Melton Renewable Energy UK Limited

Report and financial statements

for the year ended 30 June 2020

Registered number: 09194088

Directors and advisers

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

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Strategic report for the year ended 30 June 2020

The directors present their strategic report for the group and for the company for the year ended 30 June 2020.

Group business review

Melton Renewable Energy UK Limited ("MRE") is 100% owned by Eucalyptus Energy Limited; its ultimate parent company is Fern Trading Limited. The group's principal activity is the generation and sale of renewable electricity and associated benefits from its five biomass fuelled power stations and portfolio of landfill gas (methane) fuelled engines located at 20 sites across the UK.

The results of the group for the year ended 30 June 2020 and financial position as at that date were satisfactory and in line with expectations.

Output for the year was 1,049GWh (30 June 2019: 1,055GWh) with group turnover of £135,605,000 (30 June 2019: £134,043,000). Total group operating profit including share of joint venture was £14,247,000 (30 June 2019: £17,371,000) and EBITDA (as defined on page 9) was £38,725,000 (30 June 2019: £41,720,000). The group profit before taxation was £360,000 (30 June 2019: £3,548,000).

Operational performance during the year ended 30 June 2020, in terms of output, availability and costs, was in line with expectations. The small reduction in output during the year ended 30 June 2020 compared with the previous year primarily reflects the natural decline in available gas and therefore output across the Landfill Gas division, which operates from a predominance of sites which are closed to fresh waste inputs.

The group continues to place great importance and emphasis on health and safety. During the year the Biomass division retained its accreditation in respect of the new ISO 45001 health and safety standard and the Landfill Gas division achieved accreditation to ISO 45001 for the first time. The high standards demonstrated in internal and external audit performance have been maintained across the group during the year. In parallel, the number of minor accidents reported year on year has fallen during the year ended 30 June 2020 and there were no reportable accidents. Health and safety will continue to be an area of focus in 2020/21.

The group generates its revenue primarily through the sale of electricity and associated renewable benefits principally Renewable Obligation Certificates ("ROCs") under separate power purchase sales arrangements for the Biomass and Landfill Gas divisions. The group also receives less significant revenue streams such as Triads and Generator Distribution Use of System ("GDUoS") credits, collectively referred to as embedded benefits.

Group turnover in the year ended 30 June 2020 increased by 1.2% when compared to the previous year driven primarily by an increase in unit revenue per MWh of 1.8% to £123.96 (30 June 2019: £121.74).

Revenue from the sale of electricity

Revenue generated from the sale of electricity was £54,424,000 (2019: £54,240,000). Electrical output and associated benefits from the Biomass division were sold to British Gas Trading Limited (BGTL) through to 31 March 2020 pursuant to a previous long term power purchase agreement ("PPA"). The Biomass division entered into a set of replacement PPA's (one for each of its power stations) with Axpo UK Limited covering the period 1 April 2020 to 31 March 2021, these include a fixed electricity price and agreed discounts for ROC buy-out and recycle and other associated benefits.

Strategic report for the year ended 30 June 2020

Group business review (continued)

Electrical output and associated benefits from the Landfill gas division is sold pursuant to a separate long term PPA with BGTL running to 28 February 2022. The electricity price the Landfill Gas division receives is fixed every six months (such price being effective for the subsequent six months from 1 April and 1 October), based on the average wholesale market electricity prices for the relevant period over agreed two month calculation periods ending mid-March and mid-September respectively.

The Biomass division's revenue per MWh improved during the year ended 30 June 2020, due in part to the Axpo UK Limited PPA's, whilst the Landfill Gas division saw a significant reduction due to lower wholesale electricity prices in the relevant two month calculation periods. Pricing details of the Biomass and Landfill Gas PPA's are set out below:

Biomass Twelve months ended / ending 30 September (In £ per MWh)			Landfill Gas Six months ended 31 March (In £ per MWh)		Landfill Gas Six months ended / ending 30 September (In £ per MWh)		
2018	**2019**	**2020**	**2019**	**2020**	**2018**	**2019**	**2020**
40.13	52.62	51.48*	63.11	51.70	41.52	47.86	32.62

*Blended rate based upon £50.96/MWh in the six month period to 31 March 2020 (BGTL) and £52.00 for the six month period to 30 September 2020 (Axpo).

Revenue from the sale of Renewable Obligation Certificates ("ROCs")

Revenue generated from the sale of ROCs was £64,214,000 in the year ended 30 June 2020 (2019; £60,969,000).The price per ROC received by the Biomass and Landfill Gas divisions is based upon the ROC buy-out price effective from 1 April each year, net of associated discounts under the terms of the relevant PPA's. The ROC buy out price is indexed annually and confirmed in advance by Ofgem. The confirmed gross ROC buy-out prices applicable during the year ended 30 June 2020 were:

ROC compliance year commencing:
1 April 2019 £48.78 per ROC
1 April 2020 £50.05 per ROC

ROC Recycle revenue

ROC recycle revenue within the financial statements for the year ended 30 June 2020 was £7,748,000 (2019:£8,069,000).

ROC recycle revenue within the financial statements for the current year and prior year comparatives is based upon the following gross accrued values per ROC:

ROC compliance year commencing:
1 April 2018 £7.82 (confirmed)
1 April 2019 £6.69 (estimate)
1 April 2020 £4.76 (estimate)

In October 2019 Ofgem announced the ROC recycle value for 2018/19 at £6.80 per ROC, with an additional payment of £1.02 per ROC confirmed in December 2019 arising from the ROC buy-out late payment fund. The overall value for compliance period 2018/19 represented a positive outcome, driven by the gap between total ROCs presented by electricity suppliers compared to the annual obligation set by the Department for Business, Energy & Industrial Strategy. The gross ROC recycle values accrued in respect of compliance years 2019/20 and 2020/21 represent estimates based upon a weighted average of external market reports of energy price indices.

Strategic report for the year ended 30 June 2020

Group business review (continued)

Revenue from Embedded Benefits – Triad

Ofgem confirmed some time ago its decision to change electricity transmission charging arrangements, removing approximately 90% of the Triad benefit from embedded generators (such as the group) by winter 2020. The reduction has been phased in equally over three years commencing winter 2018 and has been completed now, with the Triad benefit in respect of winter 2020/21 reflecting the implementation of Ofgem's decision.

The group performed well during the Triad season (November 2019 to February 2020), with associated revenue of £1,910,000 in the year ended 30 June 2020 (30 June 2019: £3,402,000). The lower income reflects the phasing in of the benefit reduction in line with changes to electricity transmission charging arrangements for embedded generators set out above. The final reduction is anticipated in the year ending 30 June 2021.

Covid-19

On 11 March 2020, the World Health Organization declared a global pandemic in respect of the outbreak of Covid-19. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel and work restrictions, stay at home orders and cancellations of gatherings and events. The spread of Covid-19 and governmental responses to it have resulted in an economic downturn in the UK and the global economy more widely, as well as causing initial declines and increased volatility in financial and electricity markets. If the pandemic outbreak is prolonged, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in financial and electricity markets.

The group continues to develop its plans to accommodate the rapidly changing circumstances brought about by the coronavirus pandemic. As generators of electricity our business and operations are classified as essential services and accordingly these continued to operate largely as normal, subject to updated procedures and social distancing throughout the UK's lock-down period. The group head office was closed throughout lock-down with all business procedures undertaken by staff working from home. Whilst the head office has reopened, a number of staff continue to work from home.

Within our Biomass division we have increased cleaning procedures at all sites and amended induction processes to include temperature check and minimise contact. Further we have reduced visitors to only those essential to the business and have minimised contact with hauliers and contractors. Whilst there were short term impacts on the supply of some fuels during the UK's lock-down period, the business was able to modify fuel inputs where required. Biomass fuel supplies have since returned to previous levels and the power stations continue to operate largely as normal with these enhanced procedures.

Within our Landfill Gas division, onsite operational and maintenance activities are undertaken at 20 sites across the UK. This consists of regular planned maintenance, servicing, plant condition monitoring and unplanned repairs. On a daily basis this generally requires minimum manpower and can usually be undertaken whilst observing social distancing rules and other precautionary measures. By minimising the number of staff required on sites at any time normal operations and availability have been maintained.

Consequently, at this point we believe that the Covid-19 pandemic will not impact upon the group's balance sheet or its ability to continue as a going concern. Further, we believe that there will be only a limited impact upon the group's operational activities, income statement and cash flows in the upcoming 12 months..

Strategic report for the year ended 30 June 2020

Group business review (continued)

Brexit

On 31 January 2020 the UK left the EU and an 11 month transitional period to 31 December 2020 commenced. MRE is a UK based business with revenues driven by UK wholesale electricity prices and the Renewables Obligation support mechanism which is underpinned by UK Government legislation. Further, MRE's supply chain is primarily UK based with limited import contracts, although some plant spares are sourced outside of the UK. Whilst the general consensus is that Brexit, and particularly a no-deal Brexit, will result in some general disruption, we assume that these will be managed initially and subsequently resolved in the short to medium term. Accordingly, we do not believe that leaving the EU will have any material long term impact upon MRE's operations, its biomass fuel supply contracts, UK electricity prices or the Renewables Obligation support mechanism.

Divisional business review

Biomass division

The results of the Biomass division for the year ended 30 June 2020 and the financial position at that date were satisfactory being underpinned by solid operational performance across the portfolio. Following excellent operational performance and results in the previous financial year, output and availability remained strong in the year ended 30 June 2020. Overall portfolio output in the year ended 30 June 2020 was 777GWh, an increase of 7GWh (0.9%) compared with the prior year, this reflected exceptionally strong operational performance and increased output from Thetford Power Station. There were operational challenges during the year, including an elongated annual outage at Ely Power Station in August 2019 to undertake discovery works during the turbine major and the catastrophic failure of the generator at Westfield Power Station in May 2020 (subsequently replaced), but output from the Biomass division increased year on year.

Yorkshire Windpower Limited ("YWP")

Energy Power Resources Limited ("EPRL"), a subsidiary within the group, owns 50% of the share capital of YWP, which itself owns and operates wind-farms at Royd Moor and Ovenden Moor. YWP has a financial year end date of 31 March. During YWP's financial year ended 31 March 2020, above average wind resource and good wind turbine availability at Ovenden Moor resulted in output of 64.3GWh (2019: 60.8GWh). Wind turbine availability at Royd Moor was much lower reflecting the age of its turbines. In addition the storms and high winds of late winter resulted in a number of turbines failing and being out of service at the year-end awaiting replacement parts from Spain, the delivery time of which was extended by the Covid-19 pandemic. YWP continues to work through a programme of remedial work at Royd Moor as available parts and weather allows. Output in the year to 31 March 2020 at Royd Moor was 8.1GWh (2019: 8.3GWh). Total output achieved by Ovenden Moor and Royd Moor in the year ended 31 March 2020 was 72.4GWh (2019: 69.1GWh).

EPRL is currently considering a sale of its shareholding in YWP.

Environment and sustainability

As well as providing a secure and sustainable disposal route for poultry litter and other agricultural residues, the biomass division's output in the year ended 30 June 2020 reduced CO_2 emissions by some 181,000 tonnes (30 June 2019: 218,000 tonnes). This was achieved by displacing the equivalent amount of generation from alternative UK power sources and is calculated using the assessment of average emissions provided by The Department for Business, Energy and Industrial Strategy ("BEIS"). Despite an increase in the Biomass division's output, a larger than expected year on year reduction in CO_2 emissions has arisen due to a decrease in the UK's coal generation and an increase in generation sourced from renewables which has impacted the BEIS Greenhouse Gas conversion factor.

Strategic report for the year ended 30 June 2020

Divisional business review (continued)

The number of environmental permit non-conformances during the year ended 30 June 2020 remained relatively low although above the previous year, with 47 reported non-conformances across the five power stations (30 June 2019: 19). The increase in non-conformances has arisen from Ely and Westfield Power Stations. At Ely there was an issue with the bag-house system during the first quarter of the financial year giving rise to 9 breaches in respect of dust, this issue was resolved with no further non-conformances. At Westfield Power Station there was a deterioration in fuel quality which led to an increase in permit non-conformances over the autumn and winter of 2019/20. Consequently, we have introduced a higher calorific value fuel, meat and bone meal (MBM), into the fuel mix at Westfield and this has reduced albeit not eliminated the breaches, with inadequate fuel mixing creating variable combustion and CO spikes. Plans are in place to introduce an automated fuel mixing process, with this work being undertaken during the annual outage in October 2020. EPRL group's ISO 14001 (Environmental) certification was maintained during the year.

ROC entitlement for dedicated biomass fuelled generators such as EPRL is linked to annually audited fuel sustainability criteria. Given the nature of the fuels used across the group, being UK and generally locally sourced and mainly classified as wastes, residues or energy crops from accredited sources, we anticipate full compliance and significant headroom against the required minimum greenhouse gas savings on an on-going basis. Further we believe that our data collection and reporting processes are fully compliant. As with previous years, this view has been supported by successful audits for each of the five biomass power stations in respect of the compliance year ended 31 March 2020.

Thetford Power Station
Thetford Power Station performed exceptionally well during the year ended 30 June 2020, generating 295GWh; a significant improvement compared to the year to 30 June 2019 (275GWh), which itself was very good. Whilst the prior period included a longer than normal 28 day planned annual maintenance outage to incorporate the major overhaul of its turbine, allowing for this availability and output in the year to 30 June 2020 were ahead of the prior year and expectations. Thetford Power Station maintained its excellent operating performance through a programme of solid planning, preventative maintenance, operational risk management and a regime of rigorous boiler cleaning.

Ely Power Station
Ely Power Station's performance was marginally below expectations for the year ended 30 June 2020, with output of 236GWh, a reduction when compared to the year ended 30 June 2019 (246GWh). Whilst an improvement had been anticipated, there was a significant delay in the station's return to service from its planned annual maintenance outage. This delay arose due to necessary rectification works on turbine blades which were identified during the outage. Following its return to service the station has operated at or above expected levels for the remainder of the year.

Glanford Power Station
Glanford Power Station's output in the year ended 30 June 2020 was 101GWh, marginally ahead of both expectations and the year ended 30 June 2019 (99GWh). Both availability and output whilst online remained consistent and high, being a testimony to the preventative maintenance regime which is consistently applied at site.

Eye Power Station
Eye Power Station's output in the year ended 30 June 2020 was 90GWh; above expectations and a slight improvement compared with the year ended 30 June 2019 (89GWh), which itself was very good. This improvement reflects the continued success of the programme of maintenance and refurbishment works undertaken at the station.

Strategic report for the year ended 30 June 2020

Divisional business review (continued)

Westfield Power Station
Output from Westfield Power Station in the year ended 30 June 2020 was below expectations and the previous year, generating 55GWh (30 June 2019: 61GWh). Following a challenging year, the station's generator catastrophically failed on 22 May 2020. Following the purchase of a suitable refurbished generator from Berlin, Germany, and its transport, modifications and commissioning the station returned to service on 14 June 2020 after a 23 day outage. The station's availability and output has been in line with expectations subsequently.

There was a deterioration in fuel quality received by the station in the early part of the year which led to reduced output and an increase in permit non-conformances over the autumn and winter of 2019/20. Consequently, we have introduced meat and bone meal (a higher calorific value fuel) into the fuel mix and this has reduced, albeit not eliminated the breaches and improved output. Plans are in place to introduce an automated fuel mixing process which will further improve combustion and reduce CO spikes. This work will being undertaken during the annual outage in October 2020.

Following three reportable accidents in the year ended 30 June 2019, a number of improvement measures have been actioned and health and safety performance has been much improved during the year ended 30 June 2020. This will continue to be an area for focus during 2020/21.

Fibrophos Limited
Fibrophos Limited is a subsidiary of Energy Power Resources Limited ("EPRL") and its principal activity is the marketing and sale of potash and phosphate fertiliser which is derived from the resultant ashes from EPRL's biomass fuelled power stations. Despite generally difficult trading conditions within UK agriculture, sales of Fibrophos fertiliser were above expectations in the year ended 30 June 2020, with over 90,000 tonnes sold (year to 30 June 2019: 104,000 tonnes). Revenue generated from sales of fertiliser was £5,164,000 (2019: £5,439,000). Selling prices were in line with both expectations and the previous year.

Landfill Gas division
The results of the Landfill Gas division for the year ended 30 June 2020 and financial position as at that date were satisfactory and broadly in line with expectations.

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

Output from the landfill gas division in the year ended 30 June 2020 was 272GWh, representing a reduction of 4.6% compared to generation of 285GWh in the previous year ended 30 June 2019.

Output from the landfill gas portfolio is generally anticipated to gradually decline due to the age of the landfill sites from which the division operates and the proportion of sites which are closed to new waste inputs. Output from Auchencarroch, Garlaff, Cotesbach, Walleys and Whinney Hill (five sites open to fresh waste inputs) was good during the year ended 30 June 2020. However, performance at Stoneyhill (also open to waste inputs) continued to be adversely impacted by high leachate levels in the site. The rate of decline at Connon Bridge and Cathkin, two of the larger sites closed to waste inputs, was greater than anticipated during the year. During the year under review the group ceased operations from Cilgwyn landfill site as the low volumes of gas available meant it was no longer economically beneficial to continue generation activities.

Strategic report for the year ended 30 June 2020

Statement by the directors in performance of their statutory duties in accordance with s172(1)(a) to (f) Companies Act 2006

Individually and collectively the board of directors consider that they have acted appropriately to promote the long-term success of the group, having regard for Section 172(1)(a) to (f) Companies Act 2006. The approach taken to Section 172 applies to all subsidiaries in the group.

Long-term business plans are in place for both the Biomass and Landfill Gas divisions. These are subject to annual review and assessed against long-term cash flows forecasts and KPIs relevant to the business.

The directors' intention is to behave responsibly and ensure that management operates the business in a safe and responsible manner, operating with high standards of business conduct and good corporate governance. In this regard, the directors place great emphasis on relationships with key stakeholders, specifically: staff, shareholder, Ofgem, Environment Agency, SEPA, lenders, fuel suppliers, landfill operators, power purchase agreement providers and equipment and service suppliers.

Relationships with stakeholders

Employees
Our employees continue to be fundamental to the delivery of our long term business plans. The health, safety and well-being of our employees remains fundamental to, and at the heart of our business operations, as demonstrated on an ongoing basis through provision of our safety management system with ISO 45001 certification, ongoing audit programme, provision of appropriate training, and most recently displayed by our rapid and robust response to the Covid-19 pandemic. The group is firmly committed to a policy of good communication at all levels and we aim to establish a climate which actively encourages the flow of information and ideas. In parallel, this is supported by a suite of appropriate policies to ensure appropriate reward and remuneration and effective training, development and staff management.

Environmental Regulation (Ofgem, Environment Agency, SEPA)
The group places great importance on operating in line with all its environmental regulatory requirements and has appropriate processes in place to manage its operations in accordance with its environmental permits and ensure accurate reporting to Ofgem.

As well as providing a secure and sustainable disposal route for poultry litter and other agricultural residues, the operations of the group in the year ended 30 June 2020 reduced CO_2 emissions by some 181,000 tonnes (30 June 2019: 218,000 tonnes). This was achieved by displacing the equivalent amount of generation from alternative UK power sources and is based upon BEIS's assessment of average emissions.

Other stakeholders
In addition to our employees and regulatory bodies, the directors consider that maintaining strong and effective relationships with our shareholder, lenders, suppliers, PPA counterparties and landfill site operators is key to the success of our business.

The group maintains long-term business relationships with key suppliers in the Biomass division by means of regular communications and long term fuel supply contracts. Similarly the Landfill Gas division maintains relationships with each of the owners and operators of the site from which it operates by way of regular meetings and long term gas agreements. Relationships with power purchase counterparties are supported by good information flow and communication of planned and unplanned outages. Lenders are kept up to date with business operations through six monthly operating reports and ad hoc information as and when required.

These positive relationships are all facilitated by regular, clear communication and by adhering to agreed terms and conditions, particularly with regards to payment terms.

Strategic report for the year ended 30 June 2020

Principal risks and uncertainties

Risk management policy

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

General risks

The key general risks and uncertainties affecting both the biomass and landfill gas divisions are considered to relate to wholesale electricity prices and changes to renewable energy support regimes. The wholesale electricity prices the group receives pursuant to its PPA's are fixed in advance. The Biomass division entered into new PPA's (one for each of its power stations) with Axpo UK Limited for the twelve months to 31 March 2021, these include fixed electricity prices and agreed discounts for ROC buy-out and recycle and other associated benefits. Replacement PPA's will be required for the Biomass division with effect from 1 April 2021. Management is actively monitoring the wholesale electricity market and in discussions with potential counterparties with a view to securing these arrangements at an appropriate time and thereby reducing exposure to electricity price risk.The electricity price the Landfill Gas division receives under the terms of its long term PPA with BGTL is fixed every six months (such price being effective for the subsequent six months from 1 April and 1 October), based on the average wholesale market electricity future prices for the relevant period over agreed two month calculation periods ending mid-March and mid-September respectively. The BGTL Landfill Gas PPA runs to 28 February 2022.

Overall the group's exposure to movements in the market price of electricity is considered appropriate given the indexed linked nature of its other principal revenue stream, ROC buy-out.

Biomass division

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

During the year ended 30 June 2020 the Biomass division has demonstrated good progress in managing a number of key risks, namely maintaining consistently high output and availability, retaining ISO 14001 and achieving ISO 45001 certification.

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

Strategic report for the year ended 30 June 2020

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

Key performance indicators

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

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

Key performance indicators	***30 June 2020***	*30 June 2019*
Output (GWh)	**1,049**	1,055
Group turnover (£000s)	**135,605**	134,043
EBITDA (£000s)	**38,725**	41,720
Operating profit: group and share of joint venture (£000s)	**14,247**	17,371
Group turnover per MWh (£/MWh)	**123.96**	121.74

Operating profit to EBITDA	***30 June 2020*** ***£'000s***	*30 June 2019* *£'000s*
Operating profit: group and share of joint venture	**14,247**	17,371
Add back:		
Depreciation of owned fixed assets	**14,303**	14,178
Amortisation and impairment of intangibles	**10,175**	10,171
EBITDA	**38,725**	41,720

Results

The group profit before taxation for the year ended 30 June 2020 was £360,000 (30 June 2019: £3,548,000 profit).

Approved by and on behalf of the board

E J Wilkinson
Director
19/10/2020

Directors' report for the year ended 30 June 2020

The directors present their report and the audited consolidated financial statements for the group and the company for the year ended 30 June 2020.

Principal activities

The principal activity of Melton Renewable Energy UK Limited is that of a holding company to Melton Renewable Energy (Holdings) Limited and Melton LG Holding Limited. The group represents a UK based renewable energy portfolio of biomass and landfill gas generation assets with an installed capacity of 151MW. In addition, Melton Renewable Energy UK Limited employs a small number of central staff that provide HR, payroll, legal and management services to its subsidiaries.

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

The primary activity of the Melton LG Holding Limited group is the production of energy from landfill gas. The group currently operates from 20 landfill gas sites across the UK and has 40MW of installed capacity.

Future developments

Output

The directors anticipate that output from the biomass portfolio in the year ending 30 June 2021 will be broadly consistent with that of the year ended 30 June 2020, whilst that of the landfill gas portfolio is anticipated to decline slightly due to falling gas volumes as a result of the predominance of closed sites from which it operates, whilst those sites which are open to fresh waste inputs are generally operating at capacity.

Availability of straw

The directors are aware that the 2020 harvest was the worst for 40 years in terms of crop yield, this arose due to extremely wet weather across the UK immediately following the 2019 harvest compounded by the very dry spring in 2020. Overall yields are significantly reduced across the UK although the picture varies considerably from region to region. This has had an impact upon the volume of straw available and baled which will impact availability and price for 2020/21. The group has in place a range of short and medium term contracts for straw together with a holding of owned straw retained and stored from the 2019 harvest. Overall these should be sufficient for its requirements for the year ending 30 June 2021, subject to non-delivery by contracted suppliers. Management is aware of these risks and is monitoring the position on a continuous basis and in view of the risk is looking to strengthen its physical and contractual holdings.

Yorkshire Windpower Limited

EPRL, a subsidiary within the group, owns 50% of the share capital of YWP, which itself owns and operates wind-farms at Royd Moor and Ovenden Moor. YWP's joint shareholders (EPRL and RWE Renewables UK Operations Limited (previously E.ON Climate & Renewables UK Operations Limited)) are currently engaged in a sale process to dispose of their respective 50% shareholdings. The due diligence process has commenced and if successful it is anticipated that the sale will complete during the second quarter of the current financial year. The directors regard the sale process as a non-adjusting event, after the end of the reporting period and have prepared the financial statements on this basis.

Dividends

No dividends were paid by Melton Renewable Energy UK Limited in the year to 30 June 2020 (30 June 2019: £nil).

Directors' report for the year ended 30 June 2020

Directors

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

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

Financial risk management

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

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

Price risk

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

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

Poultry litter is mainly sourced under long-term contracts, with the price fixed and linked to the RPI over the duration of the contract period. Over half of the average annual fuel requirement of the Biomass division's three poultry litter powered power stations is contracted through to 31 March 2027. The Biomass division's straw and MBM fuel contracts are by their nature more short-term and are generally between one and four years in duration.

Liquidity risk

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

Interest rate risk

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

Going concern

After considering the projections prepared for the period to 31 December 2021 for the Melton Renewable Energy UK Limited group, the directors believe that the group and company have sufficient operating cash flow to enable them to meet liabilities as they fall due and have accordingly prepared the financial statements on a going concern basis.

Directors' report for the year ended 30 June 2020

Directors' third-party indemnity provision

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

Employment of disabled persons

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

Employee Information

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

Carbon dioxide emissions

Renewable electricity generated by the group's Biomass power stations reduced CO_2 emissions by 181,000 tonnes in the year ended 30 June 2020 (30 June 2019: 218,000 tonnes). This was achieved by displacing the equivalent amount of generation from alternative UK power sources and is calculated using the assessment of average emissions provided BEIS.

During the course of its electricity generation activities, the group consumes energy primarily in the form of electricity imported during power station outages and fossil fuel usage (gas oil and gas) for the purposes of plant start up and combustion stabilisation. This data is captured through utility billing or meter readings. We continue to invest in improving the energy efficiency of our offices, power stations and landfill gas sites including upgrades to heating and lighting systems.

We report our carbon dioxide emissions following the Greenhouse Gas Protocol, utilising the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2020. We report carbon dioxide emissions resulting from energy use in our power stations, landfill gas sites and offices. All of these are UK based.

Global Green House Gas (GHG) Emissions	***2020***
Scope 1 CO_2e emissions (tonnes)	6,416
Scope 2 CO_2e emissions (tonnes)	1,596
Scope 3 CO_2e emissions (tonnes)	123
Total CO_2e (tonnes)	**8,135**
Intensity ratio	
Total generation (GWh)	**1,049**
Total CO_2e per GWh generation (tonnes)	**7.76**
Energy consumption used to calculate above emissions (GWh)	**7.7**

Directors' report for the year ended 30 June 2020

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

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

Directors' confirmations

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

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

Statement of disclosure of information to auditors

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

Directors' report for the year ended 30 June 2020

Independent auditors

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

Approved by and on behalf of the board

E J Wilkinson
Director
19/10/2020

Independent auditors' report

to the members of Melton Renewable Energy UK Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2020 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the group and company balance sheets as at 30 June 2020; the group statement of comprehensive income, the group and company statements of changes in equity and the group statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

Independent auditors' report

to the members of Melton Renewable Energy UK Limited

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2020 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 in respect of the financial statements set out on page 14, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Independent auditors' report

to the members of Melton Renewable Energy UK Limited

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Nicholas Cook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
19 October 2020

Group statement of comprehensive income

for the year ended 30 June 2020

	Note	2020 £000s	2019 £000s
Turnover	5	**135,605**	134,043
Cost of sales		**(95,061)**	(92,068)
Gross profit		**40,544**	41,975
Distribution costs		**(502)**	(645)
Administrative expenses		**(29,004)**	(26,770)
Other operating income		**492**	431
Operating profit	6	**11,530**	14,991
Share of operating profit in joint venture		**2,717**	2,380
Total operating profit: group and share of joint venture		**14,247**	17,371
Interest receivable and similar income	9	**45**	71
Interest payable and similar expenses	10	**(13,932)**	(13,894)
Profit before taxation		**360**	3,548
Tax on profit	11	**(3,921)**	(3,271)
(Loss)/profit for the financial year	24	**(3,561)**	277
Other comprehensive expense			
Change in market value of cash flow hedges	25	**(1,321)**	(1,911)
Other comprehensive expense for the year		**(1,321)**	(1,911)
Total comprehensive expense for the year		**(4,882)**	(1,634)

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

Group balance sheet

as at 30 June 2020

	Note	2020 £000s	2019 £000s
Fixed assets			
Intangible assets	12	**68,610**	78,785
Tangible assets	13	**109,023**	118,114
Interests in joint venture	14	**11,201**	11,398
		188,834	208,297
Current assets			
Stocks	15	**18,786**	15,372
Debtors: amounts falling due within one year	16	**37,677**	39,061
Cash at bank and in hand		**11,449**	14,021
		67,912	68,454
Creditors: amounts falling due within one year	17	**(46,400)**	(36,727)
Net current assets		**21,512**	31,727
Total assets less current liabilities		**210,346**	240,024
Creditors: amounts falling due after more than one year	18	**(222,122)**	(246,960)
Provisions for liabilities	20	**(11,354)**	(11,312)
Net liabilities		**(23,130)**	(18,248)
Capital and reserves			
Called up share capital	23	**50,870**	50,870
Cash flow hedge reserve		**(3,232)**	(1,911)
Accumulated losses		**(70,768)**	(67,207)
Total shareholders' deficit		**(23,130)**	(18,248)

The financial statements on pages 19 to 51 were approved by the board of directors and were signed on its behalf by:

P S Latham
Director
19/10/2020

Registered number: 09194088

Company balance sheet
as at 30 June 2020

	Note	*2020* *£000s*	*2019* *£000s*
Fixed assets			
Intangible assets	12	**57**	76
Tangible assets	13	**-**	55
Investments	14	**142,591**	157,591
		142,648	157,722
Current assets			
Debtors: amounts falling due within one year	16	**77,214**	89,077
Debtors: amounts falling due after more than one year	16	**18,133**	18,394
Cash at bank and in hand		**6,419**	526
		101,766	107,997
Creditors: amounts falling due within one year	17	**(23,463)**	(18,667)
Net current assets		**78,303**	89,330
Total assets less current liabilities		**220,951**	247,052
Creditors: amounts falling due after more than one year	18	**(222,122)**	(246,960)
Net (liabilities)/assets		**(1,171)**	92
Capital and reserves			
Called up share capital	23	**50,870**	50,870
Cash flow hedge reserve		**(3,232)**	(1,911)
Accumulated losses		**(48,809)**	(48,867)
Total shareholders' (deficit)/funds		**(1,171)**	92

The profit for the financial year attributable to the company amounted to £58,000 (30 June 2019: £3,943,000 loss).

The financial statements on pages 19 to 51 were approved by the board of directors and were signed on its behalf by:

P S Latham
Director
19/10/2020

Registered number: 09194088

Group statement of changes in equity

For the year ended 30 June 2020

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

	Called up share capital £'000s	*Cash flow hedge reserve £000s*	*Accumulated losses £000s*	***Total £'000s***
At 1 July 2019	50,870	(1,911)	(67,207)	**(18,248)**
Loss for the financial year	-	-	(3,561)	**(3,561)**
Movement in derivative financial instruments designated as cash flow hedges	-	(1,321)	-	**(1,321)**
At 30 June 2020	50,870	(3,232)	(70,768)	**(23,130)**

Company statement of changes in equity

For the year ended 30 June 2020

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

	Called up share capital £'000s	*Cash flow hedge reserve £000s*	*Accumulated losses £000s*	***Total £'000s***
At 1 July 2019	50,870	(1,911)	(48,867)	**92**
Profit for the financial year	-	-	58	**58**
Movement in derivative financial instruments designated as cash flow hedges	-	(1,321)	-	**(1,321)**
At 30 June 2020	50,870	(3,232)	(48,809)	**(1,171)**

Group statement of cash flows

for the year ended 30 June 2020

	Note	*2020*	*2019*
		£000s	*£000s*
Net cash inflow from operating activities	26	**38,074**	35,993
Taxation paid		**(1,520)**	(1,029)
Net cash generated from operating activities		**36,554**	34,964
Cash flow from investing activities			
Payments to acquire tangible assets		**(5,256)**	(3,127)
Payments to acquire intangible assets		**-**	(23)
Dividends from joint venture		**2,500**	3,000
Interest received		**12**	71
Net cash used in investing activities		**(2,744)**	(79)
Cash flow from financing activities			
Proceeds from bank loan		**-**	152,190
Principal repayment of bank loan		**(14,991)**	(11,694)
Repayment of parent company loans		**(15,717)**	(158,030)
Interest and similar charges paid		**(5,674)**	(3,849)
Debt issue costs paid		**-**	(4,943)
Net cash used in financing activities		**(36,382)**	(26,326)
Net (decrease)/increase in cash and cash equivalents	26	**(2,572)**	8,559
Cash and cash equivalents at the beginning of the year		**14,021**	5,462
Cash and cash equivalents at the end of the year		**11,449**	14,021

Cash and cash equivalents consists of:

Cash at bank and in hand		**11,449**	14,021

Notes to the financial statements

for the year ended 30 June 2020

1. General information

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

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

2. Statement of compliance

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

3. Accounting policies

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

Basis of preparation

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

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

Going concern

Notwithstanding the fact that the group and company have net liabilities, the directors have prepared the financial statements on the going concern basis. After considering the projections prepared for the period to 31 December 2021 for the Melton Renewable Energy UK Limited Group, the directors believe that the group and company have sufficient operating cash flow to enable them to meet liabilities as they fall due.

Exemptions for qualifying entities under FRS 102

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

The company has taken advantage of the following exemptions:

i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows;

ii) from disclosing transactions with related entities, these being other 100% owned subsidiaries of Fern Trading Limited, as required by FRS 102 paragraph 33.1;

iii) from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Notes to the financial statements

for the year ended 30 June 2020

3. Accounting policies (continued)

Basis of consolidation

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

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

No separate statement of comprehensive income is presented for the company Melton Renewable Energy UK Limited as permitted by section 408 of the Companies Act 2006. The profit for the year attributable to the company amounted to £58,000 (30 June 2019: £3,943,000 loss).

Foreign currencies

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

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

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

Turnover

Turnover represents the invoiced value of goods and services net of value added tax and trade discounts.

Turnover derived from the sale of electricity and associated renewable and embedded benefits is recognised when electricity generated is exported to third party customers.

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

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

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

Other operating income

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

Cash and cash equivalents

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

Notes to the financial statements

for the year ended 30 June 2020

3. Accounting policies (continued)

Intangible assets and amortisation

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

Impairments arising are recorded in the statement of comprehensive income.

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

Tangible fixed assets

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

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

Straight line annual rates of depreciation most widely used are:

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

No depreciation is charged to assets under construction.

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

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

Impairment

The carrying value of the group's assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the assets.

Notes to the financial statements

for the year ended 30 June 2020

3. Accounting policies (continued)

Investments

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

Stocks

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

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

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

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

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

Current tax

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Group relief

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

Pension costs

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

Notes to the financial statements

for the year ended 30 June 2020

3. Accounting policies (continued)

Leases

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

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

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

Debt issue costs

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

Financial instruments

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

Financial assets

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

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

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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

Financial liabilities

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

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

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

Notes to the financial statements

for the year ended 30 June 2020

3. Accounting policies (continued)

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

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

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

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

Offsetting

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

4. Critical accounting judgements and estimation uncertainty

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

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

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

(b) Key accounting estimates and assumptions

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

i) Impairment of goodwill

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

ii) Stock obsolescence

The group reviews and provides for unusable or slow moving stock. Unusable stock includes biomass fuel assessed to have too high a moisture content for use at the power stations and obsolete spare parts. As at 30 June 2020 the provision for unusable and slow moving stock was £708,000 (30 June 2019: £740,000).

Notes to the financial statements

for the year ended 30 June 2020

4. Critical accounting judgements and estimation uncertainty (continued)

iii) Useful economic life on tangible assets

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

iv) The valuation of investments in subsidiary undertakings

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

v) Cash flow hedges

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

vi) ROC Recycle income

ROC Recycle income is recognised on an accruals basis using an estimate of the declared value per ROC for each compliance year ending 31 March. The group utilises the latest available electricity market information to derive its estimate of the value. The actual value per ROC for each compliance year is confirmed in arrears during the quarter ended 31 December.

5. Segmental analysis

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

The tables on pages 32 and 33 present segmental information for the year ended 30 June 2020 and for the comparative year ended 30 June 2019.

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

The group's profit/(loss) on ordinary activities includes interest and similar charges on senior and shareholder debt, such items have been allocated to the central function. Similarly, items included within net assets/(liabilities) such as long term senior and shareholder debt, current tax debtors and creditors and provisions for deferred taxation are also included within the central function.

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

Notes to the financial statements

for the year ended 30 June 2020

5. Segmental analysis (continued)

Segmental statement of income analysis

For the year ended 30 June 2020	*Biomass*	*Landfill Gas*	*Central*	*Group*
	£000s	*£000s*	*£000s*	*£000s*
Turnover	108,210	27,390	5	135,605
Operating costs	(76,043)	(18,291)	(5,711)	(100,045)
Other operating income	492	-	-	492
Loss on sale of tangible fixed assets	(44)	-	-	(44)
Share of operating profit in joint venture	2,717	-	-	2,717
EBITDA	**35,332**	**9,099**	**(5,706)**	**38,725**
Fixed asset depreciation	(11,943)	(2,348)	(12)	(14,303)
Intangible amortisation and impairments	(4,922)	(5,234)	(19)	(10,175)
Operating profit/(loss): group and share of joint venture	**18,467**	**1,517**	**(5,737)**	**14,247**
Interest charges on borrowings	-	-	(13,887)	(13,887)
Profit/(loss) before taxation	**18,467**	**1,517**	**(19,624)**	**360**

For the year ended 30 June 2019	*Biomass*	*Landfill Gas*	*Central*	*Group*
	£000s	*£000s*	*£000s*	*£000s*
Turnover	103,328	30,715	-	134,043
Operating costs	(72,297)	(18,180)	(4,512)	(94,989)
Other operating income	431	-	-	431
Profit on sale of tangible fixed assets	-	(145)	-	(145)
Share of operating profit in joint venture	2,380	-	-	2,380
EBITDA	**33,842**	**12,390**	**(4,512)**	**41,720**
Fixed asset depreciation	(11,799)	(2,365)	(14)	(14,178)
Intangible amortisation and impairments	(4,922)	(5,234)	(15)	(10,171)
Operating profit/(loss): group and share of joint venture	**17,121**	**4,791**	**(4,541)**	**17,371**
Interest charges on borrowings	-	-	(13,823)	(13,823)
Profit/(loss) before taxation	**17,121**	**4,791**	**(18,364)**	**3,548**

Notes to the financial statements

for the year ended 30 June 2020

5. Segmental analysis (continued)

Segmental balance sheet analysis

As at 30 June 2020	*Biomass*	*Landfill Gas*	*Central*	*Group*
	£000s	*£000s*	*£000s*	*£000s*
Non-current assets	137,911	50,866	57	188,834
Current assets (excluding unallocated amounts)	49,604	11,242	6,520	67,366
Current tax asset	-	-	546	546
Total assets	**187,515**	**62,108**	**7,123**	**256,746**
Creditors: amounts falling due within one year (excluding unallocated amounts)	(19,340)	(6,032)	(2,236)	(27,608)
Short term debt and accrued interest	-	-	(18,792)	(18,792)
Long term debt	-	-	(222,122)	(222,122)
Deferred taxation	-	-	(11,354)	(11,354)
Total liabilities	**(19,340)**	**(6,032)**	**(254,504)**	**(279,876)**
Net assets/(liabilities)	**168,175**	**56,076**	**(247,381)**	**(23,130)**

As at 30 June 2019	*Biomass*	*Landfill Gas*	*Central*	*Group*
	£000s	*£000s*	*£000s*	*£000s*
Non-current assets	150,511	57,702	84	208,297
Current assets (excluding unallocated amounts)	52,538	13,066	618	66,222
Current tax asset	-	-	2,232	2,232
Total assets	**203,049**	**70,768**	**2,934**	**276,751**
Creditors: amounts falling due within one year (excluding unallocated amounts)	(13,671)	(5,496)	(2,550)	(21,717)
Short term debt	-	-	(15,010)	(15,010)
Long term debt and accrued interest	-	-	(246,960)	(246,960)
Deferred taxation	-	-	(11,312)	(11,312)
Total liabilities	**(13,671)**	**(5,496)**	**(275,832)**	**(294,999)**
Net assets/(liabilities)	**189,378**	**65,272**	**(272,898)**	**(18,248)**

Notes to the financial statements

for the year ended 30 June 2020

6. Operating profit

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

	2020	*2019*
	£000s	*£000s*
Services provided by the company's auditors:		
- Fees payable for the audit of the parent company and consolidated financial statements	**295**	287
- Fees payable to the company's auditors and their associates for other services		
- audit related assurance services	**42**	45
- tax compliance services	**26**	26
Depreciation of owned fixed assets	**14,303**	14,178
Loss on disposal of fixed assets	**44**	145
Amortisation of goodwill	**10,175**	10,171
Operating lease rentals		
– land and buildings	**261**	361
– other	**279**	274
Inventory recognised as an expense	**41,242**	39,964
(Write back)/impairment of inventory	**(32)**	10

7. Directors' emoluments

Emoluments paid to directors by the company:

	2020	*2019*
	£000s	*£000s*
Aggregate emoluments during the year	**363**	314
Company pension contributions	**10**	10

At 30 June 2020 no directors had benefits arising under the defined contribution scheme. The total emoluments of the highest paid director in office for the year were £373,000 (30 June 2019: £324,000). M G Setchell, P S Latham and M J Bullard did not receive any payment for their services to the Melton Renewable Energy UK Limited group.

Notes to the financial statements

for the year ended 30 June 2020

7. Directors' emoluments (continued)

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

	2020	*2019*
	£000s	*£000s*
Salaries and other short term benefits	**1,730**	1,376

8. Employee information

	Group		***Company***	
	2020	2019	**2020**	2019
	£000s	*£000s*	***£000s***	*£000s*
Wages and salaries	**12,593**	11,669	**1,097**	851
Social security costs	**1,471**	1,352	**141**	106
Other pension costs	**578**	461	**47**	34
	14,642	13,482	**1,285**	991

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

	Group		***Company***	
	2020	2019	**2020**	2019
	Number	*Number*	***Number***	*Number*
Production	**195**	196	**-**	-
Administration	**61**	60	**10**	9
	256	256	**10**	9

Notes to the financial statements

for the year ended 30 June 2020

9. Interest receivable and similar income

	2020	2019
	£000s	£000s
Interest receivable	**45**	71

10. Interest payable and similar expenses

	2020	2019
	£000s	£000s
Interest payable on bank loans	**5,010**	3,476
Amortisation of issue costs of bank loans	**574**	565
Interest payable to immediate parent company	**8,146**	9,302
Losses on derivative financial instruments	**-**	10
Other interest and charges	**202**	541
	13,932	13,894

11. Tax on profit

a) Analysis of the charge in the year

	2020	2019
	£000s	£000s
Current tax		
UK Corporation tax on profits for the year	**3,005**	-
Group relief payable	**-**	4,876
Share of joint venture's current tax	**170**	319
Adjustments in respect of prior years	**89**	134
Total current tax charge for the year	**3,264**	5,329
Deferred tax		
Origination and reversal of timing differences	**(923)**	(2,270)
Share of joint venture's deferred tax	**249**	128
Adjustments in respect of prior years	**(53)**	84
Impact of change in tax rate	**1,384**	-
Total deferred tax charge/(credit) for the year	**657**	(2,058)
Tax charge on profit	**3,921**	3,271

Notes to the financial statements

for the year ended 30 June 2020

11. Tax on profit (continued)

b) Reconciliation of tax charge

The tax assessed on the profit before taxation for the year is higher than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	*2019*
	£000s	*£000s*
Profit before taxation	**360**	3,548
Profit before taxation multiplied by effective rate of corporation tax of 19% (2019: 19%)	**68**	674
Effect of:		
Adjustments in respect of prior years	**36**	218
Expenses not deductible for tax purposes	**5,367**	2,473
Non taxable income	**(2,934)**	(82)
Unrecognised deferred tax	**-**	(12)
Re-measurement of deferred tax – change in UK tax rate	**1,384**	-
Tax charge for the year	**3,921**	3,271

c) Factors that may affect future charges

Changes to UK corporation tax rates were substantively enacted on 17 March 2020 under a UK Budget resolution which has statutory effect under the provisions of the Provisional Collection of Taxes Act 1968. This resolution cancelled the previously enacted reduction to 17%, such that the UK corporation tax main rate applicable from 1 April 2020 remains at 19%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

12. Intangible assets

Group

	Goodwill	*Software*	*Total*
	£000s	*£000s*	*£000s*
Cost:			
At 1 July 2019 and 30 June 2020	**150,476**	**93**	**150,569**
Accumulated amortisation and impairment:			
At 1 July 2019	71,767	17	71,784
Charge for the year	10,156	19	10,175
At 30 June 2020	**81,923**	**36**	**81,959**
Net book amount:			
At 30 June 2020	**68,553**	**57**	**68,610**
At 30 June 2019	78,709	76	78,785

Notes to the financial statements

for the year ended 30 June 2020

12. Intangible assets (continued)

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

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

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

Company

	Software *£000s*
Cost:	
At 1 July 2019 and 30 June 2020	**93**
Accumulated amortisation and impairment:	
At 1 July 2019	17
Charge for the year	19
At 30 June 2020	**36**
Net book amount:	
At 30 June 2020	**57**
At 30 June 2019	76

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

Notes to the financial statements

for the year ended 30 June 2020

13. Tangible assets

Group	*Freehold land and buildings* *£000s*	*Power stations* *£000s*	*Plant and machinery* *£000s*	*Assets under construction* *£000s*	*Total* *£000s*
Cost:					
At 1 July 2019	4,569	162,531	27,008	374	194,482
Additions	1,485	2,673	671	427	5,256
Transfers	-	285	46	(331)	-
Disposals	-	(324)	(479)	-	(803)
At 30 June 2020	**6,054**	**165,165**	**27,246**	**470**	**198,935**
Accumulated depreciation:					
At 1 July 2019	293	66,311	9,764	-	76,368
Charge for the year	65	11,664	2,574	-	14,303
Disposals	-	(295)	(464)	-	(759)
At 30 June 2020	**358**	**77,680**	**11,874**	**-**	**89,912**
Net book amount:					
At 30 June 2020	**5,696**	**87,485**	**15,372**	**470**	**109,023**
At 30 June 2019	4,276	96,220	17,244	374	118,114

Company	*Plant and machinery* *£000s*	*Total* *£000s*
Cost:		
At 1 July 2019	97	97
Disposals	(43)	(43)
At 30 June 2020	**54**	**54**
Accumulated depreciation:		
At 1 July 2019	42	42
Charge for the year	12	12
At 30 June 2020	**54**	**54**
Net book amount:		
At 30 June 2020	**-**	**-**
At 30 June 2019	55	55

Notes to the financial statements

for the year ended 30 June 2020

14. Investments

Group

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

	Joint venture *£000s*
At 1 July 2019	11,398
Share of profit after taxation for the financial year	(197)
At 30 June 2020	**11,201**

Company

	Subsidiary undertakings *£000s*
Cost:	
At 1 July 2019 and 30 June 2020	**172,591**
Accumulated impairment:	
At 1 July 2019	15,000
Charge	15,000
At 30 June 2020	**30,000**
Net book amount:	
At 30 June 2020	**142,591**
At 30 June 2019	157,591

In the year to 30 June 2020 an impairment of £15,000,000 has been recorded against the company's value of investments in subsidiary undertakings. The value of the investments have been assessed based upon the estimated net present value of future cash flows from the subsidiary operations using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the assets. Future cash flows are estimated based upon management's assumptions in respect of output and operational performance, electricity prices, biomass fuel costs, royalty rates and other operating costs.

Notes to the financial statements

for the year ended 30 June 2020

14. Investments (continued)

The subsidiary companies and joint venture of the group and the company at 30 June 2020, which are all wholly owned and incorporated and registered in Great Britain are listed below.

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

Notes to the financial statements

for the year ended 30 June 2020

14. Investments (continued)

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Cilgwyn Energy Limited	Ordinary shares	100%	Dormant company
Stoneyhill Energy Limited [2]	Ordinary shares	100%	Dormant company
CLPE ROC – 3A Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
CLPE ROC – 4A Limited *	Ordinary shares	100%	Generation of electricity from landfill gas
Melton Renewable Energy Newco Limited *	Ordinary shares	100%	Holding company
EPR Renewable Energy Limited *	Ordinary shares	100%	Holding company
Energy Power Resources Limited *	Ordinary shares	100%	Development of renewable energy projects and provision of management services
EPR Scotland Limited *[3]	Ordinary shares	100%	Operation of electricity power station
EPR Ely Limited *	Ordinary shares	100%	Operation of electricity power station
EPR Eye Limited *	Ordinary shares	100%	Operation of electricity power station
EPR Glanford Limited *	Ordinary shares	100%	Operation of electricity power station
EPR Thetford Limited *	Ordinary shares	100%	Operation of electricity power station
Fibrophos Limited *	Ordinary shares	100%	Supply of fertiliser
Joint venture			
Yorkshire Windpower Limited [1]	Ordinary shares	50%	Owner and operator of two windfarms

*Subsidiaries exempt from audit by virtue of s479A of the Companies Act 2006 (note 28)

+ Held directly by Melton Renewable Energy UK Limited.
[1] The financial year end of Yorkshire Windpower Limited was 31 March 2020

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

[1] Westwood Way, Westwood Business Park, Coventry, CV4 8LG
[2] Pinsent Masons LLP, Princes Exchange, 1 Earl Grey Street, Edinburgh, Midlothian, EH3 9AQ
[3] 191 West George Street, Glasgow, G2 2LD

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

Notes to the financial statements

for the year ended 30 June 2020

15. Stocks

Group	***2020*** ***£000s***	*2019* *£000s*
Ash stock	**2,594**	2,327
Fuel, spare parts and consumables	**16,192**	13,045
	18,786	15,372

The replacement cost of stocks does not differ materially from the numbers disclosed above. Included in the fuel, spare parts and consumables stock value is a provision of £708,000 for unusable fuel stock and obsolete spare parts (2019: £440,000). There is no provision for slow moving ash stock (2019: £300,000). The company held no stock during the year (2019: £nil).

16. Debtors

	Group		***Company***	
	2020	*2019*	***2020***	*2019*
	£000s	*£000s*	***£000s***	*£000s*
Amounts falling due within one year				
Trade debtors	**540**	319	**1**	-
Amounts owed by group undertakings	**-**	-	**74,677**	87,875
Consortium and group relief	**-**	-	**2,202**	1,106
Corporation tax	**546**	2,232	**-**	-
Other taxation and social security	**-**	-	**204**	5
Prepayments and accrued income	**36,591**	36,510	**130**	91
	37,677	39,061	**77,214**	89,077
Amounts falling due after more than one year				
Amounts owed by group undertakings	**-**	-	**17,370**	18,000
Deferred tax asset	**-**	-	**763**	394
	-	-	**18,133**	18,394

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

	Loan principal	***Interest accrued***	***Interest rate***	***Date of repayment***
Melton Renewable Energy (Holdings) Limited	£17,370,000	£952,591	11%	December 2028
Energy Power Resources Limited	£3,900,000	£184,119	7.5%	On demand
Melton LG Energy Limited	£68,700,000	£940,691	7.5%	On demand

Notes to the financial statements

for the year ended 30 June 2020

17. Creditors: amounts falling due within one year

	Group		*Company*	
	2020	*2019*	***2020***	*2019*
	£000s	*£000s*	***£000s***	*£000s*
Bank loans and overdrafts (note 21)	**18,792**	14,991	**18,792**	14,991
Interest on external debt	**-**	30	**-**	30
Trade creditors	**1,448**	1,403	**-**	-
Amounts owed to group undertakings	**3,726**	3,048	**3,726**	3,048
Group relief	**4,838**	5,011	**-**	-
Other creditors	**679**	448	**-**	-
Other taxation and social security	**6,237**	2,040	**32**	31
Accruals and deferred income	**10,680**	9,756	**913**	567
	46,400	36,727	**23,463**	18,667

Amounts owed to group undertakings include management fees payable to Eucalyptus Energy Limited of £3,726,364 (2019: £3,048,145).

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

	Group		*Company*	
	2020	*2019*	***2020***	*2019*
	£000s	*£000s*	***£000s***	*£000s*
Bank loans and overdrafts (note 21)	**102,870**	121,127	**102,870**	121,127
Shareholder loan (note 22)	**115,262**	123,519	**115,262**	123,519
Derivative financial instruments	**3,990**	2,314	**3,990**	2,314
	222,122	246,960	**222,122**	246,960

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

Notes to the financial statements

for the year ended 30 June 2020

19. Financial instruments

Group

The group has entered into interest rate swaps to manage its exposure to interest rate risk. These derivatives are not basic financial instruments, were recognised at fair value on the date that the contract was entered into and have been subsequently re-measured at their fair-value.

The group has the following financial instruments:

	Note	**2020 £000s**	*2019 £000s*
Financial instruments measured at amortised cost			
Trade receivables	16	**540**	319
		540	319
Financial liabilities measured at amortised cost			
Bank loans falling due within one year	17	**18,792**	14,991
Trade creditors	17	**1,448**	1,403
Amounts owed to shareholder	17	**3,726**	3,048
Accruals	17	**10,680**	9,756
Other creditors	17	**679**	448
Bank loans falling due after more than one year	18	**102,870**	121,127
Shareholder loan falling due after more than one year	18	**115,262**	123,519
		253,457	274,292

Company

The company has entered into interest rate swaps to manage its exposure to interest rate risk. These derivatives are not basic financial instruments, were recognised at fair value on the date that the contract was entered into and have been subsequently re-measured at their fair-value.

The company has the following financial instruments.

	Note	**2020 £000s**	*2019 £000s*
Financial instruments measured at amortised cost			
Trade receivables	16	**1**	-
Amounts owed by group undertakings	16	**92,047**	105,875
		92,048	105,875
Financial liabilities measured at amortised cost			
Bank loans falling due within one year	17	**18,792**	14,991
Amounts owed to shareholder	17	**3,726**	3,048
Accruals	17	**913**	567
Bank loans falling due after more than one year	18	**102,870**	121,127
Shareholder loan falling due after more than one year	18	**115,262**	123,519
		241,563	263,252

Notes to the financial statements

for the year ended 30 June 2020

20. *Provisions for liabilities*

The group has a net deferred tax liability totalling £11,354,000 (30 June 2019: £11,312,000) made up as follows:

	Group	
	2020	*2019*
	£000s	*£000s*
Capital allowances in excess of depreciation	**12,299**	11,960
Tax losses carried forward	**(176)**	(252)
Other timing differences	**(11)**	(4)
Tax on components of cash flow hedges	**(758)**	(392)
Total deferred tax liability	**11,354**	11,312

At the beginning of the year	**11,312**	13,890
Origination and reversal of timing differences	**(923)**	(2,270)
Adjustments in respect of prior years	**(53)**	84
Movement in tax on components of cash flow hedges	**(366)**	(392)
Re-measurement of deferred tax – change in UK tax rate	**1,384**	-
Net deferred tax liability at the end of the year	**11,354**	11,312

The company has no deferred tax liabilities

Deferred tax assets not recognised

	Group	
	2020	*2019*
	£000s	*£000s*
Tax losses carried forward	**(6)**	(6)

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

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

Notes to the financial statements

for the year ended 30 June 2020

21. Bank loans

Group and company

	2020	*2019*
	£000s	*£000s*
Amounts falling due within one year	**18,792**	14,991
Amounts falling due after more than one year	**102,870**	121,127
	121,662	136,118

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

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

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

Bank loans are stated net of unamortised issue costs of £3,843,000 (30 June 2019: £4,378,000).

22. Shareholder loan

As at 30 June 2020, the company is in receipt of a shareholder loan from its immediate parent company Eucalyptus Energy Limited. The loan was issued on 30 October 2015 with a principal amount of £127,021,000. The loan is subordinated to the senior secured notes, bears interest at 7% and is repayable no earlier than 1 February 2021.

Unpaid accrued interest is charged to the statement of comprehensive income and added to the principal balance on a quarterly basis. Unpaid interest added to the principal during the year was £7,460,000 (30 June 2019: £9,302,000).

During the year, principal repayments of £15,717,000 were made to Eucalyptus Energy Limited (30 June 2019: £27,759,000). As at 30 June 2020, the total outstanding balance due in more than one year is £115,262,000 (30 June 2019: £123,519,000).

Notes to the financial statements

for the year ended 30 June 2020

23. Called up share capital

Group and company

	As at 30 June 2020 £000s	*As at 30 June 2019 £000s*
Authorised		
50,870,000 (2019: 50,870,000) ordinary shares of £1 each	**50,870**	50,870
Allotted		
50,870,000 (2019: 50,870,000) ordinary shares of £1 each	**50,870**	50,870

24. Accumulated losses

	As at 30 June 2020 £000s	*As at 30 June 2019 £000s*
Group		
At 1 July 2019	**(67,207)**	(67,484)
(Loss)/profit for the financial year	**(3,561)**	277
At 30 June 2020	**(70,768)**	(67,207)

	As at 20 June 2020 £000s	*As at 30 June 2019 £000s*
Company		
At 1 July 2019	**(48,867)**	(44,924)
Profit/(loss) for the financial year	**58**	(3,943)
At 30 June 2020	**(48,809)**	(48,867)

Notes to the financial statements

for the year ended 30 June 2020

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

	2020	*2019*
	£000s	*£000s*
(Loss)/profit for the financial year	**(3,561)**	277
Tax on profit	**3,921**	3,271
Interest payable and similar expenses	**13,932**	13,894
Interest receivable and similar income	**(45)**	(71)
Share of operating profit in joint venture	**(2,717)**	(2,380)
Operating profit	**11,530**	14,991
Depreciation	**14,303**	14,178
Loss on disposal of fixed assets	**44**	145
Amortisation of goodwill and intangibles	**10,175**	10,171
Increase in stocks	**(3,413)**	(2,037)
Increase in debtors	**(795)**	(1,517)
Increase in creditors	**6,230**	62
Net cash inflow from operating activities	**38,074**	35,993

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

(a) Movement in net debt

	2020	*2019*
	£000s	*£000s*
(Decrease)/increase in cash	**(2,572)**	8,559
Bank loan drawn down	-	(152,190)
Bank loan principal repayments	**14,991**	11,694
Debt issue costs paid	-	4,943
Repayment of shareholder loan due within one year	-	130,271
Repayment of shareholder loan due within more than one year	**15,717**	27,759
Non cash movements	**(8,034)**	(9,867)
Movement in net debt	**20,102**	21,169
Opening net debt	**(245,616)**	(266,785)
Closing net debt	**(225,514)**	(245,616)

Notes to the financial statements

for the year ended 30 June 2020

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

(b) Analysis of changes in net debt

	At 1 July 2019 £000s	*Cash flow £000s*	*Non cash movements £000s*	***At 30 June 2020 £000s***
Cash at bank and in hand	14,021	(2,572)	-	**11,449**
Shareholder company loan				
Debt due after more than one year	(123,519)	15,717	(7,460)	**(115,262)**
External debt:				
Bank loan drawn down	(152,190)	-	-	**(152,190)**
Bank loan principal repayments	11,694	14,991	-	**26,685**
Debt issue costs paid	4,378	-	(574)	**3,804**
Total	(245,616)	28,136	(8,034)	**(225,514)**

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

27. Other financial commitments

At 30 June 2020 and 30 June 2019 the group had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	As at 30 June 2020		*As at 30 June 2019*	
	Land and Buildings £000s	***Other £000s***	*Land and Buildings £000s*	*Other £000s*
Payments due:				
Not later than one year	**195**	**304**	233	295
Later than one year and not later than five years	**593**	**325**	659	425
Later than five years	**244**	**9**	373	27
	1,032	**638**	1,265	747

The company had no other financial commitments at 30 June 2020 or 30 June 2019.

Notes to the financial statements

for the year ended 30 June 2020

28. Contingent liabilities

Under section 479C of the Companies Act 2006, the group parent company Melton Renewable Energy UK Limited has guaranteed all outstanding liabilities to which its subsidiaries taking the audit exemption listed in note 14 were subject at 30 June 2020 until they are satisfied in full. These liabilities total £330,512,000 (30 June 2019: £337,664,000) of which £301,456,000 (30 June 2019: £316,474,000) are intercompany liabilities owed to other subsidiaries within the group. The net balance of these guarantees are enforceable against Melton Renewable Energy UK Limited by any person to whom any such liability is due.

29. Pension costs

The group contributes to a defined contribution personal pension schemes for certain qualifying employees. The costs for the year are shown in note 8. Assets of the scheme are held in independently administered funds. Outstanding contributions at 30 June 2020 amounted to £48,000 (30 June 2019: £45,000).

30. Related party transactions

During the year the group incurred, in the normal course of business, management fees payable to Eucalyptus Energy Limited of £3,726,000 (2019: £3,048,000) for management and administration services. At the year-end £3,726,000 (30 June 2019: £3,048,000) was outstanding.

During the year the group received, in the normal course of business, from Yorkshire Windpower Limited £62,000 (30 June 2019: £61,000) for management and accountancy services. At the year-end £nil (30 June 2019: £nil) was outstanding.

31. Ultimate parent company

Eucalyptus Energy Limited is the immediate parent undertaking and Fern Trading Limited (an English limited company with its registered office at 6th Floor, 33 Holborn, London EC1N 2HT) was the ultimate parent undertaking and controlling party at 30 June 2020. On 10 July 2020 the ultimate parent undertaking changed to Fern Trading Group Limited, (an English limited company with its registered office at 6th Floor, 33 Holborn, London EC1N 2HT) following the insertion of a new top company to the existing Fern group.

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