Company Registration No. 09623474 (England and Wales)

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS LIMITED

COMPANY INFORMATION

Directors	D R Bradbury A G Bremner D A Whitehurst R M Whately J M Isherwood
Secretary	T Hedges
Company number	09623474
Registered office	8 White Oak Square London Road Swanley BR8 7AG
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor London United Kingdom
Bankers	Barclays Bank Plc Level 28 1 Churchill Place London E14 5HP

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS LIMITED

CONTENTS

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their annual report and audited financial statements for the year ended 31 December 2016.

The Director's report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Principal activities
The principal activity of the Company is the design, build, finance and operation of a CHP Biomass Plant in Cramlington, England.

Financial Close (signing of all contractual relations at the start of the project) took place on 17 September 2015.

The new biomass CHP plant in Cramlington, within the Windmill Industrial Estate, will generate renewable energy and heat. Commissioning of the plant is expected in December 2017 and the operating period is 20 years.

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

D R Bradbury
A G Bremner
D A Whitehurst
R M Whately
J M Isherwood

Results and dividends
The results for the year are set out on page 6.

No ordinary dividends were paid. The Directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions
The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date.

Financial risk management objectives and policies

Liquidity risk
The Company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business. At the start of the project, the Company negotiated debt facilities with an external party to ensure that the Company has sufficient funds over the life of the project.

Interest rate risk
The Company's borrowings expose it to cash flow risk primarily due to the financial risks of changes in interest rates. The Company uses interest rate derivatives to manage the risk and reduce its exposure to changes in interest rates.

Exposure to market prices
The Company is exposed to long term electricity market prices. The Company currently monitors the electricity market and a 12 year Purchase Power Agreement has been entered into, effective from the start of commercial operations. We continue to monitor the market.

Credit risk

The Company's principal financial assets are cash, financial assets and trade and other receivables. The Company monitors the financial standing of that counterparty in order to manage its credit risk.

Foreign currency risk

The Company's principal foreign currency exposures arise from trading with an overseas company for the period of construction. The Company manages its exposure by having entered into foreign exchange forward contracts in order to fix the cost in sterling.

Future developments

The Directors are not aware, at the date of this report, of any major changes in the Company's activities in the next year.

Auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

Each of the Directors in office at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- 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 section 418 of the Companies Act 2006.

On behalf of the board

D R Bradbury
Director
30 March 2017

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors are responsible for preparing the annual 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS LIMITED

We have audited the financial statements of Cramlington Renewable Energy Developments Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes and Equity and the related notes on pages 9 - 21. 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 not for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit,

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS LIMITED

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 the requirement to prepare a strategic report or in preparing the Directors' report.

D. Winstone

30 March 2017
Daryl Winstone (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	Period ended 31 December 2015 £'000
Turnover	3	10	-
Cost of sales		(11)	-
Gross (loss)/profit		(1)	-
Administrative expenses		(30)	(36)
Loss before taxation		(31)	(36)
Taxation	7	6	7
Loss for the financial year		(25)	(29)
Other comprehensive income			
Fair value loss arising on cash flow hedges in the year		(3,958)	(2,217)
Deferred tax relating to other comprehensive income		651	399
Total comprehensive loss for the year		(3,332)	(1,847)

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Fixed assets					
Tangible assets	8		77,051		29,163
Current assets					
Debtors falling due after one year	10	1,063		406	
Debtors falling due within one year	10	857		530	
Cash at bank and in hand		12,489		3,587	
		14,409		4,523	
Creditors: amounts falling due within one year	11	(62,099)		(4,464)	
Net current (liabilities)/assets			(47,690)		59
Total assets less current liabilities			29,361		29,222
Creditors: amounts falling due after more than one year	12		(34,535)		(31,064)
Net liabilities			(5,174)		(1,842)
Capital and reserves					
Called up share capital	15		5		5
Hedging reserve	15		(5,125)		(1,818)
Profit and loss reserves	15		(54)		(29)
Total deficit			(5,174)		(1,842)

The financial statements were approved by the board of directors and authorised for issue on 30 March 2017 and are signed on its behalf by:

D R Bradbury
Director

Company Registration No. 09623474

CRAMLINGTON RENEWABLE ENERGY DEVELOPMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 4 June 2015		-	-	-	-
Period ended 31 December 2015:					
Loss for the period		-	-	(29)	(29)
Other comprehensive income:					
Fair value loss arising on cash flow hedges in the year		-	(2,217)	-	(2,217)
Deferred tax relating to other comprehensive income		-	399	-	399
Total comprehensive loss for the year		-	(1,818)	(29)	(1,847)
Issue of share capital	15	5	-	-	5
Balance at 31 December 2015		5	(1,818)	(29)	(1,842)
Year ended 31 December 2016:					
Loss for the year		-	-	(25)	(25)
Other comprehensive income:					
Fair value loss arising on cash flow hedges in the year		-	(3,958)	-	(3,958)
Deferred tax relating to other comprehensive income		-	651	-	651
Total comprehensive loss for the year		-	(3,307)	(25)	(3,332)
Balance at 31 December 2016		5	(5,125)	(54)	(5,174)

1 Accounting policies

Company information

Cramlington Renewable Energy Developments Limited is a private company limited by shares domiciled in the United Kingdom, incorporated in Great Britain and registered in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, BR8 7AG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in pound sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The Company is consolidated within the group accounts of Cramlington Renewable Energy Developments Holdco Limited. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the Cash Flow Statement and related notes.

The Company is also considered to be a qualifying entity for the disclosure exemptions relating to the requirements of Section 11 paragraphs 11.39 to 11.48A as the equivalent disclosures required by this FRS are included in the consolidated financial statements of the Group in which the Company is consolidated.

1.2 Going concern

The Company is in a net liabilities position as at 31 December 2016 due to the fair value of the interest rate swaps. The Directors have reviewed the Company's forecasts and projections, taking into account future cash requirements and forecast receipts, which show that the Company can continue to meet its debts as they fall due.

The Directors therefore, at the time of approving the financial statements, 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 of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Pre commissioning revenue reflects pass-through of costs relating to CCTV and utility costs.

Revenue is entirely derived in the United Kingdom.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Freehold land and assets in the course of construction are not depreciated.

1 Accounting policies **(Continued)**

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Development costs are capitalised in the year as part of the tangible fixed asset. This includes all costs relating to the build, financing of the debt and grid connection fees.

Borrowing costs related to fixed assets
Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Other financial assets
Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies **(Continued)**

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

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

Basic financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

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

Derecognition of financial liabilities
Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1 Accounting policies **(Continued)**

1.7 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.8 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end 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.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

The Company does not hold or issue derivative financial instruments for speculative purposes.

Hedge accounting

The Company designates certain hedging instruments, including derivatives, embedded derivatives and non-derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rate of the agreed foreign exchange hedge, which cover the total contractual value of the construction to be invoiced in Euros. At each reporting end date monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period. Foreign exchange gains/losses are not capitalised.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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

Hedge Accounting
The Directors consider the Company to have met the criteria for hedge accounting; the Company has therefore recognised fair value movements on derivatives in effective hedging relationships through other comprehensive income as well as the deferred tax thereon.

Power Purchase Agreement
The Directors have considered whether the Power Purchase Agreement entered into by the Company meets the definition of a derivative under FRS 102 in the context of characteristics of derivative contracts set out within the definition and concluded that it does not.

Capitalisation of borrowing costs
As disclosed in Note 1, the Company capitalises borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Borrowing costs are capitalised to the cost of the fixed asset up to the point that the asset is brought into its intended use. This date is deemed to be the date of take-over of the biomass CHP plant.

2 Critical accounting judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

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

Recoverability of tangible fixed assets

During the year, management has considered the recoverability of the tangible fixed assets included in the balance sheet of £77,050,000 (2015 - £29,163,000). Management is confident that the carrying amount of the tangible fixed assets will be recovered in full through use, once operations commence. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that adjustments are appropriate.

Valuation of derivative financial instruments

The directors use their judgement in selecting a suitable valuation technique for derivative financial instruments. All derivative financial instruments are valued at the mark to market valuation provided by the derivative counterparty. In these cases, the Company uses valuation techniques to assess the reasonableness of the valuation provided by the derivative counterparty. These techniques use a discounted cash flow analysis based on market observable inputs derived from similar instruments in similar and active markets. The fair value of derivative financial instruments at the balance sheet date was a liability of £6,176,000 (2015 - £2,217,000 liability). The directors do not consider the impact of own credit risk to be material.

3 Turnover and other revenue

An analysis of the Company's turnover is as follows:

	2016 £'000	2015 £'000
Turnover		
Passthrough Income	10	-

Turnover analysed by geographical market

	2016 £'000	2015 £'000
United Kingdom	10	-

4 Operating loss

	2016 £'000	2015 £'000
Operating loss for the year is stated after charging/(crediting):		
Exchange (gains)/losses	-	13
Fees payable to the Company's auditor for the audit of the Company and the Company's parent company	16	15

5 Employees

The Company had no employees during the current or prior year.

6 Directors' remuneration

No Directors received any remuneration for services to the Company during the current or prior year. The Company is managed under General Management Services Agreement by Estover Energy Limited and Financial Management Services Agreement by HCP Limited.

7 Taxation

	2016	2015
	£'000	£'000
Deferred tax		
Tax losses carried forward	(6)	(7)

For the year ended 31 December 2016, the UK rate of 20% is applied.

The Finance (No 2) Act 2015, which provides for reductions in the main rate of corporation tax from 20% to 19% effective 1 April 2017 and to 18% effective 1 April 2020, was substantively enacted on 26 October 2015. Subsequently, the Finance Act 2016, which provided a further reduction in the main rate of corporation tax to 17% effective 1 April 2020, was substantively enacted on 6 September 2016. These rate reductions have been reflected in the calculation of deferred tax at the balance sheet date.

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2016	2015
	£'000	£'000
Loss before taxation	(31)	(36)
Expected tax credit based on a corporation tax rate in the UK of 20.00% (2015: 20.00%)	(6)	(7)
Taxation for the year	(6)	(7)

In addition to the amount credited to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2016	2015
	£'000	£'000
Deferred tax arising on:		
Revaluation of financial instruments treated as cash flow hedges	(651)	(399)

8 Tangible fixed assets

	Assets under construction
	£'000
Cost	
At 1 January 2016	29,163
Additions	47,888
At 31 December 2016	77,051
Carrying amount	
At 31 December 2016	77,051
At 31 December 2015	29,163

The carrying value of land included in assets under construction comprises:

	2016	2015
	£'000	£'000
Freehold	2,074	2,074

9 Financial instruments

	2016	2015
	£'000	£'000
Carrying amount of financial assets		
Measured at undiscounted amount receivable	594	229
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	6,175	2,217

10 Debtors

	2016	2015
Amounts falling due within one year:	£'000	£'000
Other debtors	594	230
Prepayments and accrued income	263	300
	857	530

10 Debtors (Continued)

	Notes	2016 £'000	2015 £'000
Amounts falling due after more than one year:			
Deferred tax asset	14	1,063	406
Total debtors		1,920	936

11 Creditors: amounts falling due within one year

	Notes	2016 £'000	2015 £'000
Bank loans and overdrafts	13	48,062	1,963
Trade creditors		13,013	22
Senior debt accrued interest		17	5
Accruals and deferred income		1,007	2,474
		62,099	4,464

12 Creditors: amounts falling due after more than one year

	Notes	2016 £'000	2015 £'000
Bank loans and overdrafts	13	28,360	28,847
Derivative financial instruments		6,175	2,217
		34,535	31,064

Derivative financial instruments
In accordance with the terms of its credit agreement and as part of its interest rate management strategy, the Company entered into an interest rate swap maturing in September 2029. Under the interest rate swap, the Company receives interest on a variable basis and pays interest at a fixed rate of 4.2%.

The fair value of the derivative financial instrument comprises the fair value of the interest rate swap designated in an effective hedging relationship. The interest rate swap contract was designated as a cash flow hedge of variable interest rate risk of the Company's floating rate borrowings. The hedged cash flows are expected to occur and to affect profit or loss over the period to maturity of the interest rate swap. The hedge was highly effective in the current period and 100% of the change in fair value of the interest rate swap of £3,958,000 (2015: £2,217,000) was recognised in other comprehensive income in the period.

In September 2015, as part of the its hedging strategy and in accordance with the terms of its Facilities Agreement the Company entered into a foreign exchange forward contract for 1.352 Euro for the period of construction to match it liabilities under the building contract.

Amounts included above which fall due after five years are as follows:

	2016	2015
Payable by instalments	28,476	(2,358)

13 Loans and overdrafts

	2016	2015
	£'000	£'000
Bank loans	76,422	30,810
Payable within one year	48,062	1,963
Payable after one year	28,360	28,847

The loans are secured by a fixed and floating charge over all the assets of the Company and a charge over the shares of the Company.

Bank loans

The Company has facilities provided by Barclays Bank Plc in order to finance the construction of the project. The VAT facility is drawn upon to match VAT payments in month. It is repaid in instalments to match the repayment value from HMRC. The final date for repayment of the total VAT facility is December 2018. The Equity Bridge facility is drawn upon based on costs incurred each month and repaid in full in December 2017. The Term Loan is drawn upon from June 2017 and is repayable in installments by 2035 based on an agreed percentage amount of the total facilities per annum.

Interest on the facility is charged at rates linked to LIBOR. The Company has entered into fixed interest rate swaps on both the Equity Bridge Loan and the Term Loan to mitigate its interest rate exposure. The fixed interest rate on the Equity Bridge facility, after taking into consideration the swap, is 2.878% maturing in December 2017. Similarly the fixed interest on the Term Loan facility, after taking into consideration the swap, is 5.312%.

The amounts included within the loans which fall due after 5 years reflects the amount of debt arrangement fee incurred at Financial Close which is outstanding over 5 years. The loans relating to this fee are not due to be drawn upon until 2016 and 2017 but are contractually agreed.

14 Deferred taxation

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets	Assets
	2016	2015
Balances:	£'000	£'000
Derivative financial instruments	1,063	406

14 Deferred taxation (Continued)

Movements in the year:	2016 £'000
Liability/(Asset) at 1 January 2016	(406)
Credit to profit or loss	(6)
Credit to other comprehensive income	(673)
Effect of change in tax rate - other comprehensive income	22
Liability/(Asset) at 31 December 2016	(1,063)

The deferred tax asset in relation to the interest rate swap and foreign exchange hedge liability is expected to affect profit or loss over the period to maturity of the interest rate swap and foreign exchange hedge.

15 Share capital

	2016 £'000	2015 £'000
Ordinary share capital		
Issued and fully paid		
5,000 Ordinary Shares of £1 each	5	5

On the 4th June 2015, 5,000 £1 shares were issued and fully paid.

Other Reserves
The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses.

The hedging reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in hedging variable interest rate risk of recognised financial instruments. Amounts accumulated in this reserve are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

16 *Related party transactions*

Transactions with related parties
During the year the Company entered into the following transactions with related parties:

	2016 £'000	2015 £'000
John Laing Group Plc: Letters of credit	606	233
Laing Investments Management Services Limited: Management fee	102	33
Estover Energy Limited: Management and development fee	500	4,625
UK Green Investment Bank Plc: Development fee	-	167
	1,208	5,058

16 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

Amounts owed to related parties	2016 £'000	2015 £'000
John Laing Group Plc: Letters of credit	204	233
Laing Investments Managemnt Services:Management fee	12	6
	216	239

Cramlington Renewable Energy Developments Hold Co Limited is a joint venture between John Laing Investments Limited (44.72%). UK Green Investment Bank Plc (35.28%) and Estover Energy Limited (20%). Laing Investments Management Services Limited and John Laing Investments Limited are both subsidiaries of John Laing Group Plc.

17 Controlling party

The Company's immediate and ultimate parent company and controlling entity is Cramlington Renewable Energy Developments Hold Co Limited, a company incorporated in Great Britain and registered in England and Wales. The smallest and largest group in which its results are consolidated is Cramlington Renewable Energy Developments Hold Co Limited. Copies of the consolidated accounts are available from Companies House.