Company Registration No. 07472494

South Sharpley Limited

Annual Report and Financial Statements

For the year ended 31 December 2016

South Sharpley Limited

Annual report and financial statements for the year ended 31 December 2016

Contents

South Sharpley Limited

Officers and professional advisers

Directors
C Reid
P Raftery

Bankers
ING Bank NV
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60 London Wall
London branch
EC2M 5TQ

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

Independent auditor
Deloitte LLP
Statutory Auditor
Abbots House
Abbey Street
Reading
Berkshire
United Kingdom
RG1 3BD

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 2016.

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.

Results and dividends
The loss for the year after taxation was £17,467 (2015: profit of £399,022).

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 Company was able to do this following the injection of a new intercompany loan from its immediate parent, Tranche 5 Limited.

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.

The directors do not recommend the payment of a final dividend (2015: £nil) and an interim dividend of £nil was paid in the year (2015: £574,922).

Directors
The directors, who served throughout the year unless otherwise stated, were as follows:
C Reid
P Raftery

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 period and remain in force at the date of this report.

South Sharpley 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:

C D K Reid - Director
28 June 2017

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

We have audited the financial statements of South Sharpley Limited for the year ended 31 December 2016 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicablbe 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.

Opinion on other matter prescribed by the Companies Act 2006

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

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

In 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.

Independent auditor's report to the members of South Sharpley 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 prepare the financial statements in accordance with the small companies regime and 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
Statutory Auditor
Reading
Berkshire
29 June 2017

South Sharpley Limited

Statement of comprehensive income
For the year ended 31 December 2016

	Notes	2016	2015
		£	£
Turnover	2	1,402,233	1,667,964
Cost of sales		(738,385)	(732,039)
Gross profit		663,848	935,925
Administrative expenses		(9,405)	(12,205)
Operating profit	3	654,443	923,720
Exceptional costs	4	(416,391)	-
		238,052	923,720
Net finance charge		(383,635)	(403,571)
(Loss) / profit on ordinary activities before taxation		(145,583)	520,149
Tax credit / (charge) on profit on ordinary activities		128,116	(121,127)
(Loss) / profit on ordinary activities after taxation		(17,467)	399,022
Other comprehensive (loss) / income			
(Loss) / gain on interest rate swaps		(282,438)	46,345
Movement on deferred tax relating to interest rate swaps		(29,422)	(10,818)
		(311,860)	35,527
Total comprehensive (loss) / income for the financial year		(329,327)	434,549

All items in the above statement derive from continuing operations.

South Sharpley Limited

Balance sheet
As at 31 December 2016

	Notes	2016	2015
		£	£
Fixed assets			
Tangible assets	6	5,682,865	6,084,202
Current assets			
Debtors	7	576,135	718,791
Restricted cash		-	411,000
Cash at bank and in hand		308,283	680,199
		884,418	1,809,990
Creditors: amounts falling due within one year	8	(6,618,166)	(1,999,882)
Net current liabilities		(5,733,748)	(189,892)
Creditors: amounts falling due after more than one year	9	-	(5,605,901)
Provisions for liabilities	10	(30,293)	(40,258)
Net (liabilities) / assets		(81,176)	248,151
Capital and reserves			
Called-up share capital		1,000	1,000
Hedging reserve		-	(125,432)
Profit and loss account		(82,176)	372,583
Shareholder's (deficit) / funds		(81,176)	248,151

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 28 June 2017 and were signed on its behalf by:

C D K Reid - Director

South Sharpley Limited

Statement of changes in equity
As at 31 December 2016

	Called-up share capital £	Hedging reserve £	Profit and loss account £	Total £
As at 1 January 2015	1,000	(160,959)	548,483	388,524
Profit for the financial year	-	-	399,022	399,022
Other comprehensive income	-	35,527	-	35,527
Total comprehensive income	-	35,527	399,022	434,549
Dividends paid (note 11)	-	-	(574,922)	(574,922)
As at 31 December 2015	1,000	(125,432)	372,583	248,151
Loss for the financial year	-	-	(17,467)	(17,467)
Settlement of interest rate derivative	-	437,292	(437,292)	-
Other comprehensive losses	-	(311,859)	-	(311,859)
Total comprehensive (loss) / income	-	125,433	(454,759)	(329,326)
As at 31 December 2016	1,000	1	(82,176)	FALSE

South Sharpley Limited

Notes to the financial statements
For the year ended 31 December 2016

1. Accounting policies

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

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

The Company has taken advantage of the exemptions available to small entities under section 1A in relation to presentation of 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 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 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 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.

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.

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.

1. Accounting policies (continued)

Turnover recognition (continued)

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.

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

Tangible fixed assets

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

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

Operating wind sites	-	20 years

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.

Notes to the financial statements (continued)
For the year ended 31 December 2016

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.

Restricted cash amounts comprise of cash balances held with the banks that are not available to the Company. The funds are used to provide security against the future decommising of the project at the end of its useful life.

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.

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)
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 and foreign exchange risk. The Company does not hold derivative financial instruments for speculative purposes.

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

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

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2016

1. Accounting policies (continued)

Financial instruments (continued)

The effective portion of changes in the fair value of the designated hedging instrument is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

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

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

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

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

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

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

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

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

	2016	2015
	£	£
Operating profit is stated after charging:		
Depreciation (note 6)	356,184	356,184
Auditor's remuneration:		
Audit fees	4,000	12,205

4. Exceptional costs

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

	£
Recognised in Income statement:	
Release of loan issue costs	216,610
Prepayment and lender break costs	99,910
Legal and consultancy fees	99,871
	416,391
Recognised in Other comprehensive income:	
Loss on interest rate swap prior to redemption	(282,438)
Deferred tax associated with derivative financial liability	(29,422)
	(311,860)

On settlement of the interest rate swap a loss of £437,292 which had accumulated through other comprehenisve income in the hedging reserve has been reclassified to the profit and loss reserve. The hedging relationship having ended on settlement of the loan and associated interest rate swap.

5. Information regarding directors and employees

The Company has no employees (2015: Nil). No directors received any remuneration from the Company during the year (2015: Nil). Services are provided to the Company through a third party asset management agreement.

Notes to the financial statements (continued)
For the year ended 31 December 2016

6. Tangible fixed assets

	Operating wind sites £
Cost	
At 1 January 2016	7,123,643
Disposals	(56,186)
At 31 December 2016	7,067,457
Depreciation	
At 1 January 2016	1,039,441
Elimination on disposal	(11,033)
Charge for year	356,184
At 31 December 2016	1,384,592
Net book value	
At 31 December 2016	5,682,865
At 1 January 2016	6,084,202

7. Debtors

	2016 £	2015 £
Trade debtors	-	-
Prepayments and accrued income	303,890	444,732
Other debtors	-	63,840
VAT	272,245	210,219
	576,135	718,791

8. Creditors: amounts falling due within one year

	2016 £	2015 £
Bank loans and overdrafts (Note 9)	-	284,002
Derivative financial instruments (note 12)	-	8,740
Trade creditors	9,792	47,236
Accruals	128,165	316,984
Amounts owed to group companies	6,480,209	1,342,920
	6,618,166	1,999,882

Within amounts owed to group companies is an amount of £6,264,275 (31 December 2015: £nil) owed to Tranche 5 Limited, which charges interest at 6.3% per annum and the charge for the year amounted to £163,563 (31 December 2015: £nil) of which £163,563 (31 December 2015: £nil) is outstanding at year end.

The balance of amounts owed to group companies represent interest free loans. All amounts owed to group companies are repayable on demand.

9. Creditors: amounts falling due after more than one year
Borrowings are repayable as follows:

	2016	2015
	£	£
Bank loans		
Between one and two years	-	296,496
Between two and five years	-	1,118,673
Over five years	-	4,023,371
Derivative financial instruments (note 12)		
Between one and two years	-	9,124
Between two and five years	-	34,425
Over five years	-	123,812
	-	5,605,901

During the year, the borrowing facility was repaid early in full, see note 4. It had a term which ran until 30 September 2022 and carried interest at 6 month LIBOR plus 3.5%. The exposure to movements in interest rates were hedged using interest rate swap contracts (note 12). The facilities were secured against the tangible fixed assets of the Company.

10. Provision for liabilities

	2016	2016
	£	£
Deferred tax liability	(30,293)	(40,258)
The gross movement on the deferred tax account is:		
Balance at 1 January	(40,258)	(86,694)
Credit to profit and loss account	39,387	57,254
(Charge) / credit to other comprehensive income	(29,422)	(10,818)
Balance at 31 December	(30,293)	(40,258)
Deferred tax is provided as follows:		
Depreciation in advance of capital allowances	(73,364)	(69,680)
Other timing differences	-	29,422
Tax losses available	43,071	-
	(30,293)	(40,258)

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.

11. Dividends per share

	2016	2016
	£	£
Declared and paid during the year		
Equity dividends on ordinary shares		
Interim dividends for 2016 of £nil (2015: £575) per ordinary share	-	574,922

12. Derivative financial instruments

	Due within one year		Due after one year	
	2016	2015	2016	2015
	£	£	£	£
Derivatives designated and effective as hedging instruments carried at fair value				
Liabilities				
Interest rate swap	-	(8,740)	-	(167,361)

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.

Cash flow hedges
Interest rate swap
The following table details the notional principle 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	
	2016	2015	2016	2015
	£	£	£	£
Less than one year	-	317,463	-	(8,740)
Between one and two years	-	338,854	-	(9,124)
Between two and five years	-	1,228,803	-	(34,425)
Over five years	-	4,080,126	-	(123,812)
	-	5,965,246	-	(176,101)

The interest rate swap was held by the Company paid semi-annually and until 30 September 2022 a fixed rate of 2.175% in GBP and received LIBOR in GBP in respect of an amortising notional. The Company settled the difference between the fixed and floating interest rates on a net basis.

The interest rate swap was designated in a cash flow hedge relationship to reduce the company's cash flow exposure resulting from variable interest rates on borrowings (see note 9). The hedged cash flows were expected to occur and to affect profit or loss over the period to maturity of the interest rate swap, however the swap was settled in the year as part of refinancing the Company, see note 4.

A loss of £282,438 (2015: gain of £46,345) was recognised in other comprehensive income. The hedge was 100% effective resulting in no impact in the profit and loss. The current year gain being the full release of the hedging reserve before deferred tax.

12. 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.

13. Ultimate parent undertaking

On 3 August 2016, the Company was transferred from Tranche 3 Holdings Limited to Tranche 5 Limited as part of a wider group restructuring. As at the year end, the Company is a wholly owned subsidiary of Tranche 5 Limited, a company registered in England & Wales. The ultimate controlling party is considered to be BlackRock NTR Renewable Power Fund which is a limited partnership.

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.

14. 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 and the Company commitments under these arrangements are disclosed in note . There are no other material off-balance sheet arrangements.