

Company Registration No. 08768111

Tranche 5 Limited

Annual Report and Unaudited Financial Statements

For the year ended 31 December 2022

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Tranche 5 Limited

Annual Report and Unaudited Financial Statements for the year ended 31 December 2022

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Tranche 5 Limited

Officers and professional advisers

Directors

E Andrew

J Sherman

Registered office

C/O RES Limited

Beaufort Court

Egg Farm Lane

Kings Langley

Hertfordshire

WD4 8LR

United Kingdom

Tranche 5 Limited

Directors' report

The directors present their annual report on the affairs of the Company together with the unaudited financial statements for the year ended 31 December 2022.

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 to act as a holding company for subsidiary companies that own and operate wind farms and this is expected to continue to be the principal activity in the future.

Results and dividends

The profit for the year after taxation was £588,988 (2021: £681,078).

During the year, the directors approved and paid interim dividends of £nil (2021: £nil). There are no plans to pay a final dividend (2021: £nil).

Directors

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

R Kraemer (resigned on 22 March 2022)

J Jones (resigned on 22 March 2022)

E Andrew (appointed on 22 March 2022)

J Sherman (appointed on 22 March 2022)

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.

On behalf of the board:

DocuSigned by:

Edmund Andrew

Edmund Andrew - Director

26 June 2023

Tranche 5 Limited**Statement of comprehensive income
For the year ended 31 December 2022**

	Notes	2022 £	2021 £
Administrative expenses		-	-
Operating Loss		-	-
Net finance income		727,146	840,837
Profit before taxation		727,146	840,837
Taxation		(138,158)	(159,759)
Profit after taxation		588,988	681,078
Other comprehensive income			
Cash flow hedges			
Loss on interest rate swaps		-	-
Settlement of interest rate swaps		-	-
Movement on deferred tax relating to interest rate swaps		-	-
Total comprehensive income for the financial year		588,988	681,078

All items in the above statement derive from continuing operations.

Tranche 5 Limited (Registered number: 08768111)**Balance sheet
As at 31 December 2022**

	Notes	2022 £	2021 £
Fixed assets			
Investments	4	22,445,206	22,445,206
		<u>22,445,206</u>	<u>22,445,206</u>
Current assets			
Debtors	5	15,232,882	24,772,155
Restricted cash		-	-
Cash at bank and in hand		-	-
		<u>15,232,882</u>	<u>24,772,155</u>
Creditors: amounts falling due within one year	6	(32,003,116)	(42,131,377)
Net current (liabilities) / assets		<u>(16,770,234)</u>	<u>(17,359,222)</u>
Total assets less current liabilities		5,674,972	5,085,984
Net assets		<u>5,674,972</u>	<u>5,085,984</u>
Capital and reserves			
Called-up share capital		3	3
Profit and loss account		5,674,969	5,085,981
Shareholder's funds		<u>5,674,972</u>	<u>5,085,984</u>

The Company is entitled to exemption from audit under Section 479A of the Companies Act 2006 for the year ended 31 December 2021.

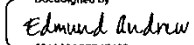
The members have not required the Company to obtain audit of its financial statements for the year ended 31 December 2021 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) Ensuring that the Company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the Company.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors on 26 June 2023 and were signed on its behalf by:

DocuSigned by:

 Edmund Andrew - Director

The notes on pages 6 to 14 form part of these financial statements

Tranche 5 Limited**Statements of changes in equity
As at 31 December 2022**

	Called-up share capital £	Hedging reserve £	Profit and loss account £	Total £
As at 1 January 2021	3	-	4,404,903	4,404,906
Profit for the financial year	-	-	681,078	681,078
Total comprehensive income	-	-	681,078	681,078
As at 31 December 2021	3	-	5,085,981	5,085,984
Profit for the financial year	-	-	588,988	588,988
Total comprehensive income	-	-	588,988	588,988
As at 31 December 2022	3	-	5,674,969	5,674,972

Tranche 5 Limited

Notes to the financial statements For the year ended 31 December 2022

1. Accounting policies

General information

Tranche 5 Limited is a private company, limited by shares and registered in the United Kingdom, in England and Wales, under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and 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 section 1 A small entities - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The particular accounting policies adopted are described below and have been applied consistently throughout the current and prior financial period.

Section 1 A 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 a cash flow statement and disclosures of turnover, net finance charge, current taxation, financial instruments, related party transactions, share capital and reserves.

The Company is consolidated in the financial statements of its indirect parent company, Equitix Knight Finco Limited, registered in England and Wales and the financial statements are available from the registered office at C/O RES Limited, Beaufort Court, Egg Farm Lane, Kings Langley, Hertfordshire, England WD4 8LR.

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

Going concern

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

The Company's principal activity is to serve as a holding company for subsidiary companies and so the impact of power prices on those subsidiaries and their operations and going concern has been assessed by the directors. *The directors have separately reviewed integrated forecasts for the Company, for the foreseeable future being at least 12 months from the date of approval of the annual report, 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. In arriving at their conclusion, the directors have assessed the impact of the potential risk of the recent energy market disruption that has led to very high energy prices as a result of geo-political uncertainty and gas shortages stemming from Russia's invasion of Ukraine. It was noted that whilst any power price variability is not welcomed, although favourably in this instance, the uncertainty it brings is balanced out by the Company's other main source of revenue, the revenues associated with the Renewable Obligation Certificates (ROCs), which has fixed price per MWh and therefore adds a degree of certainty to a portion of future revenues which heavily contributes to the going concern assumption.*

The directors will continue to closely monitor the situation and to take appropriate action if deemed necessary.

Tranche 5 Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

1. Accounting policies (continued)

Going concern (continued)

The directors have written confirmation that Equitix Knight Finco Limited intends to continue to financially support the Group during the 12 months following the date the financial statements are signed.

Basis of consolidation

The financial statements contain information about Tranche 5 Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Equitix Knight Finco Limited, C/O RES Limited, Beaufort Court, Egg Farm Lane, Kings Langley, Hertfordshire WD4 8LR.

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 Company. The funds are used to provide collateral against future debt service costs as part of the Company's finance facilities.

Dividend distribution

Dividend distribution to the Company'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.

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.

Tranche 5 Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

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.

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.

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 balance sheet 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.

Tranche 5 Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

1. Accounting policies (continued)

Financial Instruments (continued)

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).

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 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.

Tranche 5 Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

1. Accounting policies (continued)

Financial Instruments (continued)

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to interest rate movements. 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 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.

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.

Tranche 5 Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

1. Accounting policies (continued)

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 5 Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

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. There are no sources of key estimation uncertainty impacting the financial statements.

Critical judgements

The following judgements (apart from those involving estimates) 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.

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

3. Information regarding directors and employees

The Company has no employees (2021: Nil). No directors received any remuneration from the Company during the year (2021: Nil). Services are provided to the Company through third party asset management agreements.

Tranche 5 Limited

Notes to the financial statements (continued) For the year ended 31 December 2022

4. Investments

	2022	2021
	£	£
Subsidiary undertakings		
At 1 January and 31 December	22,445,206	22,445,206

The Company has investments in the following subsidiary undertakings.

	Country of incorporation	Principal activity	Holding	%
St. Breock Limited	England & Wales	Wind farm	Ordinary shares	100%
Ramsey II Limited	England & Wales	Wind farm	Ordinary shares	100%
Sancton Hill Limited	England & Wales	Wind farm	Ordinary shares	100%
South Sharpley Limited	England & Wales	Wind farm	Ordinary shares	100%
Goonhilly Limited	England & Wales	Wind farm	Ordinary shares	100%
Tranche 3 Holdings Limited	England & Wales	Dormant	Ordinary shares	100%

The registered office for all the subsidiary undertakings is C/O Res Limited Beaufort Court, Egg Farm Lane, Kings Langley, Hertfordshire, England WD4 8LR.

5. Debtors

	2022	2021
	£	£
Amounts owed by Group undertakings	15,232,882	24,772,155
	15,232,882	24,772,155

All loans are repayable on demand. Amounts owed to the Company by its subsidiaries are broken down in table below. The interest bearing loans accrue interest at 6.3% per annum.

Group company	Nature	2022	2021
		£	£
Goonhilly Limited	Interest bearing loan (IBL)	338,023	2,263,107
Goonhilly Limited	Interest free loan (IFL)	-	161,576
Goonhilly Limited	Group relief	105,169	105,169
Ramsey II Limited	Interest bearing loan (IBL)	6,188,523	6,802,076
Ramsey II Limited	Interest free loan (IFL)	-	1,057,968
Sancton Hill Limited	Interest bearing loan (IBL)	1,871,671	4,044,521
Sancton Hill Limited	Group relief	41,000	41,000
South Sharpley Limited	Interest bearing loan (IBL)	1,623,591	2,942,949
St Breock Limited	Interest bearing loan (IBL)	5,064,904	7,324,562
St Breock Limited	Group relief	-	29,226
Tranche 3 Limited	Interest free loan (IFL)	1	1
Intercompany group relief estimates		-	-
		15,232,882	24,772,155

Tranche 5 Limited**Notes to the financial statements (continued)
For the year ended 31 December 2022****6. Creditors: amounts falling due within one year**

	2022	2021
	£	£
<i>Amounts owed to group companies</i>	32,003,116	42,131,377
	<u>32,003,116</u>	<u>42,131,377</u>

All loans are repayable on demand. Amounts owed by the Company are broken down in the table below. The interest bearing loan accrues interest at 3.0245% (2020: 3.0245%) per annum.

Group company	Nature	2022	2021
		£	£
Equitix Knight Finco Limited	Interest bearing loan (IBL)	12,167,075	22,465,931
Equitix Knight Finco Limited	Group relief	107,251	66,438
Knight Renewables UK Limited	Interest free loan (IFL)	19,272,555	19,226,099
Knight Renewables UK Limited	Group relief	52,508	46,455
Ramsey II Limited	Group relief	166,695	166,695
St Breock Limited	Group relief	98,876	-
Group relief estimates		138,157	159,759
		<u>32,003,116</u>	<u>42,131,377</u>

7. Related party disclosures

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

8. Ultimate parent undertaking

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

The ultimate parent undertaking and controlling party is Equitix Fund V LP which is a limited partnership and does not prepare consolidated financial statements.