

Company Registration No. 07705570

Tranche 3 Holdings Limited

Annual Report and Financial Statements

For the year ended 31 December 2015

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Tranche 3 Holdings Limited

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

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Tranche 3 Holdings Limited

Officers and professional advisers

Directors

C Reid

P Raftery

Bankers

The Co-operative Bank

Balloon Street

Manchester

M60 4EP

Registered office

2nd Floor

Edgeborough House

Upper Edgeborough Road

Guildford

Surrey

GU1 2BJ

Independent auditor

Deloitte LLP

Chartered Accountants and Statutory Auditor

2 New Street Square

London

EC4A 3BZ

Tranche 3 Holdings Limited

Directors' report

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

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption.

Further information on the basis of preparation of these financial statements and the going concern assumption can be found in note 1.

Principal activity

The principal activity of the Group in the year under review was the operation of two wind farms with total capacity of 16MW. This is expected to continue to be the principal activity of the Group. Tranche 3 Holdings Limited serves as a holding company for the subsidiaries containing the wind farms.

Results and dividends

The profit for the year after taxation was £1,072,761 (2014: £791,658).

During the year, the directors approved and paid interim dividends of £1,918,996 (2014: £nil). There are no plans to pay a final dividend.

Directors

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

C Reid

P Raftery

Risks and uncertainties

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

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

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

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

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

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

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



C Reid

Director

13 May 2016

Tranche 3 Holdings Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Tranche 3 Holdings Limited

Independent auditor's report to the members of Tranche 3 Holdings Limited

We have audited the Group financial statements of Tranche 3 Holdings Limited for the year ended 31 December 2015 which comprise the Consolidated statement of comprehensive income, the Balance sheets, the Statement of changes in equity, the Consolidated cash flow statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

Tranche 3 Holdings Limited

Independent auditor's report to the members of Tranche 3 Holdings Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from preparing a Strategic report or in preparing the Director's report.

Andrew Evans

Andrew Evans (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

13 May 2016

Tranche 3 Holdings Limited

Consolidated statement of comprehensive income For the year ended 31 December 2015

	Notes	2015 £	2014 £
Turnover	3	4,498,537	4,120,907
Cost of sales		<u>(2,085,034)</u>	<u>(2,082,704)</u>
Gross profit		2,413,503	2,038,203
Administrative expenses		<u>(24,410)</u>	<u>(19,149)</u>
Operating profit	4	2,389,093	2,019,054
Interest payable and similar charges	5	<u>(992,963)</u>	<u>(1,021,512)</u>
Profit on ordinary activities before taxation		1,396,130	997,542
Tax charge on profit on ordinary activities	7	<u>(323,369)</u>	<u>(205,884)</u>
Profit on ordinary activities after taxation		<u>1,072,761</u>	<u>791,658</u>
Other comprehensive income / (loss)			
Gain / (loss) on interest rate swaps		110,153	(983,025)
Movement on deferred tax relating to interest rate swaps		<u>(25,596)</u>	<u>212,094</u>
		84,557	(770,931)
Total comprehensive income for the financial year		<u>1,157,318</u>	<u>20,727</u>

All items in the above statement derive from continuing operations.

Tranche 3 Holdings Limited

Balance sheets

As at 31 December 2015

	Notes	Group		Company	
		2015	2014	2015	2014
		£	£	£	£
Fixed assets					
Tangible assets	9	15,935,329	16,733,516	-	-
Investments	10	-	-	2,000	2,000
		<u>15,935,329</u>	<u>16,733,516</u>	<u>2,000</u>	<u>2,000</u>
Current assets					
Debtors	11	1,477,746	1,052,221	1	1
Restricted cash		987,000	1,041,323	-	-
Cash at bank and in hand		<u>1,588,639</u>	<u>2,175,253</u>	<u>-</u>	<u>-</u>
		4,053,385	4,268,797	1	1
Creditors: amounts falling due within one year	12	<u>(5,087,029)</u>	<u>(4,552,405)</u>	<u>-</u>	<u>-</u>
Net current (liabilities) / assets		(1,033,644)	(283,608)	1	1
Creditors: amounts falling due after more than one year	13	(13,970,624)	(14,778,337)	(2,000)	(2,000)
Provisions for liabilities	14	(318,904)	(297,736)	-	-
Net assets		<u>612,157</u>	<u>1,373,835</u>	<u>1</u>	<u>1</u>
Capital and reserves					
Called-up share capital	19	1	1	1	1
Hedging reserve	20	(288,828)	(373,385)	-	-
Profit and loss account	20	900,984	1,747,219	-	-
Shareholder's funds		<u>612,157</u>	<u>1,373,835</u>	<u>1</u>	<u>1</u>

The financial statements of Tranche 3 Holdings Limited, registered number 07705570 were approved by the board of directors and authorised for issue on 13 May 2016.

Signed on behalf of the board



C Reid
Director

Tranche 3 Holdings Limited

Statement of changes in equity As at 31 December 2015

Group

	Called-up share capital £	Hedging reserve £	Profit and loss account £	Total £
As at 31 December 2013 as previously stated	1	-	955,561	955,562
Changes on transition to FRS 102 (see note 25)	-	397,546	-	397,546
As at 1 January 2014 as restated	1	397,546	955,561	1,353,108
Profit for the financial year	-	-	791,658	791,658
Other comprehensive income	-	(770,931)	-	(770,931)
Total comprehensive income	-	(770,931)	791,658	20,727
As at 31 December 2014	1	(373,385)	1,747,219	1,373,835
Profit for the financial year	-	-	1,072,761	1,072,761
Other comprehensive income	-	84,557	-	84,557
Total comprehensive income	-	84,557	1,072,761	1,157,318
Dividends paid (note 15)	-	-	(1,918,996)	(1,918,996)
As at 31 December 2015	1	(288,828)	900,984	612,157

Company

	Called-up share capital £	Hedging reserve £	Profit and loss account £	Total £
As at 31 December 2013 as previously stated	1	-	-	1
Changes on transition to FRS 102 (see note 25)	-	-	-	-
As at 1 January 2014 as restated	1	-	-	1
Profit for the financial year	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	-	-
As at 31 December 2014	1	-	-	1
Profit for the financial year	-	-	1,918,996	1,918,996
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	1,918,996	1,918,996
Dividends paid (note 15)	-	-	(1,918,996)	(1,918,996)
As at 31 December 2015	1	-	-	1

Tranche 3 Holdings Limited

Consolidated cash flow statement For the year ended 31 December 2015

	Notes	2015 £	2014 £
Net cash inflow from operating activities	18	<u>3,027,551</u>	<u>3,260,567</u>
Investing activities			
Purchases of tangible fixed assets		<u>(158,209)</u>	<u>(150,525)</u>
Net cash used in investing activities		<u>(158,209)</u>	<u>(150,525)</u>
Financing activities			
Repayment of intercompany loans		-	(792,147)
Dividends paid		(1,918,996)	-
Repayments of borrowings		(1,591,283)	(1,224,139)
Movement in restricted cash		<u>54,323</u>	<u>(139,000)</u>
Net cash outflow from financing activities		<u>(3,455,956)</u>	<u>(2,155,287)</u>
Net (decrease) / increase in cash and cash equivalents		(586,614)	954,755
Cash and cash equivalents at the beginning of the year		2,175,253	1,220,498
Cash and cash equivalents at the end of the year		<u><u>1,588,639</u></u>	<u><u>2,175,253</u></u>

Tranche 3 Holdings Limited

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

1. Accounting policies

General information

Tranche 3 Holdings Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's and Group's operations and their principal activities are set out in the Directors' report on page 2.

Basis of preparation

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

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

The financial statements are prepared under the historical cost convention, except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

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

The directors have separately reviewed integrated forecasts for the Group, for the foreseeable future, which indicate that the Group will be able to meet its cash flow demands and liabilities as they fall due from cash flows from operations and existing working capital.

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

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Tranche 3 Holdings Limited as permitted by section 408 of the Companies Act 2006. No Cash flow statement has been prepared for the Company only as there were no cash transactions in the year.

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.

Tranche 3 Holdings Limited

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

1. Accounting policies (continued)

Turnover recognition (continued)

b) TRIADS turnover

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

c) ROCs, LECs turnover

Renewable Obligation Certificates (ROCs) are issued to qualifying renewable generators under the terms of the generating stations OFGEM Renewable Obligation registration. These certificates may be traded separately from the electricity to which they relate. The ROCs are recorded as accrued income at fair value and recognised in turnover when the electricity to which they relate is generated. Any impairment of ROCs due to reduction in the market price is recorded in profit and loss.

Renewable energy generators who meet Customs & Excise conditions for exemption will be issued with Levy Exemption Certificates (LECs) for their generation. The LECs transfer along with the electricity and can be used by business consumers to claim levy exemption. These certificates carry a statutory value and are recognised at this value as generated.

Tangible fixed assets

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

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

Operating wind sites	-	20 years
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Cash

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

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

Accrued income

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

Dividend distribution

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

Tranche 3 Holdings Limited

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

1. Accounting policies (continued)

Taxation

Current tax, including UK corporation and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities.

Operating leases

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption are accounted for on an accruals basis in the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period which they arise.

Borrowing costs

Borrowing costs are expensed as incurred.

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.

Tranche 3 Holdings Limited

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

1. Accounting policies (continued)

Investments

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

Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified 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 Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

Tranche 3 Holdings Limited

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

1. Accounting policies (continued)

Financial Instruments (continued)

Financial assets and liabilities (continued)

- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one 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 Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold derivative financial instruments for speculative purposes.

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

Fair value measurement

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

Hedge accounting

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

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

Tranche 3 Holdings Limited

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

1. Accounting policies (continued)

Financial Instruments (continued)

Hedge accounting (continued)

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

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

Equity instruments

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

Impairment of assets

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

Non-financial assets

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

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

Financial assets

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

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

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

Tranche 3 Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 December 2015

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

Valuation of derivative financial instruments

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

Operating lease commitments

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

3. Turnover

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

4. Operating profit

	2015 £	2014 £
Operating profit is stated after charging:		
Depreciation (note 9)	946,657	944,598
Rentals under operating leases:		
Other operating leases	137,005	124,108
Auditor's remuneration:		
Audit fees	24,410	23,649
	<u>24,410</u>	<u>23,649</u>

5. Interest payable and similar charges

	2015 £	2014 £
Loan interest paid	858,815	882,795
Amortisation of issue costs	112,833	116,604
Bank charges	21,315	22,113
	<u>992,963</u>	<u>1,021,512</u>

6. Information regarding directors and employees

The Group has no employees (2014: Nil). No directors received any remuneration from the Group during the year (2014: Nil). Services are provided through an asset management agreement.

Tranche 3 Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 December 2015

7. Tax charge on profit on ordinary activities

a) Tax charge on profit on ordinary activities

The tax charge is made up as follows:

	2015 £	2014 £
Current tax		
United Kingdom corporation tax at 20.25% (2014: 21.50%) based on the profit for the year	148,493	-
Adjustment in respect of prior periods	179,304	81,977
Total current tax charge	327,797	81,977
Deferred tax		
Origination of reversal of temporary differences	155,227	221,985
Adjustment in respect of prior periods	(137,389)	(73,362)
Impact of change in tax rate	(22,267)	(24,716)
Total deferred tax (note 14)	(4,428)	123,907
Total tax in profit and loss	323,369	205,884

b) Factors affecting total tax in profit and loss

The difference between the total tax in the profit and loss shown above and the amount calculated by applying the standard rate of UK corporation tax at 20.25% (2014: 21.50%) to the profit before tax is as follows:

		2015 £	2014 £
Profit on ordinary activities before taxation		1,396,130	997,542
Theoretical tax at UK corporation tax rate	20.25%	282,716	214,471
Effects of:			
Expenses not deductible for tax purposes	1.50%	21,004	7,513
Impact of change in tax rates	-1.59%	(22,267)	(24,717)
Adjustment in respect of prior periods	3.00%	41,916	8,616
Total tax in profit and loss	23.16%	323,369	205,884

c) Factors which may affect future tax charges

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

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

Tranche 3 Holdings Limited

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

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

c) Factors which may affect future tax charges (continued)

We estimate that the future rate change to 18% would further reduce our UK deferred tax liability recognised at 31 December 2015 from £318,904 at 19% to £302,119 at 18%. The actual impact will be dependent on our deferred tax position at that time.

8. Profit attributable to the Company

The profit for the financial year dealt with in the financial statements of the parent Company was £nil (2014: £nil). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account or statement of comprehensive income is presented in respect of the parent Company.

9. Tangible fixed assets

Group	Operating wind sites £
Cost	
At 1 January 2015	18,877,004
Additions	148,470
At 31 December 2015	<u>19,025,474</u>
Depreciation	
At 1 January 2015	2,143,488
Charge for year	946,657
At 31 December 2015	<u>3,090,145</u>
Net book value	
At 31 December 2015	<u>15,935,329</u>
At 31 December 2014	<u>16,733,516</u>

10. Investments

	Company	
	2015	2014
	£	£
Subsidiary undertakings	<u>2,000</u>	<u>2,000</u>

Investments are directly owned 100% holdings of the ordinary share capital of two subsidiaries, South Sharpley Limited and Sancton Hill Limited. These subsidiaries are both incorporated in the United Kingdom with their principle activity in the year being the operation of wind farms.

Tranche 3 Holdings Limited

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

11. Debtors

	Group	
	2015	2014
	£	£
Prepayments and accrued income	1,345,935	1,033,824
Other debtors	78,840	-
VAT	49,668	18,397
Amounts owed by group companies	3,303	-
	<u>1,477,746</u>	<u>1,052,221</u>

The Company has an outstanding debtor of £1 (2014: £1) in relation to called-up share capital not yet paid-up.

12. Creditors: amounts falling due within one year

	Group	
	2015	2014
	£	£
Bank loans and overdrafts (note 13)	692,209	591,585
Derivative financial instruments (note 17)	19,813	20,756
Trade creditors	128,429	16,336
Accruals	568,803	657,608
Other creditors	(1,682)	101,409
Amounts owed to group companies	3,679,458	3,221,195
	<u>5,087,029</u>	<u>4,608,889</u>

The Company has no outstanding creditors falling due within one year (2014: £nil).

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

	Group	
	2015	2014
	£	£
Bank loans		
Between one and two years	749,382	664,640
Between two and five years	2,802,923	2,538,062
Over five years	10,030,058	11,073,176
Derivative financial instruments (note 17)		
Between one and two years	21,408	23,419
Between two and five years	80,110	89,295
Over five years	286,743	389,745
	<u>13,970,624</u>	<u>14,778,337</u>

The borrowing facilities have terms which run until 30 September 2022 and carry interest at 6 month LIBOR plus 3.5%. The exposure to movements in interest rates has been hedged using interest rate swap contracts (note 17). The facilities are secured against the tangible fixed assets of the Group.

The Company has creditors of £2,000 falling due after more than one year relating to unpaid share capital (2014: £2,000).

Tranche 3 Holdings Limited

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

14. Provision for liabilities

	Group	
	2015	2014
	£	£
Deferred tax liability	<u>(318,904)</u>	<u>(297,736)</u>
The gross movement on the deferred tax account is:		
Balance at 1 January	(297,736)	(385,923)
(Charge) to profit and loss account	4,428	(123,907)
(Charge) / credit to other comprehensive income	(25,596)	212,094
Balance at 31 December	<u>(318,904)</u>	<u>(297,736)</u>
Deferred tax is provided as follows:		
Depreciation in advance of capital allowances	(386,654)	(391,082)
Other timing differences	67,750	93,346
	<u>(318,904)</u>	<u>(297,736)</u>

15. Dividends per share

	2015	2014
	£	£
Declared and paid during the year		
Equity dividends on ordinary shares		
Interim dividends for 2015 of £1,918,996 (2014: £nil) per ordinary share	<u>1,918,996</u>	<u>-</u>

16. Financial instruments

	2015	2014
	£	£
Financial assets		
Measured at undiscounted amount receivable		
Trade and other debtors (see note 11)	<u>1,295,226</u>	<u>968,532</u>
	2015	2014
	£	£
Financial liabilities		
Designated in an effective hedging relationship:		
Derivative financial liability (see note 17)	408,075	523,215
Debt instruments measured at amortised cost		
Bank loans payable (see note 12 & 13)	14,274,572	14,867,463
Measured at undiscounted amount payable		
Trade and other creditors (see note 12)	2,038,470	1,924,397
Amounts owed to group companies (see note 12)	<u>3,679,458</u>	<u>3,219,195</u>
	<u>20,400,574</u>	<u>20,534,270</u>

Tranche 3 Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 December 2015

16. Financial instruments (continued)

	2015 £	2014 £
Fair value gain / (loss)		
On derivative financial liabilities designated in an effective hedging relationship (see note 17)	<u>115,141</u>	<u>(983,024)</u>

17. Derivative financial instruments

	Due within one year		Due after one year	
	2015 £	2014 £	2015 £	2014 £
Derivatives designated and effective as hedging instruments carried at fair value				
Liabilities				
Interest rate swaps	<u>(19,813)</u>	<u>(20,756)</u>	<u>(388,261)</u>	<u>(502,459)</u>

The interest rate swaps are valued at present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Cash flow hedges

Interest rate swaps

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

Outstanding receive floating pay fixed contract	Notional principal value		Fair value	
	2015 £	2014 £	2015 £	2014 £
Less than one year	773,406	619,484	(19,813)	(20,756)
Between one and two years	852,295	696,039	(21,408)	(23,419)
Between two and five years	3,070,257	2,657,892	(80,110)	(89,295)
Over five years	10,167,799	11,596,069	(286,743)	(389,745)
	<u>14,863,757</u>	<u>15,569,483</u>	<u>(408,074)</u>	<u>(523,215)</u>

The interest rate swaps held by the Group pay semi-annually and until 30 September 2022 at an average fixed rate of 2.137% in GBP and receive LIBOR in GBP in respect of an amortising notional. The Group will settle the difference between the fixed and floating interest rates on a net basis.

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

A gain of £110,153 (2014: loss of £983,025) was recognised in other comprehensive income. The hedge was 100% effective resulting in no impact in the profit or loss.

Tranche 3 Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 December 2015

18. Cash flow statement

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

	2015 £	2014 £
Operating profit	2,389,093	2,019,054
Adjustment for: Depreciation	946,657	944,598
Operating cash flow before movement working capital	3,335,750	2,963,652
Tax paid	(81,978)	-
Decrease / (increase) in debtors	(213,081)	274,007
(Decrease) / increase in creditors	(13,140)	22,908
Cash generated by operations	3,027,551	3,260,567

Restrictions on cash and cash equivalents

At 31 December 2015, restricted cash and cash equivalents amounted to £987,000 (2014: £1,041,323) that was used to provide collateral against future debt service costs as part of the Company's finance facilities and therefore not available for immediate use by the Company.

19. Called-up share capital

	2015 £	2014 £
Allotted and called-up		
1 Ordinary share of £1 at par	1	1

20. Reserves

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

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

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

21. Financial commitments

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

	2015 £	2014 £
- within one year	15,000	15,000
- between one and five years	60,000	60,000
- after five years	330,000	345,000
	405,000	420,000

Tranche 3 Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 December 2015

22. Related party disclosures

The consolidated financial statements include the financial statements of Tranche 3 Holdings Limited and the wholly owned UK incorporated primary subsidiaries South Sharpley Limited and Sancton Hill Limited. For both entities the holdings are of Ordinary shares with the nature of the business being the operation of wind farms.

The Group holds loans which are payable to the Company's immediate parent company, Blackrock Renewables UK Limited, of £3,679,458 (2014: £3,221,195).

The Group paid dividends of £1,918,996 (2014: £nil) to the parent company.

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

23. Ultimate parent undertaking

The Company is a wholly owned subsidiary of Blackrock Renewables UK Limited, a company registered in England & Wales. The financial statements of Blackrock Renewables UK Limited are available from the registered office given on page 1.

The ultimate controlling party is considered to be BlackRock NTR Renewable Power Fund which is a limited partnership.

24. Off- balance sheet arrangements

The Group enters into operating lease arrangements for the land on which the wind farm is located. The Group lease rental expense is disclosed in note 4 and the Group commitments under these arrangements are disclosed in note 21. There are no other material off-balance sheet arrangements.

Tranche 3 Holdings Limited

Notes to the financial statements (continued)

For the year ended 31 December 2015

25. Explanation of transition to FRS 102

This is the first year that the Group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

Reconciliation of equity

Note	At 1 January 2014	At 30 December 2014
	£	£
Equity reported under previous UKGAAP	955,562	1,747,220
Adjustments to equity on transition to FRS 102		
1 Fair value of interest rate swaps	516,293	(466,731)
2 Deferred tax on instrument at fair value	(118,747)	93,346
Equity reported under FRS 102	<u>1,353,108</u>	<u>1,373,835</u>

Notes to the reconciliation of equity at 1 January 2014

1 Derivatives

Interest rate swaps are recorded on the balance sheet at fair value and accounted for at fair value through profit and loss. Under previous UK GAAP these were not re-valued to fair value or shown on the balance sheet at year end and net interest payable was accrued.

2 Deferred tax

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

Reconciliation of profit or loss for 2014

There are no differences to note between the FRS 102 and previous UKGAAP in regard to the profit and loss account for 2014. The fair value of the interest rate swaps qualified for hedge accounting with the hedge being 100% effective and as such the fair value and the respective deferred tax charge was recognised in other comprehensive income.