Registration number: 07638249

Grange Renewable Energy Limited

Directors' Report and Financial Statements

for the Year Ended 31 October 2015

Grange Renewable Energy Limited

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Grange Renewable Energy Limited
Company Information

Directors

Mr S Hughes

Mr R A Farnhill

Mr R P Russell

Company secretary

Mr D J Hearth

Registered office

Beaufort Court
Egg Farm Lane
Kings Langley
Hertfordshire
WD4 8LR

Auditors

Deloitte LLP
London
United Kingdom

Grange Renewable Energy Limited
Directors' Report for the Year Ended 31 October 2015

The directors present their report and the financial statements for the year ended 31 October 2015.

Directors of the company

The directors who served throughout the year (except where noted) were as follows:

Mr S Hughes

Mr G A MacDougall (resigned 30 November 2015)

Mr R A Farnhill

The following director was appointed after the year end:

Mr R P Russell (appointed 30 November 2015)

Company Secretary

Mr D J Hearth was appointed as company secretary on 18 May 2011 and served until the date of signing the financial statements.

Principal activity

The principal activity of the company is the generation and sale of wind generated electricity and associated benefits. The directors do not anticipate any changes to the business activities in the forthcoming year.

Dividends

The directors do not recommend a final dividend payment in respect of the current year (2014 : £nil).

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditor is unaware of.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Reappointment of auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Directors' indemnities

The company has made no qualifying third party indemnity provisions for the benefit of its directors.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the notes to the financial statements.

Small company provisions

This report has been prepared in accordance with the small companies regime under the Companies Act 2006. The company has also taken advantage of the small companies exemption from preparing a Strategic Report.

Financial risk management objectives and policies

The Company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the Company's performance. The Directors have policies for managing each of these risks and they are summarised below:

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments.

Trade receivables
Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on individual credit limits. Outstanding customer receivables are regularly monitored.

The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 October 2015 and 31 October 2014 is the carrying amounts.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's policy to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of intercompany facilities and by ensuring adequate internally generated funds.

Interest rate risk
The Company's variable rate bank loan has been fixed through the use of an interest rate swap.

Approved by the Board on 28 April 2016 and signed on its behalf by:

.... *continued*

R.P. Russell
....
Mr R P Russell
Director

Grange Renewable Energy Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's Report to the Members of Grange Renewable Energy Limited

We have audited the financial statements of Grange Renewable Energy Limited for the year ended 31 October 2015, which comprise the Profit and Loss account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 18. 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).

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 Statement of Directors' Responsibilities, 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 Directors' 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 the 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 October 2015 and of its loss 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.

Independent Auditor's Report to the Members of Grange Renewable Energy Limited

.... *continued*

Matters on which we are required to report by exception

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

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

Andrew Clark FCA

Andrew Clark (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

London, United Kingdom

28 April 2016

Grange Renewable Energy Limited

Profit and Loss Account for the Year Ended 31 October 2015

	Note	2015 £ 000	2014 £ 000
Turnover		3,770	3,819
Cost of sales		(2,976)	(2,472)
Gross profit		794	1,347
Administrative expenses		(18)	(19)
Operating profit	2	776	1,328
Interest receivable and similar income	4	9	12
Interest payable and similar charges	5	(1,679)	(1,755)
Loss on ordinary activities before taxation		(894)	(415)
Tax credit on loss on ordinary activities	6	188	1
Loss for the financial year		(706)	(414)

There were no recognised gains or losses (2014: £nil) other than the loss for the period and therefore no statement of total recognised gains and losses is given. All gains or losses arose from continuing operations.

Grange Renewable Energy Limited
(Registration number: 07638249)
Balance Sheet at 31 October 2015

	Note	2015 £ 000	2014 £ 000
Fixed assets			
Tangible fixed assets	7	25,229	26,673
Current assets			
Debtors	8	991	1,151
Cash at bank and in hand		1,370	1,436
		2,361	2,587
Creditors: amounts falling due within one year	9	(6,762)	(7,444)
Net current liabilities		(4,401)	(4,857)
Total assets less current liabilities		20,828	21,816
Creditors: Amounts falling due after more than one year	10	(22,491)	(22,791)
Provisions for liabilities	12	(475)	(457)
Net liabilities		(2,138)	(1,432)
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account		(2,138)	(1,432)
Shareholder's deficit	14	(2,138)	(1,432)

The financial statements of Grange Renewable Energy Limited (registered number 07638249) were approved by the Board and authorised for issue on 28 April 2016 and signed on its behalf by:

R.P. Russell

Mr R P Russell
Director

Grange Renewable Energy Limited

Cash Flow Statement for the Year Ended 31 October 2015

Reconciliation of operating profit to net cash flow from operating activities

	2015 £ 000	2014 £ 000
Operating profit	776	1,328
Depreciation, amortisation and impairment charges	1,444	1,444
Decrease in debtors	285	16
Increase/(decrease) in creditors	504	(298)
Net cash inflow from operating activities	3,009	2,490

Cash flow statement

	2015 £ 000	2014 £ 000
Net cash inflow from operating activities	3,009	2,490
Returns on investments and servicing of finance		
Interest received	9	12
Interest paid	(1,215)	(1,501)
	(1,206)	(1,489)
Taxation received	65	-
Net cash inflow before management of liquid resources and financing	1,868	1,001
Financing		
Repayment of loans and borrowings	(1,934)	(2,784)
Decrease in cash	(66)	(1,783)

Reconciliation of net cash flow to movement in net debt

	Note	2015 £ 000	2014 £ 000
Decrease in cash		(66)	(1,783)
Cash outflow from repayment of loans		1,934	2,784
Change in net debt resulting from cash flows		1,868	1,001
Other non-cash movements		(447)	(236)
Movement in net debt		1,421	765
Net debt at 1 November		(28,496)	(29,261)
Net debt at 31 October		(27,075)	(28,496)

Grange Renewable Energy Limited
Cash Flow Statement for the Year Ended 31 October 2015

.... *continued*

Reconciliation of movement in net debt

	At 1 November 2014	Cash Flow	Other Movements	At 31 October 2015
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,436	(66)	-	1,370
Loans due within 1 year	(7,141)	1,549	(362)	(5,954)
Loans due after 1 year	(22,791)	385	(85)	(22,491)
	(28,496)	1,868	(447)	(27,075)

1 *Accounting policies*

The financial statements have been prepared on a consistent basis for the current period and preceding years in accordance with applicable United Kingdom laws and accounting standards.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Going concern

The financial statements have been prepared on the going concern basis.

The parent company, The Renewables Infrastructure Group (UK) Investments Ltd, has confirmed to the directors that it will not demand repayment for existing intercompany loans such that insolvency would result, for a period of at least twelve months from the date of signing of the Directors' Report and Financial Statements.

The directors have considered the company's cash flow forecast for the period to the end of May 2017 and are satisfied that the company, taking account of reasonably possible changes in trading performance and the current funds available, is able to operate for at least twelve months from the signing of the Directors' Report and Financial Statements. For this reason the directors believe that the company has adequate resources to continue in operational existence and therefore it is appropriate that the company continues to adopt the going concern basis in preparing the Directors' Report and Financial Statements.

Turnover

Turnover represents electricity and associated benefits sold during the year. Sales are recognised at the time that the electricity is generated. All amounts arise in the UK and are stated net of value added tax.

Depreciation

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	**Depreciation method and rate**
Plant and machinery	Straight-line - 5% per annum

Deferred tax

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and tax law. Timing differences arise form the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Current tax

Current tax, including UK corporation 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.

Foreign currency

Transactions denominated in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at that date. The translation differences are included in the profit and loss account.

Hire purchase and leasing

Operating lease rentals are charged to the profit and loss account over the life of the lease.

Operating lease rentals for land on which the Company's wind farms are situated are charged to the profit and loss account at a contractual percentage of revenue generated by the wind farm.

Bank borrowings

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

Decommissioning costs

Provision for decommissioning is recognised in full when the work to construct the assets begins on site. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to plant and equipment. The unwinding of the discount on the decommissioning is included as a finance cost.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.
The company uses derivative financial instruments to reduce exposure to interest rate movements on bank loans. The company does not hold or issue derivative instruments for speculative purposes.

2 Operating profit

Operating profit is stated after charging:

	2015 £ 000	2014 £ 000
Operating leases - land and buildings	189	188
Auditor's remuneration - the audit of the company's annual accounts	5	5
Depreciation of owned assets	1,444	1,444

3 Directors and employees

None of the directors received any remuneration during the period in respect of their services to the company (2014: £nil). The company had no employees during the period (2014: none) and therefore incurred no staff costs (2014: £nil).

4 Interest receivable and similar income

	2015 £ 000	2014 £ 000
Bank interest receivable	9	12

5 Interest payable and similar charges

	2015 £ 000	2014 £ 000
Interest payable to group undertakings	361	418
Unwinding of discount on decommissioning provision	18	18
Bank loan interest payable	1,300	1,319
	1,679	1,755

6 Taxation

Tax on loss on ordinary activities

	2015 £ 000	2014 £ 000
Current tax		
UK Corporation tax credit at 20.41% (2014: 21.83%)	(65)	-
Total current tax charge	(65)	-
Deferred tax		
Origination and reversal of timing differences	(168)	(74)
Deferred tax adjustment relating to previous years	-	58
Effect of changes in tax rates	45	15
Total deferred tax credit	(123)	(1)
Total tax credit on loss on ordinary activities	(188)	(1)

The rate of corporation tax changed from 21% to 20% on 1 April 2015. At the Summer Budget 2015, the Government announced a reduction in the rate from 20% to 19% for the year beginning 1 April 2017, with a further reduction from 19% to 18% for the year beginning 1 April 2020. As deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods of reversal, the company has restated all deferred tax closing balances using a rate of 18%.

Factors affecting current tax charge for the year

The differences between the total current tax shown above and the amount calculated by applying the average tax rate of UK corporation tax to the loss before tax are as follows:

	2015 £ 000	2014 £ 000
Loss on ordinary activities before taxation	(894)	(415)
Tax on loss on ordinary activities at the average UK corporation tax rate of 20.41% (2014: 21.83%)	(182)	(91)
Capital allowances in excess of depreciation	164	71
Movement in short term timing differences	3	4
Expenses not deductible for tax purposes	15	16
Adjustments to tax charge in respect of previous periods	(65)	-
Total current tax	(65)	-

7 Tangible fixed assets

	Plant and machinery £ 000	Total £ 000
Cost		
At 1 November 2014	28,879	**28,879**
Depreciation		
At 1 November 2014	2,206	**2,206**
Charge for the year	1,444	**1,444**
At 31 October 2015	3,650	**3,650**
Net book value		
At 31 October 2015	25,229	**25,229**
At 31 October 2014	26,673	**26,673**

8 Debtors

	2015 £ 000	2014 £ 000
Trade debtors	-	32
Deferred tax	367	243
Prepayments and accrued income	624	875
Value added tax	-	1
	991	1,151

Deferred tax

The movement in the deferred tax asset in the year is as follows:

	£ 000
At 1 November 2014	244
Deferred tax credited to the profit and loss account	123
At 31 October 2015	367

Analysis of deferred tax

	2015 £ 000	2014 £ 000
Difference between accumulated depreciation and amortisation and capital allowances	333	209
Other timing differences	8	5
Tax losses available	26	29
	367	243

9 Creditors: amounts falling due within one year

	2015 £ 000	2014 £ 000
Trade creditors	180	190
Bank loans and overdrafts	300	268
Amounts owed to group undertakings	5,653	6,873
Value Added Tax	47	-
Accruals and deferred income	582	113
	6,762	7,444

Amounts owed to group undertakings consist of unsecured repayable on demand loans from the Company's immediate parent undertaking. Interest is payable at 5% per annum above LIBOR.

10 Creditors: amounts falling due after more than one year

	2015 £ 000	2014 £ 000
Bank loans and overdrafts	22,491	22,791

11 Bank loans

	2015 £ 000	2014 £ 000
Amounts due are repayable as follows:		
Within one year	300	268
Between one and two years	366	300
Between two and five years	3,952	2,449
Over five years	18,173	20,042
	22,791	23,059

The bank loans are repayable in non-equal instalments over 15 years and interest is payable at between 1.9% and 2.95% above LIBOR. Interest rate swaps have been used to reduce the company's exposure to fluctuating interest rates. The swaps are in place for 67% of the outstanding bank loan balance for the full life of the loan. The assets of the company form security for the bank loans via fixed and floating charges. Loan issue costs of £907,000 incurred in obtaining finance have been netted off against the loan value and will be amortised over the life of the loan.

12 Provisions

	Decomissioning provision £ 000	Total £ 000
At 1 November 2014	457	457
Charged to the profit and loss account	18	18
At 31 October 2015	475	475

The decommissioning provision provides for the future costs of decommissioning the wind farm. The provision has been discounted at an annual rate of 4% (2014: 4%) and this discount will be unwound and charged to the profit and loss account until 2033, the estimated date of decommissioning.

13 Share capital

	2015 £	2014 £
Authorised:		
1 ordinary share (2014: 1) of £1 each	1	1

	2015 £	2014 £
Called up, allotted, issued and fully paid:		
1 ordinary share (2014: 1) of £1 each	1	1

14 Reconciliation of movements in shareholder's deficit

	2015 £ 000	2014 £ 000
Opening shareholder's deficit	(1,432)	(1,018)
Loss for the year	(706)	(414)
Closing shareholder's deficit	(2,138)	(1,432)

15 Commitments

Operating lease commitments

The company has entered into lease agreements with the landowners on which the wind farm is situated to pay rent linked to turnover.

Charges under non-cancellable operating leases were as follows:

Operating leases which expire:

	2015 £ 000	2014 £ 000
Land and buildings		
Over five years	189	188

Other commitments

The company has also entered into other non-cancellable contracts to pay amounts to third parties over the life of the wind farm. Payments under these contracts are expected to be £33,000 in the next year.

16 Derivatives not included at fair value

Interest rate swaps are held by the company which are not included at fair value within the accounts. The interest rate swaps are held in sterling with a remaining duration of between one and fifteen years and have a negative fair value of £1,507,000 (2014: £267,000).

17 Related party disclosures

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other wholly owned members of the group.

18 Control

The company is controlled by the immediate parent company, The Renewables Infrastructure Group (UK) Limited. The Renewables Infrastructure Group (UK) Investments Limited owns 100% of the share capital in the company.

The ultimate controlling party at the date of the financial statements was The Renewables Infrastructure Group Limited, which is owned by a number of investors with no one investor having individual control.