


Fern Annual Report and Accounts 2018

Registered No. 06447318

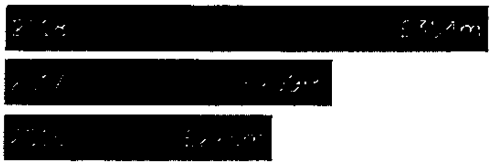
FERN
TRADING

1 | OVERVIEW

Financial highlights

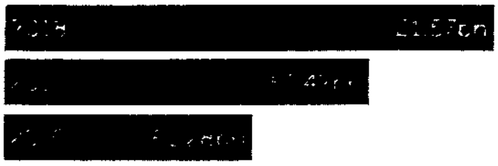
Revenue

£354m



Net assets

£1.57bn

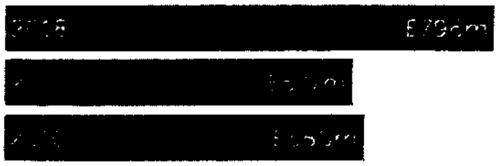


EBITDA*

£155m

Net debt/(cash)+

£796m



The above information is stated after aquisitions.

*EBITDA is defined as earnings before interest on bank deposits and external finance, tax, depreciation and amortisation.

+Net debt/(cash) is defined as the external finance balances due by the Group less cash balances

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Fern Group at a glance

Business lines

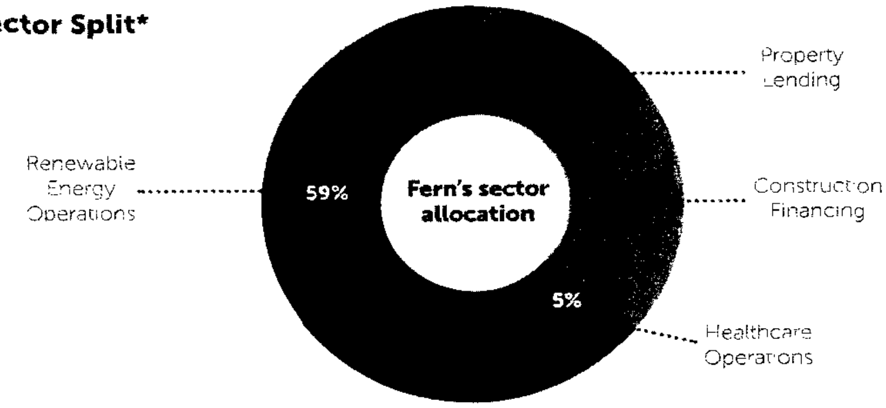
Fern Trading ("Fern" or "the Group") operates across three principal business lines: Renewable Energy Operations, Healthcare Operations and Short and Medium-term Lending (which can further be divided into Construction Financing and Property Lending).

We are the UK's largest producer of solar energy from commercial-scale sites and we have built on this expertise to grow our business into other renewable technologies such as wind energy, biomass and landfill gas.

Our lending business provides short and medium-term construction finance to fund the construction of hospitals, care homes and schools, as well as providing lending to other commercial and residential projects through our specialist property lending business.

Owning and operating healthcare sites is the newest business line to the Group, and through this we operate two retirement villages and are developing a third.

Sector Split*



Renewable Energy Operations: While energy operations have reduced slightly as a proportion of our overall business during the year to 59% (2017: 60%), this continues to be the largest part of our business. Our sites include commercial scale solar power installations, landfill gas, biomass and wind farms. These are supported by four reserve power plants, which provide backup power to the National Grid.

Healthcare Operations: Following the acquisition of the Rangeford group in February 2017, Fern now develops high quality retirement accommodation for sale to people aged over 60, and then operates the retirement villages on an ongoing basis.

Short and Medium-Term Lending: This well-established part of Group operations can be split into two areas: Property Lending, which provides short-term financing to experienced, professional property developers, buy to let landlords and those seeking bridging finance, and Construction Financing, which provides short and medium-term financing to companies to fund part of the construction costs of high value business assets. Since inception, Fern has lent £1.3bn across more than 1500 property loans and more than £1.2bn in construction finance projects. Collectively this area represents 36% of Fern's operations (2017: 36%).

*Sector split is given by value, as represented on the company balance sheet of Fern Trading Limited

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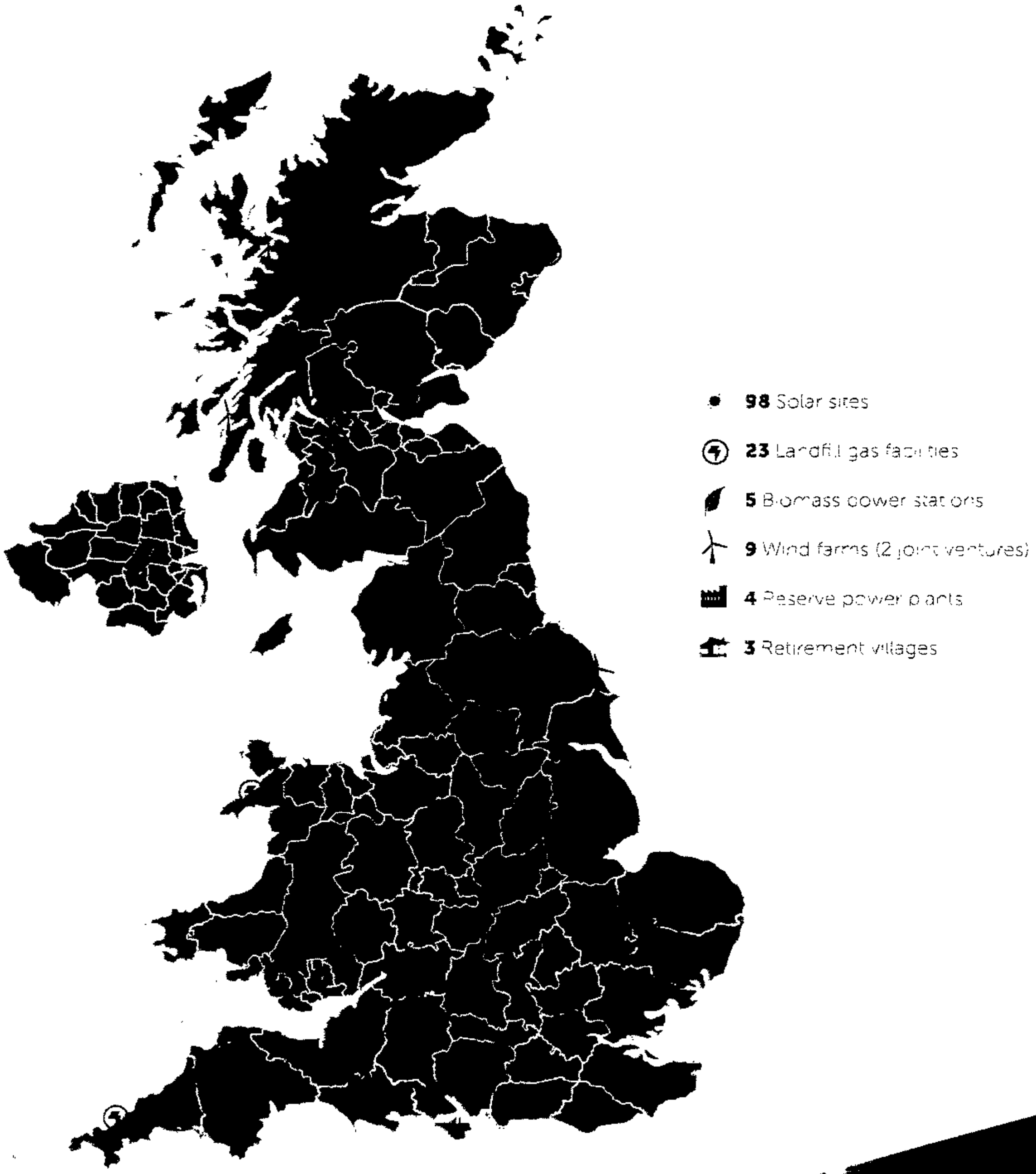
Fern Group at a glance

Our locations

We own and operate sites in locations across the UK.



2 | STRATEGIC REPORT

Chief Executive's review

A year of organic growth and consolidation

Fern has evolved hugely as a business over the last four years, with the management team systematically and deliberately re-engineering and diversifying its operations away from being a business predominantly focused on lending to the current position, where 79.6% of revenue (2017: 77.2%) is generated by Renewable Energy and Healthcare operations. This has been achieved by focusing on operating in sectors that help deliver vital long-term infrastructure which can in turn deliver stable returns to our shareholders. We continue to believe that our businesses are making a valuable long-term contribution to society, helping the UK to meet targets for renewable energy production and delivering valuable social care projects.

After a sustained period of growth through acquisition, the year to June 2018 has largely been one of consolidation. With only one acquisition within our energy operations (Boomerang Energy Limited in July 2017: see note 23), our focus has been on driving organic growth across our diversified operations. Although the Group has again reported a small loss after tax for the year to June 2018 of £3.2m (2017: loss of £23.1m), I am pleased with the progression the Group has made. Turnover has increased to £353.5m (2017: £298.8m), of which £27.3m relates to the wind farm acquisition in July 2017, and EBITDA increased from £100.6m to £155.2m.

Fern currently operates in three core sectors: Lending, which can be further divided into Property Lending and Construction Financing, Renewable Energy Operations and Healthcare Operations.

Short and Medium-Term Lending

Our short and medium-term lending business is made up of short-term residential and commercial property lending, which is the most established part of our business, and short and medium-term construction financing. Property lending provides buy-to-let, development or bridging loans with an average loan life of less than three years to property professionals. Construction financing makes short and medium-term loans to fund the construction of high-quality business assets including healthcare facilities, schools, reserve power sites and renewable energy sites.

Risk across our lending business is managed by thorough borrower or project due diligence, low loan to value ("LTV") ratios (average LTV of 62% at June 2018 (2017: 59%)), and by taking appropriate security over our loans. We also maintain a diversified loan book to spread our loans over a large number of projects; at June 2018 the Group had 205 (2017: 208) property loans in issue with an average size of £1.4m (2017: £1.4m) and an average term of 2 years (2017: 2.3 years), in addition to funding 35 (2017: 30) construction projects with an average size of £6.2m (2017: £6.4m) and an average term of 4.1 years (2017: 4.2 years).

Our lending business puts sustainable growth at its core, however it would not be possible to make a return for our shareholders without taking some calculated commercial risk. We have therefore built a successful and profitable business by specialising in lending to businesses that may not have been able to secure financing from more traditional sources because either they lack a proven track record, or their business model does not fit neatly into one of the well-established investment sectors.

Lending continues to be a core part of our business, contributing £19.4m to Group profits before tax (2017: £11.4m). Year on year, our lending business saw 2.7% revenue growth, and we continue to seek out new markets that might be suitable for our business.

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Chief Executive's review

Renewable Energy Operations

Fern's involvement in Renewable Energy Operations has grown substantially over the past four years. From initially providing finance to fund the construction of solar farms as part of our lending business, Fern now owns 201 operational renewable energy sites, 164 of which generate solar power. As we have grown the Renewable Energy business we have diversified by acquiring and operating assets that generate power from different sources, such as biomass, landfill gas and wind, most recently acquiring four wind farm sites in Scotland through the July 2017 Boomerang Energy acquisition.

Revenue generated from solar energy has therefore begun to represent a smaller proportion of the Group's total revenues, down from 29.8% in 2017 to 27.6% in the year to 30 June 2018, whilst revenue generated by wind energy sites has more than doubled to 13.8% in the same period, reflecting the impact of the wind energy sites acquired by the Group in the period. Biomass accounts for 36.2% of energy revenues (2017: 41.3%) and reserve power 1.9% (2017: 1.4%).

The growth in this part of the business has seen revenues generated by energy assets increase by 22.2% year on year (of which 53.5% relates to the Boomerang Energy acquisition). Revenues generated by energy sites owned and operated by the Group now represent 79.6% of total revenue for the year (2017: 77.1%), and 81.4% of Group EBITDA (2017: 90.6%). However, these are asset intensive businesses, and in the early years the accounting charge for the depreciation of these assets, together with the relatively higher interest costs on project finance supporting site development, are expected to exceed profits derived from energy generation. This has resulted in the business line reporting a net loss for the year. We expect to begin to see a reversal of the accounting loss from this part of the Group's business from June 2019 as revenue growth exceeds fixed depreciation charges and interest costs decrease.

In the last two years we have expanded on our expertise in operating solar farms by acquiring 'shovel ready' undeveloped sites (sites with a long leasehold and planning consent) with the intention of constructing the solar farms and selling them to a third party once the sites are operational. We continue to look for potential new opportunities that complement current operations and that build on the expertise we have developed.

Healthcare Operations

In addition to the commercial financing provided by our lending business to construct healthcare facilities and schools, since February 2017 we have also owned a luxury retirement living business through our Rangeford subsidiary. Rangeford has developed and now operates two sites in England that offer the over-60s an environment where they can live long and healthy lives in attractive surroundings with a large choice of leisure activities on site. A third site is currently under construction. Once constructed, residential units are sold to residents while Rangeford retains the communal facilities, providing ongoing services and care to residents. Currently healthcare operations account for 2.3% turnover and generated a negative EBITDA of £2.3m for the year to June 2018. The management team is focused on bedding in and stabilising the performance of the existing sites whilst also looking at the potential for further sites in new locations.

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Chief Executive's review

Current trading and outlook

Since the year end, the Group has continued to perform steadily and in line with our expectations.

The market for our lending business is more challenging, with some slowing in property price growth in the last year and the potential for this to intensify post Brexit with a consequent reduction in the amount of demand for property lending. Whilst there has also been an increased supply of cheaper debt available in the market we believe that due to our specialist nature and the flexibility we adopt in tailoring our products, this will not put substantial downward pressure on our lending rates. We will continue to adopt a disciplined approach to due diligence, maintain acceptable LTV ratios and seek diversity in the portfolio, and therefore, despite the increased competition we face, we believe that our business is well positioned to continue to grow.

In Energy, we sold six solar sites in September 2018 that were part of Fern's energy development business, generating a profit of £5.1m. These sites were purchased during the year ended June 2017 by our energy development business, with the intention of selling once operational.

The operational energy assets that we own to generate energy to sell have continued to perform well since the year end, and we have been able to re-finance some of our renewable energy sites on more favourable terms demonstrating strength and external confidence in our business.

In Healthcare, Rangeford completed a new development phase at its Wadswick Green site in September 2018, which we expect to be released for sale in the coming months. From an outlook perspective we foresee no legislative change that would impair the performance of the businesses we operate, and overall, with an ageing population, forecasted future demand appears very positive.

Our mix of business areas has developed over time and may evolve further over the years ahead driven by the overarching importance we place on meeting the objectives of our shareholders. This should not be read as any indication of a wholesale change in the sectors in which we operate but as a reflection of the pivotal role played by the strategic mandate in protecting shareholders' interests.

Paul Latham
Chief Executive Officer
13 December 2018

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Our strategy

Making a difference

The sectors we have chosen to operate in, such as renewable energy and healthcare, are ones we believe deliver long-term vital infrastructure. We continue to position the Group to deliver long-term sustainable growth for our shareholders. The below table illustrates how we believe we achieve this while operating the Group to make a valuable social contribution.

Delivering sustainable growth + **Maintaining high quality assets** + **Managing liquidity**

Energy Operations	Short-Term Property Lending	Construction Financing	Healthcare Operations
Helping the UK to meet its targets for renewable energy production	Helping to tackle the under-supply of housing in the UK	Helping provide top quality healthcare facilities for society and building renewable energy infrastructure	Helping address the housing and care needs of an ageing population

Operational strategy in action

In this section we highlight two examples which provide a flavour of Fern's strategy in action.

Reserve power energy: Cynon Reserve Power Plant, South Wales

Why Reserve power?

At times of peak electricity usage, power supplied to the National Grid ("the Grid"), by traditional power stations and renewable energy sites can be insufficient to fully meet demand. Reserve power plants are small, unmanned gas-fired power stations which can operate for varied periods of time to provide backup to the Grid. A typical reserve power plant is designed to fire up within seven minutes, responding flexibly at times of peak demand to ensure uninterrupted power supply in the local area.

Renewable energy sources, including solar and wind power, can be less reliable and predictable than more traditional sources, at times resulting in intermittent supply. As an increasing proportion of the UK's total energy supply is derived from renewable sources, demand for the backup power provided by reserve power plants is correspondingly increasing. Reserve power sites therefore complement Fern's operations in other renewable energy sectors, generating revenue for Fern at times when energy production by Fern's solar or wind sites may be lower, while supporting the UK's continued conversion to sustainable energy sources.

Our sites:

Fern currently owns and operates four reserve power plants (the fourth of which became operational in November 2018) – three in South Wales and one in Oxfordshire. Each has a capacity of 10 - 16 MW, a fraction of the size of a typical natural gas power plant, which can have capacity of up to 2.2 GW, and is designed to run for 300 – 1000 hours per year. They can be fired up for as little as one minute when the local electricity market demands or run for much longer periods of time.

Revenue is currently earned from a combination of sources. Government-backed schemes offer incentives for making the plants available for specified time periods, particularly over the winter months when electricity demand is at its highest. Electricity generated outside these times can be sold on the open market and, as these plants typically only operate at times of highest electricity demand, the power they generate is sold at some of the highest prices.

Cynon Reserve Power Plant:

The Cynon Power Plant provides backup power to the Rhondda Valley in South Wales. Cynon is the second largest plant in Fern's reserve power portfolio, with capacity of 16 MW. Fern acquired the partly constructed site in January 2015 and worked with a leading developer to complete construction, connecting to the Grid in October 2016.

The year to 30 June 2018 was the first full financial year when the site was operational. Demand for the site exceeded expectations by 45% for the year, with sufficient electricity generated to power over 4,400 UK homes. During the year Cynon generated revenue for Fern of £2.8m.

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Operational strategy in action

Wind energy: Cour Wind Farm, Scotland

Why wind energy?

Wind energy is a key component of the UK's continued conversion to renewable energy sources. With no fuel costs to run these power plants, onshore wind is an inexpensive source of electric power, in many places cheaper than coal or natural gas. Wind power can be unpredictable, and there can be significant variation in the power supplied over short periods of time. However, as one of Europe's windiest countries, the UK can expect wind power to provide a consistent source of energy over the long term.

Wind farms consist of many individual wind turbines connected to the Grid and local power networks via the farm's own electricity sub-station. Wind flowing over the turbine's blades spin a generator that converts the energy into electricity, which is adjusted at the sub-station into the correct voltage for the network. Motors within each turbine can adjust the direction and angle of the blades to cope with changes in wind direction and optimise extraction of power from the wind.

Our sites:

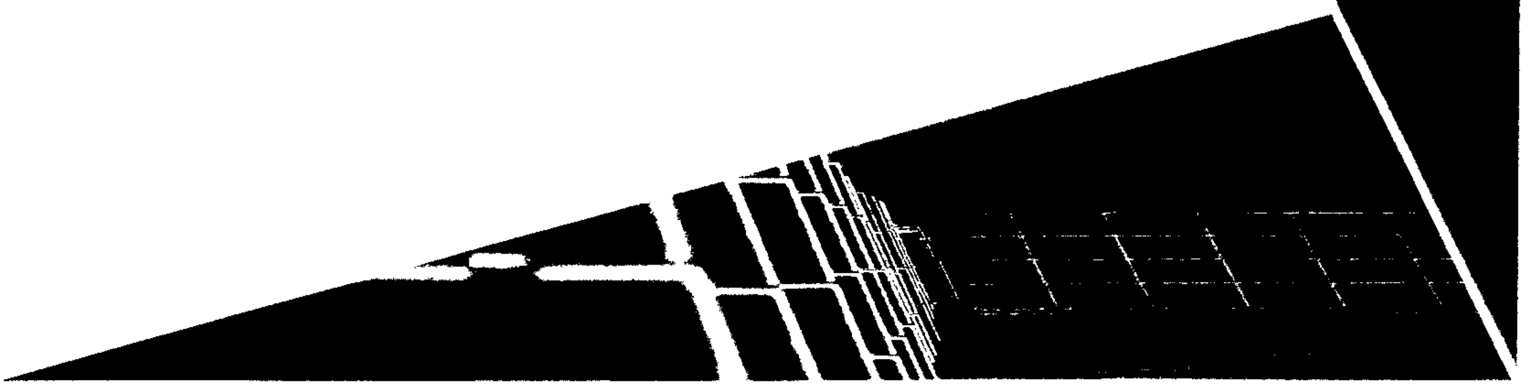
Fern currently operates nine onshore wind farms across East Anglia, Yorkshire and Scotland. Together these farms have 106 turbines, with capacity to produce up to 254 MW of renewable electricity. This is enough energy to fuel 186,000 UK households per annum, the equivalent of powering a city the size of Manchester. Four of Fern's farms were acquired in July 2017, these new sites have a total capacity of 142 MW.

Fern's sites earn revenue from a combination of government backed incentive schemes and the sale of wholesale electricity. All of Fern's wind farms benefit from the UK Government-backed Renewable Obligation Certificates ("ROC") mechanism (see note on page 14), which allows a premium to be charged to suppliers on top of the wholesale electricity prices. Wind energy complements Fern's solar energy operations with the highest generation by Fern's wind farms typically seen over the six months from October to March when irradiance is typically at its lowest.

Cour Wind Farm:

Located in Argyll and Bute, in the West of Scotland, the Cour Wind Farm became operational in March 2017 and was acquired by Fern in July 2017. The farm has ten turbines and a total generating capacity of 20.5 MW, which is enough energy to power 16,500 homes.

The amount of energy generated at Cour during the financial year was enough to power over 15,000 UK homes for an entire year, contributing revenue of £7.6m.



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Directors

The experienced Board of Directors for the Fern Group are responsible for determining the strategy of the business and for accounting for the company's business activities to shareholders. They have a set of complementary commercial, energy sector-related and strategic skills.

Paul Latham Chief Executive

Paul is Chief Executive of Fern and is responsible for the day-to-day running of the business. He is also a managing director of Octopus Investments ("OI"), where he has worked since 2005. OI is a key supplier of resource and expertise to Fern. Paul's dual role ensures that this relationship works effectively and 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.

Keith Willey
Non-Executive Chairman

Keith is an associate professor of strategy 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 of high growth and more mature companies. In his role as non-executive chairman he is responsible for the effective operation of the Board, as well as its governance.

He brings independent commercial experience gained from his time in academia, private equity investment, consulting and various hands-on operational roles to the Fern business.

Peter Barlow Non-Executive Director

Peter has almost 30 years' experience in international financing of infrastructure and energy. As a senior executive for International Power, Peter was responsible for arranging over USD12bn of project and corporate funding, as well as banking relationships and treasury activities. He has spent over 20 years working internationally for HSBC, Bank of America and Nomura, financing acquisitions and greenfield projects in the energy and infrastructure sectors.

His combination of Board-level financing and energy experience over numerous energy sub-sectors, and his all-round knowledge of all the sectors in which Fern operates, adds significant value to the operation of the Board as well as its strategy formation and deployment.

Group snapshot

EBITDA

Fern's EBITDA has more than trebled in the last three years from **£47m** in 2016 to **£155m** in 2018

Carbon offsets

Fern's renewable energy sites' carbon savings in the year grew by **14.1%** to over **890,000** carbon tonnes

Energy generation

Fern's renewable energy assets produced enough energy to fuel **680,000** UK homes

Number of loans

Fern provides financing to over **200** borrowers in the UK

Number of employees

Fern employs a total of **327** people

Number of sites

At 30 June 2018 Fern had **201** renewable energy sites spread predominantly across the UK

Principal risks and uncertainties

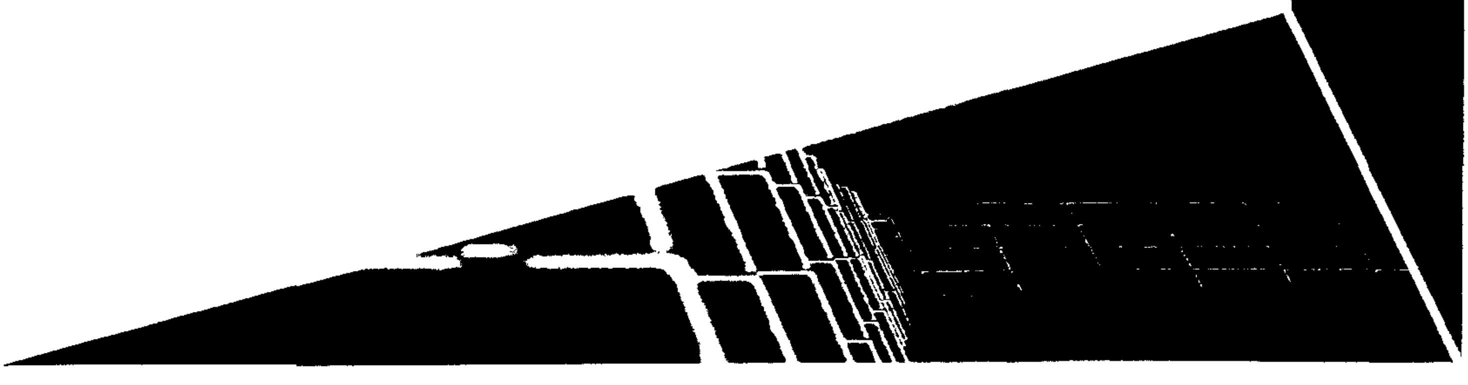
Management acknowledge that risks are present in all businesses and that the exposure to such risk can be heavily influenced by the operational and strategic decisions made. Overall risk exposure has been reduced across the Group through the diversification of its activities, both by type of activity and by sector.

The key risks that the Group is exposed to relate to energy prices, property prices and counterparty risk of borrowers. These risks are managed by thorough due diligence on new operating businesses or potential borrowers and on the value of the assets securitised for new loans.

In the table below, we present a description of the risk, the mitigation we undertake to reduce the potential impact of this risk, and our assessment of whether the likelihood of the risk has changed, remained the same or is a new risk to the business.

Risk	Mitigations	Change
Energy market and performance risk (renewable energy operations): Once operational, there is a risk that energy-generating assets could fail to achieve forecasted levels of income due to changes in energy prices, unpredictable weather conditions and/or operational availability.	Long-term government-backed offtake agreements, such as the Renewable Obligation Certificate ("ROC") scheme* underpin certain revenue streams. The percentage of energy income covered by ROC subsidies is 51% (2017: 52%). Unpredictability of the weather is mitigated through the diversification of energy sectors in which Fern operates. Operational strategy and servicing of assets are optimised to maximise availability of assets.	=
Political risk (renewable energy operations): There is a risk that significant changes in the political landscape could impact revenue generated from government-backed offtake agreements or subsidies.	The UK, where the majority of the energy assets are located, is generally considered to be a stable regulatory regime with no history of retrospective change to government-backed incentives. The potential impact of any future legislative changes is monitored on an ongoing basis, but potential changes of leadership naturally increase uncertainty.	↑
Property market risk (healthcare operations): Decreases in the market value of retirement apartments could leave the Group unable to achieve forecast revenues and margins from its retirement village development business.	Planning consents on undeveloped land are optimised to maximise available revenues. High quality build specifications are designed to maintain the value of apartments, and costs incurred are kept under close review throughout the construction process.	=

*The Renewables Obligation ("RO") requires electricity suppliers to source a specified proportion of the electricity they supply to their customers from renewables. Renewable Obligation Certificates ("ROC") are issued to renewable energy generators based on their amount of eligible renewable output. Suppliers must comply with the RO in one of two ways: either by submitting ROCs (which they purchase from the generator) or paying a buyout fee (fixed each year) to OFGEM. At the end of each ROC compliance period the funds raised by OFGEM from suppliers who paid the buyout fee are paid back to the suppliers that submitted ROCs. This payback to suppliers is known as the ROC Recycle. The ROC Recycle is passed through from the supplier to the generator at a level determined by the Power Purchasing Agreement between the generator and the supplier. Fern, as a generator, therefore earns ROC revenue in two ways: by selling ROCs to suppliers, and by receiving the pass-through of the ROC Recycle from the supplier at the end of the ROC compliance period.



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Principal risks and uncertainties

Risk	Key mitigations	Change
Health and safety regulatory risk (renewable energy and healthcare operations): There is a risk that inadequate health and safety procedures could increase the risk of accidents, potentially causing harm to the Group's employees, contractors or members of the public. Breaches in health and safety regulations could lead to financial penalties, reputational damage or disruption to operations.	Health and safety across the Group's activities is given critical priority by the Board. The Group works closely with any third parties contracted to manage its energy or retirement village assets to ensure they adhere to health and safety procedures. Any incidents are investigated thoroughly and reported under the Health and Safety Executive's reporting requirements.	NEW
Counterparty and asset risk (lending): Loans made through the Group's lending business could be made to counterparties with a higher credit risk, or decreases in the value of properties or assets that loans are secured against could prevent full repayment of the loan or lower than expected income being earned.	Loans are secured against solid underlying security, such as a charge over the property or other assets of the borrower. Thorough due diligence, including property or land valuations, is undertaken prior to all lending. Loans are only made at sustainable loan to value ratios and over the short or medium term.	=
In the case of construction financing, there is a risk that delays to construction or increased construction costs could impact on the borrower's ability to repay the loan.	Construction progress and relevant covenants on construction financing are monitored on an ongoing basis.	

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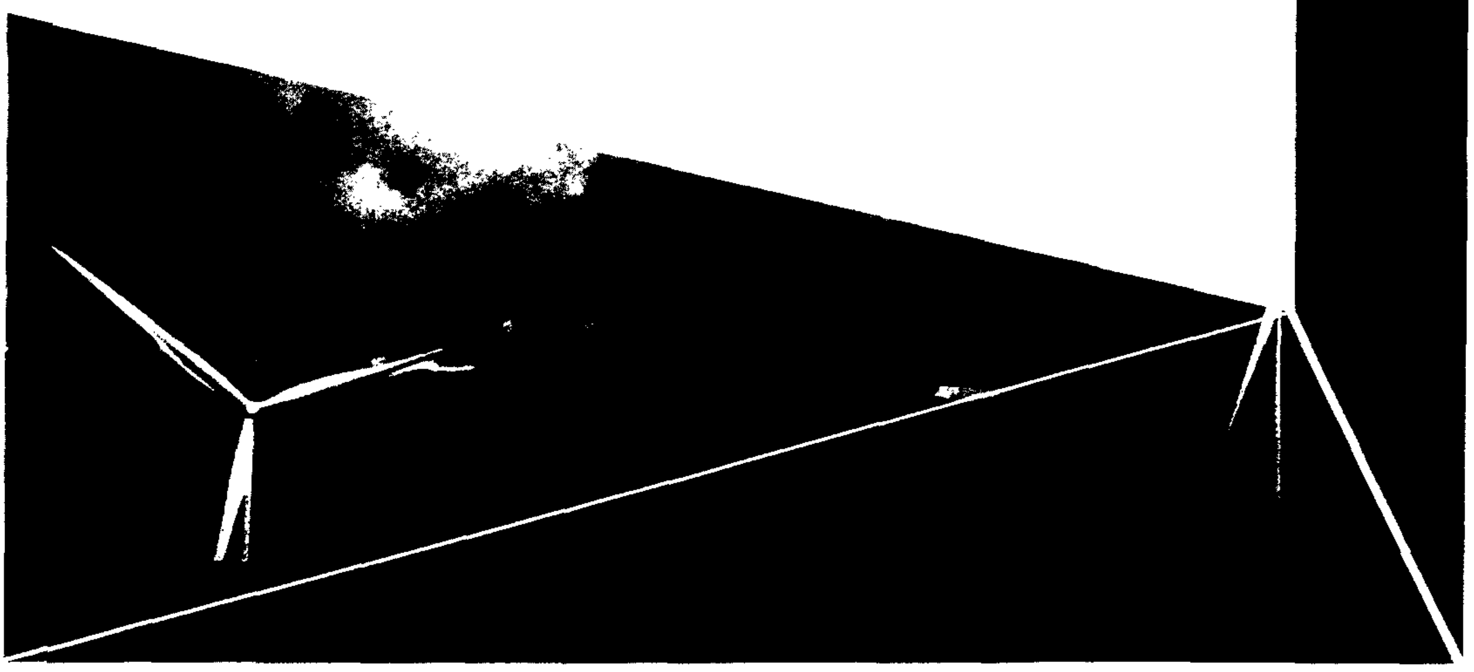
Social responsibility

We work in sectors where we can make a positive difference, be it renewable energy, healthcare infrastructure, lending to small companies that might struggle to find the finance elsewhere, or to property professionals helping to tackle the UK's under-supply of housing. We have found this focus has a powerful resonance for our shareholders. It is worth noting, however, that whilst these areas meet the objectives of our shareholders currently, if that ceases to be the case we could transition to others.

Some tangible examples of our approach can be seen below:

- Social impact: We have aligned our lending operations with our goal of helping to address the housing and care needs of the UK's ageing population. Since inception, we have provided finance for the construction of 608 units in retirement living communities through Fern's lending and development activities.
- Environmental impact: During the year Fern operated 201 renewable energy sites spread across the UK and France. These sites produced enough energy to fuel 680,000 UK homes and their carbon saving grew by 14.1% to over 890,000 carbon tonnes in the year.
- Health and safety: Health and safety is a paramount concern for the Group and three of Fern's direct employees are dedicated solely to health and safety management. We take a proactive approach by developing training and behavioural safety programmes, maintaining regular site and system audits, and working closely with contractors and asset managers to ensure the highest standards are maintained across all our sites.
- Fern directly employs 327 people who make a significant contribution to the UK economy and we create jobs for many others through our suppliers. We strive to attract, train and retain the best people as the future of our business is dependent on their expertise, professionalism and hard work.
- We are committed to providing equal opportunities for all, with our diversity policy ensuring that every employee is treated equally and fairly in respect of recruitment, promotion, training, pay and benefits.
- Fern sources a significant proportion of its services from Octopus Investments, with whom we work closely to ensure they apply and maintain similar social responsibility policies.



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Group finance review

Overview

	2018 £000's	As restated 2017 £000's	Movement %
Revenue*	**353,618**	298,801	18.3%
EBITDA	**155,168**	100,626	54.2%
Profit/(loss) before tax*	**4,361**	(20,437)	n/a
Lending book (net of provisions)	**496,897**	472,170	5.2%
Cash	**101,216**	214,779	(52.9)%
Net debt	**796,969**	576,791	38.2%
Net assets	**1,571,912**	1,420,715	10.6%

Financial performance

After several years of continued expansion, particularly in the energy and healthcare sectors, the year to June 2018 has been one of consolidation for the Group, with only one significant acquisition being made (Boomerang Energy Limited was acquired in July 2017, increasing the wind energy production capacity of the Group by 142 MW). Combined with higher average energy prices, a rise in the ROC Recycle prices and a stronger performance across our lending book, this led to an overall increase in revenue of 18.3%.

Lower provisions made against loans during 2018 of £19.2m (2017: £28.7m), and lower finance costs of £5.6m (2017: £10.3m), have resulted in an increase in EBITDA of 54.2%, well in excess of the revenue increase for the year. Costs for the year to 30 June 2017 were unusually high, and reasons for this are covered in the sector performance section below.

The Group has reported a net loss for the year to June 2018 of £3.2m (2017: £23.1m), although it has generated a £4.4m profit before tax (2017: £20.4m loss). The tax charge for the year relates predominantly to the creation of a deferred tax liability.

Financial position

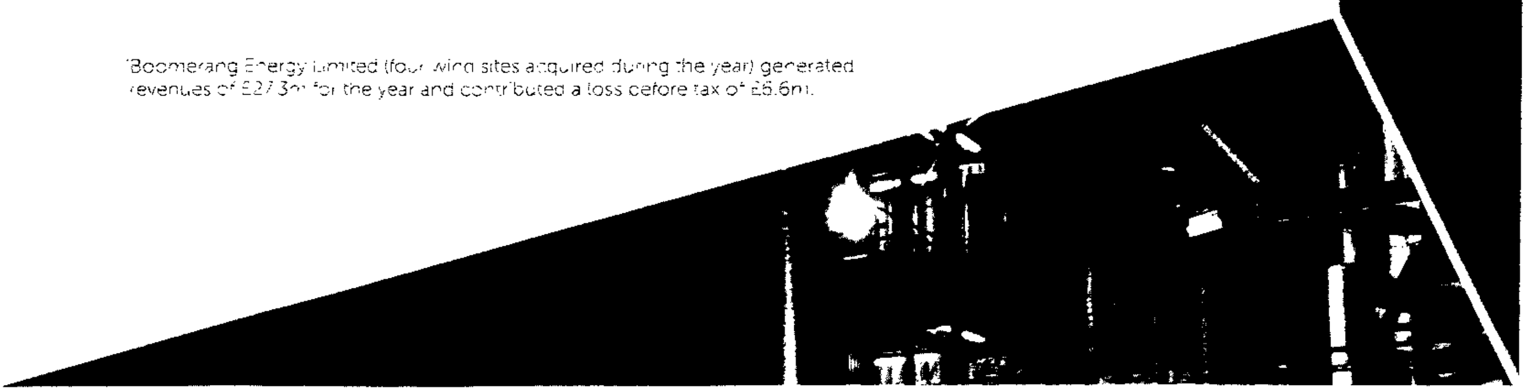
The net asset position for the Group has increased during the year by £151.2m. This has been largely driven by the issuing of Ordinary shares for a total consideration of £141.6m.

The cash balance decreased by £113.6m in the year to £101.2m. This is partly the result of having £147.8m cash on the balance sheet at June 2017 in preparation for the Boomerang Energy acquisition (July 2017).

The Group's loan book across short-term lending and construction finance has grown 5.2% in the year to £497m (2017: £472m).

Tangible fixed assets continue to represent a significant proportion of the total net assets at 70.0% (2017: 68.0%) of the total net assets. This will continue to be an important part of the balance sheet as all aspects of Renewable Energy Operations are asset intensive businesses.

*Boomerang Energy Limited (four wind sites acquired during the year) generated revenues of £27.3m for the year and contributed a loss before tax of £6.6m.



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Group finance review

Goodwill has increased to £601.6m (2017: £460.2m) during the year following the Boomerang Energy acquisition. Goodwill is a significant number on the Group balance sheet as a number of acquisitions have been made in recent years, and this represents the amounts paid for acquisitions which is in excess of the accounting value of identifiable assets.

Put simply, the value of energy generation businesses will be largely driven by their capacity to generate future revenues and this in turn determines the market value of the renewable energy sites and therefore the amount that Fern pays for the sites it acquires. The full amount of this value cannot, however, be recognised on a balance sheet, hence the creation of goodwill to reflect the difference between the value of identifiable assets acquired and the price paid for the energy generating business. Goodwill recognised will be gradually written off over the period which the business expects to derive value from these revenue streams.

Sector performance

	Lending	Healthcare Operations	Energy Operations				Total Energy		
			Solar	Wind	Reserve power	Landfill gas and biomass		**2018**	2017
	£000's	£000's	£000's	£000's	£000's	£000's	**£000's**	**£000's**	£000's
Revenue	**63,935**	**8,154**	97,667	48,945	6,624	128,293	**281,529**	**353,618**	298,801
EBITDA	**20,060**	**(2,324)**	64,789	31,898	1,294	39,452	**137,432**	**155,168**	100,626
Profit/(loss) before tax	**19,441**	**(2,796)**	(6,703)	(4,601)	230	(1,210)	**(12,284)**	**4,361**	(20,437)

Short and Medium-Term Lending

A net 8.3% average expansion of the loan book during the year led to revenue for the year increasing by £1.7m to £63.9m. Gross profit on the lending book was £45.0m (2017: £31.3m), improving due to a fall of £9.5m in the level of provisions recognised against loans during the year, particularly on the Construction Financing loan book.

A provision is recognised in the Group accounts when there is a reasonable expectation that we will not be able to recover the capital outstanding and future interest due, in short when we expect the potential return on the loan to be impaired. This is consistent with the calculation of the Group share price, but differs from how returns on our operating businesses such as energy are treated. Operating subsidiaries are reflected in the Group accounts at cost of acquisition, without reference to future anticipated returns. By contrast the share price does take account of this future growth potential.

At the end of the year, net of provisions, the lending book was made up of £286.9m property loans and £210.0m construction loans (£135.9m healthcare construction, £74.1m for energy construction), with average interest rates at 30 June 2018 of 10.8% (2017: 9.8%) and 10.2% (2017: 10.5%), respectively.

Energy Operations: Solar sites

Higher average energy and ROC Recycle prices during 2018 and a full year of operations from sites purchased during the year ended 30 June 2017 led to an increase in revenues from £89.0m to £97.7m.

The solar sites contributed £64.8m (2017: £60.4m) EBITDA to the Group, but a loss after tax of £6.7m (2017: £9.9m). The loss after tax is stated after depreciation and amortisation costs of £46.6m, which are charged on a straight line basis from the point at which a site achieves full grid connection. This even distribution of costs in addition to the relatively higher interest expense, against lower revenues when sites are in early stage of operations, results in sites reporting an accounting loss although they are cash generative. We consequently expect these sites to begin to report an accounting profit in the next two years.

2| STRATEGIC REPORT

Group finance review

Energy Operations: Wind farms

The increase in energy generating capacity following the Boomerang Energy acquisition led to more than a three-fold increase in the revenue contribution from wind farms in the year to £48.9m (2017: £13.5m). Revenues to June 2018 were affected by lower than expected wind speeds and grid outages, which resulted in turbines being stopped. Remedial action was taken in November 2018 and as such, we expect revenues to improve for the year to June 2019. The sites have a high proportion of fixed costs, including £23.2m depreciation and amortisation, £14.5m fixed site costs and £12.7m interest expense costs, which has resulted in them reporting a loss before tax for the year of £4.6m (2017: loss £2.9m).

Energy Operations: Reserve power plants

Greater capacity in the year to June 2018 resulted in revenues increasing from £4.2m to £6.6m. The Group owns four reserve power plants, three of which were operational during the year, with the fourth site becoming operational in November 2018. Revenues are therefore expected to increase in the year to June 2019, broadly in line with the increase in energy generating capacity. The reserve power sites contributed £1.3m EBITDA and £0.2m profit before tax to the Group for the year.

Energy Operations: Landfill gas and biomass

Landfill gas and biomass sites owned through Fern's subsidiary business, Melton Renewable Energy ("MRE"), contributed £128.3m (2017: £123.5m) to Group revenue, £39.5m (2017: £37.2m) to EBITDA, and made a loss before tax of £1.3m (2017: £2.6m). Losses have been generated in the past two years due to the high borrowing costs associated with the financing arrangements in place. Alternative financing arrangements have been entered into since the year end, at a lower rate of LIBOR plus 2.35% (2017: 6.75%), which is expected to reduce Group borrowing costs by c.£6m per year.

MRE, in common with the solar sites, derives a large proportion of its income from ROC Recycle. During the year it was noted there was an inconsistency in relation to the accounting policy across the Group in relation to the revenue derived from Recycled ROCs, and an adjustment has been made to these financial statements in respect of the prior year. This has resulted in £5.7m of additional revenue being recognised in the year ended 30 June 2017. The full impact of this change on these financial statements has been set out below in note 24 of these accounts.

Healthcare Operations

Fern's healthcare division contributed £8.2m (2017: £6.0m) to Group revenues for the year, 77.6% of which was derived from the sale of developed apartments, with the remainder being from the operation of facilities in the retirement villages.

Revenue from the sale of developed apartments is sporadic in nature, being dependent on the level of demand in the market and the timing of construction. Losses before tax of £2.8m were made in the current year, due to higher than expected building costs and facilities operations running at a loss.

2 | STRATEGIC REPORT

Group finance review

Financing

Our strategy is to secure long-term financing at conservative levels from commercial banks to fund our renewable energy businesses in order to enhance operating returns. Returns from operating renewable energy sites alone would not be sufficient to meet shareholder expectations.

Group gross borrowing increased by £116.5m to £898.2m, resulting in increased interest costs of £54.3m (2017: £37.5m), while net debt increased from £577m to £796m. The increase in net debt includes £180m of project financing facilities attached to wind sites acquired in July 2017. There were further net drawdowns of £107m secured on Fern's solar sites, while scheduled repayments on other facilities totalled £18.5m.

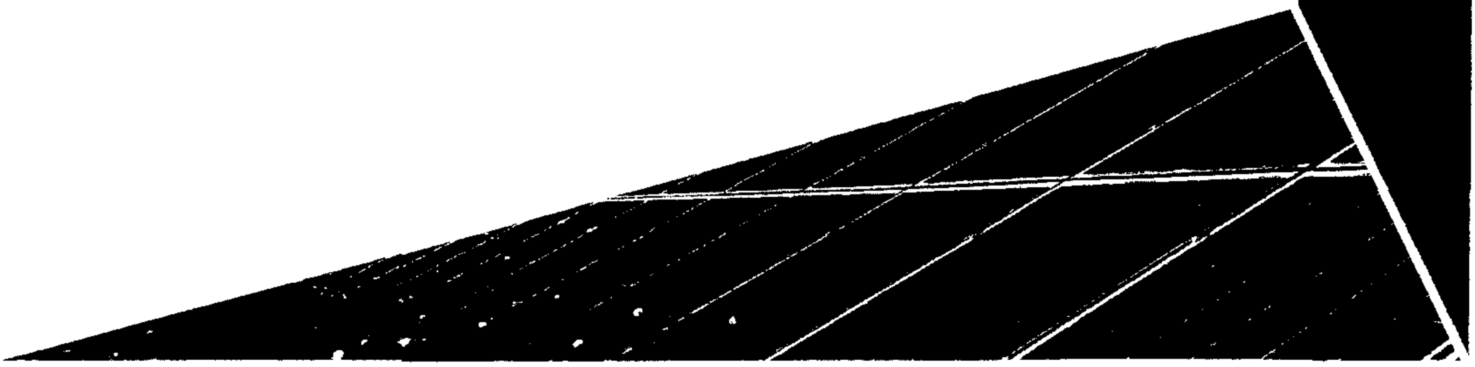
MRE redeemed its £152m listed bond secured on biomass and landfill gas assets in June 2018, with alternative financing on improved terms being completed in the current year. Management continue to keep all financing arrangements under regular review to ensure the best outcome for the Group.

Looking ahead

In September 2018 the Group successfully completed the sale of six solar sites developed by the construction arm of the energy business. These assets accounted for £29.4m net assets at June 2018 and contributed profits of £0.4m for the year then ended. There have been no further material transactions post the year end.

100% of the Group's energy sites are expected to be fully operational from December 2018. The Group's energy business is expected to continue to perform well over the coming year and to generate a cash profit. In the short term some sites will report an accounting loss while sites reach full revenue capacity due to fixed site costs, depreciation charges and fixed interest expenses.

The lending book continues to be cash generative and profitable, and management intend to continue building on the Group's existing business lines, whilst remaining open to other opportunities in complementary sectors which they believe will enhance Group returns.



3 | GOVERNANCE

Directors' report for the year ended 30 June 2018

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

Results and dividends

For a summary of the Group's results, refer to the Strategic report on page 17.

The directors have not recommended payment of a dividend (2017: £nil).

Directors

The directors who served during the year were as follows:

PS Latham
KJ Willey
PG Barlow

Post balance sheet events

Refer to note 19 in the Notes to the financial statements.

Principal activities and business review

Refer to the Strategic report on page 6.

Financial risk management objectives and policies

Refer to the Strategic report on page 14.

Matters covered in the Strategic report

As permitted by S414c (11) of the Companies Act 2006, the directors have elected to disclose information required to be in the Directors' report by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, in the Strategic report.

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.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

3 | GOVERNANCE

Directors' report for the year ended 30 June 2018

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

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

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

PS Latham
Director
13 December 2018

3| GOVERNANCE

Independent auditors' report to the members of Fern Trading Limited

Report on the audit of the financial statements

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 Company's affairs as at 30 June 2018 and of the group's loss and cash flows for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Fern Annual report and Accounts 2018 (the "Annual Report"), which comprise the Group and Company balance sheets as at 30 June 2018 the Group profit and loss account, the Group statement of comprehensive income, the Group statement of cash flows and the Group and Company statements of changes in equity for the year then ended 30 June 2018, the statement of accounting policies, and the notes to the financial statements

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when.

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Independent auditors' report to the members of Fern Trading Limited

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

3 | GOVERNANCE

Independent auditors' report to the members of Fern Trading Limited

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting
Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Greenaway (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
13 December 2018

4| FINANCIAL STATEMENTS 30 JUNE 2018

Group profit and loss account for the year ended 30 June 2018

	Note	2018 £'000	As restated 2017 £'000
Turnover	1	**353,618**	298,801
Cost of sales		**(148,739)**	(141,452)
Gross profit		**204,879**	157,349
Administrative expenses		**(149,045)**	(147,695)
Operating profit	2	**55,834**	9,654
Income from other fixed asset investments		**2,651**	1,700
Profit on disposal of subsidiaries		**-**	3,423
Interest receivable and similar income	5	**153**	2,318
Interest payable and similar charges	5	**(54,277)**	(37,532)
Profit/(loss) before tax		**4,361**	(20,437)
Tax	6	**(7,553)**	(2,690)
Loss for the financial year		**(3,192)**	(23,127)

All results relate to continuing activities.

Group statement of comprehensive income for the year ended 30 June 2018

	2018 £'000	As restated 2017 £'000
Loss for the financial year	**(3,192)**	(23,127)
Other comprehensive income/(expense)		
Movements in cash flow hedges	**12,931**	7,570
Foreign exchange loss on retranslation of subsidiaries	**(182)**	(100)
Other comprehensive income for the year	**12,749**	7,470
Total comprehensive income/(expense) for the year	**9,557**	(15,657)

4| FINANCIAL STATEMENTS 30 JUNE 2018

Group balance sheet as at 30 June 2018

	Note	2018 £'000	As restated 2017 £'000
Non-current assets			
Goodwill	7	**601,589**	460,206
Tangible assets	8	**1,100,079**	965,832
Investments	9	**21,157**	4,260
		1,722,825	1,430,298
Current assets			
Stocks	10	**73,476**	61,889
Debtors (including £250.3m (2017: £187.7m) due after more than one year)	11	**685,026**	601,853
Cash at bank and in hand		**101,216**	214,779
		859,718	878,521
Creditors: amounts falling due within one year	12	**(92,948)**	(77,887)
Net current assets		**766,770**	800,634
Total assets less current liabilities		**2,489,595**	2,230,932
Creditors: amounts falling due after more than one year	13	**(893,646)**	(791,570)
Provisions for liabilities	14	**(24,037)**	(18,647)
Net assets		**1,571,912**	1,420,715
Capital and reserves			
Called up share capital	15	**125,400**	115,487
Share premium account		**1,449,920**	1,318,193
Cash flow hedge reserve		**(12,770)**	(25,701)
Profit and loss account		**9,362**	12,736
Total shareholders' funds		**1,571,912**	1,420,715

These consolidated financial statements on pages 26 to 63 were approved by the Board of directors on 13 December 2018 and are signed on their behalf by:

PS Latham
Director
Registered number 06447318

4| FINANCIAL STATEMENTS 30 JUNE 2018

Company balance sheet as at 30 June 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Investments	9	**935,077**	843,606
		935,077	843,606
Current assets			
Debtors (including £250.3m (2017: £187.7m) due after more than one year)	11	**713,194**	527,918
Cash at bank and in hand		**26,089**	126,828
		739,283	654,746
Creditors: amounts falling due within one year	12	**(10,381)**	(9,870)
Net current assets		**728,902**	644,876
Net assets		**1,663,979**	1,488,482
Capital and reserves			
Called up share capital	15	**125,400**	115,487
Share premium account		**1,449,920**	1,318,193
Profit and loss account		**88,659**	54,802
Total shareholders' funds		**1,663,979**	1,488,482

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 profit for the financial year dealt with in the financial statements of the Company was £33.9m (2017: £66.9m).

These financial statements on pages 26 to 63 were approved by the Board of directors on 13 December 2018 and are signed on their behalf by

PS Latham
Director

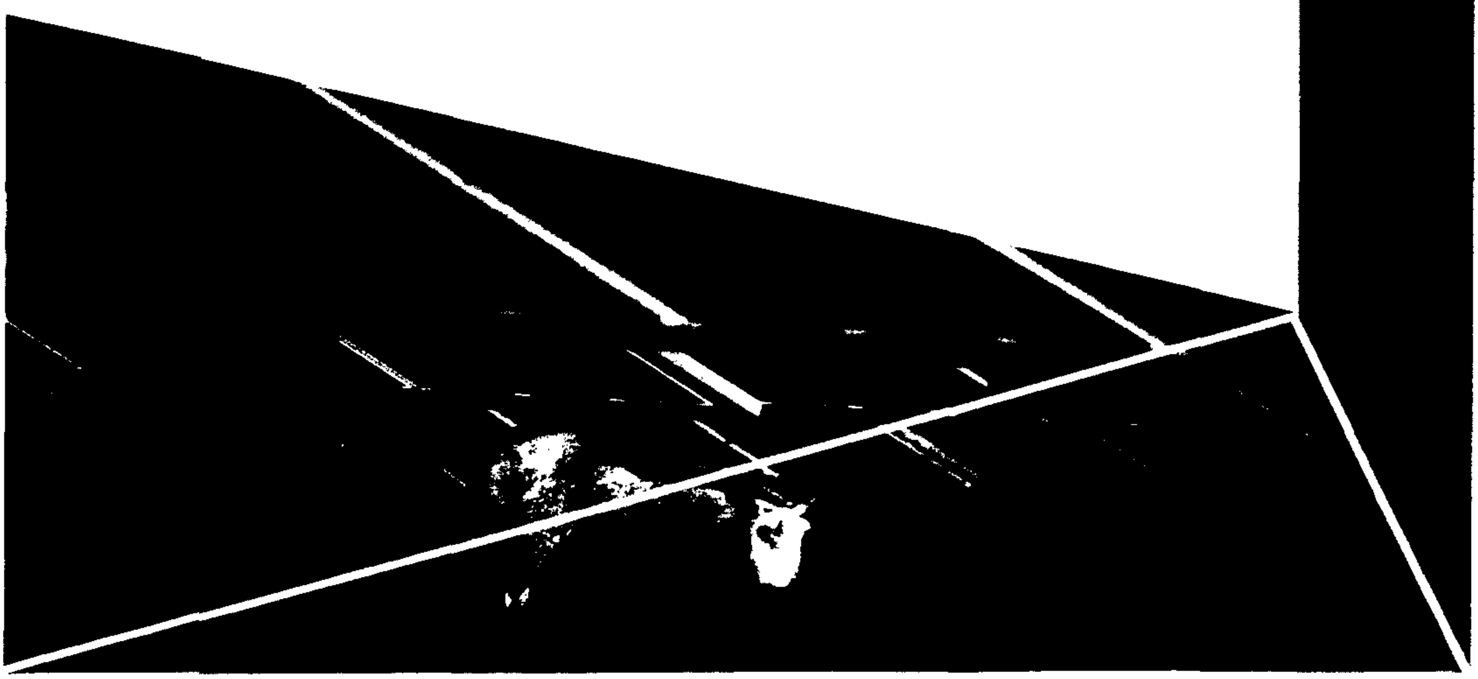
4| FINANCIAL STATEMENTS 30 JUNE 2018

Group statement of changes in equity for the year ended 30 June 2018

	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 2016	103,991	1,170,446	(33,271)	35,963	1,277,129
Loss for the financial year (as restated)	-	-	-	(23,127)	(23,127)
Changes in market value of cash flow hedges	-	-	7,570	-	7,570
Foreign exchange loss on retranslation of investments	-	-	-	(100)	(100)
Other comprehensive income/ (expense) for the year	-	-	7,570	(100)	7,470
Total comprehensive income/ (expense) for the year (as restated)	-	-	7,570	(23,227)	(15,657)
Shares issued during the year	11,496	147,747	-	-	159,243
Balance as at 30 June 2017 (as restated)	115,487	1,318,193	(25,701)	12,736	1,420,715
Balance as at 1 July 2017 (as restated)	**115,487**	**1,318,193**	**(25,701)**	**12,736**	**1,420,715**
Loss for the financial year	**-**	**-**	**-**	**(3,192)**	**(3,192)**
Changes in market value of cash flow hedges	**-**	**-**	**12,931**	**-**	**12,931**
Foreign exchange loss on retranslation of investments	**-**	**-**	**-**	**(182)**	**(182)**
Other comprehensive income/ **(expense) for the year**	**-**	**-**	**12,931**	**(182)**	**12,749**
Total comprehensive income/ (expense) for the year	**-**	**-**	**12,931**	**(3,374)**	**9,557**
Shares issued during the year	**9,913**	**131,727**	**-**	**-**	**141,640**
Balance as at 30 June 2018	**125,400**	**1,449,920**	**(12,770)**	**9,362**	**1,571,912**

Company statement of changes in equity for the year ended 30 June 2018

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' funds
	£'000	£'000	£'000	£'000
Balance as at 1 July 2016	103,991	1,170,446	(12,141)	1,262,296
Profit for the financial year and total comprehensive income	-	-	66,943	66,943
Shares issued during the year	11,496	147,747	-	159,243
Balance as at 30 June 2017	115,487	1,318,193	54,802	1,488,482
Balance as at 1 July 2017	**115,487**	**1,318,193**	**54,802**	**1,488,482**
Profit for the financial year and total comprehensive income	**-**	**-**	**33,857**	**33,857**
Shares issued during the year	**9,913**	**131,727**	**-**	**141,640**
Balance as at 30 June 2018	**125,400**	**1,449,920**	**88,659**	**1,663,979**



4| FINANCIAL STATEMENTS 30 JUNE 2018

Group statement of cash flows for the year ended 30 June 2018

	2018	As restated 2017
	[illegible]	£'000
Cash flows from operating activities		
Loss for the financial year	**(3,192)**	(23,127)
Adjustments for:		
Tax on profit on ordinary activities	**7,553**	2,690
Interest receivable and similar income	**(153)**	(2,318)
Interest payable and other similar charges	**54,277**	37,532
Profit on disposal of subsidiaries	**-**	(3,423)
Income from fixed asset investments	**(2,651)**	(1,700)
Amortisation of intangible fixed assets	**31,178**	23,957
Depreciation of tangible fixed assets	**64,955**	61,891
(Reversal of impairment)/impairment of deferred shares	**(470)**	470
Non-cash movements on derivatives and foreign exchange	**(12,337)**	(3,058)
(Increase)/decrease in stock	**(11,567)**	294
Increase in debtors	**(48,656)**	(41,861)
Decrease in creditors	**(9,903)**	(57,168)
Tax (paid)/received	**(854)**	2,545
Net cash generated from/(used in) operating activities	**68,368**	(3,276)
Cash flow from investing activities		
Purchase of subsidiary undertakings (net of cash acquired)	**(137,920)**	(97,132)
Sale of subsidiary undertakings	**-**	29,098
Purchase of tangible assets	**(29,509)**	(48,982)
Sale of intangible assets	**-**	19,278
Purchase of unlisted investments	**(40,180)**	(92,153)
Sale of unlisted investments	**23,752**	105,263
Interest received	**153**	134
Income from investments	**143**	1,812
Net cash used in investing activities	**(183,561)**	(82,682)
Cash flow from financing activities		
(Repayments)/proceeds from financing	**(92,825)**	41,403
Interest paid	**(46,994)**	(33,875)
Proceeds from share issue	**141,641**	159,242
Net cash generated from financing activities	**1,822**	166,770
Net (decrease)/increase in cash and cash equivalents	**(113,579)**	80,812
Cash and cash equivalents at the beginning of the year	**214,779**	133,737
Exchange gains on cash and cash equivalents	**16**	230
Cash and cash equivalents at the end of the year	**101,216**	**214,779**

4| FINANCIAL STATEMENTS 30 JUNE 2018

Statement of accounting policies

Company information

Fern Trading Limited ('the Company') is a private company limited by shares, incorporated and domiciled in England, 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.

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 Group's functional and presentational currency is sterling.

The consolidated financial statements include the results of all subsidiaries owned by Fern Trading Limited as listed in note 25 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 2018 permitted by 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 net liabilities as at 30 June 2018, of the subsidiaries listed note 25.

Basis of consolidation

The financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings ('subsidiaries'). All undertakings over which the Group exercises control, being the power to govern the financial and operating policies so as to obtain benefits from their activities, are consolidated as subsidiary undertakings. Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements. Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

On consolidation, the results of overseas operations in their functional currencies are translated into sterling at rates approximating to those ruling when the transaction took place (the average rate). All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of the overseas operations at average rate are recognised in other comprehensive income.

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.

4| FINANCIAL STATEMENTS 30 JUNE 2018

Statement of accounting policies (continued)

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 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 a number of classes of business. Revenue is derived by the following:

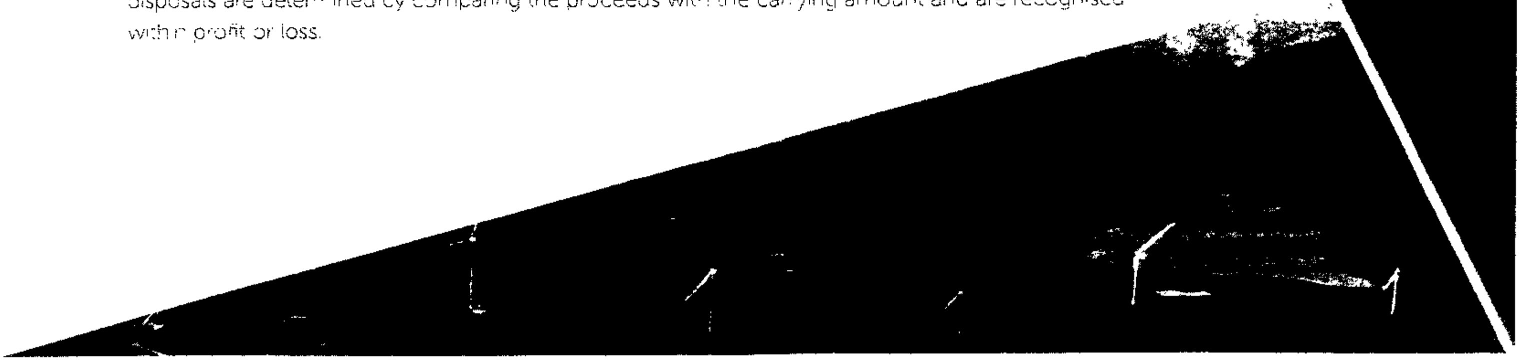
- Energy Operations – Turnover from the electricity generated by solar farms, wind generating assets, reserve power plants and biomass and landfill sites is recognised on an accrual's basis in the period in which it is generated. Turnover from the sale of fertiliser by biomass and landfill businesses is recognised on physical dispatch
- Healthcare Operations – Turnover is recognised when the significant risks and rewards of ownership have passed to the buyer (usually on exchange of contract), the amount of revenue can be recognised reliably, and it is probable that the economic benefits associated with the transaction will flow to the entity
- Lending - 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 assets residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit or loss.



4| FINANCIAL STATEMENTS 30 JUNE 2018

Statement of accounting policies *(continued)*

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 property development WIP are stated at the lower of cost and realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present locations and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss through the profit and loss account as a cost of sale. Reversals of impairment losses are also recognised in the profit and loss account.

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

4| FINANCIAL STATEMENTS 30 JUNE 2018

Statement of accounting policies (continued)

Business combinations and goodwill (continued)

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. 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. Deferred income is released to the profit and loss account in the period to which it relates.

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.

4| FINANCIAL STATEMENTS 30 JUNE 2018

Statement of accounting policies (continued)

Financial instruments (continued)

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 the liability simultaneously.

Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated profit and loss account in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

Share Capital

Ordinary shares issued by the Group are recognised in equity at the value of the proceeds received, with the excess over nominal value being credited to share premium.

Hedging

The Group applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of floating rate borrowings. Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement in accordance with the cash flows of the hedged item. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

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.

Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument and released to the profit and loss account over the term of the debt.

4| FINANCIAL STATEMENTS 30 JUNE 2018

Statement of accounting policies (continued)

Current and deferred tax

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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Key accounting judgements and estimates

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

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.

The key estimates in preparing these accounts are

(i) Provisions, including impairment of debtors and stock

Debtor balances, including associated accrued income balances, are reviewed for impairment on a quarterly basis. In considering the need for a provision, management determine their best estimate of the expected future cashflows.

As this estimate relies on a certain number of assumptions about future events which may differ from actual outcomes, including the borrower's ability to repay interest and capital due in future periods, this gives rise to judgement as to whether there is a shortfall between the carrying value and the fair value of the debtor balance. See note 11 for the carrying amount of the debtors.

The carrying value of stock is the lower of cost and net realisable value. Estimating net realisable value relies on assumptions around future expected sales prices and disposal costs, and actual outcomes may differ to these assumptions. See note 10 for the net carrying value amount of stock.

4| FINANCIAL STATEMENTS 30 JUNE 2018

Statement of accounting policies (continued)

Key accounting judgements and estimates (continued)

(i) Provisions, including impairment of debtors and stock (continued)

The group assesses all potential liabilities and uncertainties in light of the requirements of FRS 102 Section 21 Provisions and Contingencies. Provisions are recognised when amounts can be reliably estimated and the likelihood of settlement is probable. See note 14 for the carrying amount of provisions.

(ii) Useful economic life and amortisation of Goodwill

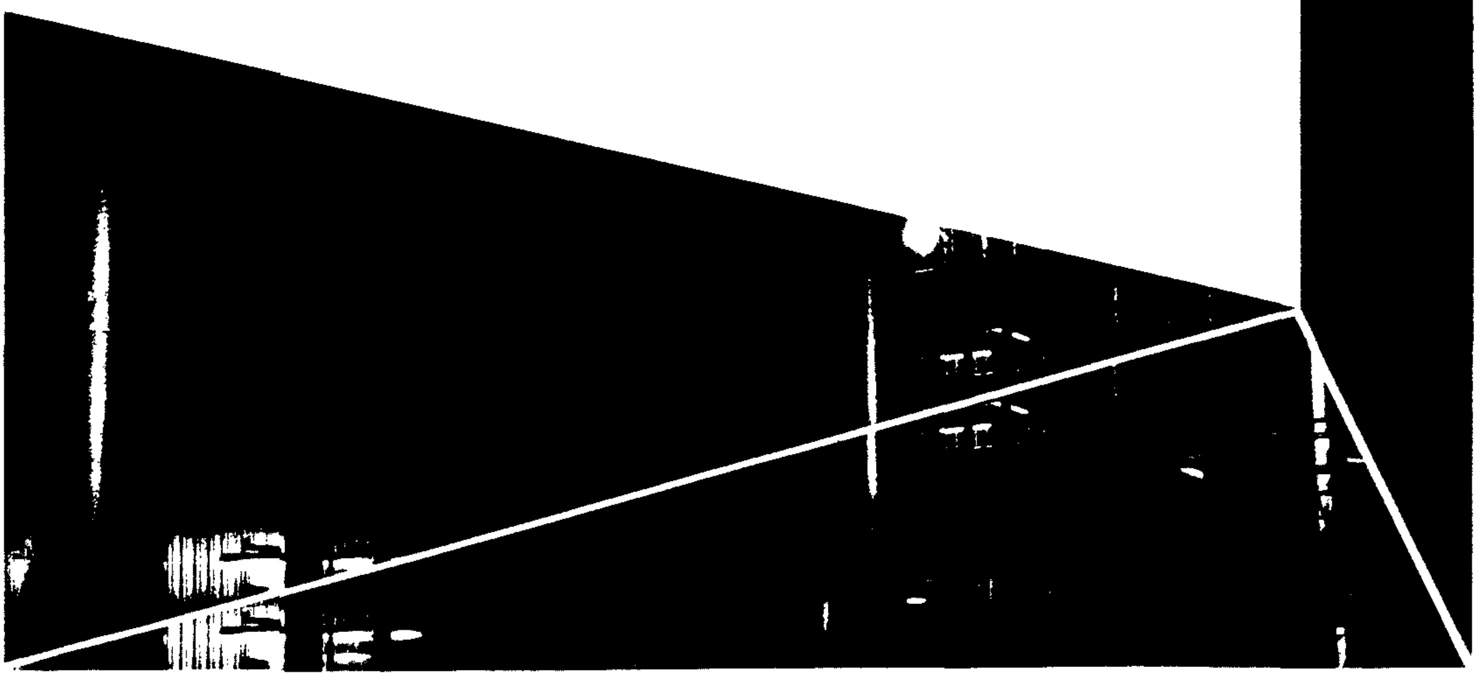
Goodwill is amortised over its expected useful life. Future results are impacted by the amortisation periods adopted and, potentially, any difference between expected and actual circumstances.

(iii) Impairment of goodwill and investments

Goodwill and subsidiary investment value are reviewed annually for impairment by the Group and the Company respectively. The investment value is calculated as the expected future cashflows, discounted at an appropriate rate. There is inherently an element of judgement in these calculations, as certain assumptions are made around the likelihood and values of expected cashflows, which may differ from actual outcomes.

(iv) Cash flow hedges

Cash flow hedges on the Group's external borrowings 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.



4| FINANCIAL STATEMENTS 30 JUNE 2018

Notes to the financial statements for the year ended 30 June 2018

1 Turnover

	2018 £'000	As restated 2017 £'000
Lending activities	**63,935**	62,923
Energy Operations - solar, reserve power and wind	**153,236**	107,024
Energy Operations - biomass and landfill	**128,293**	122,853
Healthcare Operations	**8,154**	6,001
	353,618	298,801

The geographical analysis of turnover by destination is as follows:

	2018 £'000	2017 £'000
United Kingdom	**344,150**	288,976
Rest of Europe	**9,468**	9,825
	353,618	298,801

2 Operating profit

This is stated after charging/(crediting):

	2018 £'000	2017 £'000
Amortisation of intangible assets (note 7)	**31,178**	23,957
Depreciation of tangible assets (note 8)	**64,955**	61,891
Auditors' remuneration - Company and the Group's consolidated financial statements	**140**	136
Auditors' remuneration – audit of Company's subsidiaries	**616**	530
Auditors' remuneration – non-audit services	**174**	94
Auditors' remuneration – tax compliance services	**200**	173
Difference on foreign exchange	**(19)**	(577)
Operating lease rentals	**6,192**	5,426

4| FINANCIAL STATEMENTS 30 JUNE 2018

Notes to the financial statements for the year ended 30 June 2018
(continued)

3 Staff costs

	2018	2017
	£'000	£'000
Wages and salaries	**12,521**	11,923
Social security costs	**1,306**	1,263
Other pension costs	**409**	387
	14,236	13,573

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

	2018	2017
	Number	Number
Production	**249**	258
Administration	**75**	70
Directors	**3**	3
	327	331

4 Directors' remuneration

	2018	2017
	£'000	£'000
Emoluments	**95**	93

During the year no pension contributions were made in respect of the directors (2017: nil).

The Group had no other key management (2017: nil).

4| FINANCIAL STATEMENTS 30 JUNE 2018

Notes to the financial statements for the year ended 30 June 2018
(continued)

5 Interest

Interest receivable and similar income	**2018**	**2017**
	£'000	£'000
On bank balances	**153**	134
Gains on derivative financial instruments	**-**	2,184
	153	2,318

Interest payable and similar expenses	**2018**	**2017**
	£'000	£'000
Interest on bank borrowings	**34,738**	23,619
Interest on senior secured notes	**12,256**	10,256
Amortisation of issue costs on bank borrowings	**1,945**	2,268
Amortisation of issue costs on senior secured notes*	**3,114**	1,045
Losses on derivative financial instruments	**2,224**	344
	54,277	37,532

*Amortisation of issues costs on senior secured notes was accelerated during the year following the early repayment the listed bond in June 2018.

6 Tax on profit/(loss)

(a) Analysis of charge in year

	2018	**2017**
	£'000	£'000
Current tax:		
UK corporation tax (credit)/charge on profit/(loss) for the year	**(24)**	210
French corporate income tax	**302**	103
Adjustments in respect of prior periods	**(284)**	130
Total current tax	**(6)**	443
Deferred tax:		
Origination and reversal of timing differences	**4,892**	1,835
Adjustment in respect of prior periods	**2,760**	1,822
Effect of change in tax rates	**(93)**	(1,410)
Total deferred tax	**7,559**	2,247
Tax charge on profit/(loss) on ordinary activities	**7,553**	2,690

4 | FINANCIAL STATEMENTS 30 JUNE 2018

Notes to the financial statements for the year ended 30 June 2018
(continued)

6 Tax on profit/(loss) (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.75%). The differences are explained below:

	2018 £'000	As restated 2017 £'000
Profit/(loss) before tax	**4,361**	(26,112)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.75%)	**829**	(5,157)
Effects of:		
Expenses not deductible for tax purposes	**5,360**	14,899
Deferred tax not recognised	**(474)**	962
Income not subject to tax	**(459)**	(9,445)
Adjustments in respect of prior periods	**2,476**	1,952
Effects of change in tax rates	**(179)**	(521)
Total tax charge for the year	**7,553**	2,690

(c) Factors that may affect future tax charge

The main rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly, the tax rate applicable for this accounting year is 19%. A reduction to the UK corporation tax rate to 17%, effective from 1 April 2020, was substantively enacted as part of the Finance (No. 2) Act 2016. Consequently, deferred tax has been calculated at the year end using a tax rate of 17%.

4| FINANCIAL STATEMENTS 30 JUNE 2018

Notes to the financial statements for the year ended 30 June 2018
(continued)

7 Goodwill

Group	Goodwill £'000
Cost	
At 1 July 2017	503,417
Additions	172,338
Gain on translation	223
At 30 June 2018	**675,978**
Accumulated amortisation	
At 1 July 2017	43,211
Charge for the year	31,178
At 30 June 2018	**74,389**
Net book value	
At 30 June 2018	**601,589**
At 30 June 2017	460,206

The gain on translation of foreign currency denominated goodwill is recognised in other comprehensive income. Amortisation of goodwill is charged to administration costs.

4| FINANCIAL STATEMENTS 30 JUNE 2018

Notes to the financial statements for the year ended 30 June 2018
(continued)

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 2017	4,892	158,603	926,967	9,541	1,100,003
Additions	4	1,677	192,905	5,553	200,139
Transfers	-	236	9,305	(9,541)	-
Disposals	-	(222)	(1,308)	-	(1,530)
At 30 June 2018	**4,896**	**160,294**	**1,127,869**	**5,553**	**1,298,612**
Accumulated depreciation					
At 1 July 2017	174	42,882	91,115	-	134,171
Charge for the year	69	11,944	52,942	-	64,955
Disposals	-	(222)	(371)	-	(593)
At 30 June 2018	**243**	**54,604**	**143,686**	**-**	**198,533**
Net book value					
At 30 June 2018	**4,653**	**105,690**	**984,183**	**5,553**	**1,100,079**
At 30 June 2017	4,718	115,721	835,352	9,541	965,832

4| FINANCIAL STATEMENTS 30 JUNE 2018

Notes to the financial statements for the year ended 30 June 2018
(continued)

9 Investments

Group	Unlisted investments £'000	Other investments £'000	Total £'000
Cost			
At 1 July 2017	3,390	1,340	4,730
Additions	40,179	-	40,179
Disposals	(23,752)	-	(23,752)
At 30 June 2018	**19,817**	**1,340**	**21,157**
Accumulated impairments			
At 1 July 2017	-	470	470
Reversal of impairments (note 19)	-	(470)	(470)
At 30 June 2018	**-**	**-**	**-**
Net book value			
At 30 June 2018	**19,817**	**1,340**	**21,157**
At 30 June 2017	3,390	870	4,260

Other investments represent the Group's holdings of deferred shares in a number of companies

Company	Subsidiary undertakings £'000	Unlisted investments £'000	Total £'000
Cost and net book value			
At 1 July 2017	1,043,290	3,390	1,046,680
Additions	141,977	40,179	182,156
Disposals	-	(23,752)	(23,752)
At 30 June 2018	**1,185,267**	**19,817**	**1,205,084**
Accumulated impairments			
At 1 July 2017	203,074	-	203,074
Reversal of impairments	(6,347)	-	(6,347)
Impairments	73,280	-	73,280
At 30 June 2018	**270,007**	**-**	**270,007**
Net book value			
At 30 June 2018	**915,260**	**19,817**	**935,077**
At 30 June 2017	840,216	3,390	843,606

Unlisted investments comprise the Company's and the Group's holding of the members' capital of Tendo LLP, a money lending business, and it's shareholding in Bracken Holdings Limited. Fern co-founded Tendo LLP in October 2012 with the intention of conducting a proportion of its future trade through the partnership. Fern has a small shareholding in Bracken Holdings Limited from time to time. Fern's investment in Bracken Holdings Limited at 30 June 2017 and 30 June 2018 was £nil. The directors do not consider Tendo LLP or Bracken Holdings Limited to be subsidiary undertakings of Fern Trading Limited.

Detail of related undertakings are shown in note 25

Notes to the financial statements for the year ended 30 June 2018
(continued)

10 Stocks

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Ash stock	**2,737**	3,522	**-**	-
Fuel, spare parts and consumables	**11,885**	11,572	**-**	-
Property development WIP	**58,854**	46,795	**-**	-
	73,476	61,889	**-**	-

The amount of stocks recognised as an expense during the year was £45,681,000 (2017: £42,403,000).

Included in the fuel, spare parts and consumables stock value is a provision of £360,000 for unusable fuel stock (2017: £216,000). Included in the ash stock value is a provision of £430,000 for slow moving stock (2017: £430,000).

11 Debtors

	Group		Company	
		As restated		As restated
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Amounts falling due after one year				
Loans and advances to customers	**250,280**	187,735	**250,280**	187,735
Amounts falling due within one year				
Loans and advances to customers	**246,618**	284,435	**246,618**	284,435
Trade debtors	**12,252**	24,245	**158**	512
Amounts owed by group undertakings	**-**	-	**139,445**	12,907
Other debtors	**39,442**	580	**38,032**	-
Corporation tax	**3,253**	-	**2,189**	2,725
Prepayments and accrued income	**133,181**	104,858	**36,472**	39,604
	685,026	601,853	**713,194**	527,918

Loans and advances to customers are stated net of provision of £19,883,000 (2017: £17,432,000). Prepayments and accrued income are stated net of provision of £6,867,000 (2017: £5,999,000).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

4| FINANCIAL STATEMENTS 30 JUNE 2018

Notes to the financial statements for the year ended 30 June 2018
(continued)

12 Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Trade creditors	**13,838**	27,533	**3,571**	3,518
Bank loans and overdrafts	**37,330**	19,194	**-**	-
Corporation tax	**-**	1,036	**-**	-
Other tax and social security	**2,026**	2,275	**-**	978
Other creditors	**7,168**	5,137	**1,611**	625
Accruals and deferred income	**32,586**	22,712	**5,199**	4,749
	92,948	77,887	**10,381**	9,870

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**860,855**	613,929	**-**	-
Senior secured notes*	**-**	148,886	**-**	-
Derivative financial instruments (note 17)	**32,791**	28,755	**-**	-
	893,646	791,570	**-**	-

	Group		Company	
	2018	2017	**2018**	2017
Bank loans	**£'000**	£'000	**£'000**	£'000
Due in 1 year	**37,330**	19,194	**-**	-
Due between 1 and 5 years	**167,718**	171,195	**-**	-
Due in more than 5 years	**693,137**	442,734	**-**	-
	898,185	633,123	**-**	-

*The senior secured notes were repayable on 1 February 2020, bore interest at 6.75% and were guaranteed by the subsidiary group companies of Melton Renewable Energy UK PLC. The senior secured notes were repaid in June 2018.

Notes to the financial statements for the year ended 30 June 2018
(continued)

13 Creditors: amounts falling due after more than one year (continued)

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

	Interest rate	2018 £'000	2017 £'000
Viners Energy Limited	6 month LIBOR plus 2.15%	**513,191**	391,551
Fern Renewable Energy Limited	*6 month LIBOR plus 1.90%*	**53,718**	58,010
Wryde Croft Wind Farm Limited	6 month LIBOR plus 1.90%	**23,802**	24,830
Glenchamber Wind Energy Limited	6 month LIBOR plus 1.80%	**45,057**	46,385
Fraisthorpe Wind Farm Limited	6 month LIBOR plus 1.60%	**33,952**	42,235
Claramond Solar SPV 1 Limited	6 month LIBOR plus 4.25%	-	4,607
Adalinda Solar SPV 1 Limited	6 month LIBOR plus 4.25%	-	7,542
Hurst SPV 1 Limited	6 month LIBOR plus 4.25%	-	6,950
Elios Energy 2 Limited	6 month LIBOR plus 1.20%	**48,013**	51,013
Beinneun Wind Farm Limited	6 month LIBOR plus 2.48%	**127,442**	-
Cour Wind Farm (Scotland) Limited	6 month LIBOR plus 2.48%	**35,765**	-
Grange Wind Farm Limited	6 month LIBOR plus 2.48%	**17,245**	-
		898,185	633,123

14 Provisions for liabilities

Group	Decommissioning provision £'000	Deferred tax £'000	Total £'000
At 1 July 2017	1,568	17,079	**18,647**
Acquisitions	-	(2,197)	**(2,197)**
Recognised during the year	28	7,559	**7,587**
At 30 June 2018	**1,596**	**22,441**	**24,037**

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 25 years.

4| FINANCIAL STATEMENTS 30 JUNE 2018

Notes to the financial statements for the year ended 30 June 2018
(continued)

15 Called up share capital

Group and Company	2018	2017
Allotted, called-up and fully paid	**£'000**	£'000
1,254,002,947 (2017: 1,154,867,113) Ordinary shares of £0.10 each	**125,400**	115,487

During the year the Group and Company issued 99,135,834 (2017: 114,955,641) Ordinary shares of £0.10 each for a consideration of £141,640,796 (2017: £159,243,000) giving rise to a premium of £131,727,212 (2017: £147,747,000).

16 Contingencies

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 25 were subject at the end of 30 June 2018 until they are satisfied in full. These liabilities total £623,521,000, including intercompany balances of £602,646,000. The net balance of these guarantees are enforceable against Fern Trading Limited by any person to whom any such liability is due.

Across the wind portfolio, the Group has committed to make ongoing contributions to community benefit funds which work to support the local communities where the wind farms are located. The commitment is to pay between £2,000 to £5,000 per MW of installed capacity for each site (inflation-indexed), depending on specific planning conditions, over the operating lives of the wind farms, which amounts to an annual commitment of £1,045,200 across all sites. 22 of Fern's UK solar farms also make ongoing community benefit contributions, amounting to an annual commitment of £240,000 (inflation-indexed). The terms of these payments vary by individual site planning requirements, but they are generally in the range of £0.5k to £1.5k per MW of installed capacity annually, for between 7 and 24 years after the start of commercial operations.

17 Financial instruments

The Group and Company have the following financial instruments:

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Carrying amount of financial assets				
Measured at amortised cost	**548,592**	496,995	**674,533**	485,589
Carrying amount of financial assets				
Measured at amortised cost	**919,191**	795,485	**5,180**	4,143
Measured at fair value through other comprehensive income	**32,791**	28,755	**-**	-

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 2018 the outstanding contracts have a maturity in excess of one year. The Group is committed to receive LIBOR and pay a fixed rate amount.

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Notes to the financial statements for the year ended 30 June 2018
(continued)

18 Operating lease commitments

At 30 June the Group had total future minimum lease payments under non-cancellable operating leases as follows:

	2018		2017	
	Land and Buildings	**Other**	**Land and Buildings**	**Other**
	£'000	**£'000**	£'000	£'000
Payments due:				
Not later than one year	**6,243**	**181**	4,664	234
Later than one year and not later than five years	**23,658**	**149**	18,889	224
Later than five years	**90,997**	**9**	117,246	-
	120,898	**339**	140,799	458

19 Post-balance sheet events

On 24 July 2018 Melton Renewable Energy UK Limited, a subsidiary of Fern Trading Limited, concluded a new arrangement through bank debt, comprising £152,190,000 term loan, £10,000,000 revolving credit facility and a £12,000,000 debt service reserve facility. This is an amortising debt facility repayable by 31 March 2027

On 20 September 2018 Fern Trading Development Limited, a subsidiary of Fern Trading Limited, disposed of Belisama Energy Limited including the following SPV's:

- Penyrheollas Solarfield Limited
- Fullerton Solarfield Limited
- SSR Seaton Limited
- SBC Lochcraigs Limited
- SSR Corntown Limited
- SSR Stormy West Limited

Included in the consolidated statement of comprehensive income for the year from these subsidiaries was revenue of £1,603,000 and a profit of £387,000 Net assets at 30 June 2018 were £29,431,000 On completion, the group received cash consideration of £33,879,000 The net assets at the date of disposal were £28,745,000 and a profit on disposal of £5,134,000 was recognised in the statement of comprehensive income.

On 20 September 2018 Eros Energy Holdings 3 Limited, a subsidiary of Fern Trading Limited, disposed of its holdings of deferred shares in a number of companies for cash consideration of £3,243,000, recognising a profit of £1,903,000 in the consolidated statement of comprehensive income. The carrying value of the deferred shares at both the date of disposal and at 30 June 2018 were £1,340,000.

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Notes to the financial statements for the year ended 30 June 2018
(continued)

20 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 2018 £nil (2017: £12,219,000) was due from Yorkshire Windpower Limited ("YWP"), a 50% joint venture investment, 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. On 24 April 2018 YWP's cumulative shareholder loans and accumulated interest, (each of £12,841,819) were swapped for share capital and thereafter converted to reserves.

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

During the year, fees of £36,467,000 (2017: £36,368,000) 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 totaling £73,000 (2017: £62,000) to the Group. At the year end, an amount of £3,809,000 (2017: £4,657,000) was outstanding which is included in the trade creditors.

The Company is entitled to a profit share as a result of its investment in Tenco LLP, a related party due to key management personnel in common. In 2018 a share of profit equal to £2,553,000 (2017: £1,594,000) has been recognised by the Company. At the year end, the Company has an interest in the member's capital of £19,817,000 (2017: £3,390,000) and accrued income due of £2,842,000 (2017: £334,000).

The Company engages in lending activities which include balances provided to related parties. Regarding entities with key management personnel in common loans of £205,439,000 (2017: £199,159,000), accrued income of £15,300,000 (2017: £6,738,000) and deferred income of £2,611,000 (2017: £11,699) were outstanding at year end. During the year interest income of £36,754,000 (2017: £27,580,000) and fees of £2,019,000 (2017: £1,861,000) was recognised in relation to these loans.

21 Capital commitments

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

	2018 £'000	2017 £'000
Contracted for but not provided in these financial statements	**1,244**	10,681
Undrawn facilities on loans to borrowers	**222,594**	234,843

22 Ultimate parent company and controlling party

In the opinion of the directors, there is no ultimate controlling party.

Notes to the financial statements for the year ended 30 June 2018
(continued)

23 Business combinations

a) Banbury Power Limited acquisition

On 16 April 2018, the Group acquired control of the Company. The acquired site is planned to be used for reserve power.

Consideration for Banbury Power Limited was £0.01, being the fair value of assets acquired at that date. Goodwill resulting from the business combination was £nil.

The consolidated statement of comprehensive income for the year includes £nil revenue and a loss after tax of £47,733 in respect of this acquisition.

b) Boomerang Energy Limited

On 14 July 2017, the Group acquired control of the subsidiaries listed in note 9 through the acquisition of 100% of the share capital. The acquired entities include four wind sites.

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	2018 £'000
Cash	145,647
Directly attributable costs	2,845
Total consideration	**148,492**

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

	Book values £'000	Adjustments £'000	Fair value £'000
Goodwill	35,415	(91)	35,324
Property, plant and equipment	169,656	747	170,403
Trade and other receivables	22,121	2,500	24,621
Cash and cash equivalents	10,572	-	10,572
Prepayments and accrued income	6,484	(118)	6,366
Trade and other payables	(222,186)	(13,539)	(235,725)
Net assets acquired	**22,062**	**(10,501)**	**11,561**
Goodwill			136,931
Total consideration			**148,492**

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Notes to the financial statements for the year ended 30 June 2018
(continued)

23 Business combinations (continued)

b) Boomerang Energy Limited (continued)

Goodwill resulting from the business combination was £136,931,000 and has an estimated useful life of 25 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 £27,341,000 and a loss of £6,624,000 was recognised over the same period.

24 Prior period adjustment

During the year it was noted that there was an inconsistency in the accounting policy in relation to the recognition of revenue derived from Recycled ROCs. ROC revenue derived from Fern's biomass and landfill division was being recognised on a cash basis, rather than when they can be estimated with reasonable certainty, as in line with Group policy.

This change has been retrospectively applied, leading to the recognition of additional revenue of £5,675,000 for the year ended 30 June 2017. The effect of this adjustment has been to decrease the total comprehensive loss for the year ended 30 June 2017 from £21,332,000 to £15,657,000 and to increase the accrued income balance and profit and loss account balance at 30 June 2017 from £1,415,040,000 to £1,420,715,000. Following the change, there was no impact on the beginning of the earliest prior period presented.

For the year ended 30 June 2018, the change has led to additional revenue of £1,525,000 being recognised. The overall impact on the accrued income balance and profit and loss account balance at 30 June 2018 has been an increase of £7,200,000.

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Notes to the financial statements for the year ended 30 June 2018
(continued)

25 Related undertakings

Details of the subsidiary undertakings are as follows.

Name	Country of incorporation	Class of shares	Holding	Principal activity
The Fern Power Company Limited*	UK	Ordinary	100%	Holding company
Dafen Reserve Power Limited	UK	Ordinary	100%	Energy generation
Cynon Power Limited	UK	Ordinary	100%	Energy generation
Nevern Power Limited	UK	Ordinary	100%	Energy generation
Fern Renewable Energy Limited	*UK*	*Ordinary*	*100%*	*Holding company*
Mingay Farm Holding Limited	UK	Ordinary	100%	Holding company
Mingay Farm Limited	UK	Ordinary	100%	Energy generation
Jura Solar Limited	UK	Ordinary	100%	Energy generation
Abbots Ripton Solar Energy Holding Limited	UK	Ordinary	100%	Holding company
Abbots Ripton Solar Energy Limited	UK	Ordinary	100%	Energy generation
Fern Trading Development Limited*	UK	Ordinary	100%	Holding company
Belisama Energy Limited*	UK	Ordinary	100%	Holding company
Penyrheollas Solarfield Limited	UK	Ordinary	100%	Energy generation
Fullerton Solarfield Limited	UK	Ordinary	100%	Energy generation
SSR Stormy West Limited	UK	Ordinary	100%	Energy generation
SSR Seaton Limited	UK	Ordinary	100%	Energy generation
SBC Lochcraigs Limited	UK	Ordinary	100%	Energy generation
SSR Corntown Limited	UK	Ordinary	100%	Energy generation
Fern Energy Holdings Limited*	UK	Ordinary	100%	Holding company
Notos Energy Limited	UK	Ordinary	100%	Holding company
Boreas Energy Limited	UK	Ordinary	100%	Holding company
Caicias Energy Limited	UK	Ordinary	100%	Holding company
Fern Energy Limited*	UK	Ordinary	100%	Holding company
Elios Energy Holdings Limited*	UK	Ordinary	100%	Holding company
Elios Energy Holdings 2 Limited*	UK	Ordinary	100%	Holding company
*Elios Energy 2 Limited**	*UK*	*Ordinary*	*100%*	*Holding company*
Elios Energy Holdings 3 Limited*	UK	Ordinary	100%	Holding company
Fern Energy Partnership Holdings Limited	UK	Ordinary	100%	Holding company

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Notes to the financial statements for the year ended 30 June 2018
(continued)

25 Related undertakings (continued)

Name	Country of incorporation	Class of shares	Holding	Principal activity
Elios Energy DS3 Holdings 1 Limited*	UK	Ordinary	100%	Holding company
Claramond Solar SPV 1 Limited	UK	Ordinary	100%	Energy generation
Elios Energy DS3 Holdings 2 Limited*	UK	Ordinary	100%	Holding company
Adalinda Solar SPV 1 Limited	UK	Ordinary	100%	Energy generation
Elios Energy DS3 Holdings 3 Limited*	UK	Ordinary	100%	Holding company
Hurst SPV 1 Limited	UK	Ordinary	100%	Energy generation
Elios Renewable Energy Limited*	UK	Ordinary	100%	Holding company
Viners Energy Limited	UK	Ordinary	100%	Holding company
Eakring Limited	UK	Ordinary	100%	Holding company
Chisbon Solar Farm Holdings Limited	UK	Ordinary	100%	Holding company
Chisbon Solar Farm Limited	UK	Ordinary	100%	Energy generation
Bryn Yr Odyn Solar Developments Holdings Limited	UK	Ordinary	100%	Holding company
Bryn Yr Odyn Solar Developments Limited	UK	Ordinary	100%	Energy generation
Avenue Solar Farm Limited	UK	Ordinary	100%	Energy generation
Wincelle Solar Holdings Limited	UK	Ordinary	100%	Holding company
Wincelle Solar Limited	UK	Ordinary	100%	Energy generation
Melbourn Solar Limited	UK	Ordinary	100%	Energy generation
Haymaker (Oaklands) Holdings Limited	UK	Ordinary	100%	Holding company
Haymaker (Oaklands) Limited	UK	Ordinary	100%	Energy generation
Parc au Holdings Limited	UK	Ordinary	100%	Holding company
Parc au Limited	UK	Ordinary	100%	Energy generation
Pitchford (Condover Airfield & Stockbatch) Limited	UK	Ordinary	100%	Energy generation
Singrug Holdings Limited	UK	Ordinary	100%	Holding company
Singrug Limited	UK	Ordinary	100%	Energy generation
Thoresby Estate (Budby) Limited	UK	Ordinary	100%	Energy generation
Waterloo Solar Park Holdings Limited	UK	Ordinary	100%	Holding company
Waterloo Solar Park Limited	UK	Ordinary	100%	Energy generation
Westerfield Solar Limited	UK	Ordinary	100%	Energy generation
WSE Hullavington Holdings Limited	UK	Ordinary	100%	Holding company

Notes to the financial statements for the year ended 30 June 2018
(continued)

25 Related undertakings (continued)

Name	Country of incorporation	Class of shares	Holding	Principal activity
WSE Hullavington Limited	UK	Ordinary	100%	Energy generation
Littleton Solar Farm Limited	UK	Ordinary	100%	Energy generation
Haymaker (Natewood) Holdings Limited	UK	Ordinary	100%	Holding company
Haymaker (Natewood) Limited	UK	Ordinary	100%	Energy generation
Orta Wedgehill Solar Holdings Limited	UK	Ordinary	100%	Holding company
Orta Wedgehill Solar Limited	UK	Ordinary	100%	Energy generation
Six Hills Lane (Ragdale) Limited	UK	Ordinary	100%	Energy generation
Marston Thorne Limited	UK	Ordinary	100%	Energy generation
Bratton Fleming Limited	UK	Ordinary	100%	Energy generation
Lenham Solar Limited	UK	Ordinary	100%	Energy generation
WSE Pyde Drove Limited	UK	Ordinary	100%	Energy generation
Drapers Farm Limited	UK	Ordinary	100%	Energy generation
The Hollies Solar Farm Limited	UK	Ordinary	100%	Energy generation
Luminance Solar Limited	UK	Ordinary	100%	Energy generation
Ryston Estate Limited	UK	Ordinary	100%	Energy generation
New Row Farm Limited	UK	Ordinary	100%	Energy generation
Westwood Solar Limited	UK	Ordinary	100%	Energy generation
Turves Solar Limited	UK	Ordinary	100%	Energy generation
Hollamoor Limited	UK	Ordinary	100%	Energy generation
Whiddon Farm Limited	UK	Ordinary	100%	Energy generation
MSP Strete Limited	UK	Ordinary	100%	Energy generation
MSP Decoy Limited	UK	Ordinary	100%	Energy generation
Reaches Farm Limited	UK	Ordinary	100%	Energy generation
TGC Solar 33 Limited	UK	Ordinary	100%	Energy generation
Cracknell Farm Limited	UK	Ordinary	100%	Energy generation
Week Farm 2 Limited	UK	Ordinary	100%	Energy generation
Pitts Farm Limited	UK	Ordinary	100%	Energy generation
Clann Farm Limited	UK	Ordinary	100%	Energy generation
Southcombe Farm Limited	UK	Ordinary	100%	Energy generation
Ellicombe Limited	UK	Ordinary	100%	Energy generation
BNRG IOW Limited	UK	Ordinary	100%	Energy generation
Victoria Solar Limited	UK	Ordinary	100%	Energy generation
Ninnis Farm Limited	UK	Ordinary	100%	Energy generation

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Notes to the financial statements for the year ended 30 June 2018
(continued)

25 Related Undertakings (continued)

Name	Country of incorporation	Class of shares	Holding	Principal activity
Newlands Solar Limited	UK	Ordinary	100%	Energy generation
Chittering Solar Two Limited	UK	Ordinary	100%	Energy generation
TGC Solar 107 Limited	UK	Ordinary	100%	Energy generation
Steadfast Shipton Bellinger Solar Limited	UK	Ordinary	100%	Energy generation
Little T Solar Limited	UK	Ordinary	100%	Energy generation
North Perrott Fruit Farm Limited	UK	Ordinary	100%	Energy generation
MTS Hatchlands Solar Limited	UK	Ordinary	100%	Energy generation
Chalcroft Solar Park Limited	UK	Ordinary	100%	Energy generation
Steadfast Parkhouse Solar Limited	UK	Ordinary	100%	Energy generation
Slaughtergate Limited	UK	Ordinary	100%	Energy generation
Palfreys Barton Limited	UK	Ordinary	100%	Energy generation
MSP Tregassow Limited	UK	Ordinary	100%	Energy generation
Craymarsh Limited	UK	Ordinary	100%	Energy generation
Steadfast Rudge Solar Limited	UK	Ordinary	100%	Energy generation
Lovedean Limited	UK	Ordinary	100%	Energy generation
Stellar Power Limited	UK	Ordinary	100%	Energy generation
Higher Knapp Farm Limited	UK	Ordinary	100%	Energy generation
WSE Bradford Limited	UK	Ordinary	100%	Energy generation
Marley Thatch Solar Limited	UK	Ordinary	100%	Energy generation
TGC Solar 102 Limited	UK	Ordinary	100%	Energy generation
Meadows Farm Limited	UK	Ordinary	100%	Energy generation
Sun Green Energy Limited	UK	Ordinary	100%	Energy generation
WSE Park Wall Limited	UK	Ordinary	100%	Energy generation
TGC Solar 68 Limited	UK	Ordinary	100%	Energy generation
Tredown Farm Limited	UK	Ordinary	100%	Energy generation
Hill End Farm Limited	UK	Ordinary	100%	Energy generation
Causilgey Limited	UK	Ordinary	100%	Energy generation
Pyms Lane Solar Limited	UK	Ordinary	100%	Energy generation
Sulis Energy Holdings Limited*	UK	Ordinary	100%	Holding company
Sulis Energy Limited	UK	Ordinary	100%	Holding company
Haymaker (Mount Mill) Limited	UK	Ordinary	100%	Energy generation
Breck Solar Limited	UK	Ordinary	100%	Energy generation

Notes to the financial statements for the year ended 30 June 2018
(continued)

25 Related undertakings (continued)

Name	Country of incorporation	Class of shares	Holding	Principal activity
Birch Estate Solar Limited	UK	Ordinary	100%	Energy generation
Mill Hill Farm Solar Limited	UK	Ordinary	100%	Energy generation
Dairy House Solar Limited	UK	Ordinary	100%	Energy generation
Elios Energy 2 France SAS	France	Ordinary	100%	Holding company
Agrisol 2 SARL	France	Ordinary	100%	Energy generation
Batisolaire 5 SARL	France	Ordinary	100%	Energy generation
Batisolaire 7 SARL	France	Ordinary	100%	Energy generation
Elecsol Camargue SARL	France	Ordinary	100%	Energy generation
Elecsol France 07 SARL	France	Ordinary	100%	Energy generation
Elecsol France 11 SARL	France	Ordinary	100%	Energy generation
Elecsol France 15 SARL	France	Ordinary	100%	Energy generation
Elecsol France 19 SARL	France	Ordinary	100%	Energy generation
Elecsol France 22 SARL	France	Ordinary	100%	Energy generation
Elecsol France 24 SARL	France	Ordinary	100%	Energy generation
Elecsol France 25 SARL	France	Ordinary	100%	Energy generation
Elecsol France 28 SARL	France	Ordinary	100%	Energy generation
Elecsol France 41 SARL	France	Ordinary	100%	Energy generation
Elecsol Haut Var SARL	France	Ordinary	100%	Energy generation
Sammat SARL	France	Ordinary	100%	Energy generation
Solarfi LP08 SARL	France	Ordinary	100%	Energy generation
Solarfi SP01 SARL	France	Ordinary	100%	Energy generation
Solarfi SP02 SARL	France	Ordinary	100%	Energy generation
Solarfi SP04 SARL	France	Ordinary	100%	Energy generation
Solarfi SP05 SARL	France	Ordinary	100%	Energy generation
Solarfi SP08 SARL	France	Ordinary	100%	Energy generation
Solarfi SP10 SARL	France	Ordinary	100%	Energy generation
Voltafrance SARL	France	Ordinary	100%	Energy generation
Voltafrance 13 SARL	France	Ordinary	100%	Energy generation
Voltafrance 13 SARL	France	Ordinary	100%	Energy generation
Voltafrance 05 SARL	France	Ordinary	100%	Energy generation

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Notes to the financial statements for the year ended 30 June 2018
(continued)

25 Related undertakings (continued)

Name	Country of incorporation	Class of shares	Holding	Principal activity
Wryde Croft Wind Farm Limited	UK	Ordinary	100%	Energy generation
Glenchamber Wind Energy Limited	UK	Ordinary	100%	Energy generation
Fraisthorpe (Holding) Limited	UK	Ordinary	100%	Holding company
Fraisthorpe Wind Farm Limited	UK	Ordinary	100%	Energy generation
Porthos Solar Holdings Limited*	UK	Ordinary	100%	Holding company
Porthos Solar Limited	UK	Ordinary	100%	Holding company
Blacy Solar Farm Limited	UK	Ordinary	100%	Energy generation
Cressing Solar Farm Limited	UK	Ordinary	100%	Energy generation
Caswell Solar Farm Limited	UK	Ordinary	100%	Energy generation
NGE Limited	UK	Ordinary	100%	Energy generation
Pearmat Solar 2 Limited	UK	Ordinary	100%	Energy generation
Deepdale Farm Solar Limited	UK	Ordinary	100%	Energy generation
UKSE 15 Solar Limited	UK	Ordinary	100%	Energy generation
Fern Healthcare Holdings Limited*	UK	Ordinary	100%	Holding company
Rangeford Retirement Living Holdings Limited*	UK	Ordinary	100%	Holding company
Rangeford Holdings Limited	UK	Ordinary	100%	Holding company
Rangeford Pickering Limited	UK	Ordinary	100%	Retirement village development
Rangeford Properties Limited*	UK	Ordinary	100%	Dormant company
Rangeford RAP Limited	UK	Ordinary	100%	Retirement village development
Rangeford Cirencester Limited	UK	Ordinary	100%	Retirement village development
Rangeford Care Limited	UK	Ordinary	100%	Care services for a retirement village
Wadswick Green Property Services Limited	UK	Ordinary	100%	Service charge administrator
Wadswick Green Limited	UK	Ordinary	100%	Retirement village operator
Rangeford Capital Limited	UK	Ordinary	100%	Facilitation of sale of retirement properties
Eucalyptus Energy Holdings Limited*	UK	Ordinary	100%	Holding company
Eucalyptus Energy Limited*	UK	Ordinary	100%	Holding company

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Notes to the financial statements for the year ended 30 June 2018
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25 Related undertakings (continued)

Name	Country of incorporation	Class of shares	Holding	Principal activity
Melton Renewable Energy UK plc	UK	Ordinary	100%	Holding company
Melton Renewable Energy (Holdings) Limited*	UK	Ordinary	100%	Holding company
Melton LG Holding Limited*	UK	Ordinary	100%	Holding company
Melton LG Energy Limited*	UK	Ordinary	100%	Holding company
Melton LG ROC Limited*	UK	Ordinary	100%	Asset leasing company
CLPE Holdings Limited*	UK	Ordinary	100%	Holding company
CLP Envirogas Limited*	UK	Ordinary	100%	Operating and maintenance services
CLP Developments Limited*	UK	Ordinary	100%	Dormant company
CLP Services Limited*	UK	Ordinary	100%	Dormant company
CLPE 1999 Limited*	UK	Ordinary	100%	Holding company
CLPE 1991 Limited	UK	Ordinary	100%	Dormant company
CLPE Projects 1 Limited*	UK	Ordinary	100%	Holding company
CLPE Projects 2 Limited*	UK	Ordinary	100%	Holding company
CLPE Projects 3 Limited*	UK	Ordinary	100%	Holding company
CLPE ROC - 1 Limited*	UK	Ordinary	100%	Energy generation
CLPE ROC - 2 Limited*	UK	Ordinary	100%	Energy generation
CLPE ROC - 3 Limited*	UK	Ordinary	100%	Energy generation
CLPE ROC - 4 Limited*	UK	Ordinary	100%	Energy generation
Bellhouse Energy Limited*	UK	Ordinary	100%	Energy generation
Chelson Meadow Energy Limited*	UK	Ordinary	100%	Energy generation
Summerston Energy Limited*	UK	Ordinary	100%	Energy generation
United Mines Energy Limited*	UK	Ordinary	100%	Energy generation
Whinney Hill Energy Limited*	UK	Ordinary	100%	Energy generation
Beighton Energy Limited*	UK	Ordinary	100%	Energy generation
Cotesbach Energy Limited*	UK	Ordinary	100%	Energy generation
Queen's Park Road Energy Limited*	UK	Ordinary	100%	Energy generation

Notes to the financial statements for the year ended 30 June 2018
(continued)

25 Related undertakings (continued)

Name	Country of incorporation	Class of shares	Holding	Principal activity
Skelbrooke Energy Limited*	UK	Ordinary	100%	Energy generation
Wetherden Energy Limited*	UK	Ordinary	100%	Energy generation
Auchencarroch Energy Limited[2]*	UK	Ordinary	100%	Energy generation
Bolam Energy Limited*	UK	Ordinary	100%	Energy generation
Coisterworth Energy Limited*	UK	Ordinary	100%	Energy generation
Conron Bridge Energy Limited*	UK	Ordinary	100%	Energy generation
Feltwell Energy Limited*	UK	Ordinary	100%	Energy generation
Garlaff Energy Limited[2]	UK	Ordinary	100%	Dormant company
Jameson Road Energy Limited*	UK	Ordinary	100%	Energy generation
Kilgarth Energy Limited[2]*	UK	Ordinary	100%	Dormant company
March Energy Limited*	UK	Ordinary	100%	Energy generation
Todhills Energy Limited*	UK	Ordinary	100%	Energy generation
Whinney Hill Energy 2 Limited	UK	Ordinary	100%	Dormant company
Beetley Energy Limited*	UK	Ordinary	100%	Energy generation
Cathkin Energy Limited[2]*	UK	Ordinary	100%	Energy generation
Cilgwyn Energy Limited	UK	Ordinary	100%	Dormant company
Stoneyhill Energy Limited[2]	UK	Ordinary	100%	Dormant company
Snetterton Energy Limited	UK	Ordinary	100%	Dormant company
CLPE ROC – 2A Limited	UK	Ordinary	100%	Dormant company
CLPE ROC – 3A Limited*	UK	Ordinary	100%	Energy generation
CLPE ROC – 4A Limited*	UK	Ordinary	100%	Energy generation
Melton Renewable Energy Newco Limited*	UK	Ordinary	100%	Holding company
EPR Renewable Energy Limited*	UK	Ordinary	100%	Holding company
Energy Power Resources Limited*	UK	Ordinary	100%	Energy project development and management services
EPR Scotland Limited[2]*	UK	Ordinary	100%	Energy generation
EPR Ely Limited*	UK	Ordinary	100%	Energy generation
EPR Eye Limited*	UK	Ordinary	100%	Energy generation

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Notes to the financial statements for the year ended 30 June 2018 (continued)

25 Related undertakings (continued)

Name	Country of incorporation	Class of shares	Holding	Principal activity
EPR Glanford Limited*	UK	Ordinary	100%	Energy generation
EPR Thetford Limited*	UK	Ordinary	100%	Energy generation
Fibrophos Limited*	UK	Ordinary	100%	Supply of fertiliser
Anglian Straw Limited	UK	Ordinary	100%	Dormant company
BestSelection Limited	UK	Ordinary	100%	Dormant company
Energy Power Resources (Newco) Limited	UK	Ordinary	100%	Dormant company
EPR Ely Power Limited	UK	Ordinary	100%	Dormant company
Fibrowatt Limited	UK	Ordinary	100%	Dormant company
Fibrowatt Group Limited	UK	Ordinary	100%	Dormant company
First Renewables Limited	UK	Ordinary	100%	Dormant company
Banbury Power Limited*	UK	Ordinary	100%	Energy generation
Boomerang Energy Limited*[7]	UK	Ordinary	50%	Holding company
Fern Energy Jupiter Acquisitions Limited[1]	UK	Ordinary	100%	Dormant company
Fern Energy RidgeWind Holdings Limited[2]	UK	Ordinary	100%	Dormant company
Fern Energy Wind Holdings Limited*[1]	UK	Ordinary	100%	Holding company
Fern Energy Whiteside Holdings Limited*[2]	UK	Ordinary	100%	Dormant company
Fern Energy Ridgewind Acquisitions Limited*[4]	UK	Ordinary	100%	Holding company
Fern Energy Ridgewind Acquisitions Number[2]	UK	Ordinary	100%	Dormant company
Fern Energy Cour Holdings Limited*	UK	Ordinary	100%	Holding company
Ridge Wind Acquisition Limited*[3]	UK	Ordinary	100%	Holding company
Beinneun Wind Farm Extension Limited[4]	UK	Ordinary	100%	Dormant company
Cour WindFarm Holdings Limited[3]	UK	Ordinary	100%	Holding company
Fern Energy (Grange) Limited[5]	UK	Ordinary	100%	Holding company
Auquhirie Land Company Limited[3]	UK	Ordinary	100%	Energy generation
Beinneun Holdings Limited[7]	UK	Ordinary	100%	Holding company
Bienneun Wind Farm Limited[1]	UK	Ordinary	100%	Energy generation
Grange Wind Farm Limited[3]	UK	Ordinary	100%	Energy generation
Cour Wind Farm (Scotland) Limited[3]	UK	Ordinary	100%	Energy generation
Yorkshire Windpower Limited[1]	UK	Ordinary	50%	Energy generation

4| FINANCIAL STATEMENTS 30 JUNE 2018

Notes to the financial statements for the year ended 30 June 2018
(continued)

25 Related undertakings (continued)

*Subsidiaries exempt from audit by virtue of s479A of the Companies Act 2006

a Subsidiaries acquired as part of the Boomerang Energy Limited acquisition

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

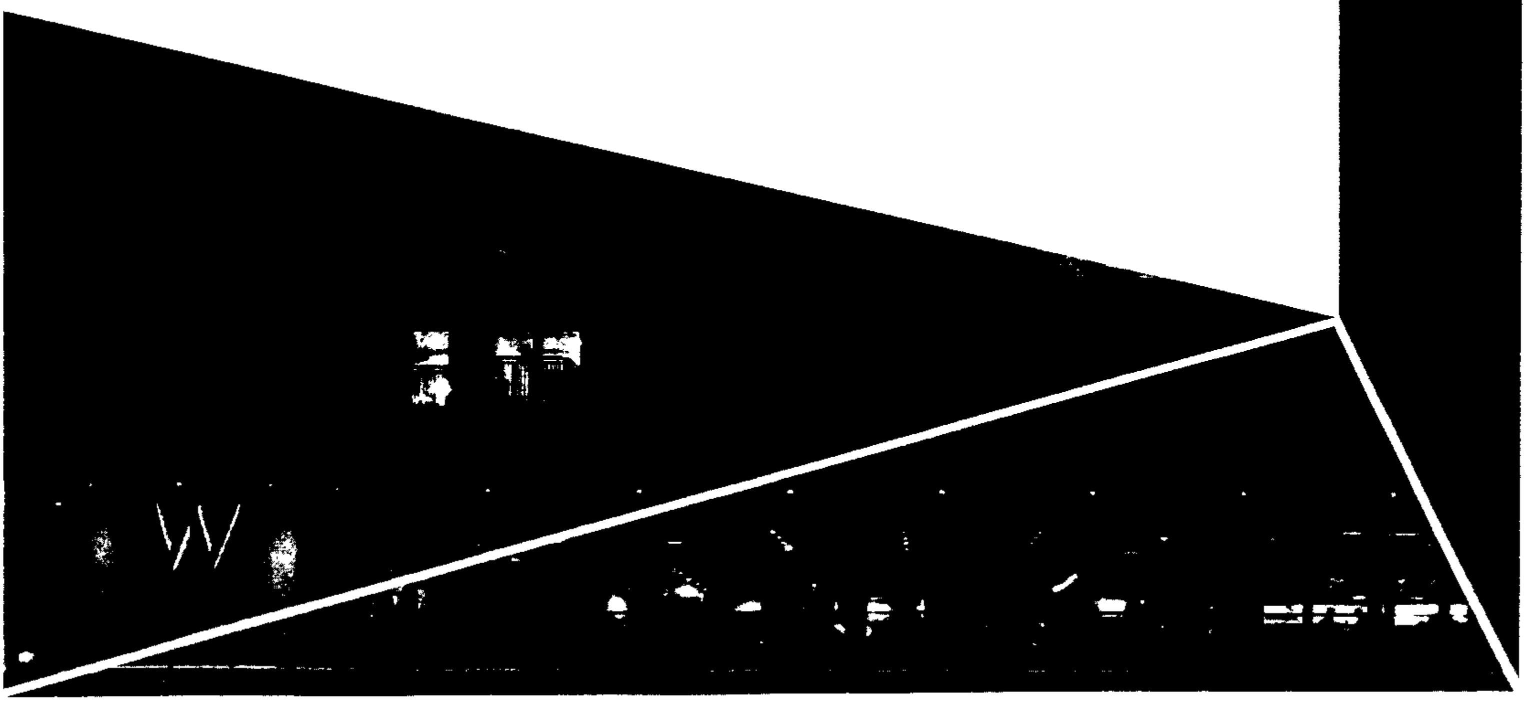
The registered office of all companies listed above is 6th Floor, 33 Holborn, London, EC1N 2HT except for those set out below

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

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

[3]91 West George Street, Glasgow, G2 2LL

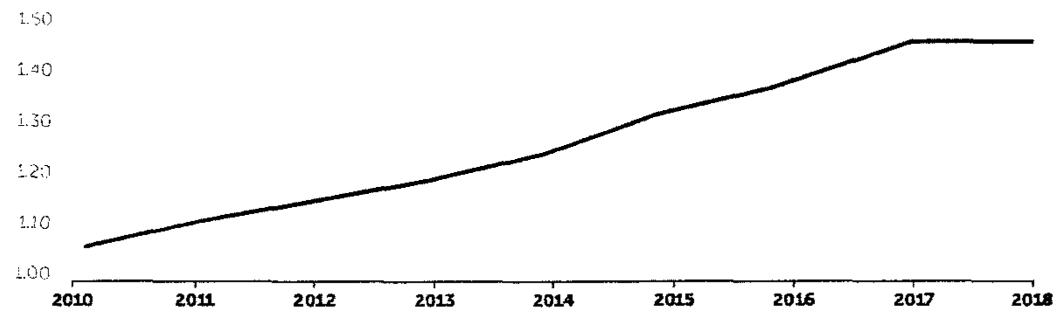
The directors believe that the carrying value of the investments is supported by their underlying net assets.



5| APPENDIX – SHARE PRICE PERFORMANCE

Fern's share price has performed in line with targets

Share price growth since inception Fern Trading Limited



Performance is calculated based on the sale price for Fern's shares at 2 June each year.

Annual discrete performance

Financial Year	Discrete share price performance
June 2017 - 18	**1.75%**
June 2016 - 17	**5.55%**
June 2015 - 16	**3.83%**
June 2014 - 15	**4.00%**
June 2013 - 14	**3.73%**
June 2012 - 13	**3.98%**
June 2011 - 12	**4.10%**
June 2010 - 11	**4.21%**

Source: Octopus Investments, 2 June 2017

6| COMPANY INFORMATION

Directors and Advisors

Directors

PS Latham
KJ Willey
PG Barlow

Company secretary

Octopus Company Secretarial Services Limited

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

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.