>4,565,465</u>	<u>5,178,926</u>

8. Provision for liabilities

	2019 £	2018 £
Deferred tax liability	(231,372)	(190,951)
Decommissioning provision	(124,164)	(122,064)
	<u>(355,535)</u>	<u>(313,015)</u>

The gross movement on the deferred tax account is:

Balance at 1 January	(190,951)	(116,032)
(Charge) / credit to profit and loss account	(40,421)	(74,919)
Balance at 31 December	<u>(231,372)</u>	<u>(190,951)</u>

South Sharpley Limited

Notes to the financial statements (continued) For the year ended 31 December 2019

8. Provision for liabilities (continued)

Deferred tax is provided as follows:

Accelerated capital allowances	(264,392)	(190,951)
Tax losses available	33,020	-
	<u>(231,372)</u>	<u>(190,951)</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.

	2019 £	2018 £
Movement on decommissioning provision:		
Balance at 1 January	(122,064)	(120,000)
Charge to plant and machinery	-	-
Unwinding of discounted amount	(2,100)	(2,064)
Balance at 31 December	<u>(124,164)</u>	<u>(122,064)</u>

9. Related party disclosures

No guarantees have been given or received.

The Company's ultimate parent and controlling entity is Equitix Fund V LP a Limited Partnership registered in England & Wales, the Company has taken advantage of the exemption under FRS 102 Section 33.1A not to provide information on related party transactions with other undertakings in the Equitix Fund V LP group.

10. Ultimate parent undertaking

The Company is a wholly owned subsidiary of Tranche 5 Limited, a company registered in England and Wales which has taken an exemption from preparing consolidated financial statements. The smallest and largest member of the Group which prepares consolidated financial statements is Equitix Knight Finco Limited and the financial statements are available from the registered office given on page 1.

On 1 February 2019, the Company was acquired through its indirect parent company Knight Renewables UK Limited (formerly BlackRock Renewables UK Limited) by Equitix Knight Finco Limited. As of that date, the ultimate parent undertaking and controlling party changed from BlackRock NTR Renewable Power Fund to Equitix Fund V LP which is a limited partnership and does not prepare consolidated financial statements.

11. Off- balance sheet arrangements

There are no material off-balance sheet arrangements.

12. Non adjusting events after the financial period

As noted in the Directors' Report the directors have considered the impact of the COVID-19 pandemic. At the time of signing, it is expected that the pandemic will have a limited impact on the performance of the wind farm. Accordingly, there has been no adjustment to any current or prior year figures as a result of the pandemic, and the going concern basis is still deemed appropriate.