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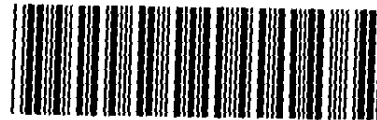
Melton Renewable Energy UK Limited

Report and financial statements

for the year ended 30 June 2019

Registered number: 09194088

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COMPANIES HOUSE

Directors and advisers

Directors

E J Wilkinson
M G Setchell
P S Latham
M J Bullard

Secretary

Octopus Company Secretarial Services Limited

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Maurice Wilkes Building
St John's Innovation Park
Cowley Road
Cambridge
CB4 0DS

Bankers

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Registered office

6th Floor
33 Holborn
London
EC1N 2HT

Strategic report for the year ended 30 June 2019

The directors present their strategic report for the group and for the company for the year ended 30 June 2019.

Group business review

Melton Renewable Energy UK Limited is 100% owned by Eucalyptus Energy Limited; its ultimate parent company is Fern Trading Limited. The group's principal activity is the generation and sale of renewable electricity from its five biomass power stations and from the combustion of landfill gas at 21 sites across the UK (during the year under review the group ceased operations from the Bellhouse landfill site).

The results of the group for the year ended 30 June 2019 and financial position as at that date were satisfactory and in line with expectations.

During the year the directors have reassessed the accounting treatment of recycled Renewable Obligation Certificates ('ROC recycle') income from a cash receipt recognition basis to an accruals basis. As a result, revenue and earnings for the current year and prior year comparatives have been restated to reflect this prior year adjustment in accordance with the requirements of FRS 102.

Output for the year was 1,055GWh (30 June 2018: 1,096GWh) with group turnover of £134,043,000 (30 June 2018: £126,249,000). Total group operating profit including share of joint venture was £17,371,000 (30 June 2018: £14,704,000) and EBITDA (as defined on page 9) was £41,720,000 (30 June 2018: £39,223,000). The group profit before taxation for the year ended 30 June 2019 was £3,548,000 (30 June 2018: £13,206,000 loss).

Group revenue per MWh in the year ended 30 June 2019 was £121.74 (30 June 2018: £110.19) an increase of 10.5% when compared to the year ended 30 June 2018. The increase in unit revenue reflects the impact of higher wholesale electricity prices, a greater accrued ROC recycle value and the annual indexation of the ROC buy-out value. The actual ROC recycle value announced in October 2018 in respect of compliance year 2017/18 was £6.42 per ROC (compliance year 2016/17: £5.10).

Overall operational performance in terms of output, availability and costs was in line with expectations. The reduction in output during the year ended 30 June 2019 compared with the previous year reflects the planned extended turbine major outage at Thetford Power Station in August 2018 and the natural decline across the Landfill Gas portfolio.

The group continues to place great importance and emphasis on health and safety. During the year the biomass division became an early adopter and gained accreditation in respect of the new ISO 45001 health and safety standard, replacing its previous OHSAS 18001 certification. The high standards demonstrated in internal and external audit performance have been maintained in the year. Despite this, and whilst the number of minor accidents is in line with the previous year, there has been an increase in reportable accidents, and this will be an area for further focus during 2019/20.

Refinancing

On 24 July 2018 the group concluded its refinancing process, raising a comprehensive bank debt facility, comprising £152,190,000 term loan, £10,000,000 revolving credit facility and a £12,000,000 debt service reserve facility. This is an amortising debt facility repayable by 31 March 2027.

An initial drawdown of £50,000,000 was made from the bank debt facility on 25 July 2018, this was used to settle re-financing expenses and shareholder management fees, with the balance of £43,640,218 used to partly repay the previous short-term advance from Eucalyptus Energy Limited. The remaining balance of the bank debt facility (£102,190,000) was drawn on 31 December 2018 and used to repay the outstanding balance of the short-term advance from Eucalyptus Energy Limited and a partial settlement of its shareholder loan.

Strategic report for the year ended 30 June 2019

Group business review (continued)

Wholesale electricity prices

Pursuant to its power purchase agreement with British Gas Trading Limited ("BGTL"), the electricity price the Biomass division receives is fixed annually for the twelve months commencing 1 October, based on the average wholesale market electricity future prices over a three-month calculation period (June, July and August). The Biomass power purchase agreement with BGTL runs to 31 March 2020. Following a competitive process, in September 2018, the Biomass division entered into five power purchase agreements (one for each of its power stations) with Axpo UK Limited in respect of the year ending 31 March 2021. These power purchase agreements include fixed electricity prices and agreed discounts for ROC buy-out and recycle and other associated benefits.

Pursuant to the separate power purchase agreement with BGTL, the electricity price the Landfill Gas division receives is fixed every six months (from 1 April and 1 October), based on the average wholesale market electricity future prices over agreed two-month calculation periods ending mid-March and mid-September respectively.

The group's revenue per MWh improved during the year ended 30 June 2019 partly due to higher wholesale electricity prices during the price setting periods defined within the Biomass and Landfill Gas power purchase agreements with BGTL, as set out below:

Biomass Twelve months ended 30 September (in £ per MWh)			Landfill Gas Six months ended 31 March (in £ per MWh)		Landfill Gas Six months ended 30 September (in £ per MWh)		
2017	2018	2019	2018	2019	2017	2018	2019
38.95	40.13	52.62	46.09	63.11	11.64	41.57	47.86

ROC Recycle Income

During the year the directors have reassessed the accounting treatment of recycled Renewable Obligation Certificates ('ROC recycle') income from a cash receipt recognition basis to an accruals basis. As a result, revenue and earnings for the current year and prior year comparatives have been restated to reflect this prior year adjustment in accordance with the requirements of FRS 102.

ROC recycle income within the financial statements for the year ended 30 June 2019 and restated prior year comparatives is based upon the following gross accrual values per ROC:

Compliance year	ROC recycle value (per ROC)
2017/18	£6.42 (confirmed)
2018/19	£7.73 (estimate)
2019/20	£7.30 (estimate)

On 22 October 2018 Ofgem announced the ROC recycle value for 2017/18 at £5.42 per ROC, with an additional payment of £1.00 per ROC arising from the ROC buy-out late payment fund confirmed in December. The overall value for compliance period 2017/18 represents a positive outcome and a step forward compared with recent years, and was driven by the gap between ROCs presented by electricity suppliers compared to the annual obligation set by the Department for Business, Energy & Industrial Strategy ("BEIS").

Strategic report for the year ended 30 June 2019

Group business review (continued)

Embedded Benefits – Triads

During 2017 Ofgem confirmed its decision to change electricity transmission charging arrangements, removing approximately 90% of the triad benefit from embedded generators (such as the group) by winter 2020. The reduction is being phased in equally over three years commencing winter 2018.

The group performed well during the triad season (November 2018 to February 2019), with associated revenue of £3,402,000 in the year ended 30 June 2019, albeit less than the previous year, reflecting the first year of the changes to electricity transmission charging arrangements for embedded generators.

Brexit

On 23 June 2016 in the EU referendum the UK voted to leave the EU and the two year process of leaving the EU was triggered on 29 March 2017. MRE is a UK based business with revenues driven by UK wholesale electricity prices and the Renewables Obligation support mechanism which is underpinned by UK Government legislation. Further, MRE's supply chain is primarily UK based with limited import contracts, although some plant spares are sourced outside of the UK. Whilst the general consensus is that Brexit, and particularly a no-deal Brexit, will result in some general disruption, we assume that these will be managed initially and subsequently resolved in the short to medium term. Accordingly, we do not believe that leaving the EU will have any material long term impact upon MRE's operations, its biomass fuel supply contracts, UK electricity prices or the Renewables Obligation support mechanism

Strategic report for the year ended 30 June 2019

Divisional business review

Biomass division

The results of the Biomass division for the year ended 30 June 2019 and the financial position at that date were satisfactory and continue to be underpinned by solid operational performance across the portfolio. Following excellent operational performance and results for the previous year to 30 June 2018, output and availability remained strong in the year ended 30 June 2019. Overall portfolio output in the year ended 30 June 2019 was 770GWh, a marginal reduction of 5GWh (0.6%) compared with the year to 30 June 2018, reflecting the planned extended turbine major outage at Thetford Power Station in August 2018 partially offset by exceptionally strong operational performance and increased output from Eye Power Station.

Yorkshire Windpower Limited ("YWP")

Energy Power Resources Limited ("EPRL"), a subsidiary within the group, owns 50% of the share capital of YWP, which itself owns and operates wind-farms at Royd Moor and Ovenden Moor. YWP has a financial year end date of 31 March. During the year ended 31 March 2019, wind turbine availability at Ovenden Moor was very good, following commissioning issues at the beginning of the previous year, resulting in output of 60.8GWh (2018: 52.9GWh). Wind turbine availability at Royd Moor remained good relative to the age of the turbines, with output of 8.3GWh (2018: 9.9GWh). Total output achieved by Ovenden Moor and Royd Moor in the year ended 31 March 2019 was 69.1GWh (2018: 62.8GWh).

Environment and sustainability

As well as providing a secure and sustainable disposal route for poultry litter and other agricultural residues, the group's output in the year ended 30 June 2019 reduced CO₂ emissions by some 218,000 tonnes (30 June 2018: 272,000 tonnes). This was achieved by displacing the equivalent amount of generation from alternative UK power sources and is based upon BEIS's assessment of average emissions. The year on year reduction in CO₂ emissions arises in part from the reduction in the group's output but is due in the main to a decrease in the UK's coal generation against an increase in generation sourced from natural gas and renewables.

There was a reduction in the number of environmental permit non-conformances during the year ended 30 June 2019 compared with the twelve months ended 30 June 2018. In the year ended 30 June 2019 there were just 19 reported environmental permit non-conformances across the five power stations (30 June 2018: 41). This significant improvement is primarily attributable to Eye Power Station following the work undertaken during its 2018 annual maintenance outage to accommodate its transition to a mix of poultry litter and waste wood fuel. Further operational improvements were also completed at Eye Power Station during this annual maintenance outage. The absolute number of permit non-conformances across the group has improved over recent years and remains low. EPRL group's ISO 14001 (Environmental) certification was maintained during the year.

ROC entitlement for dedicated biomass fuelled generators such as EPRL is linked to annually audited fuel sustainability criteria. Given the nature of the fuels used across the group, being UK and generally locally sourced and mainly classified as wastes, residues or energy crops from accredited sources, we anticipate full compliance and significant headroom against the required minimum greenhouse gas savings on an on-going basis. Further we believe that our data collection and reporting processes are fully compliant. As with previous years, this view has been supported by successful audits for each of the five biomass power stations in respect of the compliance year ended 31 March 2019.

Strategic report for the year ended 30 June 2019

Divisional business review (continued)

Thetford Power Station

Thetford Power Station performed exceptionally well during the year ended 30 June 2019, generating 275GWh; a reduction compared to the year to 30 June 2018 (289GWh) but ahead of expectations. Thetford Power Station maintained its favourable operating performance and through solid planning, preventative maintenance, operational risk management and a rigorous boiler cleaning regime. The year on year reduction in annual output was the result of the station's planned annual maintenance outage in August 2018 which was extended to 28 days to incorporate the major overhaul of its turbine. The turbine major overhaul is undertaken approximately every six years and at Thetford Power Station typically requires around 28 days, whereas its normal annual outage usually requires half this time.

Ely Power Station

Ely Power Station performance was marginally below expectations for the year ended 30 June 2019, with output of 246GWh. Whilst this was in line with output in the year to 30 June 2018 (246GWh), an improvement had been anticipated but a number of operational issues restricted output and availability across the year.

Glanford Power Station

Glanford Power Station's output in the year ended 30 June 2019 was 99GWh and in line with both expectations and the year ended 30 June 2018 (98GWh). Both availability and output whilst online remained consistent and very good, being a testimony to the preventative maintenance regime which continues to be applied at site.

Eye Power Station

Eye Power Station's output in the year ended 30 June 2019 was 89GWh; higher than expectations and a significant improvement compared with the year ended 30 June 2018 (82GWh). This improvement reflects the success of the program of maintenance and refurbishment works undertaken during the 2018 planned annual outage to accommodate fully the transition to the waste wood and poultry litter fuel mix.

Westfield Power Station

Westfield Power Station's operational performance for the year ended 30 June 2019 was broadly in line with expectations and the previous year, generating 61GWh (30 June 2018: 60GWh).

Despite Westfield Power Station placing great importance and emphasis on health and safety and during the year becoming an early adopter and gaining accreditation of the new ISO 45001 health and safety standard, replacing its previous OHSAS 18001 certification, there were three reportable accidents in the year ended 30 June 2019, and this will be an area for further focus during 2019/20.

Fibrophos Limited

Despite generally difficult trading conditions within UK agriculture, Fibrophos achieved record sales in the year ended 30 June 2019, selling over 104,000 tonnes of fertiliser in the year (year to 30 June 2018: 98,000 tonnes). The strong sales were helped by the warm weather in May and June 2018 and near perfect harvest conditions in July and August, thereby extending the main summer selling and spreading season. Fertiliser selling prices were in line with expectations and the previous year.

Strategic report for the year ended 30 June 2019

Divisional business review (continued)

Landfill Gas division

The results of the Landfill Gas division for the year ended 30 June 2019 and financial position as at that date were satisfactory and broadly in line with expectations.

The nature of generating electricity from methane extracted from landfill sites is such that performance can be adversely impacted not only by unscheduled engine down-time and scheduled maintenance activity, but also by disruptions caused by third-party landfill operations, which are largely outside the control of the group, such as *management of leachate (contaminated water within the landfill)* and changes to both waste tipping and site capping plans. Such activities can result in restricted access to available gas and a direct reduction in generation.

Output from the landfill gas portfolio in the year ended 30 June 2019 was 285GWh, representing a reduction of 10.9% compared to generation of 321GWh in the previous year ended 30 June 2018.

Output from the Landfill Gas portfolio is generally anticipated to gradually decline due to the age of the landfill sites from which it operates and the proportion of sites which are closed to new waste inputs. The actual rate of decline in the year ended 30 June 2019 was adverse to long term expectations, largely reflecting specific issues at five sites. The rate of decline at two closed sites (Cathkin and Connon Bridge) was greater than expected although this appears to have plateaued more recently. Output from both Cotesbach and Stoneyhill, two open sites which have previously consistently ran at full capacity, suffered due to high levels of leachate and at Stoneyhill this was exacerbated by an elongated landfill capping process. As these issues are addressed output is expected to improve. Finally, operations were ceased at Bellhouse as at 31 March 2019 when the associated gas agreement expired.

Principal risks and uncertainties

Risk management policy

The management of the group and execution of the group's strategy are subject to a number of risks. The group has a formal risk management policy and framework that covers identification, mitigation, control, monitoring and review of risks on a regular basis. As part of the policy, the group actively maintains a risk register where the significant risks affecting the group and its operations are identified and reviewed on an annual basis by the board of directors, and more frequently by senior management. The process includes the identification of mitigating controls and actions required to reduce the impact and likelihood of those identified risks occurring.

General risks

The key general risks and uncertainties affecting both the biomass and landfill gas divisions are considered to relate to wholesale electricity prices and changes to renewable energy support regimes. The wholesale electricity prices the group receives pursuant to its power purchase agreements are fixed in advance. The Biomass division receives an electricity price that is fixed every twelve months in advance at the market rate less a customary margin, with each twelve month period lasting from October 1 to September 30 of the following year.

The BGTL Biomass PPA runs to 31 March 2020. Following a competitive process, in September 2018 the Biomass division entered into five power purchase agreements (one for each of its power stations) with Axpo UK Limited in respect of the year ending 31 March 2021. These power purchase agreements include fixed electricity prices and agreed discounts for ROC buy-out and recycle and other associated benefits.

Strategic report for the year ended 30 June 2019

Principal risks and uncertainties (continued)

The electricity price the Landfill Gas division receives under the terms of the BGTL Landfill Gas PPA is fixed every six months in advance at the market rate less a customary margin, with the six-month periods lasting from 1 October to 31 March and from 1 April to 30 September. The group's exposure to movements in the market price of electricity is considered appropriate given the indexed linked nature of its other principal revenue stream, ROC buy-out. The BGTL Landfill Gas PPA runs to 28 February 2022.

Biomass division

The key business risks and uncertainties affecting the Biomass division are considered to relate to operational availability, staff competencies, environmental, health and safety performance and fuel availability. These and all identified risks are managed through the risk management policy. We mitigate the risk of unplanned outages by undertaking ongoing plant condition monitoring (e.g. oil sampling, vibration and heat analysis, etc.) and preventative maintenance. We support our maintenance regime through our trained team of operational and maintenance staff and our operations benefit from long term maintenance contracts for specialist equipment such as turbines and generators. We also maintain a stock of strategic spare parts. In addition, we undertake annual capital improvements to remediate or remove recurring maintenance issues in a timely and cost-effective manner. Biomass fuel is contracted mainly through a mix of medium to long-term contracts, some of which extend to 2027.

During the year ended 30 June 2019 the Biomass division has demonstrated good progress in managing a number of key risks, namely maintaining consistently high output and availability, retaining ISO 14001 and achieving ISO 45001 certification and developing a system of health and safety observations.

Over a third of the average annual fuel requirement of the Biomass division's three poultry litter powered power stations is contracted through to 31 March 2027. The Biomass division's straw and MBM fuel contracts are by their nature more short-term and are generally between one and four years in duration.

Landfill Gas division

The key business risks and uncertainties affecting the Landfill Gas division are considered to relate to gas quality and availability, third party landfill operations, engine availability, environmental, health and safety performance and the renewal of landfill gas agreements at the end of their existing term. Gas quality and availability are monitored continuously via gas sampling, analysis and monitoring on a weekly site by site basis. We mitigate the risk of unplanned engine outages by undertaking plant condition monitoring and preventative maintenance. We aim to follow our engine manufacturers' best practice recommendations and we carry out engine overhauls approximately every 20,000 operating hours. We supplement our maintenance strategy with a stock of strategic spare parts and a trained team of operational staff. Where appropriate and cost effective, we also undertake gas cleaning and have spare engine capacity, this is reviewed on a case by case basis.

Strategic report for the year ended 30 June 2019

Key performance indicators

The key performance indicators ("KPI's") used by the directors are output, turnover, EBITDA, operating profit and turnover per MWh. EBITDA represents earnings before tax, interest, depreciation and amortisation and is reconciled to operating profit in the table below. Group turnover per MWh includes turnover from the sale of electricity, ROCs and the receipt of ROC Recycle income and embedded benefits. It excludes turnover from fertiliser sales and other fees and receipts. The group's performance and the movements in KPI's are discussed in the group business review section of the strategic report.

As such the directors are of the opinion that further analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

Key performance indicators	30 June 2019	30 June 2018 <i>As restated</i>
Output (GWh)	1,055	1,096
Group turnover (£000s)	134,043	126,249
EBITDA (£000s)	41,720	39,223
Operating profit: group and share of joint venture (£000s)	17,371	14,704
Group turnover per MWh (£/MWh)	121.74	110.19

Operating profit to EBITDA	30 June 2019 £'000s	30 June 2018 £'000s <i>As restated</i>
Operating profit: group and share of joint venture	17,371	14,704
<i>Add back:</i>		
Depreciation of owned fixed assets	14,178	14,361
Amortisation and impairment of intangibles	10,171	10,158
EBITDA	41,720	39,223

Results

The group profit before taxation for the year ended 30 June 2019 was £3,548,000 (30 June 2018: £13,206,000 loss).

Approved by and on behalf of the board



E J Wilkinson
Director

21.10.2019

Directors' report for the year ended 30 June 2019

The directors present their report and the audited consolidated financial statements for the group and the company for the year ended 30 June 2019.

Principal activities

The principal activity of Melton Renewable Energy UK Limited is that of a holding company to Melton Renewable Energy (Holdings) Limited and Melton LG Holding Limited. The group represents a UK based renewable energy portfolio of biomass and landfill gas generation assets with an installed capacity of 170MW. In addition, Melton Renewable Energy UK Limited employs a small number of central staff that provide HR, payroll, legal and management services to its subsidiaries.

Melton Renewable Energy (Holdings) Limited is the holding company of the Energy Power Resources Limited ("EPRL") group, the primary activity of which is the operation of five biomass fuelled power stations (in total approximately 111MW capacity) and the marketing and sale of potash and phosphate fertiliser, branded as Fibrophos. In addition, EPRL holds a 50% share in YWP which owns two wind farms located in Yorkshire; Ovenden Moor which was repowered to a capacity of 18MW in 2017 and Royd Moor with a capacity of 6.5MW.

The primary activity of the Melton LG Holding Limited group is the production of energy from landfill gas. The group currently operates from 21 landfill gas sites across the UK and has 59MW of installed capacity.

Future developments

The directors anticipate that output from the biomass portfolio in the year ending 30 June 2020 will be consistent with that of the year ended 30 June 2019, whilst that of the landfill gas portfolio is anticipated to decline slightly due to falling gas volumes as a result of the mix of closed and open landfill sites from which it operates.

Dividends

No dividends were paid by Melton Renewable Energy UK Limited in the year to 30 June 2019 (30 June 2018: £nil).

Directors

The directors of the company, who held office during the year and up to the date of signing the financial statements, are given below:

E J Wilkinson
M G Setchell
P S Latham
M J Bullard

Directors' report for the year ended 30 June 2019

Financial risk management

The group's operations expose it to financial risks, including price risk, liquidity risk and interest rate risk.

Given the size of the group, the directors have not delegated responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the group's finance department.

Price risk

Through its operations the group is exposed to commodity price risk relating to the sale of electricity and fertiliser. However, given the size of the group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature. The group has no exposure to equity securities price risk as it holds no listed or other equity investments.

The price of fuel for the biomass power stations is affected by a number of factors, including competition for existing fuels from other biomass power stations or alternative users, the cost of diesel and impact on haulage, adverse weather, supply chain issues or changes to the regulatory regime governing the availability or price of these fuels. To mitigate the effect of price volatility on the Biomass division, where possible, the group sources the majority of biomass fuels pursuant to long-term contracts with a variety of suppliers.

Poultry litter is mainly sourced under long-term contracts, with the price fixed and linked to the RPI over the duration of the contract period. Over a third of the average annual fuel requirement of the Biomass division's three poultry litter powered power stations is contracted through to March 2027. The Biomass division's straw and MBM fuel contracts are by their nature more short-term and are generally between one and four years in duration.

Liquidity risk

The group maintains appropriate cash balances and has access to a working capital facility so as to ensure the group has sufficient available funds for operations.

Interest rate risk

The group has entered into interest rate swap arrangements to mitigate the interest rate risk of floating market rates on its debt instruments.

Directors' third-party indemnity provision

A qualifying third-party indemnity provision as defined in section 234 of the Companies Act 2006 was in force throughout the financial year and to the date of signing for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, the company maintained a directors' and officers' liability insurance policy throughout the financial year and up to the date of signing the financial statements.

Employment of disabled persons

Applications for employment by disabled persons are given full and fair consideration for all vacancies, having regard to their particular aptitudes and abilities. Should a person become disabled while in the group's employment, every effort is made to retain them in employment, giving alternative training as necessary. The group places great emphasis on internal succession and has a comprehensive training and career development programme applicable to all employees.

Directors' report for the year ended 30 June 2019

Employee Information

We fully realise that our employees wish to be informed and consulted on matters affecting their work and to be involved in problem-solving affecting their own areas of interest and responsibility. The group is firmly committed to a policy of good communication at all levels and we aim to establish a climate which constantly encourages the open flow of information and ideas. Presently this includes monthly team briefings at a local level and the publication of monthly key performance indicators covering output, operating costs and health and safety.

Going concern

After considering the projections prepared for the period to 31 December 2020 for the Melton Renewable Energy UK Limited group, the directors believe that the group and company have sufficient operating cash-flow to enable them to meet liabilities as they fall due and have accordingly prepared the financial statements on a going concern basis.

Restatement of prior year results

The prior year results for the group have been restated to reflect the following;

- i) during the year the directors have reassessed the accounting treatment of ROC recycle income from a cash receipt recognition basis to an accruals basis. This results in a reduction in the loss for the financial year ended 30 June 2018 of £1,284,000 comprising an increase in revenue of £1,669,000 net of an increase in cost of sales in respect of landfill gas royalties of £84,000 and an increase in tax of £301,000.
- ii) a deferred tax asset was incorrectly recognised as at 30 June 2018 in respect of timing differences in amortisation of intangible assets within the group. The restatement results in an increase in the deferred tax charge of £1,311,000 in the year ended 30 June 2018.

The above restatements result in a reduction in opening accumulated losses as at 1 July 2017 of £5,702,000 (from £59,885,000 loss to £54,183,000 loss) and an increase in the loss for the financial year ended 30 June 2018 of £27,000 (from £13,274,000 loss to £13,301,000 loss).

The group's net liabilities as at 30 June 2018 have reduced by £5,675,000 (from £22,289,000 to £16,614,000) as a result of this restatement.

Directors' report for the year ended 30 June 2019

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Report and financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the 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 group and company's auditors are aware of that information.

Statement of disclosure of information to auditors

So far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' report for the year ended 30 June 2019

Independent auditors

In accordance with section 487(2) of the Companies Act 2006 the auditors, PricewaterhouseCoopers LLP, are deemed to be re-appointed.

Approved by and on behalf of the board



E J Wilkinson
Director

21.10.2019

Independent auditors' report

to the members of Melton Renewable Energy UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Melton Renewable Energy UK Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the group and company balance sheets as at 30 June 2019; the group statement of comprehensive income and the group and company statement of changes in equity and the group statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance

Independent auditors' report

to the members of Melton Renewable Energy UK Limited

thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 13, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report
to the members of Melton Renewable Energy UK Limited

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge

21.10.2019

Group statement of comprehensive income

for the year ended 30 June 2019

	Note	2019 £000s	2018 £000s <i>As restated</i>
Turnover	5	134,043	126,249
Cost of sales		(92,068)	(86,456)
Gross profit		41,975	39,793
Distribution costs		(645)	(723)
Administrative expenses		(26,770)	(26,555)
Other operating income		431	358
Operating profit	6	14,991	12,873
Share of operating profit in joint venture		2,380	1,831
Total operating profit: group and share of joint venture		17,371	14,704
Interest receivable and similar income	9	71	82
Interest payable and similar expenses	10	(13,894)	(27,992)
Profit/(loss) before taxation		3,548	(13,206)
Tax on profit/(loss)	11	(3,271)	(95)
Profit/(loss) for the financial year	24	277	(13,301)
Other comprehensive expense			
Change in market value of cash flow hedges	25	(1,911)	-
Other comprehensive expense for the year		(1,911)	-
Total comprehensive expense for the year		(1,634)	(13,301)

All items dealt with in the statement of comprehensive income above relate to continuing operations.

Group balance sheet

as at 30 June 2019

	Note	2019 £000s	2018 £000s <i>As restated</i>
Fixed assets			
Intangible assets	12	78,785	88,933
Tangible assets	13	118,114	129,310
Interests in joint venture	14	11,398	12,461
		<u>208,297</u>	<u>230,704</u>
Current assets			
Stocks	15	15,372	13,335
Debtors: amounts falling due within one year	16	39,061	36,512
Cash at bank and in hand		14,021	5,462
		<u>68,454</u>	<u>55,309</u>
Creditors: amounts falling due within one year	17	(36,727)	(146,761)
Net current assets/(liabilities)		<u>31,727</u>	<u>(91,452)</u>
Total assets less current liabilities		<u>240,024</u>	<u>139,252</u>
Creditors: amounts falling due after more than one year	18	(246,960)	(141,976)
Provisions for liabilities	20	(11,312)	(13,890)
Net liabilities		<u>(18,248)</u>	<u>(16,614)</u>
Capital and reserves			
Called up share capital	23	50,870	50,870
Cash flow hedge reserve	25	(1,911)	-
Accumulated losses	25	(67,207)	(67,484)
Total shareholders' deficit	25	<u>(18,248)</u>	<u>(16,614)</u>

The financial statements on pages 18 to 51 were approved by the board of directors and were signed on its behalf by:



P S Latham
Director

21.10.2019

Registered number: 09194088

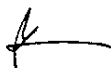
Company balance sheet

as at 30 June 2019

	Note	2019 £000s	2018 £000s
Fixed assets			
Intangible assets	12	76	68
Tangible assets	13	55	26
Investments	14	<u>157,591</u>	<u>157,591</u>
		157,722	157,685
Current assets			
Debtors: amounts falling due within one year	16	89,077	94,705
Debtors: amounts falling due after more than one year	16	18,394	29,402
Cash at bank and in hand		<u>526</u>	<u>180</u>
		107,997	124,287
Creditors: amounts falling due within one year	17	(18,667)	(134,050)
Net current assets/(liabilities)		89,330	(9,763)
Total assets less current liabilities		247,052	147,922
Creditors: amounts falling due after more than one year	18	(246,960)	(141,976)
Net assets		92	5,946
Capital and reserves			
Called up share capital	23	50,870	50,870
Cash flow hedge reserve	25	(1,911)	-
Accumulated losses	25	(48,867)	(44,924)
Total shareholders' funds	25	92	5,946

The loss for the financial year attributable to the company amounted to £3,943,000 (30 June 2018: £13,222,000 loss).

The financial statements on pages 18 to 51 were approved by the board of directors and were signed on its behalf by:



P S Latham
Director

21.10.2019

Registered number: 09194088

Group statement of changes in equity

For the year ended 30 June 2019

<i>Group</i>	<i>Called up share capital £'000s</i>	<i>Cash flow hedge reserve £000s</i>	<i>Accumulated losses £000s As restated</i>	<i>Total £'000s As restated</i>
At 1 July 2017	50,870	-	(54,183)	(3,313)
Loss for the financial year	-	-	(13,301)	(13,301)
At 30 June 2018	50,870	-	(67,484)	(16,614)
	<i>Called up share capital £'000s</i>	<i>Cash flow hedge reserve £000s</i>	<i>Accumulated losses £000s</i>	<i>Total £'000s</i>
At 1 July 2018	50,870	-	(67,484)	(16,614)
Profit for the financial year	-	-	277	277
Movement in derivative financial instruments designated as cash flow hedges	-	(1,911)	-	(1,911)
At 30 June 2019	50,870	(1,911)	(67,207)	(18,248)

Company statement of changes in equity

For the year ended 30 June 2019

<i>Company</i>	<i>Called up share capital £'000s</i>	<i>Cash flow hedge reserve £000s</i>	<i>Accumulated losses £000s</i>	<i>Total £'000s</i>
At 1 July 2017	50,870	-	(31,702)	19,168
Loss for the financial year	-	-	(13,222)	(13,222)
At 30 June 2018	50,870	-	(44,924)	5,946
	<i>Called up share capital £'000s</i>	<i>Cash flow hedge reserve £000s</i>	<i>Accumulated losses £000s</i>	<i>Total £'000s</i>
At 1 July 2018	50,870	-	(44,924)	5,946
Loss for the financial year	-	-	(3,943)	(3,943)
Movement in derivative financial instruments designated as cash flow hedges	-	(1,911)	-	(1,911)
At 30 June 2019	50,870	(1,911)	(48,867)	92

Group statement of cash flows

for the year ended 30 June 2019

		2019	2018
	Note	£000s	£000s
Net cash inflow from operating activities	26	35,993	35,904
Taxation paid		(1,029)	(559)
Net cash generated from operating activities		34,964	35,345
Cash flow from investing activities			
Payments to acquire tangible assets		(3,127)	(3,006)
Payments to acquire intangible assets		(23)	(17)
Proceeds from sale of tangible assets		-	250
Dividends from joint venture		3,000	1,500
Interest received		71	82
Net cash used in investing activities		(79)	(1,191)
Cash flow from financing activities			
Proceeds from bank loan		152,190	-
Principal repayment of bank loan		(11,694)	-
Senior secured notes redeemed		-	(152,000)
(Repayment)/advance of parent company loans		(158,030)	123,771
Interest and similar charges paid		(3,849)	(16,805)
Debt issue costs paid		(4,943)	-
Net cash used in financing activities		(26,326)	(45,034)
Net increase/(decrease) in cash and cash equivalents	27	8,559	(10,880)
Cash and cash equivalents at the beginning of the year		5,462	16,342
Cash and cash equivalents at the end of the year		14,021	5,462
Cash and cash equivalents consists of:			
Cash at bank and in hand		14,021	5,462

Notes to the financial statements

for the year ended 30 June 2019

1. General information

Melton Renewable Energy UK Limited's principal activity is that of holding company to Melton Renewable Energy (Holdings) Limited and Melton LG Holding Limited. The group represents a UK based renewable energy portfolio of biomass and landfill gas generation assets with an installed capacity of 170MW. In addition, Melton Renewable Energy UK Limited employs a small number of central staff that provide HR, payroll, legal and management services to its subsidiaries.

The company is a private company limited by shares and is incorporated and registered in England, United Kingdom. The address of its registered office is 6th Floor, 33 Holborn, London, EC1N 2HT.

2. Statement of compliance

The group and individual financial statements of Melton Renewable Energy UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all years presented.

Basis of preparation

The consolidated financial statements are prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102").

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

Notwithstanding the fact that the group and company have net liabilities, the directors have prepared the financial statements on the going concern basis. After considering the projections prepared for the period to 31 December 2020 for the Melton Renewable Energy UK Limited Group, the directors believe that the group and company have sufficient operating cash flow to enable them to meet liabilities as they fall due.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows;
- ii) from disclosing transactions with related entities, these being other 100% owned subsidiaries of Fern Trading Limited, as required by FRS 102 paragraph 33.1;
- iii) from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Notes to the financial statements

for the year ended 30 June 2019

3. Accounting policies (continued)

Basis of consolidation

The consolidated financial statements include the results of the company and its subsidiary undertakings (all of which are wholly owned and have uniform accounting policies) using the principles of acquisition accounting such that the results of the subsidiaries are included in the consolidated statement of comprehensive income from the date of acquisition. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Entities in which the group holds an interest on a long-term basis and are jointly controlled by the group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method.

No separate statement of comprehensive income is presented for the company Melton Renewable Energy UK Limited as permitted by section 408 of the Companies Act 2006. The loss for the year attributable to the company amounted to £3,943,000 (30 June 2018: £13,222,000 loss).

Foreign currencies

The group financial statements are presented in pound sterling and rounded to thousands. The company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Turnover

Turnover represents the invoiced value of goods and services for electricity supplied, net of value added tax and trade discounts.

Turnover is derived from and recognised when electricity generated is exported to third party customers.

ROC Recycle income is recognised on an accruals basis and based on an estimate of the declared prices for each compliance period.

Turnover generated from the sale of fertiliser is recognised on physical dispatch.

Accrued income comprises income relating to the current year, which has not been invoiced as at the balance sheet date.

Other operating income

Amounts disclosed as other operating income are in respect of taxable credits arising on the group's qualifying research and development expenditure. These are recognised in the year in which the claim is submitted.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Notes to the financial statements

for the year ended 30 June 2019

3. Accounting policies (continued)

Intangible assets and amortisation

Purchased goodwill arises on the acquisition of a business and represents the excess of the fair value of the consideration given over the aggregate of the fair value of the separate net assets acquired. Purchased goodwill is capitalised and stated at cost less accumulated amortisation and provisions for impairment. A review for the potential impairment of goodwill is carried out if events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable. Such impairment reviews are performed in accordance with Section 27 of FRS 102. The carrying value of goodwill is assessed based on the combined discounted future cash flows of the biomass and landfill gas divisions, considered to be one cash generating unit ("CGU") in accordance with FRS 102 paragraph 27.27, as they were acquired as part of a single transaction.

Impairments arising are recorded in the statement of comprehensive income.

Amortisation is calculated on a straight line basis over 12 ½ years representing the period from the date of acquisition to March 2027, this being the date to which support under the Renewables Obligation is grandfathered for the biomass power stations and the majority of the landfill gas generation sites. This is the directors' estimate of the period over which benefits may reasonably be expected to accrue from the acquisitions.

Tangible fixed assets

Tangible fixed assets are stated at their cost at acquisition less accumulated depreciation. Additions are based on the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected useful lives from acquisition using the straight line basis. The expected useful lives of the assets to the business are reassessed periodically in the light of experience.

Straight line annual rates of depreciation most widely used are:

Freehold land	- nil
Buildings	- over 50 years
Power stations	- over 20 to 25 years
Plant and machinery	- over 4 to 20 years

No depreciation is charged to assets under construction.

Modifications, which are intended to extend the useful economic life of the existing asset or enhance the asset's operating performance, are capitalized and depreciated on a straight line basis over the remaining useful economic lives of these modifications, commencing when the modifications are brought into use.

The directors annually review their decommissioning assessment to confirm that there are not any material net liabilities or contingencies arising from the commitment to decommission the biomass power stations.

Impairment

The carrying value of the group's assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's 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 represents the current market risk-free rate and the risks inherent in the assets.

Notes to the financial statements

for the year ended 30 June 2019

3. Accounting policies (continued)

Investments

The company's investment in subsidiary undertakings is stated at cost less, where applicable, amounts written off to reflect the value of the underlying net assets of the investment at the balance sheet date.

Stocks

Spare parts are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stock.

Fuel stocks (MBM and litter) are valued on an average cost basis over 1 to 2 months and provision for unusable litter is reviewed monthly and applied to off-site stock.

Fuel stock of straw has been valued at the historical cost per tonne of straw. A provision for unusable straw is identified on an individual stack basis and is reviewed monthly. Stocks are currently used on a first in, first out ("FIFO") basis by age of straw.

Stocks of ash at B. Phosphos are valued at the lower of cost and net realisable value to the group.

Stocks are valued at raw material cost plus processing and storage costs, or net realisable

Current tax

Current tax is the amount of corporation tax payable in respect of the taxable profit for the year or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Provisions are made for uncertain tax positions taken in tax returns with respect to situations in which the outcome is uncertain due to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

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 exception:

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 substantially enacted at the balance sheet date.

Group relief

Credits for amounts receivable in respect of tax losses surrendered to group companies are recognised in the period in which the losses are surrendered, as are charges in respect of tax losses claimed from group companies.

Pension costs

The Melton Renewable Energy UK Limited group operates multiple defined contribution personal pension schemes available to all employees of the group. Employee contributions of varying amounts together with employer contributions of between 2% and 10% are paid monthly to the scheme providers. These contributions are recognised as an expense in the statement of comprehensive income when they fall due.

Notes to the financial statements

for the year ended 30 June 2019

3. Accounting policies (continued)

Leases

At inception the group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement and whether the lease should be classified as either a finance lease or an operating lease.

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the fair value of the leased asset and depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

Debt issue costs

Issue costs associated with debt financing are capitalised and netted off against the principal amounts. The costs are amortised over the term of the debt in proportion to amounts outstanding.

Financial instruments

The group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Notes to the financial statements

for the year ended 30 June 2019

3. Accounting policies (continued)

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.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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.

The group has entered into interest rate swaps to manage its exposure to interest rate risk. These are designated as cash flow hedges of its floating rate debt facilities and are measured at fair value at each balance sheet date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the group's accounting policies

The directors consider that there are no critical judgements in the application of the groups accounting policies which would have a material impact on the financial statements.

(b) Key accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Impairment of goodwill

The group considers whether goodwill is impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of future cash flows from the group's operations and also the selection of an appropriate discount rate in order to calculate the net present value of those cash flows.

ii) Stock obsolescence

The group reviews and provides for unusable or slow moving stock. Unusable stock represents biomass fuel assessed to have too high a moisture content for use at the power stations. As at 30 June 2019 the provision for unusable and slow moving stock was £740,000 (30 June 2018: £790,000).

Notes to the financial statements

for the year ended 30 June 2019

4. Critical accounting judgements and estimation uncertainty (continued)

iii) Useful economic life on tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed periodically.

iv) The valuation of investments in subsidiary undertakings

The company considers whether the valuation of its investments in subsidiary undertakings, including the recoverability of any loans to those subsidiary undertakings, is impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of future cash flows from the subsidiary operations and also the selection of an appropriate discount rate in order to calculate the net present value of those cash flows.

v) Cash flow hedges

Cash flow hedges are considered for effectiveness by comparing the cumulative change in the fair value of the hedged instrument since inception of the hedge to the cumulative change in fair value of the hedged item.

5. Segmental analysis

The group is divided into two operating segments, the biomass and landfill gas divisions, as well as a central management and administration function. This reflects the group's management and internal reporting structures which are monitored by the group's Chief Operating Decision Maker ("CODM"). The group uses EBITDA as a key reporting metric representing earnings before interest, taxation, depreciation and amortisation.

The tables on pages 31 and 32 present segmental information for the year ended 30 June 2019 and for the comparative year ended 30 June 2018.

Segmental profit/(loss), assets and liabilities include items directly attributable to each segment as well as those which can be allocated to each segment on a reasonable basis including goodwill and fair value adjustments to fixed assets arising upon acquisition and the amortisation and depreciation thereon.

Unallocated items included in the group's profit/(loss) on ordinary activities represent interest and similar charges on senior and shareholder debt. Unallocated items included within total liabilities represent long term senior and shareholder debt, current tax creditors and provisions for deferred taxation.

Turnover arises solely from the group's principal activities in the United Kingdom, net of value added tax.

Notes to the financial statements

for the year ended 30 June 2019

5. Segmental analysis (continued)

Segmental statement of income analysis

For the year ended 30 June 2019	<i>Biomass</i>	<i>Landfill Gas</i>	<i>Central</i>	<i>Group</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Turnover	103,328	30,715	-	134,043
Operating costs	(72,297)	(18,180)	(4,512)	(94,989)
Other operating income	431	-	-	431
Loss on sale of tangible fixed assets	-	(145)	-	(145)
Share of operating profit in joint venture	2,380	-	-	2,380
EBITDA	33,842	12,390	(4,512)	41,720
Fixed asset depreciation	(11,799)	(2,365)	(14)	(14,178)
Intangible amortisation and impairments	(4,922)	(5,234)	(15)	(10,171)
Operating profit/(loss): group and share of joint venture	17,121	4,791	(4,541)	17,371
Unallocated interest charges on borrowings	-	-	-	(13,823)
Profit/(loss) before taxation	17,121	4,791	(4,541)	3,548

For the year ended 30 June 2018	<i>Biomass</i>	<i>Landfill Gas</i>	<i>Central</i>	<i>Group</i>
<i>As restated</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Turnover	95,253	30,976	20	126,249
Operating costs	(65,962)	(18,724)	(4,712)	(89,398)
Other operating income	358	-	-	358
Profit on sale of tangible fixed assets	-	183	-	183
Share of operating profit in joint venture	1,831	-	-	1,831
EBITDA	31,480	12,435	(4,692)	39,223
Fixed asset depreciation	(12,038)	(2,298)	(25)	(14,361)
Intangible amortisation and impairments	(4,922)	(5,234)	(2)	(10,158)
Operating profit/(loss): group and share of joint venture	14,520	4,903	(4,719)	14,704
Unallocated interest charges on borrowings	-	-	-	(27,910)
Profit/(loss) before taxation	14,520	4,903	(4,719)	(13,206)

Notes to the financial statements

for the year ended 30 June 2019

5. Segmental analysis (continued)

Segmental balance sheet analysis

As at 30 June 2019	<i>Biomass</i>	<i>Landfill Gas</i>	<i>Central</i>	<i>Group</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Non-current assets	150,511	57,702	84	208,297
Current assets (excluding unallocated amounts)	52,538	13,066	618	66,222
Unallocated current tax asset	-	-	-	2,232
Total assets	203,049	70,768	702	276,751
Creditors: amounts falling due within one year (excluding unallocated amounts)	(13,671)	(5,496)	(2,550)	(21,717)
Unallocated short term debt and accrued interest	-	-	-	(15,010)
Unallocated long term debt	-	-	-	(246,960)
Unallocated deferred taxation	-	-	-	(11,312)
Total liabilities	(13,671)	(5,496)	(2,550)	(294,999)
Net assets/(liabilities)	189,378	65,272	(1,848)	(18,248)

As at 30 June 2018	<i>Biomass</i>	<i>Landfill Gas</i>	<i>Central</i>	<i>Group</i>
<i>As restated</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Non-current assets	166,152	64,481	71	230,704
Current assets (excluding unallocated amounts)	42,071	12,078	389	54,538
Unallocated current tax asset	-	-	-	771
Total assets	208,223	76,559	460	286,013
Creditors: amounts falling due within one year (excluding unallocated amounts)	(8,827)	(3,930)	(3,733)	(16,490)
Unallocated short term debt	-	-	-	(130,271)
Unallocated long term debt and accrued interest	-	-	-	(141,976)
Unallocated deferred taxation	-	-	-	(13,890)
Total liabilities	(8,827)	(3,930)	(3,733)	(302,627)
Net assets/(liabilities)	199,396	72,629	(3,273)	(16,614)

Notes to the financial statements

for the year ended 30 June 2019

6. Operating profit

Operating profit is stated after charging/(crediting) the following:

	2019 £000s	2018 £000s
Services provided by the company's auditors:		
- Fees payable for the audit of the parent company and consolidated financial statements	287	280
- Fees payable to the company's auditors and their associates for other services		
- audit related assurance services	45	46
- tax compliance services	26	26
Depreciation of owned fixed assets	14,178	14,361
Loss/(profit) on disposal of fixed assets	145	(183)
Amortisation of goodwill	10,171	10,158
Operating lease rentals		
- land and buildings	361	361
- other	274	285
Inventory recognised as an expense	39,964	37,120
Impairment of inventory	10	144

7. Directors' emoluments

Emoluments paid to directors by the company:

	2019 £000s	2018 £000s
Aggregate emoluments during the year	314	324
Company pension contributions	10	9

At 30 June 2019 no directors had benefits arising under the defined contribution scheme. The total emoluments of the highest paid director in office for the year were £324,000 (30 June 2018: £333,000). M G Setchell, P S Latham and M J Bullard did not receive any payment for their services to the Melton Renewable Energy UK Limited group.

Notes to the financial statements

for the year ended 30 June 2019

7. Directors' emoluments (continued)

Key management personnel compensation paid by the group during the year was:

	2019	2018
	£000s	£000s
Salaries and other short term benefits	1,376	1,346

8. Employee information

	Group		Company	
	2019	2018	2019	2018
	£000s	£000s	£000s	£000s
Wages and salaries	11,669	11,181	851	809
Social security costs	1,352	1,306	106	104
Other pension costs	461	409	34	30
	13,482	12,896	991	943

The average monthly number of persons employed by the group and company during the year was:

	Group		Company	
	2019	2018	2019	2018
	Number	Number	Number	Number
Production	196	195	-	-
Administration	60	59	9	9
	256	254	9	9

Notes to the financial statements

for the year ended 30 June 2019

9. Interest receivable and similar income

	2019 £000s	2018 £000s
Interest receivable	71	82

10. Interest payable and similar expenses

	2019 £000s	2018 £000s
Interest payable on bank loans	3,476	12,256
Amortisation of issue costs of bank loans	565	3,114
Interest payable to immediate parent company	9,302	12,378
Losses on derivative financial instruments	10	-
Other interest and charges	541	244
	13,894	27,992

11. Tax on profit/(loss)

a) Analysis of the charge in the year

	2019 £000s	2018 £000s <i>As restated</i>
Current tax		
Group relief payable	4,876	-
Share of joint venture's current tax	319	(12)
Adjustments in respect of prior years	134	62
Total current tax charge for the year	5,329	50
Deferred tax		
Origination and reversal of timing differences	(2,270)	(410)
Share of joint venture's deferred tax	128	215
Adjustments in respect of prior years	84	240
Total deferred tax (credit)/charge for the year	(2,058)	45
Tax charge on profit/(loss)	3,271	95

Notes to the financial statements

for the year ended 30 June 2019

11. Tax on profit/(loss) (continued)

b) Reconciliation of tax charge

The tax assessed on the profit/(loss) before taxation for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000s	2018 £000s
Profit/(loss) before taxation	3,548	(13,206)
Profit/(loss) before taxation multiplied by effective rate of corporation tax of 19% (2018: 19%)	674	(2,509)
Effect of:		
Adjustments in respect of prior years	218	302
Expenses not deductible for tax purposes	2,473	2,817
Non taxable income	(82)	(50)
Unrecognised deferred tax	(12)	(465)
Tax charge for the year	3,271	95

c) Factors that may affect future charges

A reduction in the main rate of corporation tax to 17% from 1 April 2020 was substantively enacted as part of Finance Bill 2016 (on 6 September 2016). Consequently deferred tax has been calculated at the year end using a tax rate of 17%.

12. Intangible assets

Group

	Goodwill £000s	Software £000s	Total £000s
Cost:			
At 1 July 2018	150,476	70	150,546
Additions	-	23	23
At 30 June 2019	150,476	93	150,569
Accumulated amortisation and impairment:			
At 1 July 2018	61,611	2	61,613
Charge for the year	10,156	15	10,171
At 30 June 2019	71,767	17	71,784
Net book amount:			
At 30 June 2019	78,709	76	78,785
At 30 June 2018	88,865	68	88,933

Notes to the financial statements

for the year ended 30 June 2019

12. Intangible assets (continued)

The goodwill arising on acquisitions is being amortised on a straight line basis over 12 ½ years being the directors' estimate of the minimum period over which benefits may reasonably be expected to accrue from the acquisitions. The value of goodwill and any required impairment is based upon the estimated net present value of future cash flows from the group's operations using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the assets.

Future cash flows are estimated based upon management's assumptions in respect of output and operational performance, electricity prices, biomass fuel costs, royalty rates and other operating costs.

For the biomass assets cash flows are estimated until 2027, in line with the period over which goodwill is amortised and the point until which support under the Renewables Obligation is grandfathered for the biomass powers stations. Whilst the majority of landfill gas sites are grandfathered at a full ROC per MWh until 2027, cash flows from landfill gas generation are estimated until 2030, based upon site by site current internal gas forecasts and individual project economics, where these indicate sustainable net revenue to at least this point.

Company

	<i>Software £000s</i>
Cost:	
At 1 July 2018	70
Additions	23
At 30 June 2019	93
Accumulated amortisation and impairment:	
At 1 July 2018	2
Charge for the year	15
At 30 June 2019	17
Net book amount:	
At 30 June 2019	76
At 30 June 2018	68

The intangible assets held within the company arises on purchases of computer software. Their useful economic life has been estimated at 5 years.

Notes to the financial statements

for the year ended 30 June 2019

13. Tangible assets

<i>Group</i>	<i>Freehold land and buildings £000s</i>	<i>Power stations £000s</i>	<i>Plant and machinery £000s</i>	<i>Assets under construction £000s</i>	<i>Total £000s</i>
Cost:					
At 1 July 2018	4,557	160,294	27,360	607	192,818
Additions	12	1,793	948	374	3,127
Transfers	-	444	163	(607)	-
Disposals	-	-	(1,463)	-	(1,463)
At 30 June 2019	4,569	162,531	27,008	374	194,482
Accumulated depreciation:					
At 1 July 2018	229	54,604	8,675	-	63,508
Charge for the year	64	11,707	2,407	-	14,178
Disposals	-	-	(1,318)	-	(1,318)
At 30 June 2019	293	66,311	9,764	-	76,368
Net book amount:					
At 30 June 2019	4,276	96,220	17,244	374	118,114
At 30 June 2018	4,328	105,690	18,685	607	129,310

Company

	<i>Plant and machinery £000s</i>	<i>Total £000s</i>
Cost:		
At 1 July 2018	54	54
Additions	43	43
At 30 June 2019	97	97
Accumulated depreciation:		
At 1 July 2018	28	28
Charge for the year	14	14
At 30 June 2019	42	42
Net book amount:		
At 30 June 2019	55	55
At 30 June 2018	26	26

Notes to the financial statements

for the year ended 30 June 2019

14. Investments

Group

Energy Power Resources Limited, a subsidiary of Melton Renewable Energy UK Limited, owns 50% of the issued share capital of Yorkshire Windpower Limited as part of a 50:50 joint venture with E.ON Climate & Renewables UK Operations Limited. The principal activities of Yorkshire Windpower Limited are the ownership, maintenance and operation of two wind farms at Ovenden Moor and Royd Moor in Yorkshire and the sale of the associated electrical generation under a power purchase agreement. Yorkshire Windpower Limited is governed and managed through a joint board of directors with decisions in respect of the entity agreed at board level.

	<i>Joint venture £000s</i>
At 1 July 2018	12,461
Share of profit after taxation for the financial year	(1,063)
At 30 June 2019	11,398
 <i>Company</i>	
	<i>Subsidiary undertakings £000s</i>
Cost:	
At 1 July 2018 and 30 June 2019	172,591
Accumulated impairment:	
At 1 July 2018	15,000
At 30 June 2019	15,000
 Net book amount:	
At 30 June 2019	157,591
At 30 June 2018	157,591

The value of the investments have been assessed based upon the estimated net present value of future cash flows from the subsidiary operations using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the assets. Future cash flows are estimated based upon management's assumptions in respect of output and operational performance, electricity prices, biomass fuel costs, royalty rates and other operating costs.

Notes to the financial statements

for the year ended 30 June 2019

14. Investments (continued)

The subsidiary companies and joint venture of the group and the company at 30 June 2019, which are all wholly owned and incorporated and registered in Great Britain are listed below.

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Melton Renewable Energy (Holdings) Limited *+	Ordinary shares	100%	Holding company
Melton LG Holding Limited *+	Ordinary shares	100%	Holding company
Melton LG Energy Limited *	Ordinary shares	100%	Holding company
Melton LG ROC Limited *	Ordinary shares	100%	Asset leasing company
CLPE Holdings Limited *	Ordinary shares	100%	Holding company
CLP Envirogas Limited *	Ordinary shares	100%	Provision of operating and maintenance services
CLP Developments Limited *	Ordinary shares	100%	Non trading company
CLP Services Limited *	Ordinary shares	100%	Non trading company
CLPE 1999 Limited *	Ordinary shares	100%	Holding company
CLPE 1991 Limited	Ordinary shares	100%	Dormant company
CLPE Projects 1 Limited *	Ordinary shares	100%	Holding company
CLPE Projects 2 Limited *	Ordinary shares	100%	Holding company
CLPE Projects 3 Limited *	Ordinary shares	100%	Holding company
CLPE ROC - 1 Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
CLPE ROC - 2 Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
CLPE ROC - 3 Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
CLPE ROC - 4 Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Bellhouse Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Chelson Meadow Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Summerston Energy Limited * ²	Ordinary shares	100%	Generation of electricity from landfill gas
United Mines Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Whinney Hill Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Beighton Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Cotesbach Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Queen's Park Road Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Skelbrooke Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Wetherden Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Auchencarroch Energy Limited * ²	Ordinary shares	100%	Generation of electricity from landfill gas
Bolam Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Colsterworth Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Connon Bridge Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Feltwell Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Garlaff Energy Limited * ²	Ordinary shares	100%	Dormant company
Jameson Road Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Kilgarth Energy Limited * ²	Ordinary shares	100%	Non trading company
March Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Todhills Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Whinney Hill Energy 2 Limited *	Ordinary shares	100%	Non trading company
Beetley Energy Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Cathkin Energy Limited * ²	Ordinary shares	100%	Generation of electricity from landfill gas

Notes to the financial statements

for the year ended 30 June 2019

14. Investments (continued)

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Cilgwyn Energy Limited	Ordinary shares	100%	Dormant company
Stoneyhill Energy Limited ²	Ordinary shares	100%	Dormant company
Snetterton Energy Limited *	Ordinary shares	100%	Non trading company
CLPE ROC – 2A Limited *	Ordinary shares	100%	Non trading company
CLPE ROC – 3A Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
CLPE ROC – 4A Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Melton Renewable Energy Newco Limited *	Ordinary shares	100%	Holding company
EPR Renewable Energy Limited *	Ordinary shares	100%	Holding company
Energy Power Resources Limited *	Ordinary shares	100%	Development of renewable energy projects and provision of management services
EPR Scotland Limited ^{*3}	Ordinary shares	100%	Operation of electricity power station
EPR Ely Limited *	Ordinary shares	100%	Operation of electricity power station
EPR Eye Limited *	Ordinary shares	100%	Operation of electricity power station
EPR Glanford Limited *	Ordinary shares	100%	Operation of electricity power station
EPR Thetford Limited *	Ordinary shares	100%	Operation of electricity power station
Fibrophos Limited *	Ordinary shares	100%	Supply of fertiliser
Anglian Straw Limited	Ordinary shares	100%	Dormant company
Best Selection	Ordinary shares	100%	Dormant company
Energy Power Resources (Newco) Limited	Ordinary shares	100%	Dormant company
EPR Ely Power Limited	Ordinary shares	100%	Dormant company
Fibrowatt Limited	Ordinary shares	100%	Dormant company
Fibrowatt Group Limited	Ordinary shares	100%	Dormant company
First Renewables Limited	Ordinary shares	100%	Dormant company
Joint venture			
Yorkshire Windpower Limited ¹	Ordinary shares	50%	Owner and operator of two windfarms

*Subsidiaries exempt from audit by virtue of s479A of the Companies Act 2006 (note 29)

+ Held directly by Melton Renewable Energy UK Limited.

¹ The financial year end of Yorkshire Windpower Limited was 31 March 2019

The registered office of all companies listed above is 6th Floor, 33 Holborn, London, EC1N 2HT except for those set out below:

¹ Westwood Way, Westwood Business Park, Coventry, CV4 8LG

² Pinsent Masons LLP, Princes Exchange, 1 Earl Grey Street, Edinburgh, Midlothian, EH3 9AQ

³ 191 West George Street, Glasgow, G2 2LD

The directors consider the carrying value of the investments is supported by their underlying value.

Notes to the financial statements

for the year ended 30 June 2019

15. Stocks

<i>Group</i>	<i>2019</i>	<i>2018</i>
	<i>£000s</i>	<i>£000s</i>
Ash stock	2,327	2,737
Fuel, spare parts and consumables	13,045	10,598
	<u>15,372</u>	<u>13,335</u>

The replacement cost of stocks does not differ materially from the numbers disclosed above. Included in the fuel, spare parts and consumables stock value is a provision of £440,000 for unusable fuel stock (2018: £360,000). Included in the ash stock value is a provision of £300,000 for slow moving stock (2018: £430,000). The company held no stock during the year (2018: £nil).

16. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
		<i>As restated</i>		
Amounts falling due within one year				
Trade debtors	319	617	-	-
Amounts owed by group undertakings	-	-	87,875	91,345
Consortium and group relief	-	-	1,106	3,103
Corporation tax	2,232	771	-	-
Taxation and social security	-	-	5	30
Prepayments and accrued income	36,510	35,124	91	227
	<u>39,061</u>	<u>36,512</u>	<u>89,077</u>	<u>94,705</u>
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	18,000	29,400
Deferred tax asset	-	-	394	2
	<u>-</u>	<u>-</u>	<u>18,394</u>	<u>29,402</u>

Amounts owed by group undertakings include the following loans from Melton Renewable Energy UK Limited to subsidiary companies. The loans are unsecured and have repayment dates as set out below:

	<i>Loan principal</i>	<i>Interest accrued</i>	<i>Interest rate</i>	<i>Date of repayment</i>
Melton Renewable Energy (Holdings) Limited	£18,000,000	£1,031,287	11%	December 2028
Energy Power Resources Limited	£13,200,000	-	7.5%	On demand
Melton LG Energy Limited	£72,800,000	£843,836	7.5%	On demand

Notes to the financial statements

for the year ended 30 June 2019

17. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
		<i>As restated</i>		
Bank loans and overdrafts (note 21)	14,991	-	14,991	-
Interest on external debt	30	-	30	-
Trade creditors	1,403	1,686	-	-
Amounts owed to shareholder	3,048	133,450	3,048	133,450
Group relief	5,011	-	-	-
Other creditors	448	465	-	-
Other taxation and social security	2,040	2,275	31	29
Accruals and deferred income	9,756	8,885	567	571
	36,727	146,761	18,667	134,050

Amounts owed to shareholder include management fees payable to Eucalyptus Energy Limited of £3,048,145 (2018: £3,179,362). An unsecured interest free short term advance (2018: £130,270,760) provided by the group's immediate parent undertaking, Eucalyptus Energy Limited to fund the redemption of the £152,000,000 senior secured notes was repaid on 31 December 2018.

18. Creditors: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Bank loans and overdrafts (note 21)	121,127	-	121,127	-
Shareholder loan (note 22)	123,519	141,976	123,519	141,976
Derivative financial instruments	2,314	-	2,314	-
	246,960	141,976	246,960	141,976

The shareholder loan notes are unsecured, are repayable no earlier than 1 February 2021 and bear interest at 7%.

Notes to the financial statements

for the year ended 30 June 2019

19. Financial instruments

Group

The group has entered into interest rate swaps to manage its exposure to interest rate risk. These derivatives are not basic financial instruments, were recognised at fair value on the date that the contract was entered into and have been subsequently re-measured at their fair-value. There were no interest rate swaps in place in the year to 30 June 2018.

The group has the following financial instruments:

	Note	2019 £000s	2018 £000s <i>As restated</i>
Financial instruments measured at amortised cost			
Trade receivables	16	319	617
		<u>319</u>	<u>617</u>
Financial liabilities measured at amortised cost			
Bank loans falling due within one year	17	14,991	-
Trade creditors	17	1,403	1,686
Amounts owed to shareholder	17	3,048	133,450
Accruals	17	9,756	8,885
Other creditors	17	448	465
Bank loans falling due after more than one year	18	121,127	-
Shareholder loan falling due after more than one year	18	123,519	141,976
		<u>274,292</u>	<u>286,462</u>

Company

The company has entered into interest rate swaps to manage its exposure to interest rate risk. These derivatives are not basic financial instruments, were recognised at fair value on the date that the contract was entered into and have been subsequently re-measured at their fair-value. There were no interest rate swaps in place in the year to 30 June 2018.

The company has the following financial instruments.

	Note	2019 £000s	2018 £000s <i>As restated</i>
Financial instruments measured at amortised cost			
Amounts owed by group undertakings	16	105,875	120,745
		<u>105,875</u>	<u>120,745</u>
Financial liabilities measured at amortised cost			
Bank loans falling due within one year	17	14,991	-
Amounts owed to shareholder	17	3,048	133,450
Accruals	17	567	571
Bank loans falling due after more than one year	18	121,127	-
Shareholder loan falling due after more than one year	18	123,519	141,976
		<u>263,252</u>	<u>275,997</u>

Notes to the financial statements

for the year ended 30 June 2019

20. Provisions for liabilities

The group has a net deferred tax liability totalling £11,312,000 (30 June 2018: £13,890,000) made up as follows:

	<i>Group</i>	
	<i>2019</i>	<i>2018</i>
	<i>£000s</i>	<i>£000s</i>
		<i>As restated</i>
Capital allowances in excess of depreciation	11,960	14,401
Tax losses carried forward	(252)	(505)
Other timing differences	(4)	(6)
Tax on components of cash flow hedges	(392)	-
Total deferred tax liability	11,312	13,890
At the beginning of the year	13,890	14,060
Origination and reversal of timing differences	(2,270)	(410)
Adjustments in respect of prior years	84	240
Movement in tax on components of cash flow hedges	(392)	-
Net deferred tax liability at the end of the year	11,312	13,890

Deferred tax assets not recognised

	<i>Group</i>	
	<i>2019</i>	<i>2018</i>
	<i>£000s</i>	<i>£000s</i>
Tax losses carried forward	(6)	(18)

In accordance with Section 29 of FRS 102 no deferred tax asset has been recognised in relation to these amounts as their recoverability cannot be predicted with any degree of certainty.

The company had no unrecognised deferred tax assets in the current or corresponding years.

Notes to the financial statements

for the year ended 30 June 2019

21. Bank loans

Group and company

	2019 £000s	2018 £000s
Amounts falling due within one year	14,991	-
Amounts falling due after more than one year	121,127	-
	<u>136,118</u>	<u>-</u>

On 24 July 2018 the group concluded a refinancing process comprising £152,190,000 term loan, £10,000,000 revolving credit facility and a £12,000,000 debt service reserve facility. This is an amortising debt facility repayable by 31 March 2027.

The term loan facility bears interest at LIBOR plus a margin of between 2.35% and 3.00% until repayment. Commitment fees of 0.08% are payable on all undrawn amounts of the revolving credit facility and debt service reserve facility. The lending banks have been granted security including a first ranking security over real property (including all project-level real property), specific key contracts, all insurance policies, bank accounts and shares.

On 24 July 2018 the group entered into fixed rate swap arrangement in respect of 70% of the value of the term loan. The LIBOR rate has been swapped to a fixed rate of 1.483%.

Bank loans are stated net of unamortised issue costs of £4,378,000.

22. Shareholder loan

As at 30 June 2019, the company is in receipt of a shareholder loan from its immediate parent company Eucalyptus Energy Limited. The loan was issued on 30 October 2015 with a principal amount of £127,021,000. The loan is subordinated to the senior secured notes, bears interest at 7% and is repayable no earlier than 1 February 2021.

Unpaid accrued interest is charged to the statement of comprehensive income and added to the principal balance on a quarterly basis. Unpaid interest added to the principal during the year was £9,302,000 (30 June 2018: £12,378,000).

During the year, principal repayments of £27,759,000 were made to Eucalyptus Energy Limited. As at 30 June 2019, the total outstanding balance due in more than one year is £123,519,000 (30 June 2018: £141,976,000).

Notes to the financial statements

for the year ended 30 June 2019

23. Called up share capital

Group and company

	<i>As at 30 June 2019 £000s</i>	<i>As at 30 June 2018 £000s</i>
<i>Authorised</i>		
50,870,000 (2018: 50,870,000) ordinary shares of £1 each	50,870	50,870
<i>Allotted</i>		
50,870,000 (2018: 50,870,000) ordinary shares of £1 each	<u>50,870</u>	<u>50,870</u>

24. Accumulated losses

	<i>Accumulated losses £000s As restated</i>
<i>Group</i>	
At 1 July 2018	(67,484)
Profit for the financial year	277
At 30 June 2019	<u>(67,207)</u>
	<i>Accumulated losses £000s</i>
<i>Company</i>	
At 1 July 2018	(44,924)
Loss for the financial year	(3,943)
At 30 June 2019	<u>(48,867)</u>

Notes to the financial statements

for the year ended 30 June 2019

25. Reconciliation of movements in shareholders' (deficit)/funds

Group

	<i>Called up share capital £000s</i>	<i>Cash flow hedge reserve £000s</i>	<i>Accumulated losses £000s</i>	<i>Total shareholders' deficit £000s</i>
			<i>As restated</i>	<i>As restated</i>
At 1 July 2018	50,870	-	(67,484)	(16,614)
Profit for the financial year	-	-	277	277
Movement on derivative financial instruments designated as cash flow hedges	-	(1,911)	-	(1,911)
At 30 June 2019	50,870	(1,911)	(67,207)	(18,248)

Company

	<i>Called up share capital £000s</i>	<i>Cash flow hedge reserve £000s</i>	<i>Accumulated losses £000s</i>	<i>Total shareholders' funds/(deficit) £000s</i>
At 1 July 2018	50,870	-	(44,924)	5,946
Loss for the financial year	-	-	(3,943)	(3,943)
Movement on derivative financial instruments designated as cash flow hedges	-	(1,911)	-	(1,911)
At 30 June 2019	50,870	(1,911)	(48,867)	92

The movement on derivative financial instruments designated as cash flow hedges is comprised as follows.

Group and Company

	<i>Cash flow hedge reserve £000s</i>
At 1 July 2018	-
Change in value of hedging instrument	(2,633)
Ineffective portion of change in value of hedging instrument	10
Reclassification to profit and loss	320
Tax on components of cash flow hedges	392
At 30 June 2019	(1,911)

Notes to the financial statements

for the year ended 30 June 2019

26. Reconciliation of operating profit to net cash inflow from operating activities

	2019 £000s	2018 £000s <i>As restated</i>
Profit/(loss) for the financial year	277	(13,301)
Tax on profit/(loss)	3,271	95
Interest payable and similar expenses	13,894	27,992
Interest receivable and similar income	(71)	(82)
Share of operating profit in joint venture	(2,380)	(1,831)
Operating profit	14,991	12,873
Depreciation	14,178	14,361
Loss/(profit) on disposal of fixed assets	145	(183)
Amortisation of goodwill and intangibles	10,171	10,158
(Increase)/decrease in stocks	(2,037)	303
Increase in debtors	(1,517)	(1,655)
Increase in creditors	62	47
Net cash inflow from operating activities	35,993	35,904

27. Reconciliation of net cash flow to movement in net debt

(a) Movement in net debt

	2019 £000s	2018 £000s
Increase/(decrease) in cash	8,559	(10,880)
Bank loan drawn down	(152,190)	-
Bank loan principal repayments	11,694	-
Debt issue costs paid	4,943	-
Senior secured notes redeemed	-	152,000
Repayment/(drawdown) of shareholder loan due within one year	130,271	(130,271)
Repayment of shareholder loan due within more than one year	27,759	6,500
Non cash movements	(9,867)	(15,492)
Movement in net debt	21,169	1,857
Opening net debt	(266,785)	(268,642)
Closing net debt	(245,616)	(266,785)

Notes to the financial statements

for the year ended 30 June 2019

27. Reconciliation of net cash flow to movement in net debt (continued)

(b) Analysis of changes in net debt

	At 1 July 2018 £000s	Cash flow £000s	Non-cash movements £000s	At 30 June 2019 £000s
Cash at bank and in hand	5,462	8,559	-	14,021
Shareholder company loan				
Debt due within one year	(130,271)	130,271	-	-
Debt due after more than one year	(141,976)	27,759	(9,302)	(123,519)
External debt:				
Bank loan drawn down	-	(152,190)	-	(152,190)
Bank loan principal repayments	-	11,694	-	11,694
Debt issue costs paid	-	4,943	(565)	4,378
Total	(266,785)	31,036	(9,867)	(245,616)

Non cash movements relating to the shareholder loan represent accrued loan interest which has been capitalized and included in the principal balance outstanding.

28. Other financial commitments

At 30 June 2019 and 30 June 2018 the group had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	As at 30 June 2019		As at 30 June 2018	
	Land and Buildings £000s	Other £000s	Land and Buildings £000s	Other £000s
Payments due:				
Not later than one year	233	295	345	181
Later than one year and not later than five years	659	425	497	149
Later than five years	373	27	19	9
	1,265	747	861	339
Capital commitments			2019	2018
			£000s	£000s
Capital commitments in respect of joint venture			-	149

The company had no other financial commitments at 30 June 2019 or 30 June 2018.

Notes to the financial statements

for the year ended 30 June 2019

29. Contingent liabilities

Under section 479C of the Companies Act 2006, the group parent company Melton Renewable Energy UK Limited has guaranteed all outstanding liabilities to which its subsidiaries taking the audit exemption listed in note 14 were subject at 30 June 2019 until they are satisfied in full. These liabilities total £337,664,000 of which £316,474,000 are intercompany liabilities owed to other subsidiaries within the group. The net balance of these guarantees are enforceable against Melton Renewable Energy UK Limited by any person to whom any such liability is due.

30. Pension costs

The group contributes to a defined contribution personal pension schemes for certain qualifying employees. The costs for the year are shown in note 8. Assets of the scheme are held in independently administered funds. Outstanding contributions at 30 June 2019 amounted to £45,000 (30 June 2018: £34,000).

31. Related party transactions

During the year the group received, in the normal course of business, from YWP £61,000 (30 June 2018: £60,000) for management and accountancy services. At the year-end £nil (30 June 2018: £nil) was outstanding.

32. Ultimate parent company

Eucalyptus Energy Limited is the immediate parent undertaking and Fern Trading Limited (an English limited company with its registered office at 6th Floor, 33 Holborn, London EC1N 2HT) is the ultimate parent undertaking and controlling party.

Fern Trading Limited is the holding company of both the smallest and largest group of undertakings for which group financial statements are drawn up. Copies of these financial statements are available from the address above.