Melton Renewable Energy UK Limited

(formerly Melton Renewable Energy UK PLC)

Report and financial statements

for the year ended 30 June 2018

Registered number: 09194088

Directors and advisers

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

Secretary
S Ludlow

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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Strategic report for the year ended 30 June 2018

The directors present their strategic report for the group and for the company for the year ended 30 June 2018.

Group business review

Melton Renewable Energy UK Limited (formerly Melton Renewable Energy UK PLC) 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 23 sites across the UK.

The results of the group for the year ended 30 June 2018 and financial position as at that date were satisfactory and in line with expectations. Output for the year was 1,096GWh (30 June 2017: 1,115GWh) with group turnover of £124,579,000 (30 June 2017: £116,567,000). Group operating profit including share of joint venture was £13,118,000 (30 June 2017: £5,617,000) and EBITDA (as defined on page 8) was £37,637,000 (30 June 2017: £33,172,000). The group loss before taxation for the year ended 30 June 2018 was £14,792,000 (30 June 2017: £18,682,000).

Group revenue per MWh in the year ended 30 June 2018 was £108.74 (30 June 2017: £99.97) an increase of 8.8% when compared to the year ended 30 June 2017. The increase in unit revenue reflects higher wholesale electricity prices, a Recycle Renewable Obligation Certificate ("ROC") value of £5.10 per ROC for the compliance year 2016/17 (zero in the previous year), a slight increase in triad revenue and the annual indexation of the ROC buy-out value. Operational performance in terms of output, availability and costs was in line with expectations.

The group continues to place great importance and emphasis on health and safety, and the biomass division's OHSAS 18001 (Health & Safety) certification was maintained throughout the year. The number of minor accidents that have occurred in the year has reduced slightly compared to the previous year. The high standards demonstrated in internal and external audit performance have been maintained in the year.

Refinancing

On 11 June 2018 the group redeemed its high yield bond in full with a total payment of £158,270,760, comprising redemption of the senior secured notes £152,000,000, cumulative interest of £3,705,000 and an early redemption charge of £2,565,760. This was financed through existing cash balances and an interest free short term advance of £130,270,760 from its shareholder, Eucalyptus Energy Limited.

On 3 July 2018, following the redemption of the notes, the company re-registered from a public limited company to a private limited company and accordingly changed its name to Melton Renewable Energy UK Limited.

Subsequently, on 24 July 2018 the group concluded a refinancing through bank debt, 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 on 25 July, with the remaining £102,190,000 available to be drawn by 31 December 2018. The initial drawdown was used to settle re-financing expenses and management fees owed to the shareholder, with the balance of £43,640,218 used to partly repay the short-term advance from Eucalyptus Energy Limited.

Wholesale electricity prices

Pursuant to its power purchase agreement with British Gas Trading Limited, 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).

Strategic report for the year ended 30 June 2018

Group business review (continued)

Pursuant to the separate power purchase agreement with British Gas Trading Limited, 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 in the previous year to 30 June 2017 was impacted by the fall in market prices between summer 2015 and February 2016, to the extent this fall coincided with the price setting periods as defined in the group's two portfolio power purchase agreements. Subsequently wholesale electricity market prices recovered to levels equivalent to those available in summer 2015 and this is reflected in the group's revenue in the year ended 30 June 2018.

Between winter 2017 and summer 2018 wholesale electricity market future prices increased by around 25% and this has and will impact the group's revenue to the extent this increase coincides with the defined price setting periods.

ROC Recycle income

On 20 October 2017 Ofgem announced the ROC Recycle value for 2016/17 (Compliance Period 15) at £4.89 per ROC, with an additional payment of £0.21 per ROC arising from the ROC buy-out late payment fund confirmed in December. This resulted in ROC Recycle revenue for the group of £5,675,000 in the year ended 30 June 2018. This 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 of Energy & Climate Change ("DECC"), (now part of Department for Business, Energy & Industrial Strategy ("BEIS")).

The ROC Recycle value for (Compliance Period 14) 2015/16 was zero, with the number of ROCs presented by electricity suppliers being in line with the obligation set by DECC/BEIS, including the additional 10% headroom, and there being no shortfall.

Embedded Benefits – Triads

During 2017 Ofgem confirmed its decision to change electricity transmission charging arrangements for embedded generators such as the Melton Renewable Energy ("MRE") group. These changes will remove approximately 90% of the current triad benefit from embedded generators by 2020/21 and are being phased in equally over three years commencing in 2018/19.

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. 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 2018

Divisional business review

Biomass division

The results of the Biomass division for the year ended 30 June 2018 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 2017, output and availability remained strong in the year ended 30 June 2018. Overall portfolio output in the year ended 30 June 2018 was 775GWh, a marginal reduction of 2GWh (0.3%) compared with the year to 30 June 2017.

Yorkshire Windpower Limited ("YWP")

Energy Power Resources Limited ("EPRL"), a subsidiary of the group, owns 50% of the share capital of YWP, which itself owns and operates wind-farms at Royd Moor and Ovenden Moor. During the year ended 30 June 2018, wind turbine availability at Royd Moor was reasonable given the age of the turbines. During February 2018, YWP's planning permission for its windfarm at Royd Moor was extended by five years through to the end of 2023. Subject to agreement with the landowner, YWP intends to maintain its wind farm at Royd Moor in line with its extended planning permission.

Following the formal take-over of the 18MW Ovenden Moor wind-farm from Gamesa Eòlica, S.L. on 2 October 2017, availability and output has been good and in line with expectations.

Energy Power Resources Limited funded its share of the YWP repower project at Ovenden Moor by way of a shareholder loan facility up to a maximum amount of £12,000,000 representing 50% of the required capital expenditure. The balance of capital expenditure was funded by an equivalent shareholder loan from the joint venture partner, E.ON Climate and Renewables Limited.

On 24 April 2018 YWP's cumulative shareholder loans and accrued interest thereon, (totalling £25,683,638, of which 50% was owed to Energy Power Resources Limited) were swapped for share capital and thereafter converted to reserves.

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 2018 reduced CO_2 emissions by some 272,000 tonnes (30 June 2017: 276,000 tonnes). This was achieved by displacing the equivalent amount of generation from gas-fired plant (based upon Department of Energy and Climate Change's assessment of average emissions).

There was a reduction in the number of environmental permit non-conformances during the year ended 30 June 2018 compared with the twelve months ended 30 June 2017. In the year ended 30 June 2018 there were just 41 reported environmental permit non-conformances across the five power stations, with the majority attributable to Eye Power Station arising from its transition to a mix of poultry litter and waste wood fuel. Further operational improvements were completed at Eye Power Station during its annual maintenance outage in summer 2018. 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 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. This view has been supported by successful audits for each of the five biomass stations in respect of the compliance year ended 31 March 2018.

Strategic report for the year ended 30 June 2018

Divisional business review (continued)

Thetford Power Station
Thetford Power Station had a strong year ended 30 June 2018, generating 289GWh; an improvement on the year to 30 June 2017 (286GWh) and ahead of expectations. This was driven by increased availability and an improvement in output whilst online delivered through solid planning, preventative maintenance, operational risk management and a rigorous boiler cleaning regime.

Ely Power Station
Ely Power Station performance was marginally below expectations for the year ended 30 June 2018, generating 246GWh. Whilst this was in line with output in the year to 30 June 2017 (245GWh), an improvement had been anticipated following some operational issues in the previous year. Ely Power Station's output and availability was very good in the first nine months to March 2018, and whilst availability remained high in the final quarter of the financial year, output had to be restricted due to shortages of straw across the UK. The restrictions on straw supply stemmed initially from a combination of poor weather in spring 2017 impacting yield and wet harvest conditions in the summer of 2017, meaning that less straw was baled. These problems were exacerbated by extremely cold and poor weather in March and April 2018 which increased demand for animal bedding and fodder.

Glanford Power Station
Glanford Power Station's output in the year ended 30 June 2018 was 98GWh; in line with expectations and the year ended 30 June 2017 (100GWh). Both availability and output whilst online remained very good and 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 2018 was 82GWh, slightly below both expectations and that achieved in the year ended 30 June 2017 (83GWh). Both availability and output at Eye Power Station during the year ended 30 June 2018 were impacted by the transition to the waste wood and poultry litter fuel mix. Further operational improvements are planned at Eye Power Station during its annual maintenance outage in summer 2018.

Westfield Power Station
Westfield Power Station's performance for the year ended 30 June 2018 was marginally below expectations generating 60GWh; compared with the year ended 30 June 2017 (63GWh).

Fibrophos
Despite generally difficult trading conditions within UK agriculture, Fibrophos achieved a significant increase in sales in the year ended 30 June 2018, selling over 98,000 tonnes in the year (year to 30 June 2017: 87,000 tonnes). Fertiliser selling prices were in line with expectations and the previous year.

Strategic report for the year ended 30 June 2018

Divisional business review (continued)

Landfill Gas division

The results of the Landfill Gas division for the year ended 30 June 2018 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 waste tipping plans.

Output from the landfill gas portfolio in the year ended 30 June 2018 was 321GWh, representing a reduction of 5.0% compared to generation of 338GWh in the previous year ended 30 June 2017.

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 2018 was slightly adverse to long term expectations.

During January 2018 the group ceased generation and operations from Beetley and vacated this site. This was a closed landfill site and was no longer economically viable with low and diminishing gas volumes. This reduced the number of landfill sites from which the group operates to 23.

Strategic report for the year ended 30 June 2018

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 electricity price the Landfill Gas division receives under the terms of the BG 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.

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 2018 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 OHSAS 18001 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 two 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 2018

Key performance indicators

The key performance indicators ("KPI's") used by the directors are output, turnover, EBITDA, operating profit and revenue 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 2018***	*30 June 2017*
Output (GWh)	**1,096**	1,115
Group turnover (£000s)	**124,579**	116,567
EBITDA (£000s)	**37,637**	33,172
Operating profit: group and share of joint venture (£000s)	**13,118**	5,617
Group turnover per MWh (£/MWh)	**108.74**	99.97

Operating profit to EBITDA	***30 June 2018 £'000s***	*30 June 2017 £'000s*
Operating profit: group and share of joint venture	**13,118**	5,617
Add back:		
Depreciation of owned fixed assets	**14,361**	17,399
Amortisation of intangibles	**10,158**	10,156
EBITDA	**37,637**	33,172

Results

The group loss before taxation for the year ended 30 June 2018 was £14,792,000 (30 June 2017: £18,682,000).

Approved by and on behalf of the board

E J Wilkinson
Director

30 October 2018

Directors' report for the year ended 30 June 2018

The directors present their report and the audited consolidated financial statements for the group and the company for the year ended 30 June 2018.

Principal activities

The principal activity of Melton Renewable Energy UK Limited (formerly Melton Renewable Energy UK PLC) 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 111MWs 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 23 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 2019 will be consistent with that of the year ended 30 June 2018, 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 2018 (30 June 2017: £nil).

Directors' report for the year ended 30 June 2018

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	
D Bird	(resigned 16 August 2017)
M J Bullard	(appointed 16 August 2017)

Financial risk management

The group's operations expose it to limited financial risks that include price risk and liquidity 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

The group is exposed to commodity price risk relating to the sale of electricity and fertiliser as a result of its operations. 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, 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 two and four years in duration.

Liquidity risk

The group maintains cash balances and has access to short-term finance so as to ensure the group has sufficient available funds for operations.

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.

Directors' report for the year ended 30 June 2018

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.

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 2019 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. The directors have received confirmation from Eucalyptus Energy Limited the group's immediate parent, that it will not seek repayment of either the shareholder loan or the interest free short term advance provided to Melton Renewable Energy UK Limited for a period of at least twelve months from the date of approval of the financial statements, to the extent that such repayment would result in the group and company being unable to meet their obligations as they fall due.

Directors' report for the year ended 30 June 2018

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the 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 2018

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

30 October 2018

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 2018 and of the group's loss 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 2018; the group statement of income and retained earnings 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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 thereon.

Independent auditors' report

to the members of Melton Renewable Energy UK Limited

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 2018 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 12, 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
30 October 2018

Group statement of income and retained earnings

for the year ended 30 June 2018

	Note	2018 £000s	2017 £000s
Group turnover	5	**124,579**	116,567
Cost of sales		**(86,372)**	(86,271)
Gross profit		**38,207**	30,296
Distribution costs		**(723)**	(787)
Administrative expenses		**(26,555)**	(24,921)
Other operating income		**358**	431
Operating profit	6	**11,287**	5,019
Share of operating profit in joint venture		**1,831**	598
Total operating profit: group and share of joint venture		**13,118**	5,617
Interest receivable and similar income	9	**82**	25
Interest payable and similar expenses	10	**(27,992)**	(24,324)
Loss before taxation		**(14,792)**	(18,682)
Tax on loss	11	**1,518**	2,602
Loss for the financial year	24	**(13,274)**	(16,080)
Accumulated losses brought forward		**(59,885)**	(43,805)
Accumulated losses carried forward	24	**(73,159)**	(59,885)

All items dealt with in the statement of income and retained earnings above relate to continuing operations.

The group has no other comprehensive income other than the results above and therefore no separate statement of comprehensive income has been prepared.

Group balance sheet

as at 30 June 2018

	Note	*2018* *£000s*	*2017* *£000s*
Fixed assets			
Intangible assets	12	**88,933**	99,074
Tangible assets	13	**129,310**	140,732
Interests in joint venture	14	**12,461**	111
		230,704	239,917
Current assets			
Stocks	15	**13,335**	13,638
Debtors: amounts falling due within one year	16	**27,887**	39,743
Cash at bank and in hand		**5,462**	16,342
		46,684	69,723
Creditors: amounts falling due within one year	17	**(146,761)**	(20,948)
Net current (liabilities)/assets		**(100,077)**	48,775
Total assets less current liabilities		**130,627**	288,692
Creditors: amounts falling due after more than one year	18	**(141,976)**	(284,984)
Provisions for liabilities	20	**(10,940)**	(12,723)
Net liabilities		**(22,289)**	(9,015)
Capital and reserves			
Called up share capital	23	**50,870**	50,870
Accumulated losses	24	**(73,159)**	(59,885)
Total shareholders' deficit	25	**(22,289)**	(9,015)

The financial statements on pages 17 to 48 were approved by the board of directors on 30 October 2018 and were signed on its behalf by:

P S Latham
Director

Registered number: 09194088

Company balance sheet

as at 30 June 2018

	Note	*2018* *£000s*	*2017* *£000s*
Fixed assets			
Intangible assets	12	**68**	53
Tangible assets	13	**26**	39
Investments	14	**157,591**	157,591
		157,685	157,683
Current assets			
Debtors: amounts falling due within one year	16	**94,705**	142,864
Debtors: amounts falling due after more than one year	16	**29,402**	7,584
Cash at bank and in hand		**180**	2,750
		124,287	153,198
Creditors: amounts falling due within one year	17	**(134,050)**	(6,729)
Net current (liabilities) / assets		**(9,763)**	146,469
Total assets less current liabilities		**147,922**	304,152
Creditors: amounts falling due after more than one year	18	**(141,976)**	(284,984)
Net assets		**5,946**	19,168
Capital and reserves			
Called up share capital	23	**50,870**	50,870
Accumulated losses	24	**(44,924)**	(31,702)
Total shareholders' funds	25	**5,946**	19,168

The loss for the financial year attributable to the company amounted to £13,222,000 (30 June 2017: £22,845,000 loss).

The financial statements on pages 17 to 48 were approved by the board of directors on 30 October 2018 and were signed on its behalf by:

P S Latham
Director

Registered number: 09194088

Group statement of cash flows

for the year ended 30 June 2018

	Note	*2018* *£000s*	*2017* *£000s*
Net cash inflow from operating activities	26	**35,904**	28,363
Taxation paid		**(559)**	(877)
Net cash generated from operating activities		**35,345**	27,486
Cash flow from investing activities			
Payments to acquire tangible assets		**(3,006)**	(2,587)
Payments to acquire intangible assets		**(17)**	(53)
Proceeds from sale of tangible assets		**250**	-
Dividends from joint venture		**1,500**	-
Interest received		**82**	25
Net cash used in investing activities		**(1,191)**	(2,615)
Cash flow from financing activities			
Senior secured notes redeemed		**(152,000)**	-
Advance/(repayment) of parent company loans		**123,771**	(18,000)
Loans to associate undertaking		**-**	(1,277)
Interest paid		**(16,805)**	(10,500)
Net cash used in financing activities		**(45,034)**	(29,777)
Net decrease in cash and cash equivalents	27	**(10,880)**	(4,906)
Cash and cash equivalents at the beginning of the year		**16,342**	21,248
Cash and cash equivalents at the end of the year		**5,462**	16,342

Cash and cash equivalents consists of:

Cash at bank and in hand		**5,462**	16,342

Notes to the financial statements

for the year ended 30 June 2018

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 focussed 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 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 are loss making and the group has 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 2019 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. In addition, the directors have received confirmation from Eucalytpus Energy Limited, the group's immediate parent, that it will not seek repayment of the shareholder loan provided to Melton Renewable Energy UK Limited (see note 22) for a period of at least twelve months from the date of approval of the financial statements to the extent that such repayment would result in the group and company being unable to meet their obligations 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 2018

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 income and retained earnings 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 income and retained earnings 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 £13,222,000 (30 June 2017: £22,845,000 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 income and retained earnings account.

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. Income from recycled renewable obligation certificates ('ROC Recycle') is recognised when the amount is known with reasonable certainty. 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 2018

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 income and retained earnings.

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 2018

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 Fibrophos are valued at the lower of cost and net realisable value to the group.

Stocks of finished goods are valued at raw material cost plus processing and storage costs, or net realisable value if lower.

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.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject 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 income and retained earnings when they fall due.

Notes to the financial statements

for the year ended 30 June 2018

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 income and retained earnings 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 2018

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.

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 2018 the provision for unusable and slow moving stock was £790,000 (30 June 2017: £646,000).

iii) Useful economic life of 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.

Notes to the financial statements

for the year ended 30 June 2018

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 28 and 29 present segmental information for the year ended 30 June 2018 and for the comparative year ended 30 June 2017.

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 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 2018

5. Segmental analysis (continued)

Segmental statement of income analysis

For the year ended 30 June 2018	*Biomass*	*Landfill Gas*	*Central*	*Group*
	£000s	*£000s*	*£000s*	*£000s*
Turnover	93,921	30,638	20	124,579
Operating costs	(65,962)	(18,640)	(4,712)	(89,314)
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	**30,148**	**12,181**	**(4,692)**	**37,637**
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	**13,188**	**4,649**	**(4,719)**	**13,118**
Unallocated interest charges on borrowings	-	-	-	(27,910)
Profit/(loss) before taxation	**13,188**	**4,649**	**(4,719)**	**(14,792)**

For the year ended 30 June 2017	*Biomass*	*Landfill Gas*	*Central*	*Group*
	£000s	*£000s*	*£000s*	*£000s*
Turnover	87,517	29,021	29	116,567
Operating costs	(63,720)	(17,507)	(3,197)	(84,424)
Other operating income	431	-	-	431
Share of operating profit in joint venture	598	-	-	598
EBITDA	**24,826**	**11,514**	**(3,168)**	**33,172**
Fixed asset depreciation	(15,110)	(2,275)	(14)	(17,399)
Intangible amortisation and impairments	(4,922)	(5,234)	-	(10,156)
Operating profit/(loss): group and share of joint venture	**4,794**	**4,005**	**(3,182)**	**5,617**
Unallocated interest charges on borrowings	-	-	-	(24,299)
Profit/(loss) before taxation	**4,794**	**4,005**	**(3,182)**	**(18,682)**

Notes to the financial statements

for the year ended 30 June 2018

5. Segmental analysis (continued)

Segmental balance sheet analysis

As at 30 June 2018	*Biomass*	*Landfill Gas*	*Central*	*Group*
	£000s	*£000s*	*£000s*	*£000s*
Non-current assets	166,152	64,481	71	230,704
Current assets (excluding unallocated amounts)	35,042	10,482	389	45,913
Unallocated current tax asset	-	-	-	771
Total assets	**201,194**	**74,963**	**460**	**277,388**
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	-	-	-	(10,940)
Total liabilities	**(8,827)**	**(3,930)**	**(3,733)**	**(299,677)**
Net assets/(liabilities)	**192,367**	**71,033**	**(3,273)**	**(22,289)**

As at 30 June 2017	*Biomass*	*Landfill Gas*	*Central*	*Group*
	£000s	*£000s*	*£000s*	*£000s*
Non-current assets	168,559	71,266	92	239,917
Current assets (excluding unallocated amounts)	54,478	12,092	2,855	69,425
Unallocated current tax asset	-	-	-	298
Total assets	**223,037**	**83,358**	**2,947**	**309,640**
Creditors: amounts falling due within one year (excluding unallocated amounts)	(11,106)	(4,866)	(413)	(16,385)
Unallocated long term debt and accrued interest	-	-	-	(289,259)
Unallocated current and deferred taxation	-	-	-	(13,011)
Total liabilities	**(11,106)**	**(4,866)**	**(413)**	**(318,655)**
Net assets/(liabilities)	**211,931**	**78,492**	**2,534**	**(9,015)**

Notes to the financial statements

for the year ended 30 June 2018

6. Operating profit

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

	2018	*2017*
	£000s	*£000s*
Services provided by the company's auditors:		
- Fees payable for the audit of the parent company and consolidated financial statements	**280**	279
- Fees payable to the company's auditors and their associates for other services		
- audit related assurance services	**46**	47
- tax compliance services	**26**	20
Depreciation of owned fixed assets	**14,361**	17,399
Profit on disposal of fixed assets	**(183)**	-
Amortisation of goodwill	**10,158**	10,156
Operating lease rentals		
– land and buildings	**361**	336
– other	**285**	310
Inventory recognised as an expense	**37,120**	37,012
Impairment of inventory	**144**	67

7. Directors' emoluments

Emoluments paid to directors by the company:

	2018	*2017*
	£000s	*£000s*
Aggregate emoluments during the year	**324**	352
Company pension contributions	**9**	9

At 30 June 2018 no directors had benefits arising under the defined contribution scheme. The total emoluments of the highest paid director in office for the year were £333,000 (30 June 2017: £361,000). M G Setchell, P S Latham, D Bird 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 2018

7. Directors' emoluments (continued)

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

	2018	*2017*
	£000s	*£000s*
Salaries and other short term benefits	**1,346**	1,305

8. Employee information

	Group		***Company***	
	2018	2017	**2018**	2017
	£000s	*£000s*	***£000s***	*£000s*
Wages and salaries	**11,181**	10,716	**809**	799
Social security costs	**1,306**	1,263	**104**	105
Other pension costs	**409**	387	**30**	29
	12,896	12,366	**943**	933

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

	Group		***Company***	
	2018	2017	**2018**	2017
	Number	*Number*	***Number***	*Number*
Production	**195**	194	**-**	-
Administration	**59**	62	**9**	8
	254	256	**9**	8

Notes to the financial statements

for the year ended 30 June 2018

9. Interest receivable and similar income

	2018	*2017*
	£000s	*£000s*
Interest receivable	**82**	25

10. Interest payable and similar expenses

	2018	*2017*
	£000s	*£000s*
Interest payable on senior secured notes	**12,256**	10,260
Amortisation of issue costs of senior secured notes	**3,114**	1,045
Interest payable to immediate parent company	**12,378**	12,773
Other interest and charges	**244**	246
	27,992	24,324

11. Tax on loss

a) Analysis of the credit in the year.

	2018	*2017*
	£000s	*£000s*
Current tax		
Corporation tax charge	**-**	276
Share of joint venture's current tax	**(12)**	(111)
Current year consortium relief	**-**	45
Adjustments in respect of prior years	**62**	72
Total current tax charge for the year	**50**	282
Deferred tax		
Origination and reversal of timing differences	**(2,023)**	(2,289)
Share of joint venture's deferred tax	**215**	-
Adjustments in respect of prior years	**240**	181
Change in rate of corporation tax	**-**	(776)
Total deferred tax credit for the year	**(1,568)**	(2,884)
Tax credit on loss	**(1,518)**	(2,602)

Notes to the financial statements

for the year ended 30 June 2018

11. Tax on loss (continued)

b) Reconciliation of tax credit

The tax assessed on the loss before taxation for the year differs (2017: differs) from the standard rate of corporation tax in the UK of 19% (2017: 19.75%). The differences are explained below:

	2018	*2017*
	£000s	*£000s*
Loss before taxation	**(14,792)**	(18,682)
Loss before taxation multiplied by effective rate of corporation tax of 19% (2017: 19.75%)	**(2,810)**	(3,690)
Effect of:		
Adjustments in respect of prior years	**302**	253
Expenses not deductible for tax purposes	**1,505**	1,729
Tax rate changes	**-**	(776)
Brought forward losses utilised	**-**	(85)
Non taxable income	**(50)**	-
Unrecognised deferred tax	**(465)**	(33)
Tax credit for the year	**(1,518)**	(2,602)

c) Factors that may affect future charges

A reduction in the main rate of corporation tax to 17% from 1 April 2021 was enacted during the prior year. Consequently deferred tax has been calculated at the year end using a tax rate of 17%.

12. Intangible assets

Group

	Goodwill	*Software*	*Total*
	£000s	*£000s*	*£000s*
Cost:			
At 1 July 2017	150,476	53	150,529
Additions	-	17	17
At 30 June 2018	**150,476**	**70**	**150,546**
Accumulated amortisation and impairment:			
At 1 July 2017	51,455	-	51,455
Charge for the year	10,156	2	10,158
At 30 June 2018	**61,611**	**2**	**61,613**
Net book amount:			
At 30 June 2018	**88,865**	**68**	**88,933**
At 30 June 2017	99,021	53	99,074

Notes to the financial statements

for the year ended 30 June 2018

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

	Software *£000s*
Cost:	
At 1 July 2017	53
Additions	17
At 30 June 2018	**70**
Accumulated amortisation and impairment:	
At 1 July 2017	-
Charge for the year	2
At 30 June 2018	**2**
Net book amount:	
At 30 June 2018	**68**
At 30 June 2017	53

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

Notes to the financial statements

for the year ended 30 June 2018

13. Tangible assets

Group	*Freehold land and buildings*	*Power stations*	*Plant and machinery*	*Assets under construction*	*Total*
	£000s	*£000s*	*£000s*	*£000s*	*£000s*
Cost:					
At 1 July 2017	4,557	158,603	26,998	306	190,464
Additions	-	1,677	722	607	3,006
Transfers	-	236	70	(306)	-
Disposals	-	(222)	(430)	-	(652)
At 30 June 2018	**4,557**	**160,294**	**27,360**	**607**	**192,818**
Accumulated depreciation:					
At 1 July 2017	165	42,882	6,685	-	49,732
Charge for the year	64	11,944	2,353	-	14,361
Disposals	-	(222)	(363)	-	(585)
At 30 June 2018	**229**	**54,604**	**8,675**	**-**	**63,508**
Net book amount:					
At 30 June 2018	**4,328**	**105,690**	**18,685**	**607**	**129,310**
At 30 June 2017	4,392	115,721	20,313	306	140,732

Company	*Plant and machinery*	*Total*
	£000s	*£000s*
Cost:		
At 1 July 2017 and 30 June 2018	**54**	**54**
Accumulated depreciation:		
At 1 July 2017	15	15
Charge for the year	13	13
At 30 June 2018	**28**	**28**
Net book amount:		
At 30 June 2018	**26**	**26**
At 30 June 2017	39	39

Notes to the financial statements

for the year ended 30 June 2018

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.

Energy Power Resources Limited funded its share of the YWP repower project at Ovenden Moor by way of a shareholder loan facility up to a maximum amount of £12,000,000 representing 50% of the required capital expenditure. The balance of capital expenditure was funded by an equivalent shareholder loan from the joint venture partner, E.ON Climate & Renewables UK Operations Limited. On 24 April 2018 YWP's cumulative shareholder loans and accrued interest thereon (totalling £25,683,638, of which 50% was owed to Energy Power Resources Limited) were swapped for share capital and thereafter converted to reserves.

	Joint venture *£000s*
At 1 July 2017	111
Share of loss after taxation for the financial year	(492)
Shares issued in exchange of the outstanding facility agreement loan	12,842
At 30 June 2018	**12,461**

Company

	Subsidiary undertakings *£000s*
Cost:	
At 1 July 2017 and 30 June 2018	**172,591**
Accumulated amortisation and impairment:	
At 1 July 2017	15,000
At 30 June 2018	**15,000**
Net book amount:	
At 30 June 2018	**157,591**
At 30 June 2017	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 2018

14. Investments (continued)

The subsidiary companies and joint venture of the group and the company at 30 June 2018, which are all wholly owned and incorporated in Great Britain are listed below.

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
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^	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**	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**	Ordinary shares	100%	Dormant company
Jameson Road Energy Limited	Ordinary shares	100%	Generation of electricity from landfill gas
Kilgarth Energy Limited**	Ordinary shares	100%	Dormant 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%	Dormant company
Beetley Energy Limited	Ordinary shares	100%	Generation of electricity from landfill gas
Cathkin Energy Limited**	Ordinary shares	100%	Generation of electricity from landfill gas

Notes to the financial statements

for the year ended 30 June 2018

14. Investments (continued)

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Cilgwyn Energy Limited	Ordinary shares	100%	Dormant company
Stoneyhill Energy Limited**	Ordinary shares	100%	Dormant company
Snetterton Energy Limited	Ordinary shares	100%	Dormant company
CLPE ROC – 2A Limited	Ordinary shares	100%	Dormant 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
Melton 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***	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 *	Ordinary shares	50%	Owner and operator of two windfarms

+ Held directly by Melton Renewable Energy UK Limited.
* The financial year end of Yorkshire Windpower Limited was 31 March 2018

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

* Westwood Way, Westwood Business Park, Coventry, CV4 8LG
** Pinsent Masons LLP, Princes Exchange, 1 Earl Grey Street, Edinburgh, Midlothian, EH3 9AQ
*** 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 2018

15. Stocks

Group	***2018***	*2017*
	£000s	*£000s*
Ash stock	**2,737**	3,522
Fuel, spare parts and consumables	**10,598**	10,116
	13,335	13,638

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 £360,000 for unusable fuel stock (2017: £216,000). Included in the ash stock value is a provision of £430,000 for slow moving stock (2017: £430,000). The company held no stock during the year (2017: £nil).

16. Debtors

	Group		***Company***	
	2018	*2017*	***2018***	*2017*
	£000s	*£000s*	***£000s***	*£000s*
Amounts falling due within one year				
Trade debtors	**617**	445	-	-
Amounts owed by group undertakings	-	-	**91,345**	140,788
Amounts owed by associate undertakings	-	12,219	-	-
Consortium and group relief	-	-	**3,103**	1,935
Corporation tax	**771**	298	-	-
Taxation and social security	-	-	**30**	13
Prepayments and accrued income	**26,499**	26,781	**227**	128
	27,887	39,743	**94,705**	142,864
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	**29,400**	7,580
Deferred tax asset	-	-	**2**	4
	-	-	**29,402**	7,584

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:

	Loan principal	***Interest accrued***	***Interest rate***	***Date of repayment***
Melton Renewable Energy (Holdings) Limited	£24,500,000	-	11%	December 2028
Energy Power Resources Limited	£18,300,000	£112,810	7.5%	On demand
Melton LG Energy Limited	£4,900,000	-	15%	December 2028
Melton LG Energy Limited	£72,932,553	-	7.5%	On demand

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for the year ended 30 June 2018

17. Creditors: amounts falling due within one year

	Group		Company	
	2018	*2017*	***2018***	*2017*
	£000s	*£000s*	***£000s***	*£000s*
Interest on senior secured notes	**-**	4,275	**-**	4,275
Trade creditors	**1,686**	3,455	**-**	2,000
Amounts owed to shareholder	**133,450**	-	**133,450**	-
Consortium and group relief	**-**	288	**-**	-
Other creditors	**465**	480	**-**	-
Other taxation and social security	**2,275**	2,668	**29**	29
Accruals and deferred income	**8,885**	9,782	**571**	425
	146,761	20,948	**134,050**	6,729

Amounts owed to shareholder include i) an unsecured interest free short term advance of £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 and due for repayment by 31 December 2018 and ii) management fees payable to Eucalyptus Energy Limited of £3,179,362.

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

	Group		Company	
	2018	*2017*	***2018***	*2017*
	£000s	*£000s*	***£000s***	*£000s*
Senior secured notes (note 21)	**-**	148,886	**-**	148,886
Shareholder loan (note 22)	**141,976**	136,098	**141,976**	136,098
	141,976	284,984	**141,976**	284,984

On 11 June 2018 the group redeemed its £152,000,000 senior secured notes in full. The shareholder loan notes are unsecured, are repayable no earlier than 1 February 2021 and bear interest at 9%.

Notes to the financial statements

for the year ended 30 June 2018

19. Financial instruments

Group

No assets or liabilities are measured at fair value through the statement of income and retained earnings in the year (2017: £nil).

The group has the following financial instruments:

		2018 £000s	2017 £000s
Financial instruments that are debt instruments Measured at amortised cost	*Note*		
Trade receivables	16	**617**	445
Amounts owed by associate joint venture undertaking	16	**-**	12,219
		617	12,664
Financial liabilities measured at amortised cost			
Senior secured notes	18	**-**	148,886
Shareholder loan falling due after more than one year	18	**141,976**	136,098
Trade creditors	17	**1,686**	3,455
Shareholder loan falling due within one year	17	**133,450**	-
Accruals	17	**8,885**	9,782
Other creditors	17	**465**	480
		286,462	298,701

Company

No assets or liabilities are measured at fair value through the statement of income and retained earnings in the year (2017: £nil).

The company has the following financial instruments.

		2018 £000s	2017 £000s
Financial instruments that are debt instruments measured at amortised cost	*Note*		
Amounts owed by group undertakings	16	**120,745**	148,368
		120,745	148,368
Financial liabilities measured at amortised cost			
Senior secured notes	18	**-**	148,886
Shareholder loan falling due after more than one year	18	**141,976**	136,098
Shareholder loan falling due within one year	17	**133,450**	-
Accruals	17	**571**	425
Trade creditors	17	**-**	2,000
		275,997	287,409

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for the year ended 30 June 2018

20. Provisions for liabilities

The group has a net deferred tax liability totalling £10,940,000 (30 June 2017: £12,723,000) made up as follows:

	Group	
	2018	*2017*
	£000s	*£000s*
Capital allowances in excess of depreciation	**11,451**	13,530
Tax losses carried forward	**(505)**	(799)
Other timing differences	**(6)**	(8)
Total deferred tax liability	**10,940**	12,723

1 July	**12,723**	15,607
Deferred tax credit in statement of income and retained earnings	**(2,023)**	(2,289)
Adjustments in respect of prior years	**240**	181
Tax rate changes	**-**	(776)
Net deferred tax liability	**10,940**	12,723

Deferred tax assets not recognised

	Group	
	2018	*2017*
	£000s	*£000s*
Tax losses carried forward	**(18)**	(432)

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 2018

21. Senior secured notes

Group and company

	2018	2017
	£000s	£000s
Senior secured notes	-	148,886

On 11 June 2018 the group redeemed its senior secured notes in full. Senior secured notes in the prior year are stated net of unamortised issue costs of £3,114,000.

22. Shareholder loan

As at 30 June 2018, 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 £127,020,903. The loan is subordinated to the senior secured notes, bears interest at 9% and is repayable no earlier than 1 February 2021. With effect from 1 July 2018 the rate of interest charged reduced from 9% to 7%.

Unpaid accrued interest is charged to the statement of income and retained earnings and added to the principal balance on a quarterly basis. Unpaid interest added to the principal during the year was £12,378,388 (30 June 2017: £12,773,262).

During the year, a principal repayment of £6,500,000 was made to Eucalyptus Energy Limited. As at 30 June 2018, the total outstanding balance due in more than one year is £141,976,378 (30 June 2017: £136,097,990).

Notes to the financial statements

for the year ended 30 June 2018

23. Called up share capital

Group and company

	As at 30 June 2018 £000s	As at 30 June 2017 £000s
Authorised		
50,870,000 (2017: 50,870,000) ordinary shares of £1 each	**50,870**	50,870
Allotted		
50,870,000 (2017: 50,870,000) ordinary shares of £1 each	**50,870**	50,870

24. Accumulated losses

	Accumulated losses £000s
Group	
At 1 July 2017	(59,885)
Loss for the financial year	(13,274)
At 30 June 2018	**(73,159)**

	Accumulated losses £000s
Company	
At 1 July 2017	(31,702)
Loss for the financial year	(13,222)
At 30 June 2018	**(44,924)**

Notes to the financial statements

for the year ended 30 June 2018

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

Group

	Called up share capital £000s	*Accumulated losses £000s*	*Total shareholders' deficit £000s*
At 1 July 2017	50,870	(59,885)	(9,015)
Loss for the financial year	-	(13,274)	(13,274)
At 30 June 2018	**50,870**	**(73,159)**	**(22,289)**

Company

	Called up share capital £000s	*Accumulated losses £000s*	*Total shareholders' funds/(deficit) £000s*
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**

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

	2018 £000s	*2017 £000s*
Loss for the financial year	**(13,274)**	(16,080)
Tax on loss	**(1,518)**	(2,602)
Interest payable and similar expenses	**27,992**	24,324
Interest receivable and similar income	**(82)**	(25)
Share of operating profit in joint venture	**(1,831)**	(598)
Operating profit	**11,287**	5,019
Depreciation	**14,361**	17,399
Profit on disposal of fixed assets	**(183)**	-
Amortisation of goodwill and intangibles	**10,158**	10,156
Decrease/(increase) in stocks	**303**	(454)
Increase in debtors	**(69)**	(5,949)
Increase in creditors	**47**	2,192
Net cash inflow from operating activities	**35,904**	28,363

Notes to the financial statements

for the year ended 30 June 2018

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

(a) Movement in net debt

	2018	*2017*
	£000s	*£000s*
Decrease in cash	**(10,880)**	(4,906)
Senior secured notes redeemed	**152,000**	-
Drawdown of shareholder loan due within one year	**(130,271)**	-
Repayment of shareholder loan due within more than one year	**6,500**	18,000
Non cash movements	**(15,492)**	(13,818)
Movement in net debt	**1,857**	(724)
Opening net debt	**(268,642)**	(267,918)
Closing net debt	**(266,785)**	(268,642)

(b) Analysis of changes in net debt

	At 1 July 2017	*Cash flow*	*Non-cash movements*	***At 30 June 2018***
	£000s	*£000s*	*£000s*	***£000s***
Cash at bank and in hand	16,342	(10,880)	-	**5,462**
Shareholder company loan				
Debt due within one year	-	(130,271)	-	**(130,271)**
Debt due after more than one year	(136,098)	6,500	(12,378)	**(141,976)**
Senior secured notes:				
Senior secured notes redeemed	(152,000)	152,000	-	-
Debt issue costs paid	3,114	-	(3,114)	-
Total	(268,642)	17,349	(15,492)	**(266,785)**

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

Notes to the financial statements

for the year ended 30 June 2018

28. Post balance sheet events

On 3 July 2018, following the redemption of the £152,000,000 senior secured notes, the company re-registered from a public limited company to a private limited company and accordingly changed its name to Melton Renewable Energy UK Limited.

Subsequently, on 24 July 2018 the group concluded a refinancing through bank debt, 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 on 25 July, with the remaining £102,190,000 available to be drawn by 31 December 2018. The initial drawdown was used to settle re-financing expenses and management fees owed to the shareholder, with the balance of £43,640,218 used as a part repayment of the short-term advance from Eucalyptus Energy Limited.

29. Other financial commitments

At 30 June 2018 and 30 June 2017 the group had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	As at 30 June 2018		*As at 30 June 2017*	
	Land and Buildings £000s	***Other £000s***	*Land and Buildings £000s*	*Other £000s*
Payments due:				
Not later than one year	**345**	**181**	332	229
Later than one year and not later than five years	**497**	**149**	582	220
Later than five years	**19**	**9**	27	-
	861	**339**	941	449

Capital commitments	***2018 £000s***	*2017 £000s*
Capital commitments in respect of joint venture	**149**	763

The company had no other financial commitments at 30 June 2018 or 30 June 2017.

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 2018 amounted to £34,000 (30 June 2017: £32,000).

Notes to the financial statements

for the year ended 30 June 2018

31. Related party transactions

As at 30 June 2018 £nil (30 June 2017: £12,219,000) was due from Yorkshire Windpower Limited ("YWP"), a 50% joint venture investment, in relation to the groups 50% share of the shareholder loan facility made available to YWP in relation to the re-powering of Ovenden Moor. On 24 April 2018 YWP's cumulative shareholder loans and accumulated interest, (each of £12,841,819) were swapped for share capital and thereafter converted to reserves.

During the year the group received, in the normal course of business, from YWP £60,000 (30 June 2017: £25,000) for management and accountancy services. At the year end £nil (30 June 2017: £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.