



## **EPR Ely Limited**

### **Report and financial statements**

for the year ended 30 June 2020

Registered number: 03401618

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COMPANIES HOUSE

## **Directors and advisers**

### **Directors**

P S Latham  
M G Setchell  
E J Wilkinson

### **Secretary**

Octopus Company Secretarial Services Limited

### **Bankers**

Barclays Bank Plc  
1 Churchill Place  
London  
E14 5HP

### **Registered office**

6<sup>th</sup> Floor  
33 Holborn  
London  
EC1N 2HT

## Strategic report for the year ended 30 June 2020

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

### Business review

The results of the company for the year ended 30 June 2020 and financial position as at that date were satisfactory.

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.

Turnover in the year ended 30 June 2020 was £31,650,000 (2019: £31,488,000). During the year electrical output and associated benefits were sold to British Gas Trading Limited (BGTL) pursuant to a long term power purchase agreement ("PPA"). This agreement expired on 31 March 2020 at which point the company entered into a replacement PPA with Xpo UK Limited covering the period 1 April 2020 to 31 March 2021. The replacement PPA includes a fixed electricity price and agreed discounts for ROC buy-out and recycle and other associated benefits.

The station's output in the year ended 30 June 2020 reduced CO2 emissions by some 55,000 tonnes (2019: 69,000 tonnes) by displacing the equivalent amount of generation from a gas fired plant (based upon Department for Business, Energy and Industrial Strategy's ("BEIS") assessment of average emissions).

The company paid no dividends during the year (2019: £nil).

### 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 company and wider 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 service and accordingly continued to operate largely as normal, subject to updated procedures and social distancing throughout the UK's lock-down period.

At Ely power station the company has implemented increased cleaning procedures and amended induction processes to include temperature check and minimise contact. In addition, the company has restricted visitors to only those essential to the business and have minimised contact with hauliers and contractors.

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

## **Strategic report for the year ended 30 June 2020**

### **Results**

The results of the company show an operating profit of £2,259,000 (2019: £2,937,000) and a profit for the financial year of £1,320,000 (2019: £1,942,000).

### **Principal risks and uncertainties**

From the perspective of the company, the principal risks and uncertainties are integrated with those of the group and are not managed separately. The group has an agreed formal risk management policy and framework that covers identification, mitigation, control, monitoring and review of risks on a regular basis. Further discussion of group wide risks is provided within the directors' report of Melton Renewable Energy UK Limited, which does not form part of this report.

### **Key performance indicators**

The directors of Melton Renewable Energy UK Limited manage the group's operations on a group wide basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of EPR Ely Limited. The development, performance and position of Melton Renewable Energy UK Limited, which includes this wholly owned UK subsidiary, is discussed in the group's report and financial statements which does not form part of this report.

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

From the perspective of the company's directors, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the directors of Melton Renewable Energy UK Limited in relation to both the group and the company. To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the group has considered the matters relating to s172 is included within the group's report and financial statements which does not form part of this report.

**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 financial statements for the company for the year ended 30 June 2020.

### Principal activities

The company's principal activity is to operate and maintain a 38 MW electricity power station near Ely in Cambridgeshire, fuelled by the combustion of straw.

### Future developments

The directors anticipate that operational and financial performance for the year ending 30 June 2021 will be broadly consistent with that of the current year and the company will continue to achieve satisfactory trading results.

#### *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 down 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 in the year ahead. 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.

### Dividends

Ordinary dividends of £nil were paid during the year (2019: £nil) and as a result a profit of £1,320,000 (2019: £1,942,000) was transferred to reserves.

### 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:

P S Latham  
M G Setchell  
E J Wilkinson

### 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 at the date of approval of 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 approval of the financial statements.

## Directors' report for the year ended 30 June 2020

### 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 and company are 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 the publication of key performance indicators covering output, operating costs and health and safety on a weekly and monthly basis.

### Financial risk management

The company's operations expose it to limited financial risk that includes price risk and liquidity risk.

Given the size of the company, 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 company's finance department.

#### *Price Risk*

The company is exposed to straw and electricity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to these price risks exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

The price of fuel for the biomass power station is affected by a number of factors, including competition for existing fuels from other biomass power stations or alternative users, adverse weather, supply chain issues or changes to the regulatory regime governing the availability or price of these fuels. To mitigate the effect of price volatility, where possible, the company sources the majority of biomass fuels pursuant to renewable four year contracts with a variety of suppliers.

The straw fuel contracts are generally for between two and four years with an option to renew for a further two or four years.

#### *Liquidity risk*

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

## Directors' report for the year ended 30 June 2020

### Statement of directors' responsibilities

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

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

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

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.

### Audit exemption

The members have not required the company to obtain an audit of its financial statements for the year in accordance with section 476 of the Companies Act 2006. Accordingly no auditors have been appointed. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

### On behalf of the board



**E J Wilkinson**  
**Director**  
19/10/2020

**Statement of income and retained earnings***for the year ended 30 June 2020*

	<i>Note</i>	<b>2020</b> <b>£000s</b>	<b>2019</b> <b>£000s</b>
<b>Turnover</b>	5	<b>31,650</b>	31,488
Cost of sales		<b>(26,046)</b>	(25,663)
<b>Gross profit</b>		<b>5,604</b>	5,825
Administrative expenses		<b>(3,345)</b>	(2,888)
<b>Operating profit</b>	6	<b>2,259</b>	2,937
Interest receivable and similar income	8	<b>6</b>	6
Interest payable and similar charges	9	<b>(642)</b>	(596)
<b>Profit on ordinary activities before taxation</b>		<b>1,623</b>	2,347
Tax on profit on ordinary activities	10	<b>(303)</b>	(405)
<b>Profit for the financial year</b>	17	<b>1,320</b>	1,942
<b>Retained earnings brought forward</b>		<b>8,542</b>	6,600
<b>Retained earnings carried forward</b>	17	<b>9,862</b>	8,542

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

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

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



**Balance Sheet**

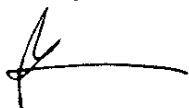
as at 30 June 2020

	Note	2020 £000s	2019 £000s
<b>Fixed assets</b>			
Tangible assets	11	101	123
<b>Current assets</b>			
Stocks	12	5,378	4,270
Debtors: amounts falling due within one year	13	9,758	9,164
Cash at bank and in hand		476	442
		15,612	13,876
<b>Creditors: amounts falling due within one year</b>	14	(4,849)	(4,455)
<b>Net current assets</b>		10,763	9,421
<b>Total assets less current liabilities</b>		10,864	9,544
<b>Provisions for liabilities</b>	15	(2)	(2)
<b>Net assets</b>		10,862	9,542
<b>Capital and reserves</b>			
Called up share capital	16	1,000	1,000
Retained earnings	17	9,862	8,542
<b>Total shareholders' funds</b>	18	10,862	9,542

For the year ending 30 June 2020 the directors consider that the company is entitled to exemption from audit under section 479A of the Companies Act 2006 ("the Act") and the members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476 of the Act.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

The financial statements on pages 7 to 19 were approved by the board of directors and were signed on its behalf by:



**P S Latham**  
Director  
19/10/2020

Registered number: 03401618

## Notes to the financial statements

for the year ended 30 June 2020

### 1. General information

EPR Ely Limited operates and maintains a 38 MW electricity power station at Sutton, Cambridgeshire.

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

### 2. Statement of compliance

The financial statements of EPR Ely 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" ("FRS102") and the Companies Act 2006.

### 3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

#### ***Basis of preparation***

The 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 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.

#### ***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 the consolidated financial statements of the group in which the entity is consolidated, includes the company's cash flows;
- (ii) from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7;
- (iii) from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements disclosures.

#### ***Related parties***

The company is exempt from disclosing transactions with related entities, these being other 100% owned subsidiaries of Fern Trading Limited, as required by FRS 102, paragraph 33.1.

## Notes to the financial statements

### for the year ended 30 June 2020

### 3. Accounting policies (continued)

#### **Turnover**

Turnover represents the invoiced value of goods and services for electricity supplied, net of value added tax and trade discounts. Turnover is derived from and recognised when electricity generated is exported to third party customers.

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

Turnover generated from ash sales is recognised on dispatch of the material.

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

#### **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.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is provided on all tangible fixed assets, excluding freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset as follows:

Other equipment      - over 4 to 10 years

#### **Sale and leaseback**

During 2012 the directors made the decision to consolidate the asset position within the group. As a result Ely power station and land was sold to Energy Power Resources Limited ("EPRL") at the directors' valuation and subsequently leased under an operating lease to the company for an initial period of six years. During 2018 the company entered into a new operating lease agreement with EPRL for a term of five years to March 2023. The only remaining fixed assets within the company relate to other equipment.

#### **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 valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stock. Fuel stock is 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.

#### **Current tax**

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

## Notes to the financial statements

for the year ended 30 June 2020

### 3. Accounting policies (continued)

#### **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 year in which the losses are surrendered, as are charges in respect of tax losses claimed from group companies.

#### **Pension costs**

All employees of the company are entitled to contribute to a group defined contribution personal pension scheme. Employee contributions of varying amounts together with employer contributions of between 2.0% and 7.5% are paid monthly to the scheme providers. Pension costs are recognised in the statement of income and retained earnings on an accruals basis.

#### **Leases**

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

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

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

## Notes to the financial statements

### for the year ended 30 June 2020

#### 3. Accounting policies (continued)

##### *Financial instruments*

The company 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 the statement of income and retained earnings.

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 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.

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

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

##### *Offsetting*

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

## Notes to the financial statements

for the year ended 30 June 2020

### 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 company's accounting policies.

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

- b) Key accounting estimates and assumptions.

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) Stock obsolescence

The company provides for unusable straw stock assessed to have too high a moisture content for use at the power station. The company also provides for the value of items within the spare parts and consumables balance which have been deemed to have no net realisable value. As at 30 June 2020 the total provision was £488,000 (2019: £239,000).

- ii) Useful economic life of tangible assets

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

- iii) 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 company utilises the latest available external forecast 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. Turnover

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

### 6. Operating profit

Operating profit is stated after charging the following:

	2020 £000s	2019 £000s
Depreciation of owned fixed assets	22	17
Operating lease rentals – plant and machinery	3,300	3,300
– motor vehicles	55	46
Inventory recognised as an expense	15,407	16,316
Impairment of inventory	412	164

Head office and administration services were provided by Energy Power Resources Limited throughout the year for a fixed monthly fee. The total sum charged by Energy Power Resources Limited in respect of such services in the financial year ended 30 June 2020 was £1,964,000 (2019: £1,764,000).

## Notes to the financial statements

for the year ended 30 June 2020

### 7. Employee information

	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
Wages and salaries	<b>1,327</b>	1,313
Social security costs	<b>167</b>	162
Other pension costs	<b>66</b>	54
	<b>1,560</b>	1,529

The average monthly number of persons employed by the company during the year is:

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Production	<b>35</b>	35

The company paid no remuneration or wages to its directors during the year (2019: £nil). The emoluments of E J Wilkinson are paid by the parent company and recharged to the company as part of a management charge. This management charge detailed in note 6 also includes a recharge of administration costs borne by the parent company on behalf of the company and it is not possible to identify separately the amount of E J Wilkinson's emoluments. P S Latham and M G Setchell did not receive any payment for their services to the Melton Renewable Energy UK Limited group.

### 8. Interest receivable and similar income

	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
Bank interest receivable	<b>6</b>	6
	<b>6</b>	6

### 9. Interest payable and similar charges

	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
Intercompany loan interest payable	<b>642</b>	596

## Notes to the financial statements

for the year ended 30 June 2020

### 10. Tax on profit on ordinary activities

#### a) Analysis of charge in the year

	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
<b>Current tax:</b>		
Group relief payable	249	480
Adjustments in respect of prior periods	54	-
Total current tax	<u>303</u>	<u>480</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	(75)
Total deferred tax (note 15)	<u>-</u>	<u>(75)</u>
Tax on profit on ordinary activities	<u><u>303</u></u>	<u><u>405</u></u>

#### b) Reconciliation of tax charge

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

	<b>2020</b>	<b>2019</b>
	<b>£000s</b>	<b>£000s</b>
Profit on ordinary activities before taxation	<u>1,623</u>	<u>2,347</u>
Profit on ordinary activities before taxation multiplied by the effective rate of corporation tax of 19% (2019: 19%)	<u>308</u>	<u>446</u>
Effect of:		
Adjustments in respect of prior years	54	(8)
Non taxable income	(59)	(33)
Tax charge for the year	<u><u>303</u></u>	<u><u>405</u></u>

#### 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.



## Notes to the financial statements

for the year ended 30 June 2020

### 11. Tangible assets

	<i>Other Equipment £000s</i>
Cost:	
At 1 July 2019	153
Additions	-
<b>At 30 June 2020</b>	<b>153</b>
Accumulated depreciation:	
At 1 July 2019	(30)
Charge for the year	(22)
<b>At 30 June 2020</b>	<b>(52)</b>
Net book amount:	
<b>At 30 June 2020</b>	<b>101</b>
At 30 June 2019	123

During 2012 the directors made the decision to consolidate the asset position within the group. As a result Ely power station and land was sold to Energy Power Resources Limited ("EPRL") and subsequently leased under an operating lease to the company for an initial period of six years. During 2018 the company entered into a new operating lease agreement with EPRL for a term of five years to March 2023. The only remaining fixed assets within the company relates to other equipment.

### 12. Stocks

	<i>2020 £000s</i>	<i>2019 £000s</i>
Baled straw	2,130	1,086
Spare parts and consumables	3,248	3,184
	<b>5,378</b>	<b>4,270</b>

The replacement cost of stocks does not differ materially from the numbers disclosed above. Included in the stock value is a provision of £488,000 for unusable straw stock and spare parts with no net realisable value (2019: £239,000).

### 13. Debtors

	<i>2020 £000s</i>	<i>2019 £000s</i>
<b>Amounts falling due within one year</b>		
Trade debtors	-	14
Amounts owed by group undertakings	3	51
Corporation tax	257	137
Prepayments and accrued income	9,498	8,962
	<b>9,758</b>	<b>9,164</b>

All amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

## Notes to the financial statements

for the year ended 30 June 2020

### 14. Creditors: amounts falling due within one year

	2020 £000s	2019 £000s
Trade creditors	101	78
Amounts owed to group undertakings	311	-
Loans owed to group undertakings	-	950
Group relief	614	371
Taxation and social security	1,612	551
Accruals and deferred income	2,211	2,505
	<b>4,849</b>	<b>4,455</b>

Amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment. Loans owed to group undertakings are unsecured, bear interest at LIBOR plus a margin of 5.5% (2019: 5.5%) and are repayable on demand.

### 15. Provisions for liabilities

Deferred tax liability		
	2020 £000s	2019 £000s
Other timing differences	1	1
Accelerated capital allowances	(3)	(3)
Net deferred tax liability	<b>(2)</b>	<b>(2)</b>
	2020 £000s	2019 £000s
At 1 July	(2)	(77)
Deferred tax credit in statement of income and retained earnings	-	75
Net deferred tax liability	<b>(2)</b>	<b>(2)</b>

Deferred tax has been calculated at 19% (2019: 17%).

### 16. Called up share capital

	2020 £000s	2019 £000s
Authorised, and fully paid 1,000,000 (2019: 1,000,000) ordinary shares of £1 each	<b>1,000</b>	<b>1,000</b>

## Notes to the financial statements

for the year ended 30 June 2020

### 17. Retained earnings

	<i>Retained earnings £000s</i>
At 1 July 2019	8,542
Profit for the year	1,320
<b>At 30 June 2020</b>	<b>9,862</b>

### 18. Reconciliation of movements in total shareholders' funds

	<i>2020 £000s</i>	<i>2019 £000s</i>
Profit for the year	1,320	1,942
Opening shareholders' funds	9,542	7,600
<b>Closing shareholders' funds</b>	<b>10,862</b>	<b>9,542</b>

### 19. Other financial commitments

At 30 June the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	<i>2020 Plant and Machinery £000s</i>	<i>2020 Motor Vehicles £000s</i>	<i>2019 Plant and Machinery £000s</i>	<i>2019 Motor Vehicles £000s</i>
Payments due:				
Not later than 1 year	3,300	46	3,300	37
Later than one year and not later than five years	5,775	99	9,075	87
More than five years	-	9	-	27
	<b>9,075</b>	<b>154</b>	<b>12,375</b>	<b>151</b>

During 2012 the directors made the decision to consolidate the asset position within the group. As a result Ely power station and land was sold to Energy Power Resources Limited ("EPRL") and subsequently leased under an operating lease to the company for an initial period of six years. During 2018 the company entered into a new operating lease agreement with EPRL for a term of five years to March 2023.

### 20. Contingent liabilities

At 30 June 2020 the company was guarantor with other group companies of a bank debt facility provided by the group's financiers. The outstanding loan balance as at 30 June 20 was £125,505,000 (2019: £140,496,000)

The company has no other off balance sheet arrangements.

## **Notes to the financial statements**

**for the year ended 30 June 2020**

### **21. Pension costs**

The company contributes to its employees' personal pension schemes. The cost for the year is shown in note 7. Outstanding contributions at 30 June 2020 amount to £5,100 (2019: £5,311).

### **22. Ultimate parent company**

Energy Power Resources Limited is the immediate parent undertaking. The ultimate parent undertaking as at the year ended 30 June 2020 was Fern Trading Limited, a company incorporated in the UK. On 10 July 2020, the ultimate parent undertaking changed to Fern Trading Group Limited, also a company incorporated in the UK following the insertion of a new top company to the existing Fern group.

Melton Renewable Energy UK Limited is the holding company of the smallest group of undertakings for which group financial statements are drawn up and Fern Trading Limited is the holding company of the largest group of undertakings for which group financial statements are drawn up. Copies of the group financial statements may be obtained from the address above.