Parent Accounts for
Fern Energy Holdings
Limited

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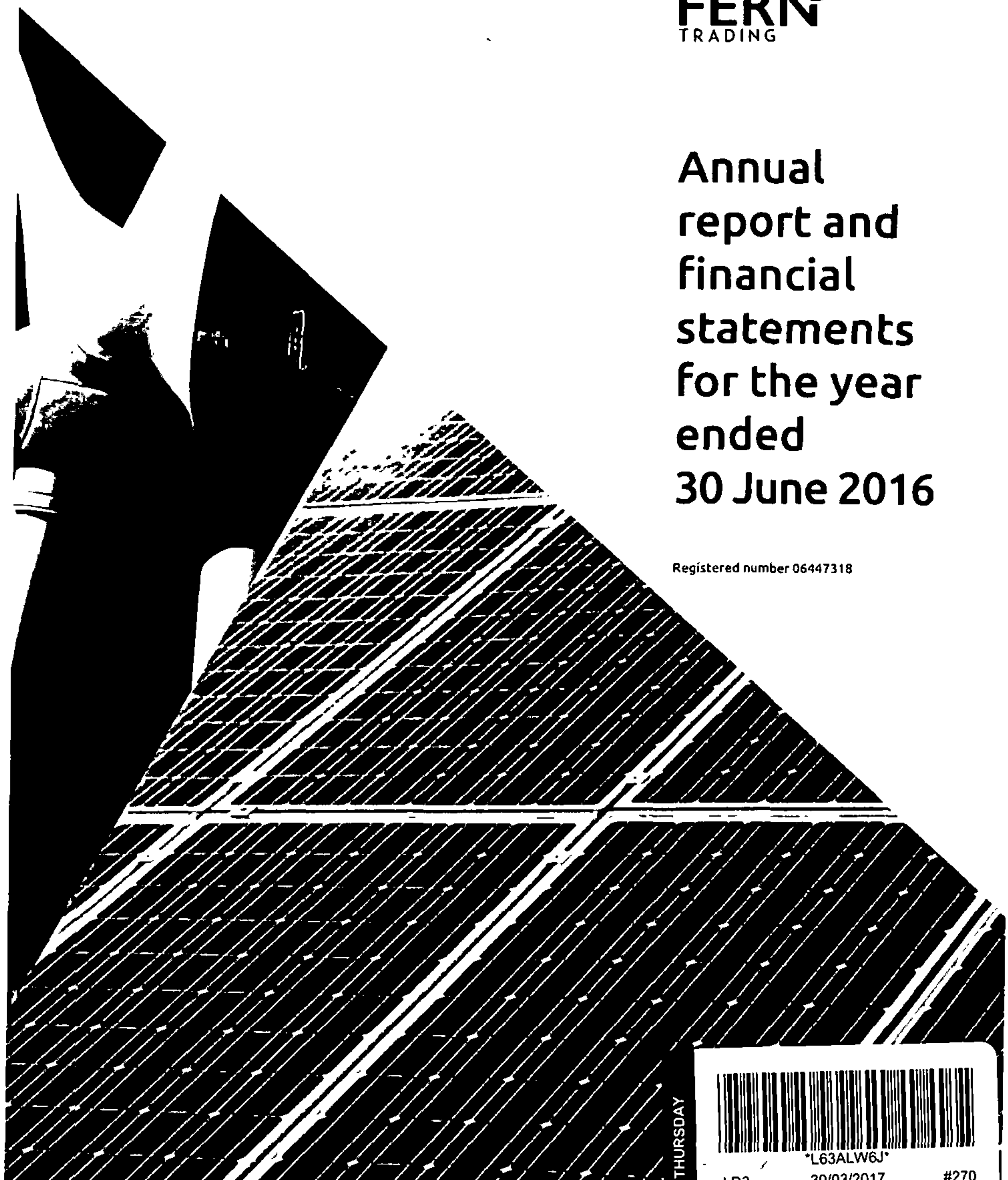


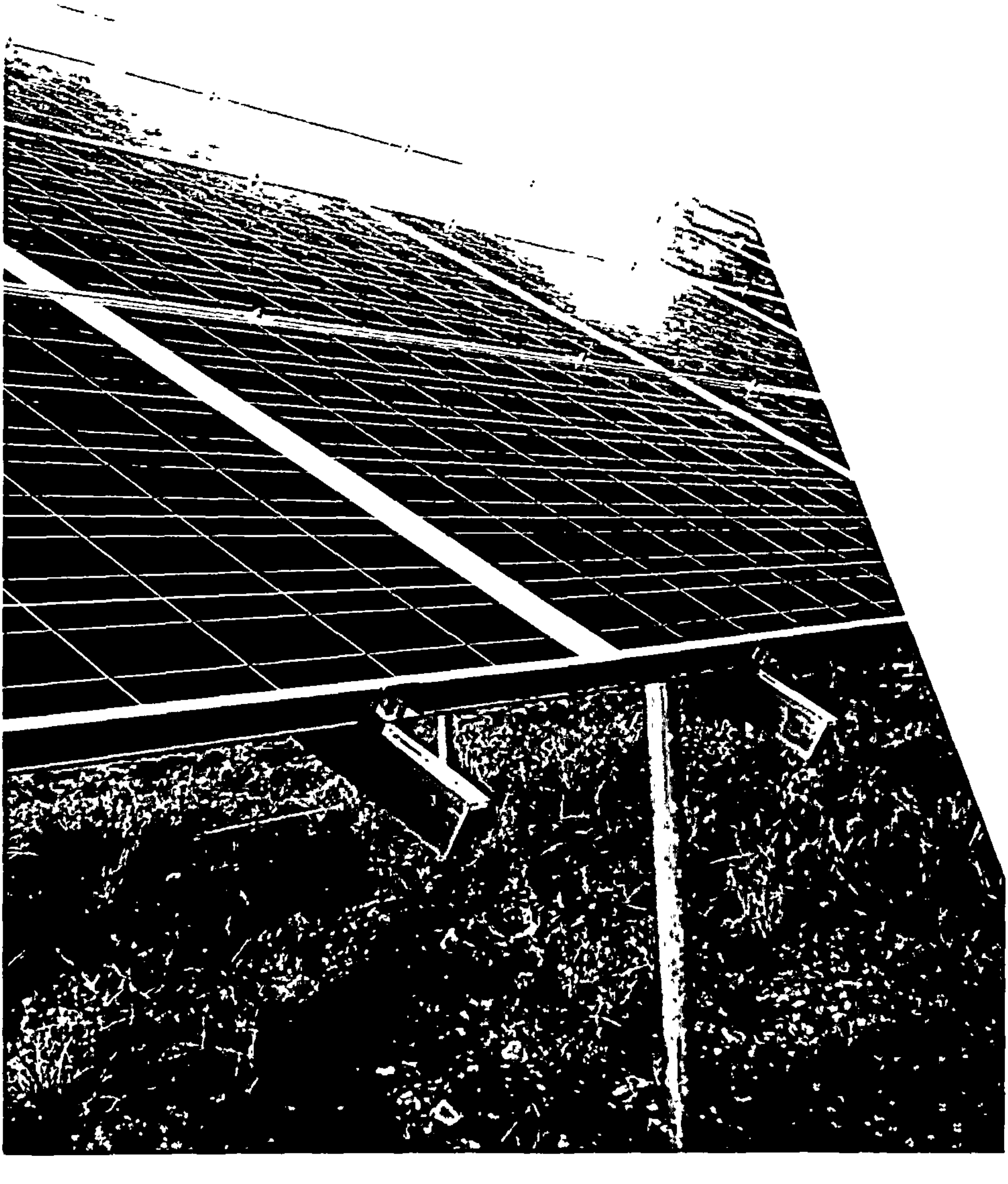
# Annual report and financial statements for the year ended 30 June 2016

Registered number 06447318

# Contents



The Annual Report contains forward-looking statements. For further information see inside back cover.



# Directors and advisers

## Directors

- Keith Willey (Non-Executive Chairman)
- Paul Latham (Chief Executive Officer)
- Peter Barlow (Non-Executive Director)

## Company Secretary

- Sharna Ludlow

## Company number

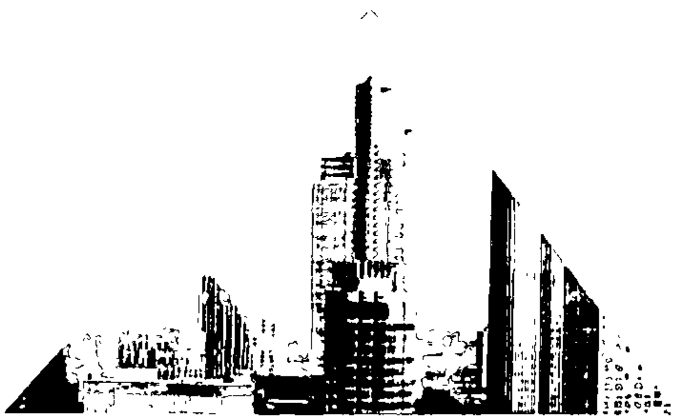
06447318

## Registered office

6th Floor
33 Holborn
London
EC1N 2HT

## Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ



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# Strategic report for the year ended 30 June 2016

## Principal activities

In the financial year to 30 June 2016, Fern Trading Limited (the "Company") and its subsidiary companies (the "Group") pursued a diversified strategy encompassing the acquisition and operation of renewable energy facilities and the operation of a specialist lending business.

While the Company has a majority independent Board of Directors and over 260 employees employed by the Group, the day to day operations of the Group are outsourced to Octopus Investments (the "manager") for which the manager is paid an annual service fee of 2.5% of net asset value.

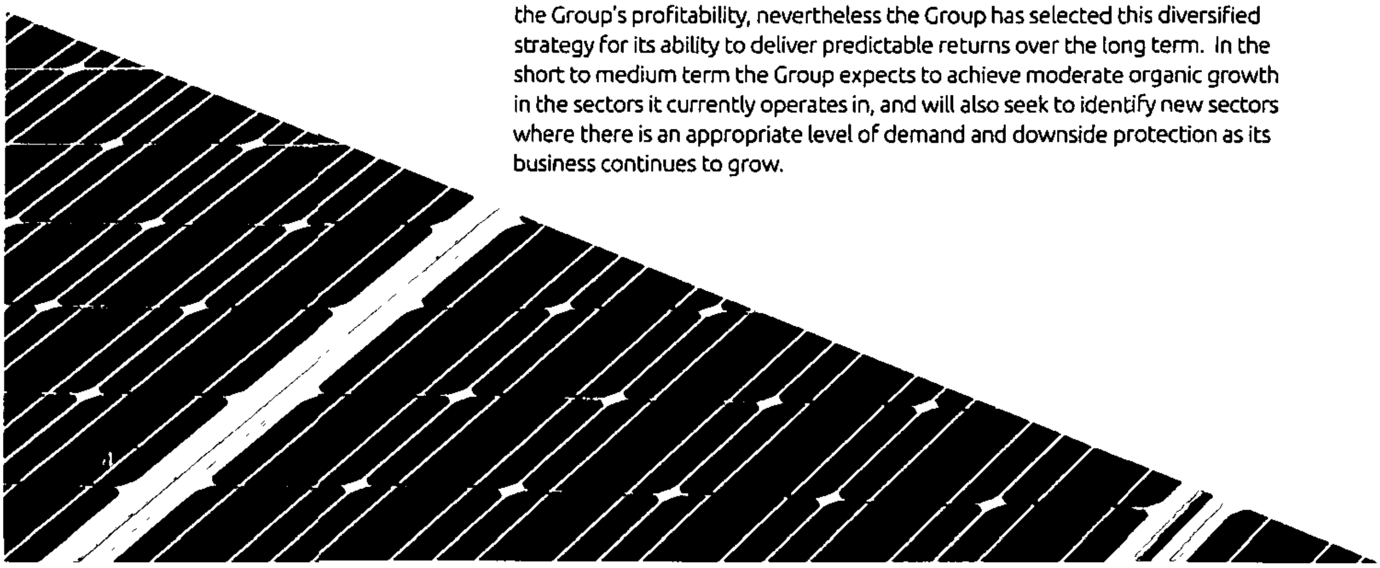
This financial year was, in many respects, a transformational year for the Group, as it completed a shift from being a business predominantly focussed on lending to one with a diversified strategy of lending and energy generation. This was completed through the acquisition of a substantial portfolio of commercial scale and institutional grade ground-mounted solar sites, the acquisition of Melton Renewable Energy plc, a landfill gas and biomass portfolio, and the acquisition of 2 on-shore wind farms. The majority of these acquisitions were for sites in the UK, with a small solar portfolio based in France.

The Group now owns and operates nearly 200 energy-generating assets, including solar parks, on-shore wind farms and landfill gas and biomass operations. It also owns two peaking power ('reserve power') plants. The majority of these facilities benefit from long term government incentives for renewable energy, which contribute to their revenues.

In addition, the Company and Group continues to operate a large-scale lending business with stable and conservative characteristics. The Company and Group focus on lending in specialist sectors including short-term lending to experienced property developers and landlords; lending to help fund the construction of energy installations; and lending to help fund the construction of healthcare facilities, including retirement villages, care homes and hospitals. These loans are typically secured with a first ranking charge against tangible assets.

As a result of the acquisition of renewable energy sites during the year, the number of companies within the Group has increased significantly. Following the acquisition of Melton Renewable Energy plc, the average number of employees within the Group was 264 (2015: 3).

Owning and operating energy sites may result in a higher level of volatility in the Group's profitability, nevertheless the Group has selected this diversified strategy for its ability to deliver predictable returns over the long term. In the short to medium term the Group expects to achieve moderate organic growth in the sectors it currently operates in, and will also seek to identify new sectors where there is an appropriate level of demand and downside protection as its business continues to grow.



## Principal risks and uncertainties

**Energy price risk:** as an owner and lender to energy assets, there is a risk that, once operational, the energy-generating assets fail to achieve the level of income forecast because of changes in energy prices or levels of inflation. This is partially mitigated by government-backed offtake agreements, such as the Renewable Obligation Certificate ("ROC") scheme, which underpin the revenue streams of some of the sites, and through thorough market, legal and technical diligence prior to the start of construction or during the acquisition process.

**Political risk:** because most of the sites earn income under government-backed off-take agreements, there is also a risk that the level of subsidy will be reduced or eliminated in the future. However, the majority of the energy assets are in the UK which is generally considered to be a stable regulatory regime.

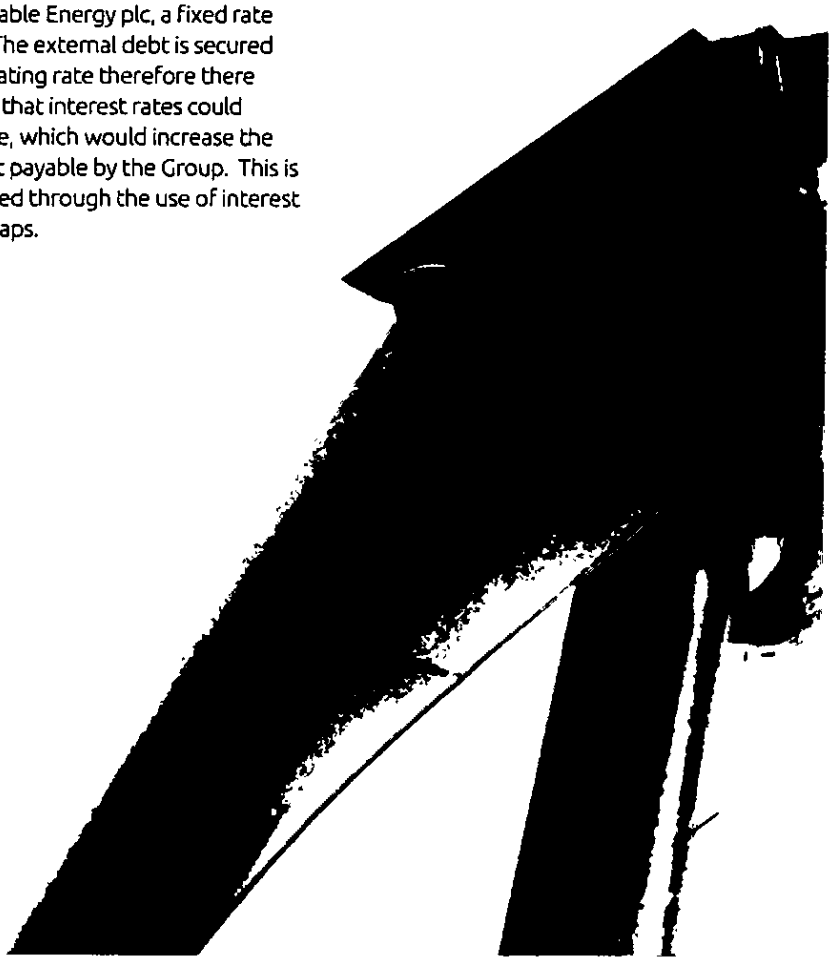
**Exposure to the property market:** the Group is a short term lender to the property market in the UK. To the extent that there is a deterioration in the level of house prices which affects the properties that the loans are secured against, there is a risk that the Group would not recoup its full exposure. This is mitigated by the short term nature of the loans and the level of loan to value that the Group is prepared to lend at.

**Construction risk:** the Group lends to companies that are constructing assets; predominantly in the healthcare sector in facilities such as retirement villages, care homes and hospitals. There is a risk of delays and cost overruns during the construction process which might result in the Group's loan not being repaid on time, or the loan security being worth less than the loan amount. This is mitigated through ensuring borrowers have fixed price contracts and by carrying out an appropriate level of due diligence on the lead building contractor prior to lending. There is also a risk that once constructed, the facility fails to generate sufficient income and therefore is not able to service or repay its construction loan. This is mitigated by thorough commercial and technical diligence prior to making a loan and thorough assessment of the ultimate market for the facility.

**Financing risk:** the majority of the Group's energy assets have project financing in place from commercial lenders, or in the case of Melton Renewable Energy plc, a fixed rate bond. The external debt is secured at a floating rate therefore there is a risk that interest rates could increase, which would increase the interest payable by the Group. This is mitigated through the use of interest rate swaps.

**Operational risk:** as an owner of and lender to renewable energy assets, there is a risk that the operational performance of the sites does not match up with forecast expectations in terms of the production of electricity. Additionally, the Group is the owner of two Reserve Power Plants. There is a risk that these fail to achieve the levels of forecast income due to unpredictable weather conditions and operational availability. This risk is monitored on an ongoing basis and operational strategy is optimised to achieve maximum availability and performance.

The Group ensures that its business is diversified both by type of activity (ownership or lending) and by sector which further mitigates against these risks and uncertainties.



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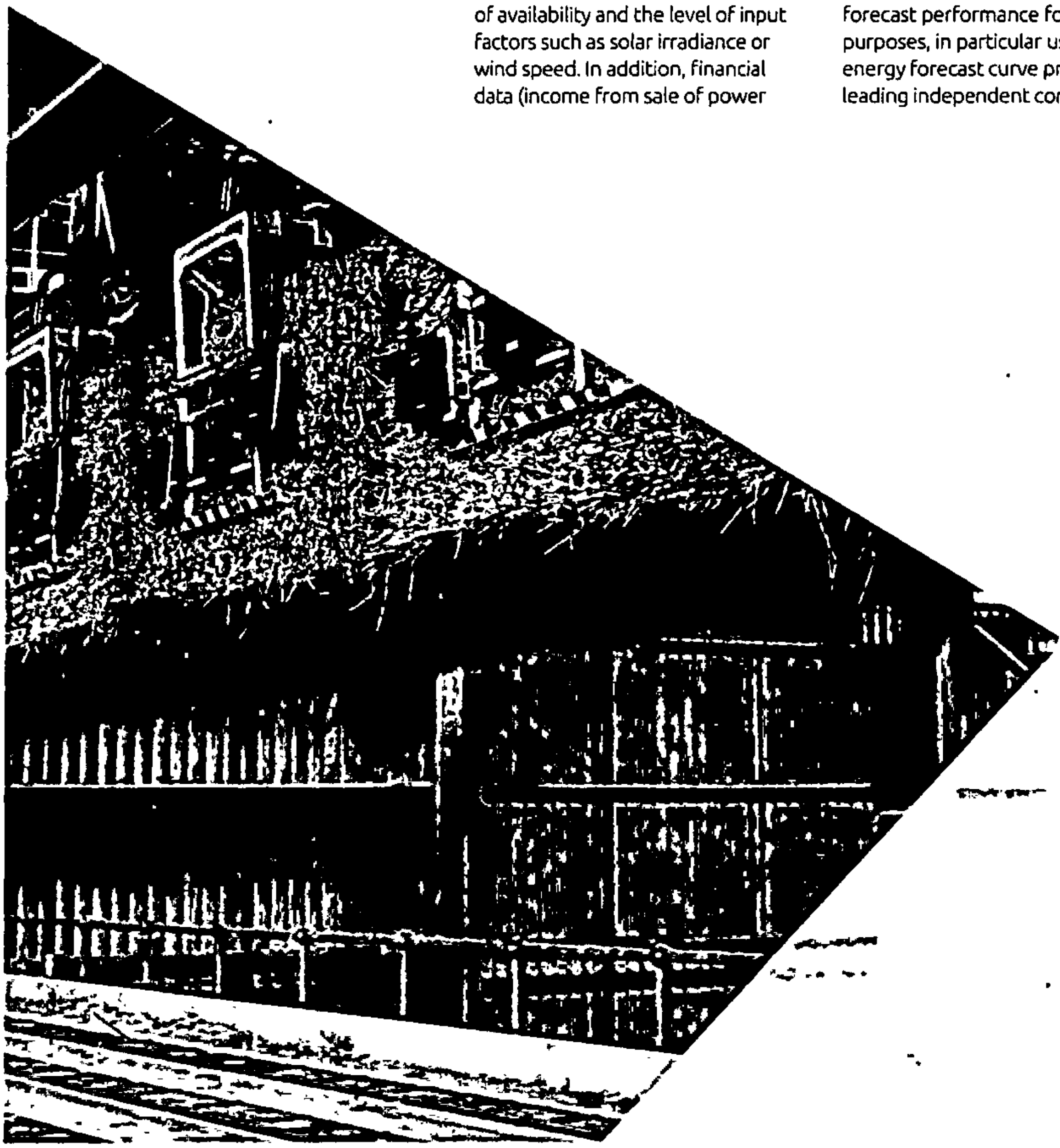
## Financial key performance indicators

The Group focuses on targeting stable industries with strong underlying demand, driven by demographic trends or by government support. In addition to thorough diligence before making the initial acquisition or loan, key performance indicators are monitored carefully and separately for each asset on a quarterly basis.

### Energy generation

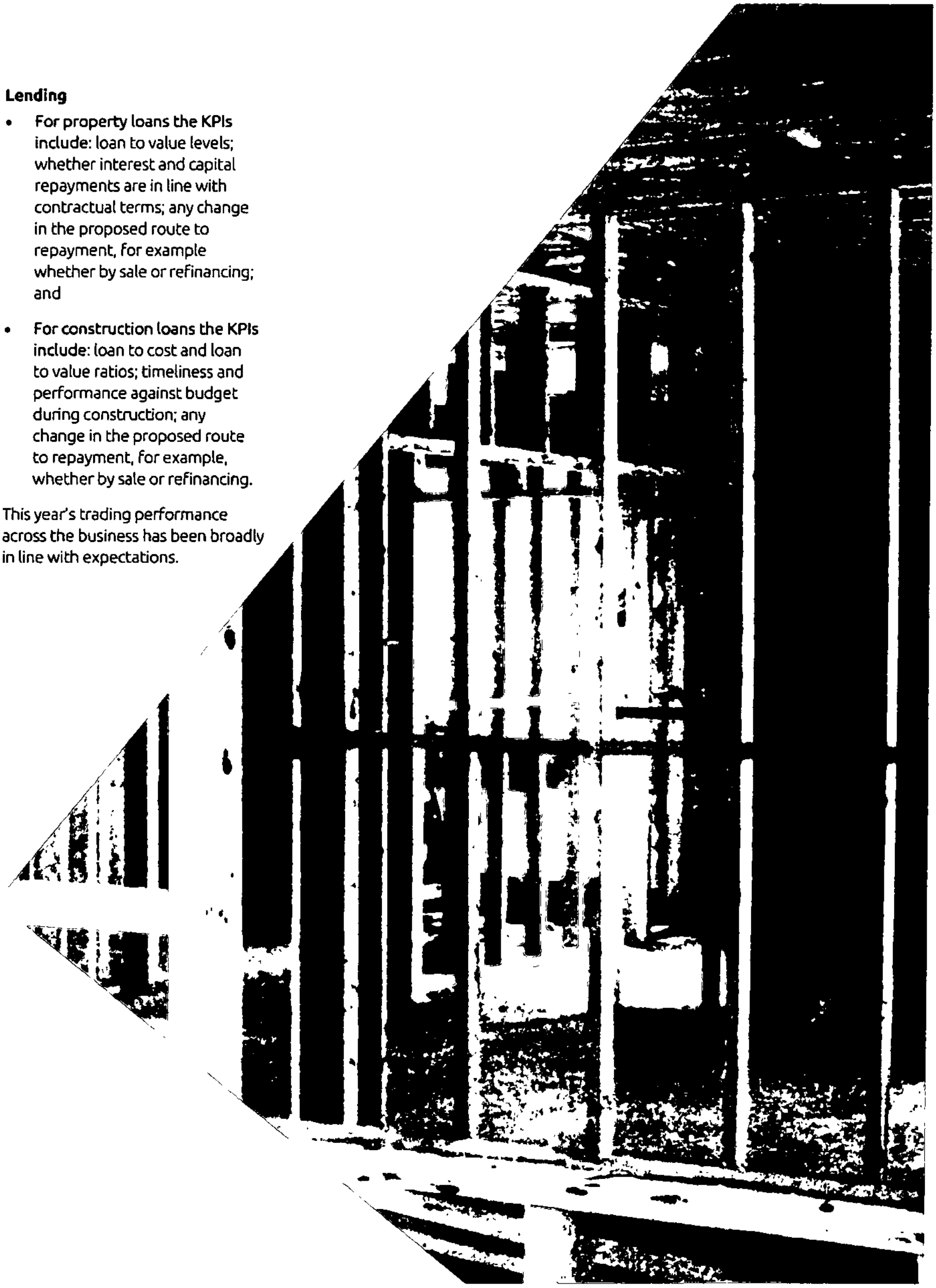
In the case of the energy sites that the Group owns and operates, performance is measured against a detailed financial forecast model and a returns target set at acquisition. Operational data is analysed carefully, including the percentage of availability and the level of input factors such as solar irradiance or wind speed. In addition, financial data (income from sale of power and other sources, operating costs and any capex) are collated and form the basis for regular valuations to measure how each asset is performing since it was acquired. The managers use market standard forward looking metrics to refresh forecast performance for valuation purposes, in particular using the energy forecast curve produced by a leading independent consultancy.



**Lending**

- For property loans the KPIs include: loan to value levels; whether interest and capital repayments are in line with contractual terms; any change in the proposed route to repayment, for example whether by sale or refinancing; and
- For construction loans the KPIs include: loan to cost and loan to value ratios; timeliness and performance against budget during construction; any change in the proposed route to repayment, for example, whether by sale or refinancing.

This year's trading performance across the business has been broadly in line with expectations.



## Results and dividends

The loss for the financial year amounted to £43.4m (2015: profit £30.0m) with turnover of £225.9m (2015: £127.0m).

At the start of the year the expectation was that the Group would make a significant profit as it had previously. The actual cash performance for the year was in line with expectations and the net forecast future cash flows that drive the value of the Group also remain in line with our long-term projections for the Group.

Within the forecast cash flow there have been two material changes. The forecast revenues from electricity generation have been lowered in line with the latest long term wholesale electricity price projections of our independent third party energy price consultants. In mitigation, the Company's current year and forecast operating costs have reduced, notably the servicing fee ("Service Fee") paid to the Company's manager, which has reduced from 3.8% of Net Asset Value per annum to 2.5%, an annualised saving of over £15 million. Together, these changes have resulted in a forecast net cashflow position for the company today that remains in line with the long term projections for the Company at the start of the year.

In these Financial Statements the reduction in forecast future revenues is already recognised (as an asset impairment), but the future cost savings resulting from the reduced Service Fee are not. The accounts therefore show a loss for the financial year of £43.4m (2015: profit £30.0m) with a turnover of £225.9m (2015: £127.0m).

The full impact of forecast future revenue reductions has been recognised in the accounts for the current year, resulting in a loss which is not related to day to day trading or cashflows. Trading activities are therefore expected to generate trading profits in future years.

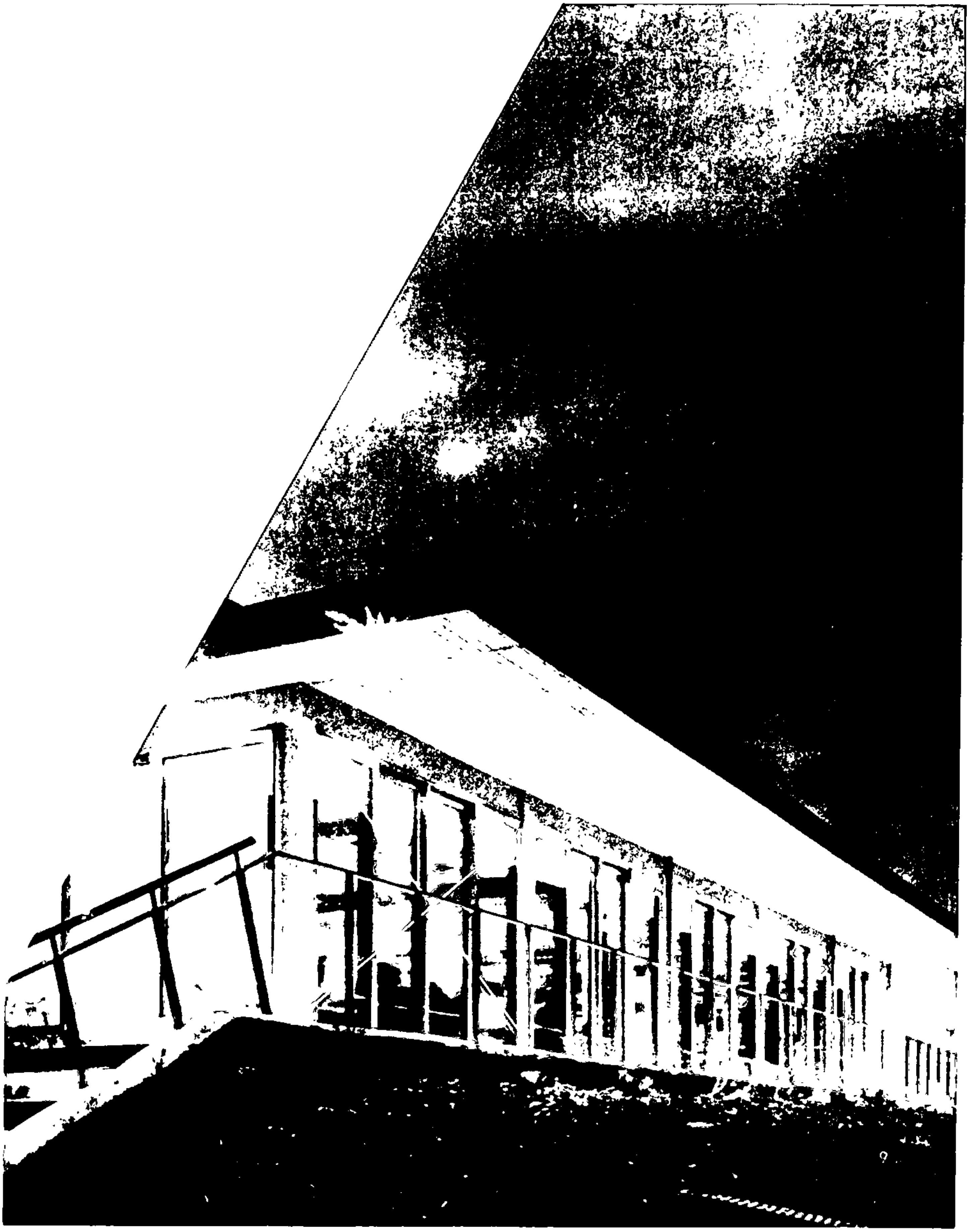
The Group has moved from a fixed asset balance of £130m as of June 2015 when it predominantly focussed on lending, to £1.4bn as at June 2016 reflecting the acquisition of a significant number of renewable energy sites. Of this figure, c. £910m relates to tangible fixed assets (such as solar panels) which will be depreciated over their 'useful economic life' (UEL); as well as c. £405m of goodwill which has arisen from the various acquisitions the Group has made; and is subject to amortisation and yearly impairment reviews.

The Group financed these assets through a combination of equity investment and external debt, including project finance and a fixed rate bond. This has seen the overall external debt increase to over £650m during the year (from c. £70m the previous year).

With the move in accounting standards in the UK away from UK GAAP, the Group has also had to make adjustments to the 2015 comparable numbers and adopt new policies in relation to FRS102. This has included fair value adjustments to derivative instruments used to hedge the Group's exposure to interest rates.

The increased diversification across the Group has resulted in turnover being generated from different sectors. Turnover comprises over £140m from the Group's generation of energy and over £50m of interest and fees from the Groups' lending activities. In the year, the Group also continued to be a wholesaler of solar equipment which contributed around £26m to turnover.

No dividends were paid in the year (2015: nil) and no dividends are proposed for the current year.



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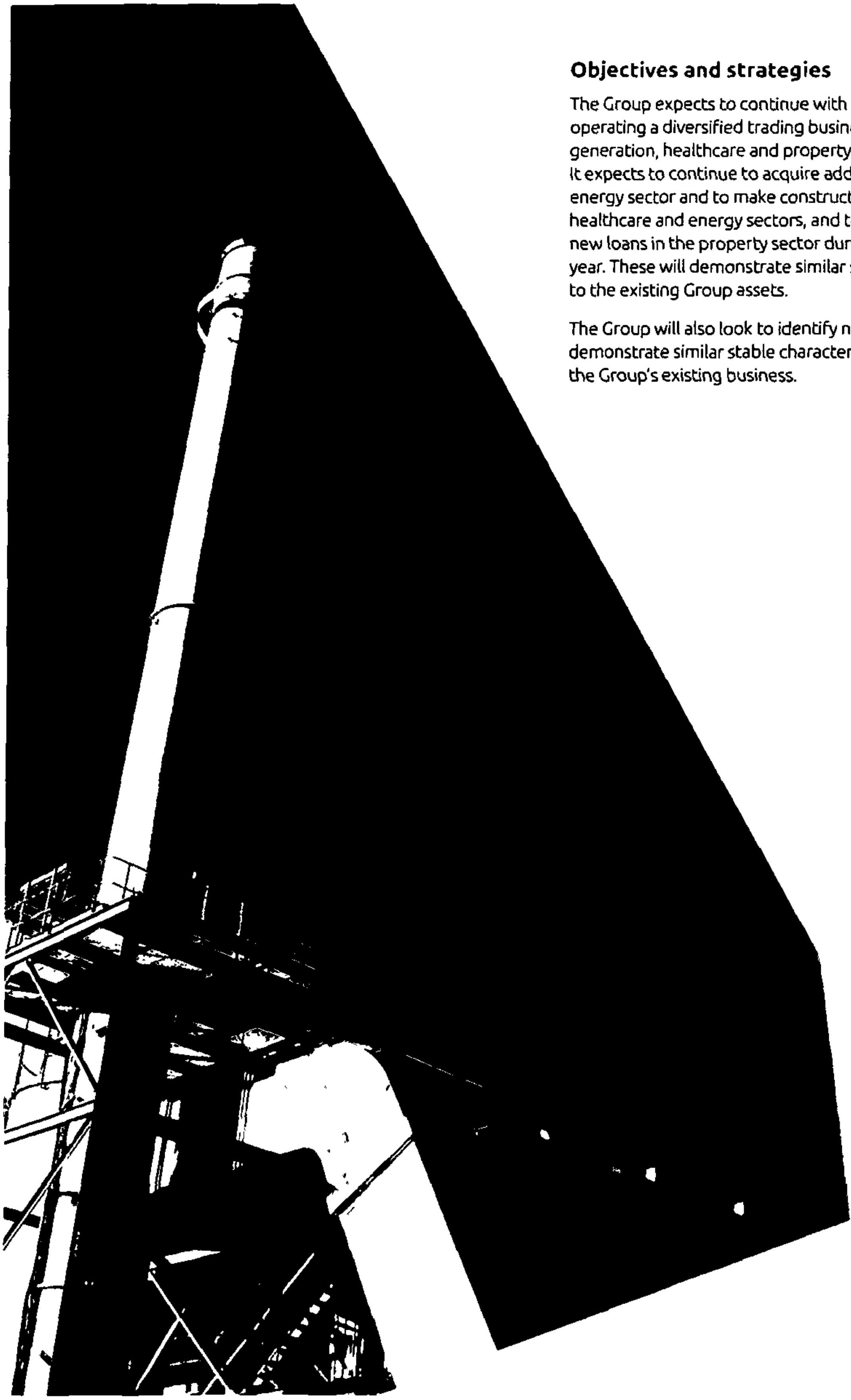

## Objectives and strategies

The Group expects to continue with its strategy of operating a diversified trading business across the energy generation, healthcare and property lending sectors. It expects to continue to acquire additional sites in the energy sector and to make construction loans in the healthcare and energy sectors, and to continue to make new loans in the property sector during the next financial year. These will demonstrate similar stable characteristics to the existing Group assets.

The Group will also look to identify new sectors that demonstrate similar stable characteristics to complement the Group's existing business.

## Financial risk management policy

The directors place a particular emphasis on minimising the risk to the Group's capital by ensuring all activities carried out meet the requirement of bearing a conservative level of risk relative to the capital utilised.

The key risk faced by the Group in lending activities is the credit risk of its customers. For property lending, this is mitigated through solid underlying security, such as a charge over property or other security, which decreases the potential risk to the Group's capital. For other lending, this is mitigated by due diligence prior to entering into lending agreements. Lending at sustainable loan to values also helps to reduce this risk.

In owning and operating energy sites, the key risk is fluctuation in energy prices which is reduced by the presence of government-backed incentives such as Renewable Obligation Certificates covering a significant portion of the energy produced.

The Group monitors its liquidity position closely to ensure it can meet its contracted obligations under loan and acquisition agreements. Liquidity comes from increases in shareholder funds, loans reaching maturity or being refinanced, or cash generated by operating businesses. The Company has been able to maintain an appropriate cash position and in addition has a working capital facility.

Most of the Group's operating assets have bank facilities in place from external lenders. To the extent that there is a change in financing markets at the point of expiry of these facilities, it may not be possible to refinance these in full. This is managed through amortisation of the facilities and through ensuring that the levels of debt are sustainable.

The Group is exposed to interest rate risk on its subsidiaries' floating rate debt. This is managed through interest rate swaps.

There is not considered to be a substantial price risk, as the Group is not subject to purchasing any products or services in order to perform the majority of its operations.

On behalf of the board

**Paul Latham**
**Chief Executive Officer**
22 December 2016

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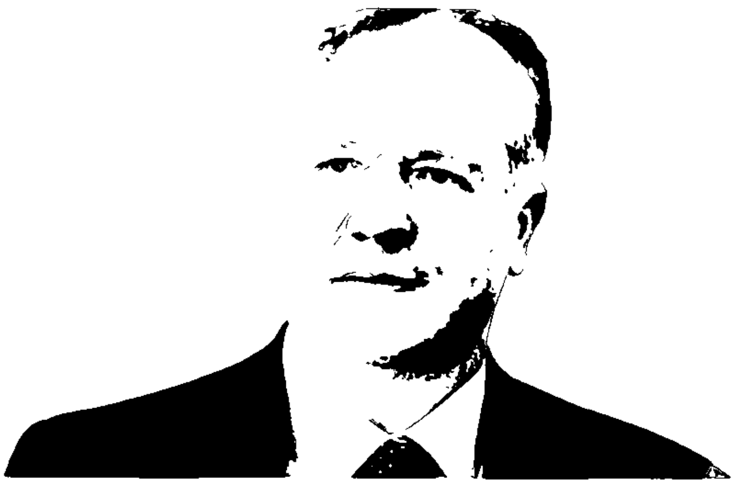
## The Directors

**Keith Willey**
**Non-executive Chairman**

Keith is an associate professor of strategic and international management and entrepreneurship at London Business School as well as a senior lecturer at University College London. He also holds various non-executive directorships and advisory roles. His career has spanned academia, consulting, investing and hands-on operational roles within industry and the venture capital world.

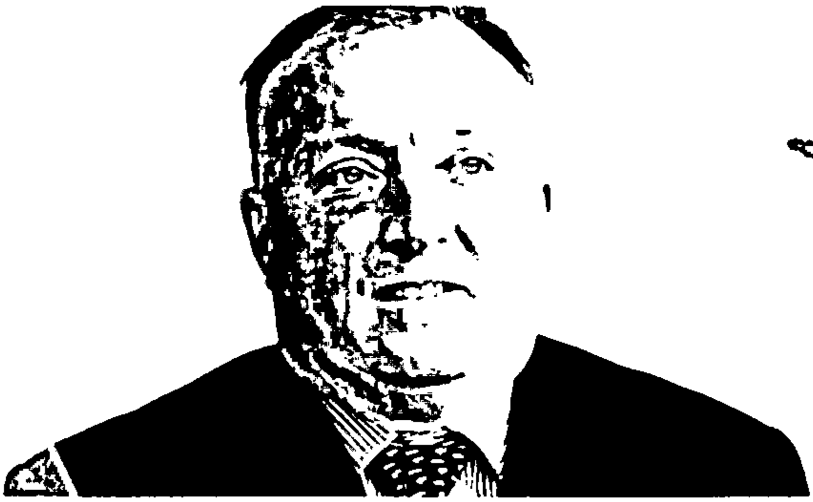


**Peter Barlow**
**Non-executive Director**

Peter has almost 30 years' experience in international financing of infrastructure and energy. As the director of finance/corporate finance for International Power, Peter was responsible for fundraisings, bank relationships and treasury activities. He has spent over 20 years working in Europe, the US, Australia and Asia for HSBC, Bank of America and Nomura, financing acquisitions and greenfield projects in the energy and infrastructure sectors. He is also a non-executive director of InfraCo Africa, a donor-funded infrastructure development company

**Paul Latham**
**Chief Executive**

Paul is Chief Executive of Fern Trading Limited. He is also a Managing Director of Octopus Investments, where he has worked since 2005. Octopus Investments is a key supplier of resource and expertise to Fern. Paul's dual role ensures that this relationship works well and always operates in the best interests of Fern's shareholders. Paul has had various general management and internal consulting roles across a number of sectors and brings with him a wealth of industry and business experience, including building key elements of the infrastructure for Capital One Bank (Europe) plc as it grew from a start-up business to a company with 2,000 employees.



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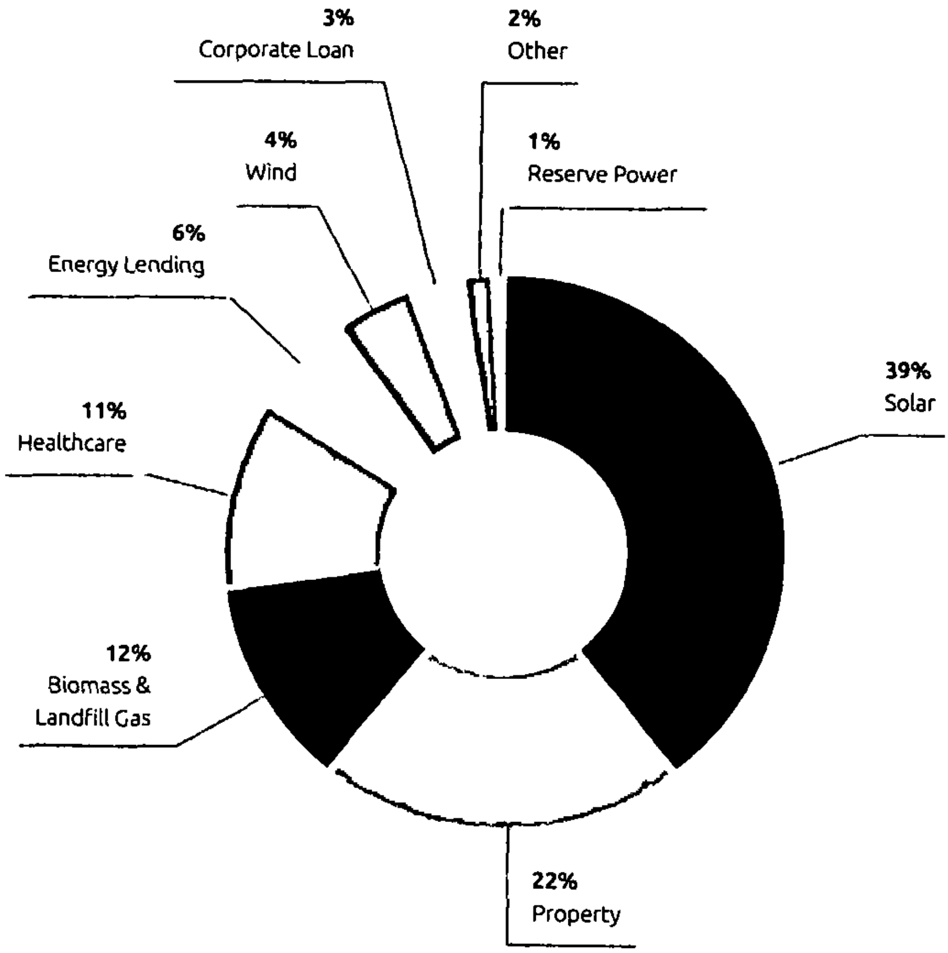
**Portfolio summary**

**Portfolio split by sector**



## Where we operate

## Energy portfolio summary

- Anaerobic digestion plant
- Biomass power station
- Care home
- Hospital
- Landfill gas facility
- Reserve power plant
- Retirement village
- Short-term property finance
- Solar site
- Wind farm

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# Directors' report for the year ended 30 June 2016

The directors present their report and the audited consolidated financial statements for the year ended 30 June 2016.

## Results and dividends

Refer to the Strategic report on page 8.

## Directors

The directors who served during the year and up to the date of signing the financial statements were:

- Paul Latham
- Keith Willey
- Peter Barlow

## Post balance sheet events

Refer to note 21 in the Notes to the financial statements.

## Future outlook and going concern

The Group's business activities, together with the factors likely to affect its financial position and exposures are described in the Strategic Report on pages 4 to 11.

The directors believe that the diversified strategy means the Group is well placed to manage its business risks successfully. Accordingly, they expect to continue to adopt the going concern basis in preparing the annual report and accounts.

## Principal risks and uncertainties

Refer to the Strategic report on page 5.

## Financial risk management

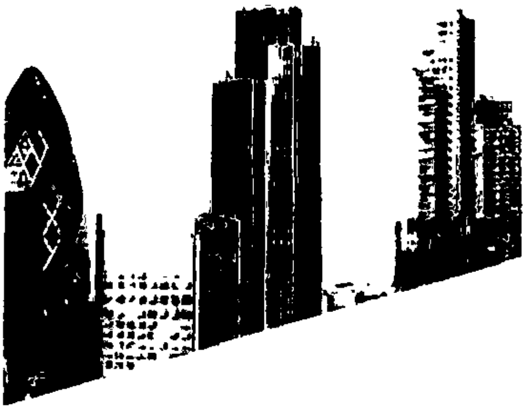
Refer to the Strategic report on page 11.

## 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.



## Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the group and parent Company financial statements (the "financial statements") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 the Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" has been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

## Independent auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the board

**Paul Latham**
**Chief Executive Officer**
22 December 2016

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# Independent auditors' report to the members of Fern Trading Limited

## Report on the financial statements

### Our opinion

In our opinion Fern Trading 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 parent company's affairs as at 30 June 2016 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual Report"), comprise:

- the Group and Company balance sheets as at 30 June 2016;
- the Group profit and loss account for the year then ended;
- the Group statement of comprehensive income for the year then ended;
- the Group statement of cash flows for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice), and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

**Our responsibilities and those of the directors**

As explained more full

lities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

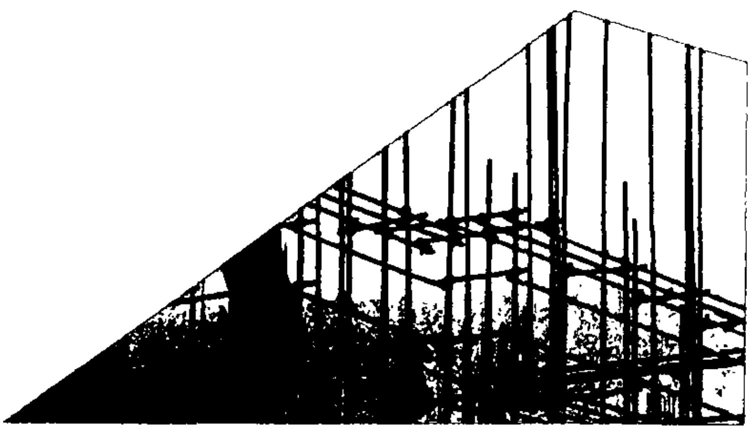
In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materiall

ledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Jonathan Greenaway (Senior Statutory Auditor)**
**for and on behalf of PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
22 December 2016

The maintenance and integrity of the Fern Trading Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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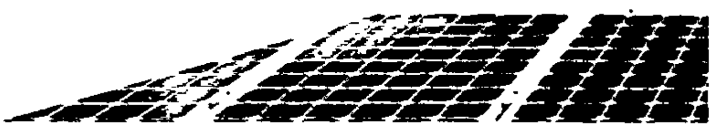
# Group profit and loss account for the year ended 30 June 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| Turnover | 1 | **225,857** | 127,018 |
| Cost of sales | | **(103,117)** | (34,027) |
| Gross profit | | **122,740** | 92,991 |
| Administrative expenses | | **(138,544)** | (64,472) |
| Other income | | **806** | |
| Operating (loss)/profit | 2 | **(14,998)** | 28,519 |
| Income from other fixed asset investments | | **1,812** | 10,532 |
| Share of operating loss in joint venture | | **(45)** | - |
| Interest receivable and similar income | 5 | **526** | 584 |
| Interest payable and similar charges | 5 | **(30,320)** | (778) |
| (Loss)/profit on ordinary activities before taxation | | **(43,025)** | 38,857 |
| Tax on (loss)/profit on ordinary activities | 6 | **(327)** | (8,816) |
| **(Loss)/profit for the financial year** | | **(43,352)** | 30,041 |

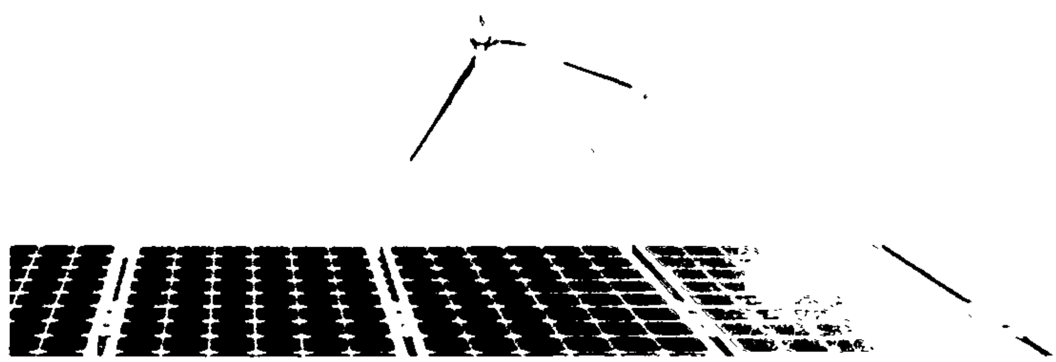
All results relate to continuing activities. The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The loss for the year dealt with in the financial statements of the Company was £97,384,000 (2015: profit for the year of £33,285,000).





# Group statement of comprehensive income for the year ended 30 June 2016

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| (Loss)/profit for the financial year | **(43,352)** | 30,041 |
| Other comprehensive (expense)/income | | |
| Changes in market value of cash flow hedges | **(33,820)** | 549 |
| Deferred tax attributable to changes in market value of cash flow hedges | **-** | - |
| Foreign exchange loss on retranslation of investments | **(1,125)** | - |
| Other comprehensive (expense)/income for the year | **(34,945)** | 549 |
| **Total comprehensive (expense)/income for the year** | **(78,297)** | 30,590 |



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# Group balance sheet as at 30 June 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| Fixed assets | | | |
| Goodwill | 7 | **406,545** | 33,179 |
| Tangible assets | 8 | **908,603** | 84,413 |
| Investments | 9 | **39,405** | 11,950 |
| | | **1,354,553** | 129,542 |
| Current assets | | | |
| Stocks | 10 | **15,255** | 2,888 |
| Debtors (including £277,495,000 (2015: £314,953,000) due after more than one year) | 11 | **608,711** | 944,265 |
| Investments | 12 | **-** | 9,436 |
| Cash at bank and in hand | | **133,737** | 156,188 |
| | | **757,703** | 1,112,777 |
| Creditors: amounts falling due within one year | 13 | **(119,341)** | (17,073) |
| Net current assets | | **638,362** | 1,095,704 |
| Total assets less current liabilities | | **1,992,915** | 1,225,246 |
| Creditors: amounts falling due after more than one year | 14 | **(699,144)** | (70,691) |
| Provisions for liabilities | 15 | **(16,642)** | (927) |
| Net assets | | **1,277,129** | 1,153,628 |
| Capital and reserves | | | |
| Called up share capital | 16 | **103,991** | 88,836 |
| Share premium account | | **1,170,446** | 983,803 |
| Cash flow hedge reserve | | **(33,271)** | 549 |
| Profit and loss account | | **35,963** | 80,440 |
| **Total shareholders' funds** | | **1,277,129** | 1,153,628 |

These consolidated financial statements on pages 20 to 68 were approved by the board of directors on 22 December 2016 and are signed on their behalf by:

**Paul Latham**

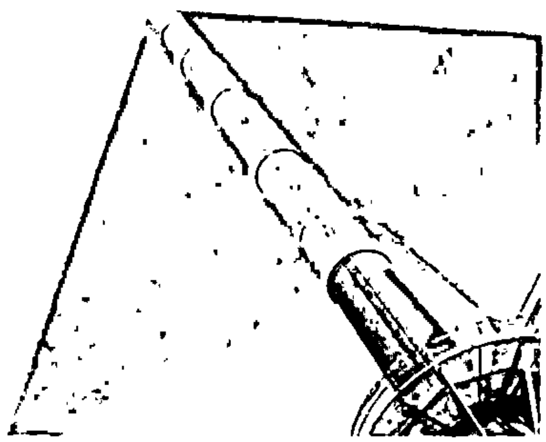
**Chief Executive Officer**
Registered number 06447318

# Company balance sheet as at 30 June 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| Fixed assets | | | |
| Investments | 9 | **16,500** | 11,950 |
| | | **16,500** | 11,950 |
| Current assets | | | |
| Stocks | 10 | - | 2,888 |
| Debtors (including £277,495,000 (2015: £313,800,000) due after more than one year) | 11 | **1,219,200** | 999,472 |
| Investments | 12 | - | 9,436 |
| Cash at bank and in hand | | **39,358** | 148,651 |
| | | **1,258,558** | 1,160,447 |
| Creditors: amounts falling due within one year | 13 | **(12,762)** | (14,515) |
| Net current assets | | **1,245,796** | 1,145,932 |
| Net assets | | **1,262,296** | 1,157,882 |
| Capital and reserves | | | |
| Called up share capital | 16 | **103,991** | 88,836 |
| Share premium account | | **1,170,446** | 983,803 |
| Profit and loss account | | **(12,141)** | 85,243 |
| **Total shareholders' funds** | | **1,262,296** | 1,157,882 |

These financial statements on pages 20 to 68 were approved by the board of directors on 22 December 2016 and are signed on their behalf by:

**Paul Latham**
**Chief Executive Officer**



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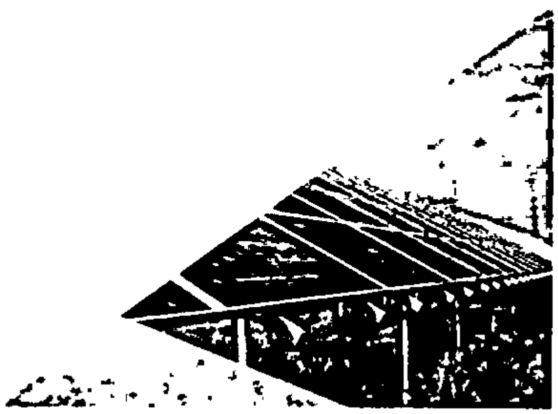
# Group statement of changes in equity for the year ended 30 June 2016

| | Called up share capital | Share premium account | Cash flow hedge reserve | Profit and loss account | Total shareholders' funds |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance as at 1 July 2014 | 64,899 | 699,723 | - | 50,399 | 815,021 |
| Profit for the financial year | - | - | - | 30,041 | 30,041 |
| Changes in market value of cash flow hedges | - | - | 549 | - | 549 |
| Other comprehensive income for the year | - | - | 549 | - | 549 |
| Total comprehensive income for the year | - | - | 549 | 30,041 | 30,590 |
| Shares issued during the year | 23,937 | 284,080 | - | - | 308,017 |
| Balance as at 30 June 2015 | 88,836 | 983,803 | 549 | 80,440 | 1,153,628 |
| **Balance as at 1 July 2015** | **88,836** | **983,803** | **549** | **80,440** | **1,153,628** |
| **Loss for the financial year** | **-** | **-** | **-** | **(43,352)** | **(43,352)** |
| **Changes in market value of cash flow hedges** | **-** | **-** | **(33,820)** | **-** | **(33,820)** |
| **Foreign exchange loss on retranslation of investments** | **-** | **-** | **-** | **(1,125)** | **(1,125)** |
| **Other comprehensive expense for the year** | **-** | **-** | **(33,820)** | **(1,125)** | **(34,945)** |
| **Total comprehensive expense for the year** | **-** | **-** | **(33,820)** | **(44,477)** | **(78,297)** |
| **Shares issued during the year** | **15,155** | **186,643** | **-** | **-** | **201,798** |
| **Balance as at 30 June 2016** | **103,991** | **1,170,446** | **(33,271)** | **35,963** | **1,277,129** |

# Company statement of changes in equity for the year ended 30 June 2016

| | Called up share capital | Share premium account | Profit and loss account | Total shareholders' funds |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Balance as at 1 July 2014 | 64,899 | 699,723 | 51,958 | 816,580 |
| Profit for the financial year and total comprehensive income | - | - | 33,285 | 33,285 |
| Shares issued during the year | 23,937 | 284,080 | - | 308,017 |
| Balance as at 30 June 2015 | 88,836 | 983,803 | 85,243 | 1,157,882 |
| **Balance as at 1 July 2015** | **88,836** | **983,803** | **85,243** | **1,157,882** |
| **Loss for the financial year and total comprehensive income** | **-** | **-** | **(97,384)** | **(97,384)** |
| **Shares issued during the year** | **15,155** | **186,643** | **-** | **201,798** |
| **Balance as at 30 June 2016** | **103,991** | **1,170,446** | **(12,141)** | **1,262,296** |



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# Group statement of cash flows for the year ended 30 June 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| Net cash from operating activities | 20 | **465,529** | (323,050) |
| Taxation paid | | (5,406) | (9,800) |
| Net cash generated from/(used in) operating activities | | **460,123** | (332,850) |
| Cash flow from investing activities | | | |
| Purchase of subsidiary undertakings (net of cash acquired) | | **(166,161)** | - |
| Purchase of tangible fixed assets | | **(96,325)** | (18,103) |
| Deferred consideration payments | | - | (1,997) |
| Purchase of short term investments | | - | (19,522) |
| Sale of short term investments | | - | 17,673 |
| Purchase of unlisted and other investments | | **(125,932)** | (45,567) |
| Sale of unlisted and other investments | | **130,818** | 122,500 |
| Interest received | | **526** | 584 |
| Income from investments | | **1,767** | - |
| **Net cash (used in)/generated from investing activities** | | **(255,307)** | 55,568 |
| Cash flow from financing activities | | | |
| Repayments of loans | | **(405,252)** | 72,169 |
| Interest paid | | **(23,836)** | (765) |
| Proceeds from share issue | | **201,798** | 308,016 |
| **Net cash (used in)/generated from financing activities** | | **(227,290)** | **379,420** |
| Net (decrease)/increase in cash and cash equivalents | | **(22,474)** | 102,138 |
| Cash and cash equivalents at the beginning of the year | | **156,188** | 54,050 |
| Exchange gains on cash and cash equivalents | | **23** | - |
| **Cash and cash equivalents at the end of the year** | | **133,737** | 156,188 |

# Statement of accounting policies

## Company information

The Company is a private company limited by shares, incorporated and domiciled in the United Kingdom and registered under company number 06447318. The address of the registered office is 6th Floor, 33 Holborn, London, EC1N 2HT.

## Statement of compliance

The Group and individual financial statements of Fern Trading 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.

In the transition to FRS 102, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 26. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

## Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention on the going concern basis and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below. The Company's functional and presentation currency of these financial statements is sterling.

The consolidated financial statements include the results of all subsidiaries owned by Fern Trading Limited as listed in note 9 of the annual financial statements. Certain of these subsidiaries, which are listed below, have taken the exemption from an audit for the year ended 30 June 2016 by virtue of s479A of Companies Act 2006. In order to allow these subsidiaries to take the audit exemption, the parent company Fern Trading Limited has given a statutory guarantee, in line with s479C of Companies Act 2006, of all the outstanding liabilities as at 30 June 2016, of the subsidiaries listed below, further details of which are provided in note 17. The subsidiaries which have taken an exemption from an audit for the year ended 30 June 2016 by virtue of s479A Companies Act 2006 are:

The Fern Power Company
Fern Energy Holdings Limited
Fern Energy Limited
Sulis Energy Holdings Limited
Sulis Energy Limited
Elios Energy Holdings Limited
Elios Energy Limited
Elios Renewable Energy Limited
Eucalyptus Energy Holdings Limited
Eucalyptus Energy Limited
Elios Energy Holdings 2 Limited
Elios Energy 2 Limited

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## Basis of consolidation

The financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings ('subsidiaries'). The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

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.

## 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, included the Company's cash flows;
ii. from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
iii. from disclosing the Company's key management personnel compensation, as required by FRS 102 paragraph 33.7.

## Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

## Turnover

The Group operates three main classes of business. The primary source of revenue is derived from the Group's solar farms, wind generating assets and reserve power plants that generate turnover from the sale of electricity that they generate. Any un-invoiced income is accrued in the period in which it is generated.

Another source of revenue is also derived from the Group's biomass and landfill sites that generate turnover when electricity generated is exported to third party customers. Income from recycled renewable obligation certificates ('Recycled ROC') is recognised when the amount is known with reasonable certainty. Turnover generated from the sale of fertiliser is recognised on physical dispatch.

The final primary source of revenue is a money lending business in the United Kingdom. Turnover represents arrangement fees and loan interest, net of any value added tax and is recognised upon delivery of the relevant services. Arrangement fees are spread over the life of the loan to which they relate.

## Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives. Depreciation commences from the date an asset is brought into service. Land and assets in the course of construction are not depreciated. The estimated useful lives are as follows:

| | | |
|---|---|---|
| Buildings | - | 2% straight line |
| Leasehold property | - | 4% straight line |
| Power stations | - | 4% and 5% straight line |
| Plant and machinery | - | 4% to 25% straight line |

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.

## Investments

Investments held as fixed assets are shown at cost less provision for impairment.

## Cash

Cash includes cash in hand and deposits repayable on demand.

## 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 profit and loss account on a straight line basis over the period of the lease.

## Stocks

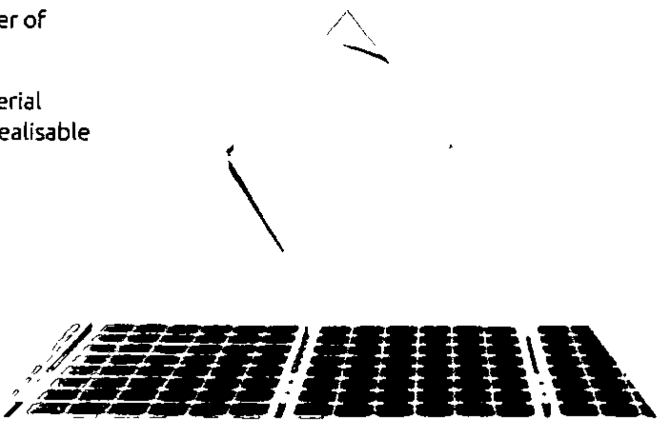
Spare parts are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stock.

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.



## Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

## Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and the equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated as goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life. Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

## Accrued income

Accrued income on loans is calculated at the rate of interest set out in the loan contracts. Un-invoiced energy income is accrued over the period it has been generated.

## Deferred income

Deferred income is recognised in accordance with the terms set out in the contract, and is recognised in revenue.

## Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account and statement of comprehensive income.

## Debt issue costs

Issue costs associated with senior secured notes are capitalised and netted off against the principal amounts. The costs are amortised over the five year term of the notes 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, loans from fellow Group companies and preference shares, 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.

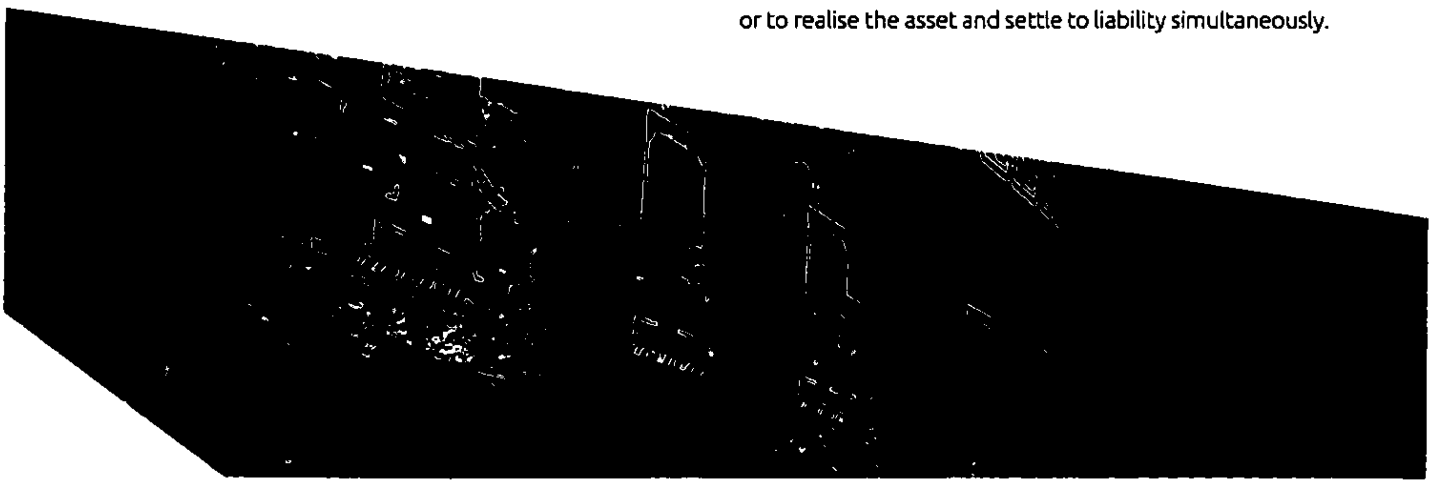
Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable 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.

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.



## Taxation

Tax is recognised in the statement of income and retained earnings, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

## Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group. Transactions within the Group need not be disclosed under FRS 102 33.1A. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

## Transaction costs

Transaction costs relating to debt financing are spread over the life of the debt using the effective interest method with the balance shown net in the financial statements.

## Judgements in applying accounting policies and key sources of estimation uncertainty

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

a. ***Critical judgements in applying the entity's accounting policies.*** There are no critical judgements in applying the entity's accounting policies.

b. ***Critical accounting estimates and assumptions***

   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 the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

   ii. Fair values on acquisition

   The fair value of assets and liabilities acquired in the acquisitions detailed in note 25 are considered to be a key accounting estimate. No changes from book values were identified for the acquisitions in the year.

   iii. Cash flow hedges

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

   iv. Loan impairment (note 11)

   The Group considers whether loans are impaired on a regular basis throughout the year. Where an indication of impairment is identified the estimation of recoverable value is modelled based on best estimates of future cash flows. Certain models contain a number of assumptions which give rise to judgement in determining whether there is a shortfall to the fair value of the loan.

# Notes to the financial statements for the year ended 30 June 2016

## 1 Turnover

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Lending activities | **55,184** | 84,569 |
| Solar, reserve and wind power energy income | **90,784** | 42,449 |
| Biomass and landfill energy income | **79,889** | - |
| | **225,857** | 127,018 |

The geographical analysis of turnover by destination is as follows:

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| United Kingdom | **220,009** | 127,018 |
| Rest of Europe | **5,848** | - |
| | **225,857** | 127,018 |

## 2 Operating (loss)/profit

This is stated after charging:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Amortisation of intangible fixed assets (note 7) | **17,882** | 1,377 |
| Depreciation of tangible fixed assets (note 8) | **42,629** | 3,036 |
| Stock recognised as an expense (note 10) | **49,591** | 34,027 |
| Auditors' remuneration - Company and the Group's consolidated financial statements | **124** | 18 |
| Auditors' remuneration – audit of Company's subsidiaries | **500** | 30 |
| Auditors' remuneration – non audit services | **253** | 967 |
| Auditors' remuneration – taxation compliance services | **169** | 42 |
| Difference on foreign exchange | **1,908** | - |
| Operating lease rentals | **4,072** | 422 |

## 3 Staff costs

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Wages and salaries | **7,924** | 70 |
| Social security costs | **859** | - |
| Other pension costs | **252** | - |
| | **9,035** | 70 |

The average monthly number of persons employed by the Group and Company during the year was:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Production | **199** | - |
| Administration | **62** | - |
| Directors | **3** | 3 |
| | **264** | 3 |

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# 4 Directors' remuneration

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Emoluments | 75 | 70 |

During the year no pension contributions were made in respect of the directors (2015: none).

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

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Salaries and other short term benefits | 464 | 70 |
| Post-employment benefits | 6 | - |
| | 470 | 70 |

# 5 Interest

| Interest payable and similar charges | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Interest on bank borrowings | 15,579 | 778 |
| Interest on senior secured notes | 8,258 | - |
| Amortisation of issue costs on bank borrowings | 4,152 | - |
| Amortisation of issue costs on senior secured notes | 861 | - |
| Losses on derivative financial instruments | 1,470 | - |
| | 30,320 | 778 |

| Interest receivable and similar income | 2016 £'000 | 2015 £'000 |
|---|---|---|
| On bank balances | 526 | 584 |

## 6 Tax on (loss)/profit on ordinary activities

### (A) Analysis of charge in year

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Current taxation: | | |
| UK corporation tax charge on profit for the year | **2,239** | 7,876 |
| French corporate income tax | **71** | - |
| Adjustments in respect of prior periods | **309** | 82 |
| Total current taxation | **2,619** | 7,958 |
| | | |
| Deferred taxation: | | |
| Origination and reversal of timing differences | **(1,779)** | 888 |
| Adjustment in respect of prior periods | **(534)** | - |
| Effect of change in tax rates | **21** | (30) |
| Total deferred taxation | **(2,292)** | 858 |
| **Tax (credit)/charge on profit on ordinary activities** | **327** | 8,816 |

### (B) Factors affecting tax charge for the year

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation taxation in the UK of 20.00% (2015: 20.75%). The differences are explained below:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| **Loss/profit on ordinary activities before taxation** | **(43,025)** | 41,547 |
| Loss/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.75%) | **(8,605)** | 8,621 |
| Effects of: | | |
| Expenses not deductible for tax purposes | **8,317** | 498 |
| Deferred tax not recognised | **1,369** | (311) |
| Income not taxable for tax purposes | **(205)** | (30) |
| Capital allowances in excess of depreciation | **-** | (903) |
| Origination and reversal of timing differences | **-** | 889 |
| Utilisation of tax losses not previously recognised | **(324)** | - |
| Consortium relief | **(21)** | - |
| Adjustments in respect of prior periods | **(225)** | 82 |
| Effects of change in tax rates | **21** | (30) |
| **Total tax charge for the year** | **327** | **8,816** |

## 6 Tax on (loss)/profit on ordinary activities

### (C) Factors that may affect future tax charge

The main rate of Corporation Tax in the UK reduced from 21% to 20% with effect from 1 April 2015. Accordingly, the tax rate applicable for this accounting year is 20%.

Changes to the UK corporation tax rates were enacted as part of the Finance (No 2) Act 2015 on 26 October 2015. These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. Following the 2016 Autumn Statement, the rate will reduce further to 17% from 1 April 2020, however this has not yet been enacted.

## 7 Goodwill

| Group | Goodwill |
|---|---|
| | £'000 |
| Cost | |
| At 1 July 2015 | 34,809 |
| Additions | 392,373 |
| Loss on translation | (1,125) |
| **At 30 June 2016** | **426,057** |
| | |
| Accumulated amortisation | |
| At 1 July 2015 | 1,630 |
| Charge for the year | 17,882 |
| **At 30 June 2016** | **19,512** |
| | |
| Net book value | |
| **At 30 June 2016** | **406,545** |
| At 30 June 2015 | 33,179 |

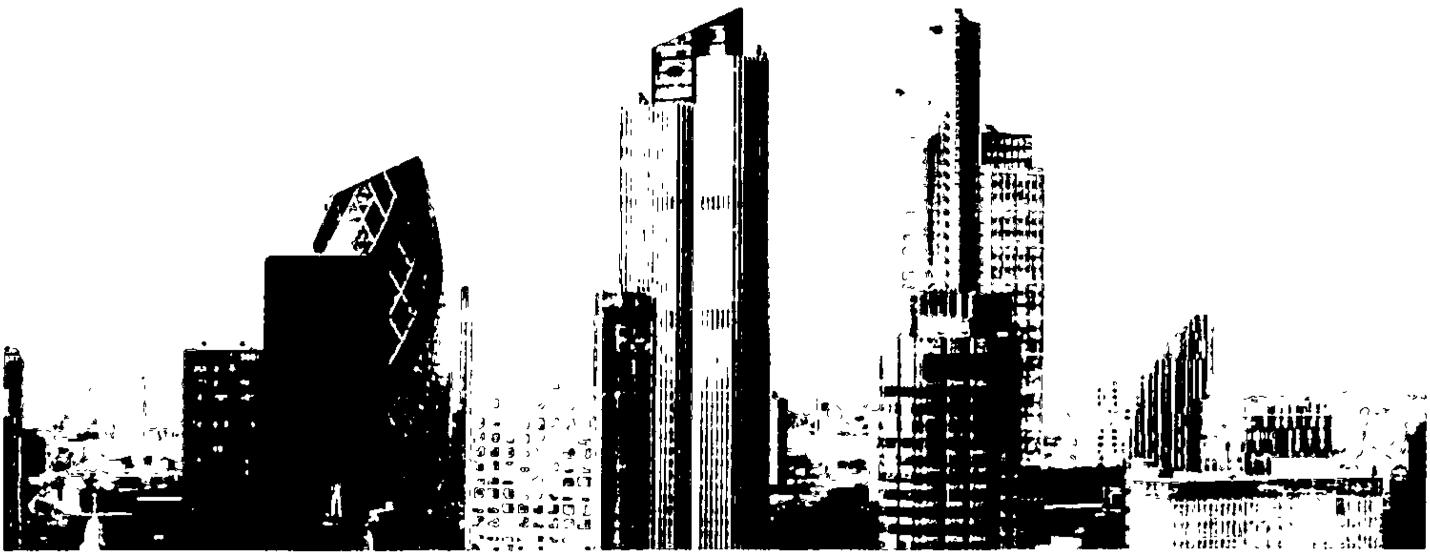
The loss on translation of foreign currency denominated goodwill is recognised in other comprehensive income.

Amortisation of goodwill is charged to administration costs.



# 8 Tangible assets

| Group | Land and buildings £'000 | Power stations £'000 | Plant and machinery £'000 | Assets under construction £'000 | Total £'000 |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 July 2015 | - | - | 87,999 | - | 87,999 |
| Additions | 208 | 451 | 153,430 | - | 154,089 |
| Acquisitions | 4,541 | 156,160 | 568,311 | 317 | 729,329 |
| Transfers | - | 125 | 20 | (145) | - |
| Foreign exchange | 8 | - | 3,928 | - | 3,936 |
| **At 30 June 2016** | **4,757** | **156,736** | **813,688** | **172** | **975,353** |
| | | | | | |
| Accumulated amortisation | | | | | |
| At 1 July 2015 | - | - | 3,586 | - | 3,586 |
| Charge for the year | 43 | 10,707 | 31,879 | - | 42,629 |
| Acquisition | 67 | 17,161 | 2,780 | - | 20,008 |
| Disposals | - | - | - | - | - |
| Foreign exchange | - | - | 527 | - | 527 |
| **At 30 June 2016** | **110** | **27,868** | **38,772** | - | **66,750** |
| | | | | | |
| Net book value | | | | | |
| **At 30 June 2016** | **4,647** | **128,868** | **774,916** | **172** | **908,603** |
| At 30 June 2015 | - | - | 84,413 | - | 84,413 |



# 9 Investments

| Group | Unlisted investments | Other investments | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Cost and net book value | | | |
| At 1 July 2015 | 11,950 | - | 11,950 |
| Additions | 110,365 | 56,003 | 166,368 |
| Disposals | (105,815) | (23,520) | (129,335) |
| Impairment | - | (9,578) | (9,578) |
| **30 June 2016** | **16,500** | **22,905** | **39,405** |

Other investments represent the Group's holdings of deferred shares in a number of companies. An impairment was recognised during the year, predominantly due to reductions in energy prices, which have impacted the valuation of the deferred shares.

| Company | Subsidiary undertakings | Unlisted investments | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Cost and net book value | | | |
| At 1 July 2015 | - | 11,950 | 11,950 |
| Additions | - | 110,365 | 110,365 |
| Disposals | - | (105,815) | (105,815) |
| **30 June 2016** | **-** | **16,500** | **16,500** |

Unlisted investments comprise the Company's and the Group's holding of the members' capital of Terido LLP, a money lending business. The Company co-founded Terido LLP in October 2012 with the intention of conducting a proportion of its future trade through the partnership. Terido LLP has not been treated as a subsidiary undertaking and its results have not been consolidated as, in the opinion of the directors, the Company is unable to exert significant influence over its activities.

**Subsidiary undertakings**

At 30 June 2016 the following were subsidiary undertakings of the Company:

| Name | Date of acquisition | Country of incorporation | Class of shares | Holding | Principal activity |
|---|---|---|---|---|---|
| The Fern Power Company Limited * | N/A | UK | Ordinary | 100% | Holding company |
| Dafen Reserve Power Limited | N/A | UK | Ordinary | 100% | Energy generation |
| Fern Renewable Energy Limited | N/A | UK | Ordinary | 100% | Holding company |
| Mingay Farm Holding Limited | N/A | UK | Ordinary | 100% | Holding company |
| Mingay Farm Limited | N/A | UK | Ordinary | 100% | Energy generation |
| Jura Solar Limited | N/A | UK | Ordinary | 100% | Energy generation |
| Abbots Ripton Solar Energy Holding Limited | N/A | UK | Ordinary | 100% | Holding company |
| Abbots Ripton Solar Energy Limited | N/A | UK | Ordinary | 100% | Energy generation |
| Fern Energy Holdings Limited * | N/A | UK | Ordinary | 100% | Holding company |
| Cynon Power Limited | N/A | UK | Ordinary | 100% | Energy generation |
| Notos Energy Limited | N/A | UK | Ordinary | 100% | Holding company |
| Boreas Energy Limited | N/A | UK | Ordinary | 100% | Holding company |
| Fern Energy Limited * | N/A | UK | Ordinary | 100% | Holding company |
| Elios Energy Holdings Limited * | N/A | UK | Ordinary | 100% | Holding company |
| Elios Energy Limited * | N/A | UK | Ordinary | 100% | Holding company |
| Viners Energy Limited | N/A | UK | Ordinary | 100% | Holding company |
| Elios Energy Holdings 2 Limited * | N/A | UK | Ordinary | 100% | Holding company |
| Elios Energy 2 Limited * | N/A | UK | Ordinary | 100% | Holding company |
| Viners Energy Limited | N/A | UK | Ordinary | 100% | Holding company |
| Elios Renewable Energy Limited [b*] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Eakring Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Holding company |
| Chisbon Solar Farm Holdings Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Chisbon Solar Farm Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Holding company |
| Bryn Yr Odyn Solar Developments Holdings Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |

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## 9 Investments

| Name | Date of acquisition | Country of incorporation | Class of shares | Holding | Principal activity |
|---|---|---|---|---|---|
| Bryn Yr Odyn Solar Developments Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Avenue Solar Farm Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Holding company |
| Wincelle Solar Holdings Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Wincelle Solar Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Melbourn Solar Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Holding company |
| Haymaker (Oaklands) Holdings Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Holding company |
| Haymaker (Oaklands) Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Parciau Holdings Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Holding company |
| Parciau Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Pitchford (Condover Airfield & Stockbatch) Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Singrug Holdings Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Holding company |
| Singrug Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Thoresby Estate (Budby) Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Waterloo Solar Park Holdings Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Holding company |
| Waterloo Solar Park Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Westerfield Solar Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| WSE Hullavington Holdings Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Holding company |
| WSE Hullavington Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Littleton Solar Farm Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Haymaker (Natewood) Holdings Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Holding company |
| Haymaker (Natewood) Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Orta Wedgehill Solar Holdings Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Holding company |
| Orta Wedgehill Solar Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Six Hills Lane (Ragdale) Limited [b] | 21/07/2015 | UK | Ordinary | 100% | Energy generation |
| Southcombe Farm Limited [c] | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Ellicombe Limited [c] | 16/09/2015 | UK | Ordinary | 100% | Energy generation |

| Name | Date of acquisition | Country of incorporation | Class of shares | Holding | Principal activity |
|---|---|---|---|---|---|
| BNRG IOW Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Victoria Solar Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Ninnis Farm Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Newlands Solar Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Chittering Solar Two Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| TGC Solar 107 Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Steadfast Shipton Belinger Solar Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Little T Solar Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| North Perrott Fruit Farm Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| MTS Hatchlands Solar Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Chalcroft Solar Park Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Steadfast Parkhouse Solar Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Slaughtergate Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Palfreys Barton Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| MSP Tregassow Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Craymarsh Limited c | 16/09/2015 | UK | Ordinary | 100% | Holding company |
| Steadfast Rudge Solar Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Lovedean Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Stellar Power Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Higher Knapp Farm Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| WSE Bradford Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Marley Thatch Solar Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| TGC Solar 102 Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Meadows Farm Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Sun Green Energy Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| WSE Park Wall Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| TGC Solar 68 Limited c | 16/09/2015 | UK | Ordinary | 100% | Energy generation |
| Tredown Farm Limited c | 11/12/2015 | UK | Ordinary | 100% | Energy generation |
| Hill End Farm Limited c | 11/12/2015 | UK | Ordinary | 100% | Energy generation |

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# 9 Investments

| Name | Date of acquisition | Country of incorporation | Class of shares | Holding | Principal activity |
|---|---|---|---|---|---|
| Causilgey Limited [c] | 11/12/2015 | UK | Ordinary | 100% | Energy generation |
| Sulis Energy Holdings Limited * | N/A | UK | Ordinary | 100% | Holding company |
| Fern Finance 11 Limited | N/A | UK | Ordinary | 100% | Non trading company |
| Sulis Energy Limited * | N/A | UK | Ordinary | 100% | Holding company |
| Haymaker (Mount Mill) Limited [d] | 03/11/2015 | UK | Ordinary | 100% | Energy generation |
| Ratcliffe House Farm Limited [d] | 23/11/2015 | UK | Ordinary | 100% | Energy generation |
| Birch Estate Solar Limited [d] | 20/11/2015 | UK | Ordinary | 100% | Energy generation |
| Mill Hill Farm Solar Limited [d] | 08/12/2015 | UK | Ordinary | 100% | Energy generation |
| Dairy House Solar Limited [d] | 18/02/2016 | UK | Ordinary | 100% | Energy generation |
| Carlisle Estate Solar Limited [d] | 04/03/2016 | UK | Ordinary | 100% | Energy generation |
| Guisborough Solar Limited [d] | 12/02/2016 | UK | Ordinary | 100% | Energy generation |
| Breck Solar Limited [d] | 24/02/2016 | UK | Ordinary | 100% | Energy generation |
| Holtwood Solar Limited [d] | 17/02/2016 | UK | Ordinary | 100% | Energy generation |
| Lawn Lane Solar Limited [d] | 04/03/2016 | UK | Ordinary | 100% | Energy generation |
| Brickklin Farm Solar Limited [d] | 18/02/2016 | UK | Ordinary | 100% | Energy generation |
| Agrisol 2 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Batisolaire 5 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Batisolaire 7 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Elecsol Camargue [e] | 15/10/2015 | France | Ordinary | 100% | Energy generation |
| Elecsol France 07 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Elecsol France 11 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Elecsol France 15 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Elecsol France 19 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Elecsol France 22 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Elecsol France 24 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Elecsol France 25 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Elecsol France 28 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Elecsol France 41 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Elecsol Haut Var [e] | 15/10/2015 | France | Ordinary | 100% | Energy generation |
| Sammat [e] | 15/10/2015 | France | Ordinary | 100% | Energy generation |
| Solarfi LP08 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |

| Name | Date of acquisition | Country of incorporation | Class of shares | Holding | Principal activity |
|---|---|---|---|---|---|
| Solarfi SP01 [e] | 15/10/2015 | France | Ordinary | 100% | Energy generation |
| Solarfi SP02 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Solarfi SP04 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Solarfi SP05 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Solarfi SP08 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Solarfi SP10 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Volta France [e] | 15/10/2015 | France | Ordinary | 100% | Energy generation |
| Volta France 13 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Voltafrance 01 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Voltafrance 05 [e] | 08/10/2015 | France | Ordinary | 100% | Energy generation |
| Wryde Croft Wind Farm Limited [f] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Glenchamber Wind Energy Limited [g] | 27/08/2015 | UK | Ordinary | 100% | Energy generation |
| Eucalyptus Energy Holdings Limited * | N/A | UK | Ordinary | 100% | Holding company |
| Eucalyptus Energy Limited * | N/A | UK | Ordinary | 100% | Holding company |
| MEIF Renewable Energy UK plc [a] | 30/10/2015 | UK | Ordinary | 100% | Holding Company |
| Melton Renewable Energy (Holdings) Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Holding company |
| Melton LG Holding Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Holding company |
| Melton LG Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Holding company |
| Melton LG ROC Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Asset leasing company |
| CLPE Holdings Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Holding company |
| CLP Envirogas Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Operating and maintenance services |
| CLP Developments Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| CLP Services Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| CLPE 1999 Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| CLPE 1991 Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| CLPE Projects 1 Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Holding company |
| CLPE Projects 2 Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Holding company |
| CLPE Projects 3 Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Holding company |

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# 9 Investments

| Name | Date of acquisition | Country of incorporation | Class of shares | Holding | Principal activity |
|---|---|---|---|---|---|
| CLPE ROC - 1 Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| CLPE ROC - 2 Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| CLPE ROC - 3 Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| CLPE ROC - 4 Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Bellhouse Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Chelson Meadow Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Summerston Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| United Mines Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Whinney Hill Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Beighton Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Cotesbach Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Queen's Park Road Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Skelbrooke Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Wetherden Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Auchencarroch Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Bolam Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Colsterworth Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Connon Bridge Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Feltwell Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Garlaff Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| Jameson Road Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Kilgarth Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| March Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Todhills Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Whinney Hill Energy 2 Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| Beetley Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Cathkin Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Cilgwyn Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| Stoneyhill Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| Snetterton Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| CLPE ROC – 2A Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |

| Name | Date of acquisition | Country of incorporation | Class of shares | Holding | Principal activity |
|---|---|---|---|---|---|
| CLPE ROC – 3A Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| CLPE ROC – 4A Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Melton Renewable Energy Newco Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Holding company |
| Melton Renewable Energy Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Holding company |
| Energy Power Resources Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy project development and management services |
| EPR Scotland Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| EPR Ely Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| EPR Eye Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| EPR Glanford Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| EPR Thetford Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Energy generation |
| Fibrophos Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Supply of fertiliser |
| Anglian Straw Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| Best Selection Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| Energy Power Resources (Newco) Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| EPR Ely Power Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| Fibrowatt Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| Fibrowatt Group Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| First Renewables Limited [a] | 30/10/2015 | UK | Ordinary | 100% | Dormant company |
| Yorkshire Windpower Limited [a] | 30/10/2015 | UK | Ordinary | 50% | Energy generation |

[a] Subsidiaries acquired by Eucalyptus Energy Limited
[b] Subsidiaries acquired by Elios Energy Limited
[c] Subsidiaries acquired by Viners Energy Limited
[d] Subsidiaries acquired by Sulis Energy Limited
[e] Subsidiaries acquired by Elios Energy 2 Limited
[f] Subsidiary acquired by Notos Energy Limited
[g] Subsidiary acquired by Boreas Energy Limited
* Subsidiaries exempt from audit by virtue of s479A of the Companies Act 2006.

The Fern Power Company Limited, Fern Energy Holdings Limited and Eucalyptus Energy Holdings Limited are held directly by the Company. All other subsidiaries are held indirectly.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

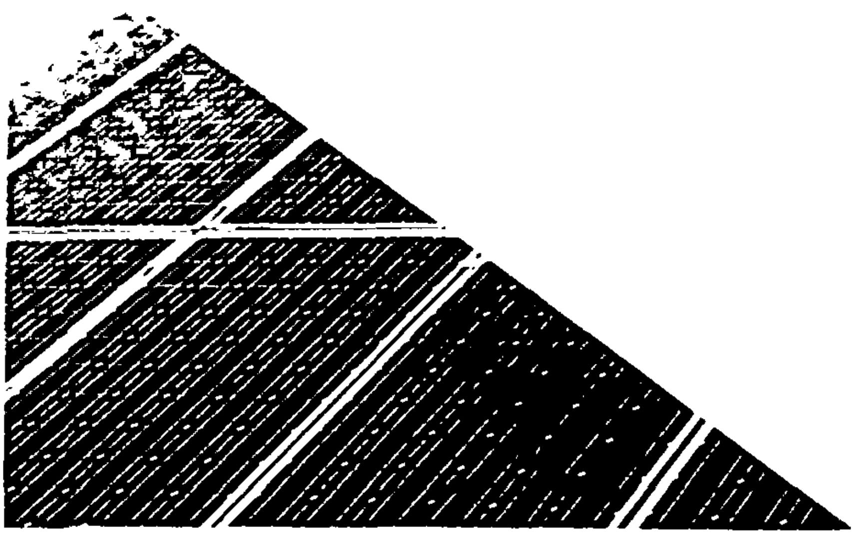
# 10 Stocks

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Goods for resale | **-** | 2,888 | **-** | 2,888 |
| Ash stock | **5,540** | - | **-** | - |
| Fuel, spare parts and consumables | **9,715** | - | **-** | - |
| | **15,255** | 2,888 | **-** | 2,888 |

The amount of stocks recognised as an expense during the year was £49,591,000.

Included in the fuel, spare parts and consumables stock value is a provision of £149,000 for unusable fuel stock (2015: £nil). Included in the ash stock value is a provision of £430,000 for slow moving stock (2015: £nil).

On acquisition of the Melton Renewable Energy UK PLC Group (note 25) a fair value uplift of £2,643,000 was recognised on the ash stock to average sales prices. At year end £2,057,000 of this uplift remains in the balance sheet figure. Excluding this adjustment the replacement cost of stocks does not differ materially from the numbers disclosed above.



# 11 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Amounts falling due after one year | | | | |
| Loans and advances to customers | **277,495** | 314,953 | **277,495** | 313,800 |
| Amounts falling due within one year | | | | |
| Loans and advances to customers | **222,143** | 589,860 | **222,143** | 589,860 |
| Amounts owed by group undertakings | - | - | **667,022** | 59,642 |
| Trade debtors | **28,370** | - | **219** | - |
| Other debtors | **167** | - | **22** | - |
| Corporation tax | **2,006** | - | **2,680** | - |
| Deferred tax asset | - | - | **435** | - |
| Derivative financial instruments | - | 399 | - | - |
| Prepayments and accrued income | **78,530** | 39,053 | **49,184** | 36,170 |
| | **608,711** | 944,265 | **1,219,200** | 999,472 |

Amounts owed by group undertakings include the following loans from Fern Trading Limited to subsidiary companies. Impairments of £126,789,000 (2015: £6,376,000) have been recognised against these loans during the year due to reductions in energy prices which have impacted the performance of the subsidiaries to which they relate. The loans are unsecured and repayable on demand.

| | Interest rate | 2016 | 2015 |
|---|---|---|---|
| | | **£'000** | £'000 |
| The Fern Power Company Limited | 10.00% | **12,508** | 13,883 |
| Eucalyptus Energy Holdings Limited | 9.00% | **140,856** | - |
| Fern Energy Holdings Limited | 8.00% | **49,231** | - |
| Fern Energy Holdings Limited | 6.70% | **67,091** | - |
| Fern Energy Holdings Limited | 6.00% | **41,630** | - |
| Fern Energy Holdings Limited | 5.70% | **321,682** | - |
| Fern Energy Holdings Limited | 5.00% | **34,024** | 45,759 |
| | | **667,022** | 59,642 |

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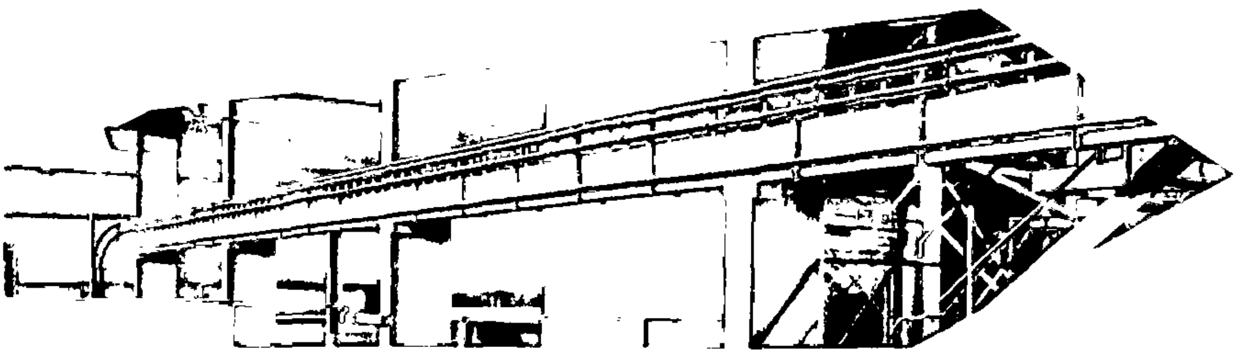
## 12 Current asset investments

| Group & Company | Unlisted investments £'000 |
|---|---|
| Cost and net book value | |
| At 1 July 2015 | 9,436 |
| Additions | 15,567 |
| Disposals | (25,003) |
| **30 June 2016** | - |

Unlisted investments represent an investment in Bracken Holdings Limited, a company with key management personnel in common with Fern Trading Limited. This investment represents a nil% (2015: 7%) share of Bracken Holdings Limited's ordinary share capital.

## 13 Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Trade creditors | **13,741** | 1,257 | **2,879** | 542 |
| Bank loans and overdrafts | **14,788** | 1,478 | **-** | - |
| Corporation tax | **-** | 2,358 | **-** | 3,795 |
| Other taxation and social security | **1,155** | - | **922** | - |
| Other creditors | **43,420** | 2,767 | **999** | 2,000 |
| Derivative financial instruments (note 18) | **4,429** | - | **-** | - |
| Accruals and deferred income | **41,808** | 9,213 | **7,962** | 8,178 |
| | **119,341** | 17,073 | **12,762** | 14,515 |



# 14 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **£'000** | £'000 | **£'000** | £'000 |
| Bank loans and overdrafts | **515,695** | 70,691 | - | - |
| Senior secured notes | **147,841** | - | - | - |
| Derivative financial instruments (note 18) | **35,608** | - | - | - |
| | 699,144 | 70,691 | - | - |
| Bank loans | | | | |
| Due in 1 year | **14,788** | 1,478 | - | - |
| Due between 1 and 5 years | **470,330** | 15,103 | - | - |
| Due in more than 5 years | **45,365** | 55,588 | - | - |
| | **530,483** | 72,169 | - | - |

The bank loans are secured against certain assets of the Group with each loan as held by the subsidiary shown below.

| | Interest rate | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| Viners Energy Limited | 6 month LIBOR plus 2.00% | **404,512** | - |
| Fern Renewable Energy Limited | 6 month LIBOR plus 1.90% | **60,294** | 72,169 |
| Wryde Croft Wind Farm Limited | 6 month LIBOR plus 2.10% | **21,658** | - |
| Wryde Croft Wind Farm Limited | 6 month LIBOR plus 1.90% | **1,013** | - |
| Glenchamber Wind Energy Limited | 6 month LIBOR plus 1.95% | **7,256** | - |
| Glenchamber Wind Energy Limited | 6 month LIBOR plus 1.90% | **1,276** | - |
| Elios Energy 2 Limited | Average rate of 4.63% | **34,474** | - |
| | | **530,483** | 72,169 |

Melton Renewable Energy UK PLC, a subsidiary company, issued £190m senior secured notes with an interest rate of 6.75% and a repayment date of 1 February 2020. The proceeds of the notes were used to repay in full the existing bank facilities within Melton Renewable Energy (Holdings) Limited and Melton LG Energy Limited, both subsidiaries of Melton Renewable Energy UK PLC.

# 15 Creditors: amounts falling due after more than one year

| Group | Decommissioning provision | Deferred taxation | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 1 July 2015 | - | 927 | 927 |
| Adjustments in respect of prior periods | - | (534) | (534) |
| Additions | 1,085 | 16,922 | 18,007 |
| Utilisation | - | (1,758) | (1,758) |
| **At 30 June 2016** | **1,085** | **15,557** | **16,642** |

The decommissioning provision is held in the subsidiary companies Wryde Croft Wind Farm Limited and Glenchamber Wind Energy Limited. It is to cover future obligations to return land on which the companies operate to its original condition. The amounts are not expected to be utilised for in excess of 20 years.

# 16 Called up share capital

| Group & Company | 2016 | 2015 |
|---|---|---|
| | **£'000** | £'000 |
| Allotted, called-up and fully paid | | |
| 1,039,911,472 (2015: 888,358,650) Ordinary shares of £0.10 each | **103,991** | 88,836 |

During the year the Group and Company issued 151,552,824 (2015: 239,363,920) Ordinary shares of £0.10 each for a consideration of £201,798,000 (2015: £308,016,451) giving rise to a premium of £186,642,718 (2015: £284,080,059).

# 17 Contingencies

**Contingent liabilities**

Under section 479C of the Companies Act 2006, the parent company Fern Trading Limited has guaranteed all outstanding liabilities to which the subsidiaries taking the audit exemption listed in note 9 were subject at the end of 30 June 2016 until they are satisfied in full. These liabilities total £2,408,110,000, including intercompany loans of £2,387,489,000. Such guarantees are enforceable against Fern Trading Limited by any person to whom any such liability is due.

# 18 Financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **£'000** | £'000 | **£'000** | £'000 |
| Carrying amount of financial assets | | | | |
| Debt instruments measured at amortised cost | **529,707** | 904,813 | **1,167,566** | 963,303 |
| Equity instruments measured at cost less impairment | **-** | 399 | **-** | - |
| Carrying amount of financial liabilities | | | | |
| Measured at amortised cost | **724,787** | 80,098 | **3,877** | 6,030 |
| Measured at fair value through profit and loss account | **4,429** | - | **-** | - |
| Measured at fair value through other comprehensive income | **35,608** | - | **-** | - |

**Derivative financial instruments**

The Group enters into interest rate swaps to mitigate interest rate risk on its bank loans. These are designated as cash flow hedges with the effective element of the hedge measured through other comprehensive income. At 30 June 2016 the outstanding contracts have a maturity in excess of one year. The Group is committed to receive LIBOR and pay a fixed rate amount.

In addition the Group entered into a foreign exchange forward contract during the year. This is measured through the profit and loss account. At 30 June 2016 the outstanding contract had a maturity within one year and commits the Group to sell €46,000,000 at a fixed exchange rate.

The forward currency contract is measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivative is the forward exchange rate for GBP:EUR. The fair value of the forward-foreign currency contracts is a liability of £4,429,000.

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# 19 Operating lease commitments

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Land and Buildings** | **Other** | Land and Buildings | Other |
| | **£'000** | **£'000** | £'000 | £'000 |
| Payments due: | | | | |
| Not later than one year | 4,508 | 273 | 443 | - |
| Later than one year and not later than five years | 18,778 | 328 | 1,755 | - |
| Later than five years | 112,284 | - | 11,142 | - |
| | **135,570** | **601** | **13,340** | - |

# 20 Notes to the cash flow statement

| | 2016 | 2015 |
|---|---|---|
| | **£'000** | £'000 |
| (Loss)/profit for the financial year | **(43,352)** | 30,041 |
| Adjustments for: | | |
| Tax on profit on ordinary activities | **327** | 8,816 |
| Interest receivable and similar income | **(526)** | (584) |
| Interest payable and other similar charges | **30,320** | 778 |
| Income from fixed asset investments | **(1,767)** | (10,532) |
| Operating profit | **(14,998)** | 28,519 |
| Amortisation of intangible fixed assets | **17,882** | 1,377 |
| Depreciation of tangible fixed assets | **42,629** | 3,036 |
| Impairment of deferred shares | **9,578** | - |
| Profit on sale of investments | - | (244) |
| Non-cash movements on derivatives and foreign exchange | **4,332** | |
| Decrease/(Increase) in stock | **2,757** | (2,386) |
| Decrease/(increase) in debtors | **410,228** | (343,561) |
| Decrease in creditors | **(6,879)** | (9,791) |
| **Net cash from operating activities** | **465,529** | (323,050) |

# 21 Post-balance sheet events

On 7th October 2016, Elios Energy Limited, a subsidiary of Fern Trading Limited, acquired Claramond Solar SPV1 Limited, Adalinda Solar SPV1 Limited and Hursit SPV1 Limited.

On 18th October 2016, Caicias Energy Limited, a subsidiary of Fern Trading Limited newly incorporated post year end, acquired Fraisthorpe Holdings Limited and Fraisthorpe Wind Farm Limited.

Fern Trading Development Limited was incorporated on 25th August 2016 (with Fern Trading Limited as sole shareholder). Belisama Energy Limited was incorporated on 26th August 2016 (with Fern Trading Development Limited as sole shareholder).

Subsequently, the following SPVs were acquired by Belisama Energy Limited with the intention of constructing solar sites, with a total capacity of 26MW:

- SBC Lochcraig Limited (acquired on 28 November 2016)
- SSR Stormy West Limited (acquired on 30 November 2016)
- Fullerton Solarfield Limited (acquired on 5 December 2016)
- SSR Seaton Limited (acquired on 7 December 2016)
- Penyrheollas Solarfield Limited (acquired on 7 December 2016)
- SSR Corntown Limited (acquired on 14 December 2016)

On 8th July 2016, Nevern Power Limited was acquired by Fern Power Company with the intention of constructing a Reserve Power plant.

# 22 Related party transactions

Under FRS 102 33.1A disclosures need not be given of transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Other than the transactions disclosed below, the Company's other related party transactions were with its wholly owned subsidiary members of the Group.

As at 30 June 2016 £10,226,000 was due from Yorkshire Windpower Limited ("YWP"), a 50% joint venture shareholding, in relation to the Group's 50% share of the shareholder loan facility made available to YWP in relation to the re-powering of Ovenden Moor. The loan has a fixed interest rate of 6.91% and is due for repayment in February 2017.

During the period the Group received, in the normal course of business, from YWP £61,604 for management and accountancy services. At the period end £62,352 was outstanding, of which £57,438 related to income in respect of management and accountancy services provided since 30 October 2015.

During the year, legal and professional fees of £58,245 (2015: £nil) were recharged to the Group by Lightsource Renewable Energy Limited, a related party until 21 July 2015 due to having key management personnel in common.

During the year, fees of £44,152,670 (2015: £48,088,088) were charged to the Group by Octopus Investments Limited, a related party due to its significant influence over the entity. Octopus Investments Limited also recharged legal and professional fees totalling £828,941 (2015: £128,555) to the Group. At the year end, an amount of £2,872,709 (2015: £5,783) was outstanding which is included in the trade creditors.

## 27 Related party transactions

The Company is entitled to a profit share as a result of its investment in Terido LLP, a related party due to key management personnel in common. In 2016 a share of profit equal to £1,812,206 (2015: £10,532,416) has been recognised by the Company. At the year end the Company had an interest in the member's capital of £16,500,401 (2015; £11,950,203) and accrued income due of £472,356 (2015: £1,627,803).

The Company provides a wholesaling arrangement for purchases of inventory. During the year income of £5,384,951 (2015: £34,021,286) was received from related parties that have key management personnel in common. This includes the below individually material entities:

| | **Amounts included in debtors in the year ended 30 June 2016** | **Amounts included in debtors in the year ended 30 June 2015** |
|---|---|---|
| | **£'000** | £'000 |
| Lightsource Trading Limited | **2,733** | 95 |
| Staining Wood Solar Limited (formerly Lightsource SPV 153 Limited) | **2,003** | - |
| Westerfield Solar Limited (formerly Lightsource SPV 45 Limited) | - | 5,656 |
| Lightsource SPV 106 Limited | - | 2,322 |
| Melbourn Limited (formerly Lightsource SPV 107 Limited) | - | 16,224 |
| Thoresby Estate (Budby) Limited (formerly Lightsource SPV 129 Limited) | - | 8,350 |

The Company engages in lending activities which include balances provided to related parties. Regarding entities with key management personnel in common loans of £86,799,084 (2015: £422,690,549), accrued income of £4,353,392 (2015: £10,484,970) and deferred income of £1,462,891 (2015: £766,644) were outstanding at year end. During the year interest income of £9,384,481 (2015: £23,924,888) and fees of £1,460,207 (2015: £6,796,756) was recognised in relation to these loans. Within the loan balances at each year end there were the following individually material amounts:

| | **Amounts included in debtors in the year ended 30 June 2016** | **Amounts included in debtors in the year ended 30 June 2015** |
|---|---|---|
| | **£'000** | £'000 |
| Abeba Energy Limited | **1,675** | 1,475 |
| Alhazen Energy Limited | - | 3,827 |
| Allunga Limited | - | 1,891 |
| Arevalous Power Limited | **1,303** | 1,700 |
| Aurora Care and Education Midco Limited | **14,585** | - |
| Avenue Solar Farm Limited (formerly Lightsource SPV 15 Limited) | - | 7,083 |
| Belakane Solar Limited | **1,569** | 1,617 |
| Bryn Yr Odyn Solar Development Holdings Limited (formerly Lightsource SPV 150 Limited) | - | 16,338 |

| | Amounts included in debtors in the year ended 30 June 2016 | Amounts included in debtors in the year ended 30 June 2015 |
|---|---|---|
| | **£'000** | £'000 |
| Cadoxton Reserve Power Limited | **4,231** | 2,383 |
| Cauchy Energy Limited | - | 5,182 |
| Chamania Limited | - | 6,807 |
| Chemosh Limited | - | 1,870 |
| Chisbon Solar Farm Holdings Limited (formerly Lightsource SPV 96 Limited) | - | 13,601 |
| Cleomedes Energy Limited | - | 8,062 |
| Condamine Energy Limited | - | 1,700 |
| Culvery Power Limited | **1,989** | - |
| Dacia Energy Limited | **311** | 8,012 |
| Dajbog Limited | - | 3,541 |
| Decoy Farm Power Limited | **7,740** | 4,100 |
| Draconids Limited | - | 1,725 |
| Eakring Limited (formerly Lightsource SPV 30 Limited) | - | 11,123 |
| Eleadora Limited | - | 2,717 |
| Fauth Energy Limited | - | 5,491 |
| Flammarion Energy Limited | - | 5,406 |
| Grange Farm Renewable Energy Limited | **1,880** | 200 |
| Haymaker (Natewood) Holdings Limited (formerly Lightsource SPV 158 Limited) | - | 11,387 |
| Haymaker (Oaklands) Holdings Limited (formerly Lightsource SPV 157 Limited) | - | 6,790 |
| Helmdon Blackpits Power Limited | **7,311** | 5,150 |
| Hipparchus Energy Limited | - | 1,724 |
| Iarilo Limited | - | 3,471 |
| Intina Power Limited | - | 2,400 |
| Isoke Energy Limited | 2,361 | 431 |
| Jata Energy Limited | 2,025 | 1,862 |
| Kaikala Limited | - | 2,644 |
| Littleton Solar Farm Limited (formerly Lightsource SPV 125 Limited) | - | 12,157 |
| Malakbel Limited | - | 3,733 |
| Malwine Solar Limited | 224 | 2,224 |
| Martanda Limited | - | 5,243 |
| Mediaco Business Services Limited | - | 1,672 |
| Mehrang Limited | - | 3,099 |

## 27 Related party transactions

| | Amounts included in debtors in the year ended 30 June 2016 £'000 | Amounts included in debtors in the year ended 30 June 2015 £'000 |
|---|---|---|
| Melbourn Limited (formerly Lightsource SPV 107 Limited) | - | 49,795 |
| Miralalou Limited | - | 1,738 |
| Nabarun Limited | - | 6,660 |
| Oda Solar Limited | **1,681** | 1,745 |
| Ogmore Power Limited | **1,900** | - |
| Orta Wedghill Solar Holdings Limited (formerly Lightsource SPV 173 Limited) | - | 14,431 |
| Ottila Solar Limited | - | 3,026 |
| Paganini Energia s.r.l | **4,220** | - |
| Parciau Holdings Limited (formerly Lightsource SPV 119 Limited) | - | 13,550 |
| Personnel Advisory Services Limited | - | 1,646 |
| Pitchford (Condover Airfield & Stockbatch) Limited (formerly Lightsource SPV 103 Limited) | - | 18,445 |
| Puccini Energia s.r.l | **6,255** | - |
| Redlake Power Limited | **1,880** | - |
| Rossini Energia s.r.l | **4,402** | - |
| Six Hills Lane (Ragdale) Limited (formerly Lightsource SPV 102 Limited) | - | 16,243 |
| Sonste Limited | - | 4,704 |
| Suvana Limited | - | 6,667 |
| Synnove Limited | **1,688** | 1,453 |
| Tejeshwar Limited | **225** | 4,492 |
| Teruko Power Limited | - | 4,243 |
| Thoresby Estate (Budby) Limited (formerly Lightsource SPV 129 Limited) | - | 17,378 |
| Verdi Energia s.r.l | **4,787** | - |
| Vivaldi Energia s.r.l | **2,702** | - |
| Waterloo Solar Park Holdings Limited (formerly Lightsource SPV 93 Limited) | - | 28,102 |
| Westerfield Solar Limited (formerly Lightsource SPV 45 Limited) | - | 12,848 |
| Wincelle Solar Holdings Limited (formerly Lightsource SPV 113 Limited) | - | 11,798 |
| WSE Hullavington Holdings Limited (formerly Lightsource SPV 43 Limited) | - | 8,047 |
| Yata Power Limited | - | 3,521 |
| Singrug Limited (formerly Lightsource SPV 121) | - | 12,495 |

## 23 Capital commitments

At the year end the Group had capital commitments as follows:

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Contracted for but not provided in these financial statements | **1,198** | - |

## 24 Ultimate parent company and controlling party

There is no ultimate controlling party.

# 25 Business combinations

## (A) Eucalyptus Energy Limited acquisition

During the year, the Group acquired control of the subsidiaries listed in note 9 through the acquisition of 100% of the share capital, except in the case of Yorkshire Windpower Limited, a joint venture for which 50% of the share capital was acquired. The acquired entities are involved in the generation of energy. The following tables summarise the consideration paid by the Group, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

| Consideration | 2016<br>£'000 |
|---|---|
| Cash | 27,048 |
| Directly attributable costs | 5,569 |
| **Total consideration** | **32,617** |

Details of the fair value of the net assets acquired and goodwill arising are as follows:

| | Book values<br>£'000 | Adjustments<br>£'000 | Fair value<br>£'000 |
|---|---|---|---|
| Property, plant and equipment | 166,952 | - | 166,952 |
| Interest in joint venture | 802 | - | 802 |
| Stocks | 12,428 | 2,643 | 15,071 |
| Trade and other receivables | 29,770 | - | 29,770 |
| Cash and cash equivalents | 16,224 | - | 16,224 |
| Trade and other payables | (33,095) | - | (33,095) |
| Long term debt | (292,069) | - | (292,069) |
| **Net assets acquired** | **(98,988)** | **2,643** | **(96,345)** |
| Goodwill | | | 128,962 |
| **Total consideration** | | | **32,617** |

On acquisition a fair value uplift of £2,643,000 was recognised on the stock to average sales prices (Note 10).

Goodwill resulting from the business combination was £128,962,000 and has an estimated useful life of 12.5 years, reflecting the lifespan of the assets acquired.

The revenue from the acquired businesses included in the consolidated statement of comprehensive income for the year was £79,889,000 and a loss of £13,111,000 was contributed over the same year.

## (B) Elios Renewable Energy Limited acquisition

During the year, the Group acquired control of the subsidiaries listed in note 9 through the acquisition of 100% of the share capital. Other than Elios Renewable Energy Limited these companies were then immediately transferred to Viners Energy Limited hence are included in the identifiable assets and liabilities of that transaction below. The following tables summarise the consideration paid by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

| Consideration | 2016<br>£'000 |
|---|---|
| Cash | 145,980 |
| Directly attributable costs | 4,093 |
| **Total consideration** | **150,023** |

Details of the fair value of the net assets acquired and goodwill arising are as follows:

| | Book values<br>£'000 | Adjustments<br>£'000 | Fair value<br>£'000 |
|---|---|---|---|
| Cash and cash equivalents | 733 | - | 733 |
| Other investments | - | 56,003 | 56,003 |
| Trade and other payables | (618) | - | (618) |
| **Net assets acquired** | **115** | **56,003** | **56,118** |
| Goodwill | | | 93,905 |
| **Total consideration** | | | **150,023** |

Goodwill resulting from the business combination was £117,425,000 and has an estimated life of 25 years, reflecting the lifespan of the solar farms acquired.

The revenue from the Elios Renewable Energy Limited included in the consolidated statement of comprehensive income for the year was £nil, and a loss of £299,000 was contributed over the same year.

Following the acquisition of Elios Renweable Energy Limited, the Group undertook further acquisitions in entities in which the acquired deferred shares were held (note 25c)). These deferred shares, valued at £23,520,000, and included in other investments in the table above (also see note 9) were not exercised and therefore this amount has been recycled into goodwill. Total goodwill recognised on this acquisition is therefore £117,425,000.

# 25 Business combinations

## (C) Viners Energy Limited acquisition

During the year, the Group acquired control of the subsidiaries listed in note 9 through the acquisition of 100% of the share capital for total consideration of £32,140,000 paid in cash. These companies are involved in the generation of solar power.

Details of the fair value of the net liabilities acquired and goodwill arising are as follows:

| | Book values | Adjustments | Fair value |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Property, plant and equipment | 507,514 | - | 507,514 |
| Trade and other receivables | 30,300 | - | 30,300 |
| Cash and cash equivalents | 17,296 | - | 17,296 |
| Trade and other payables | (41,393) | - | (41,393) |
| Long term debt | (574,277) | - | (574,277) |
| **Net liabilities acquired** | **(60,560)** | - | **(60,560)** |
| Goodwill | | | 92,700 |
| **Total consideration** | | | **32,140** |

Goodwill resulting from the business combination was £92,700,000 and has an estimated the useful life of 25 years, reflecting the lifespan of the solar farms acquired.

The revenue from the acquired businesses included in the consolidated statement of comprehensive income for the year was £47,079,000, and a loss of £15,899,000 was contributed over the same year.

## (D) Sulis Energy Limited acquisition

During the year, the Group acquired control of the subsidiaries listed in note 9 through the acquisition of 100% of the share capital. These companies are involved in the generation of solar power. The following tables summarise the consideration paid by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

| Consideration | |
|---|---|
| | **2016** |
| | **£'000** |
| Cash | 10,776 |
| Directly attributable costs | 334 |
| **Total consideration** | **11,110** |

Details of the fair value of the net assets acquired and goodwill arising are as follows:

| | Book values | Adjustments | Fair value |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Property, plant and equipment | 12,150 | - | 12,150 |
| Trade and other receivables | 3,045 | - | 3,045 |
| Cash and cash equivalents | 4 | - | 4 |
| Trade and other payables | (161) | - | (161) |
| Long term debt | (14,729) | - | (14,729) |
| **Net assets acquired** | **309** | - | **309** |
| Goodwill | | | 10,801 |
| **Total consideration** | | | **11,110** |

Goodwill resulting from the business combination was £10,801,000 and has an estimated useful life of 25 years, reflecting the lifespan of the solar farms acquired.

The revenue from the acquired businesses included in the consolidated statement of comprehensive income for the year was £2,188,000 and a loss of £1,743,000 was contributed over the same year.

## 25 Business combinations

### (E) Elios Energy 2 Limited acquisition

During the year, the Group acquired control of the subsidiaries listed in note 9 through the acquisition of 100% of the share capital for total consideration of £34,423,000, £5,607,000 paid in cash and £28,816,000 via shareholder loan. These companies are involved in the generation of solar power.

| Consideration | 2016 £'000 |
|---|---|
| Cash | 34,308 |
| Directly attributable costs | 115 |
| **Total consideration** | **34,423** |

Details of the fair value of the net assets acquired and goodwill arising are as follows:

| | Book values £'000 | Adjustments £'000 | Fair value £'000 |
|---|---|---|---|
| Property, plant and equipment | 39,601 | - | 39,601 |
| Long term receivable | 13,000 | - | 13,000 |
| Trade and other receivables | 1,984 | - | 1,984 |
| Cash and cash equivalents | 3,706 | - | 3,706 |
| Trade and other payables | (59) | - | (59) |
| Long term debt | (44,959) | - | (44,959) |
| **Net assets acquired** | **13,273** | - | **13,273** |
| Goodwill | | | 21,150 |
| **Total consideration** | | | **34,423** |

Goodwill resulting from the business combination was £21,150,000 and has an estimated useful life of 25 years, reflecting the lifespan of the solar farms acquired.

The revenue from the acquired businesses included in the consolidated statement of comprehensive income for the year was £5,739,000 and a loss of £700,000 was contributed over the same year.

## (F) Notos Energy Limited acquisition

During the year, the Group acquired control of Wryde Croft Wind Farm Limited through the acquisition of 100% of the share capital. Wryde Croft Wind Farm Limited operates a wind farm for the generation of electricity. The following tables summarise the consideration paid by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

| Consideration | |
|---|---|
| | **2016** |
| | **£'000** |
| Cash | 4,468 |
| Directly attributable costs | 192 |
| **Total consideration** | **4,660** |

Details of the fair value of the net liabilities acquired and goodwill arising are as follows:

| | Book values | Adjustments | Fair value |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Property, plant and equipment | 30,019 | - | 30,019 |
| Trade and other receivables | 5,839 | - | 5,839 |
| Cash and cash equivalents | 310 | - | 310 |
| Trade and other payables | (399) | - | (399) |
| Long term debt | (36,523) | - | (36,523) |
| **Net liabilities acquired** | **(754)** | - | **(754)** |
| Goodwill | | | 5,414 |
| **Total consideration** | | | **4,660** |

Goodwill resulting from the business combination was £5,414,000 and has an estimated useful life of 20 years, reflecting the lifespan of the wind farms acquired.

The revenue from the acquired businesses included in the consolidated statement of comprehensive income for the year was £1,584,000 and a loss of £2,152,000 was contributed over the same year.

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## 25 Business combinations

### (G) Boreas Energy Limited acquisition

During the year, the Group acquired control of Glenchamber Wind Energy Limited through the acquisition of 100% of the share capital. Glenchamber Wind Energy Limited is building a wind farm for the generation of electricity. The following tables summarise the consideration paid by the Group, the fair value of assets acquired and liabilities assumed at the acquisition date.

| Consideration | |
|---|---|
| | **2016** |
| | **£'000** |
| Cash | 15,652 |
| Directly attributable costs | 211 |
| **Total consideration** | **15,863** |

Details of the fair value of the net liabilities acquired and goodwill arising are as follows:

| | **Book values** | **Adjustments** | **Fair value** |
|---|---|---|---|
| | £'000 | **£'000** | £'000 |
| Property, plant and equipment | 23,074 | - | 23,074 |
| Trade and other receivables | 4,149 | - | 4,149 |
| Cash and cash equivalents | 574 | - | 574 |
| Trade and other payables | (345) | - | (345) |
| Long term debt | (27,729) | - | (27,729) |
| **Net assets acquired** | **(277)** | - | **(277)** |
| Goodwill | | | 16,140 |
| **Total consideration** | | | **15,863** |

Goodwill resulting from the business combination was £16,140,000 has an estimated the useful life of 20 years, reflecting the lifespan of the wind farms acquired.

The revenue from the acquired businesses included in the consolidated statement of comprehensive income for the year was £99,000 and a loss of £4,578,000 was contributed over the same year.

# 26 Transition to FRS 102

This is the first year that the Group and Company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 30 June 2015. The date of transition to FRS 102 was 1 July 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 30 June 2015 and the total equity as at 1 July 2014 and 30 June 2015 between UK GAAP as previously reported and FRS 102.

## Transition exemptions

The Group and Company have taken the following transition exemptions in preparing its first financial statements under FRS 102.

i. The Group and Company have taken advantage of the transition exemption under paragraph 35.10(a) of FRS 102 not to apply Section 19 Business Combinations and Goodwill to business combinations that were effected before the date of transition to FRS 102. No adjustment has been made to the carrying value of goodwill and intangible assets.

ii. The Company has taken advantage of the exemption under paragraph 35.10(f) of FRS 102 to measure investments in subsidiaries, associates and jointly controlled entities in its separate opening balance sheet at cost.

## Reconciliations

In accordance with the requirements of FRS 102 a reconciliation of opening balances is provided as below:

**Reconciliation of profit for the financial year**

| | Note | 2016<br>£'000 |
|---|---|---|
| Profit for the year as previously reported under UK GAAP | | 32,731 |
| Adjustment on transition | 1 | (2,690) |
| **Profit for the financial year as reported under FRS 102** | | **30,041** |

**Reconciliation of equity**

| Group | Note | 1 July 2014<br>£'000 | 30 June 2015<br>£'000 |
|---|---|---|---|
| Total shareholders' funds as previously reported under UK GAAP | | 815,021 | 1,155,770 |
| Adjustment on transition | 1,2 | - | (2,142) |
| **Total shareholders' funds as reported under FRS 102** | | **815,021** | 1,153,628 |

## 26 Transition to FRS 102

| Company | Note | 1 July 2014 £'000 | 30 June 2015 £'000 |
|---|---|---|---|
| Total shareholders' funds as previously reported under UK GAAP | | 816,580 | 1,160,572 |
| Adjustment on transition | 1 | - | (2,690) |
| **Total shareholders' funds as reported under FRS 102** | | **816,580** | 1,157,882 |

### Notes to reconciliation

1. Arrangement fees on loans written by the Company were previously recognised when the loan was arranged. Under FRS 102 these have been adjusted to be spread over the loan term as the fees are recognised using the effective interest rate method. At 30 June 2015, deferred income has increased by £2,690,000 with a corresponding impact on profit for the year.

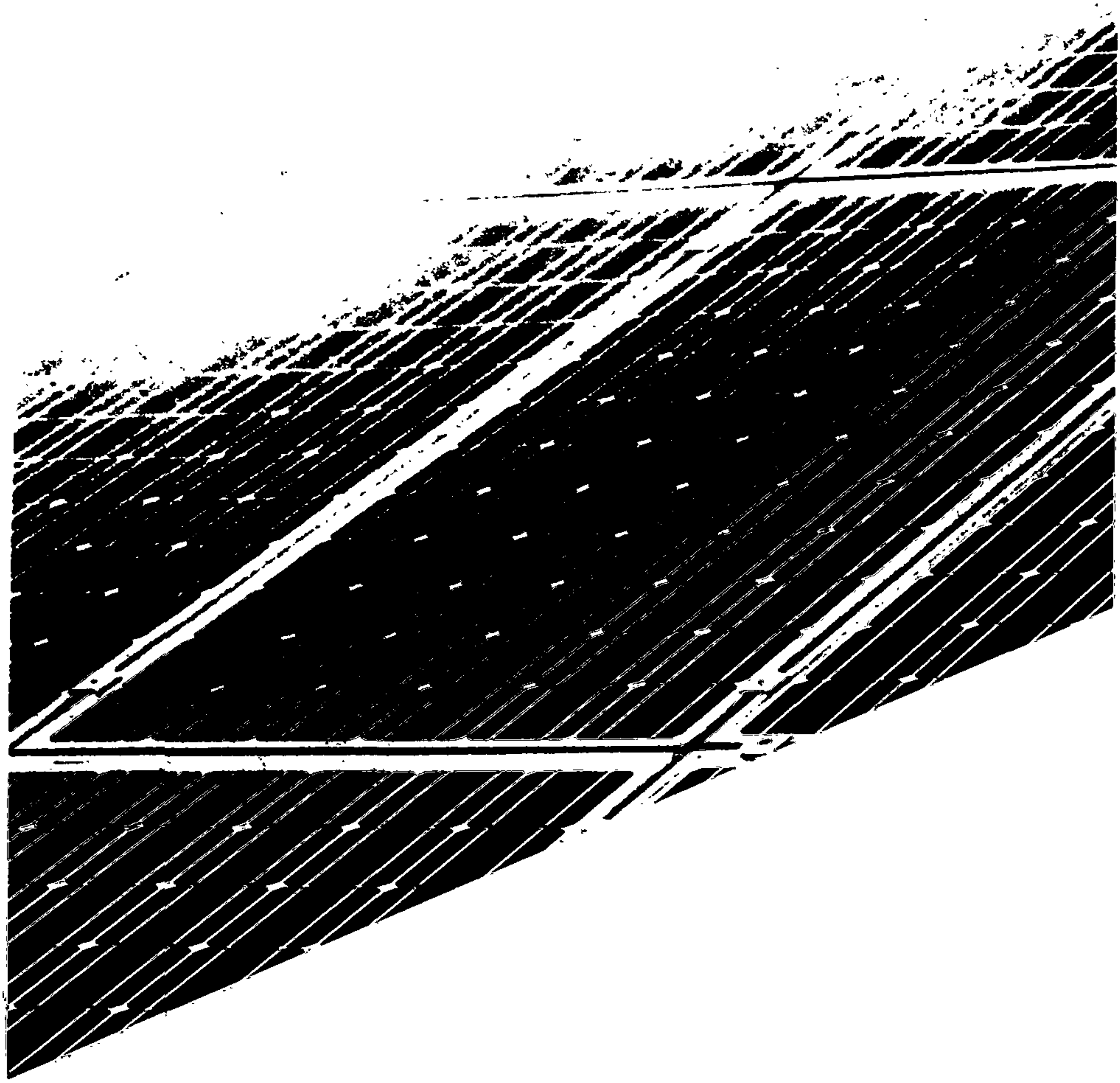
2. Interest rate swaps have been revalued to fair value at each relevant balance sheet date and derivative assets and liabilities recognised where required. These are accounted for via cash flow hedge accounting. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year. At 30 June 2015, debtors were revalued upwards by £399,000, creditors were revalued downwards by £150,000 and other comprehensive income of £549,000 has been recognised.

### Other adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect profit for the financial year, the following adjustments have arisen which have had no effect on net assets or the statement of comprehensive income but which have affected the presentation of these items in the financial statements.

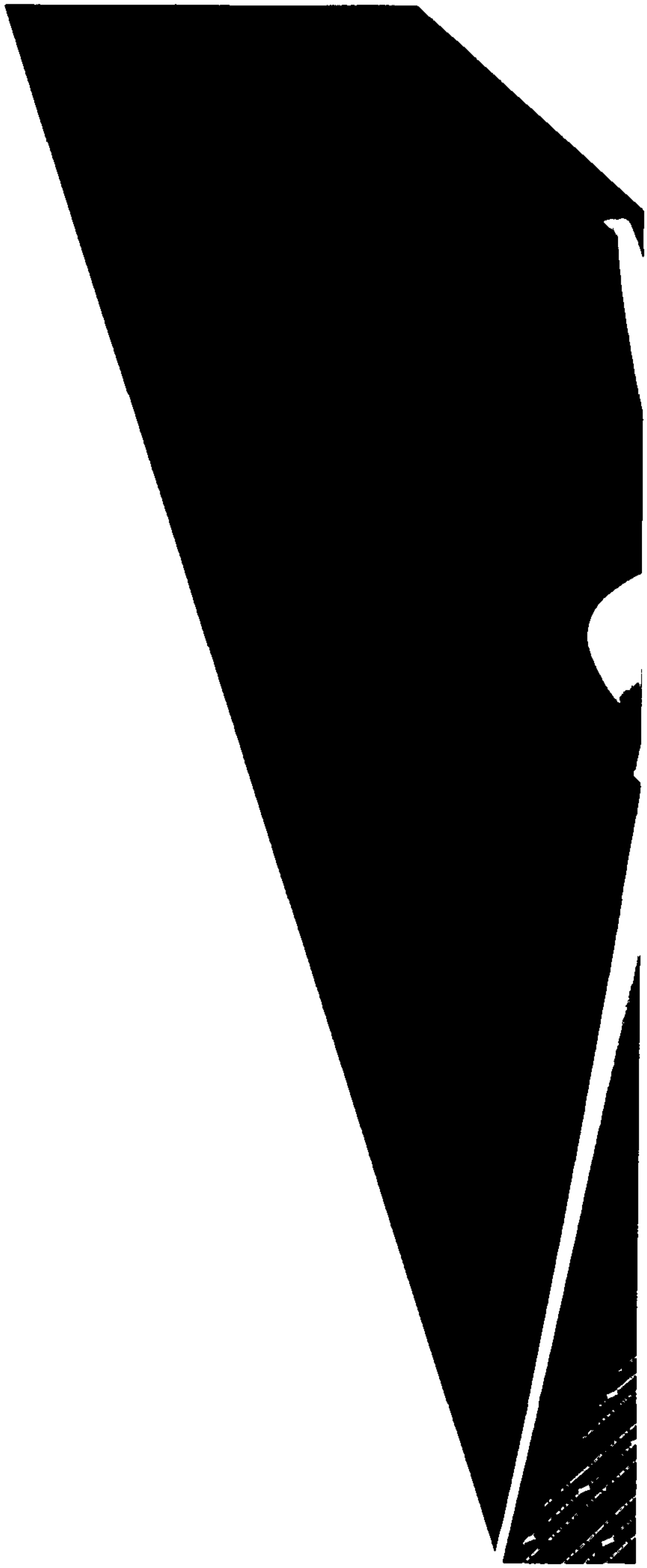
a. Statement of cash flows

The statement of cash flows reflects the presentation requirements of FRS 102, which are different to that prepared under FRS 1. In addition the statement of cash flows reconciles to cash and cash equivalents whereas under previous UK GAAP the statement of cash flows reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.



## Forward-looking statements

This Annual Report contains certain forward-looking statements related to the Company's future business and financial performance and future events or developments. These statements are based on the current knowledge and expectations of management and are subject to assumptions, risks and uncertainties, some of which are related to factors that are beyond the control of the Company. Accordingly, no assurance can be given that any particular expectation will be met and forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Past performance cannot be relied on as a guide to future performance. Nothing in this Annual Report should be construed as a profit forecast.



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