

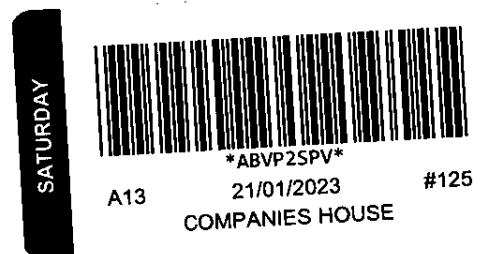


Melton Renewable Energy UK Limited

Annual report and financial statements

for the year ended 30 June 2022

Registered number: 09194088



Company information

Directors

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

Secretary

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Strategic report for the year ended 30 June 2022

The directors present their strategic report for the group and for the company for the year ended 30 June 2022.

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 19 sites across the UK.

The results of the group for the year ended 30 June 2022 and financial position as at that date were satisfactory and above expectations reflecting higher electricity prices received by the landfill gas portfolio for part of the year and an increase in the actual recycle ROC value for compliance year 2020/21 which was announced in November 2021.

Output for the year was 1,019GWh (2021: 1,018GWh) with group turnover of £156,654,000 (2021: £134,668,000). Total group operating profit was £25,989,000 (2021: £29,763,000 including share and profit on disposal of joint venture) with EBITDA (as defined on page 10) of £48,951,000 (2021: £53,725,000). The group profit before taxation was £15,814,000 (2021: £17,531,000).

Operational performance during the year ended 30 June 2022, as measured by portfolio output, availability and costs, was broadly in line with expectations. The small increase in output during the year ended 30 June 2022 compared with the previous year primarily reflects improved availability and output from Ely Power Station, its output in the last quarter of the prior year having been adversely impacted by biomass fuel availability following the poor straw harvest in the summer of 2020. Thetford and Westfield also both performed strongly with good availability and output. There was a reduction in annual output from Eye Power Station following a turbine blade failure which resulted in a two-week unplanned outage across February and March 2022. Glanford Power Station also produced lower output reflecting a combination of a longer planned outage in August 2021 due to additional turbine works and more boiler cleaning outages during the financial year. Output from the Landfill Gas division reduced year on year reflecting the natural decline in available gas across the Landfill Gas division, which operates from a predominance of landfill sites which are closed to fresh waste inputs.

The group continues to place great importance and emphasis on health and safety. During the year both the Biomass division and the Landfill Gas division retained their accreditations to ISO 45001. The high standards demonstrated in internal and external audit performance have been maintained across the group during the year. Health and safety will continue to be an area of focus in 2022/23.

The group generates its revenue primarily through the sale of electricity and associated renewable benefits principally Renewable Obligation Certificates ("ROCs") but also Renewable Electricity Guarantee of Origin ("REGO") certificates through a range of counterparties under separate power purchase sales agreements ("PPAs") for the Biomass and Landfill Gas divisions. The group also receives less significant and declining 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 2022 increased by 16.3% when compared with the previous year primarily reflecting higher revenue per MWh which increased from £127.06 to £145.04.

Strategic report for the year ended 30 June 2022

Group business review (continued)

Revenue from the sale of electricity

Revenue generated from the sale of electricity was £60,383,000 (2021: £57,219,000). On 13 January 2021 the Biomass division entered into five long term PPAs (one for each of its power stations) with Axpo UK Limited ("Axpo") for the sale of electrical output and embedded benefits covering the period 1 April 2021 to 31 March 2026. These PPAs replaced the previous one-year agreements with Axpo. Under these five-year PPAs the electricity price is fixed at the request of the generator based upon the prevailing market price at that time. During 2021 the Biomass division has fixed the electricity price it will receive between 1 April 2021 and 31 March 2026.

In March 2021 the Biomass division entered into five separate ROC trading master agreements with EDF Energy Limited ("EDF") covering the transfer and sale of all of its ROCs (buy-out and recycle) at fixed discounts for the three compliance years to 31 March 2022, 2023 and 2024.

REGOs attributable to output from the Biomass division in respect of each of the compliance years to 31 March 2021, 2022 and 2023 are sold at an agreed fixed price pursuant to a contract with E.ON UK PLC. REGOs for the years ending 31 March 2024, 2025 and 2026 have been sold to Shell Energy Europe Limited at a fixed price pursuant to a contract agreed during August 2022.

Through to 28 February 2022 electrical output and associated benefits from the Landfill Gas division were sold pursuant to a long term PPA with British Gas Trading Limited ("BGTL"). Under the PPA with BGTL, the electricity price the Landfill Gas division received was fixed for each six month season (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 season over the agreed two-month calculation periods ending mid-March and mid-September respectively.

In August 2021, following a competitive tender process, a new PPA for the Landfill Gas business was signed with EDF covering the period 1 March 2022 to 31 March 2024. The PPA includes the sale of electricity, ROCs, REGOs and the receipt of embedded benefits. Under the terms of the new PPA, electricity prices for the summer (April to September) and winter (October to March) periods have been fixed for the duration of the contract. ROCs are sold at a market reflective discount to the ROC buy-out price. In May 2022, the Landfill Gas business extended its PPA with EDF for a further 12 months to 31 March 2025.

The Biomass division's revenue per MWh saw a reduction during the year ended 30 June 2022, due to the timing of agreeing prices under its PPAs with Axpo. The Landfill Gas division saw an increase in electricity price due to significantly higher wholesale electricity prices at the time the relevant price was set under the previous PPA with BGTL and at the time the PPA was agreed with EDF. The electricity prices received (per MWh) for electricity sold across the relevant periods for the Biomass and Landfill Gas divisions are set out below:

Season / Period	Biomass Division £ per MWh	Landfill Gas Division £ per MWh
Summer 2020 (July 2020 to September 2020)	52.00	32.62
Winter 2020 (October 2020 to March 2021)	57.90	45.02
Summer 2021 (April 2021 to September 2021)	50.83	49.23
Winter 2021 (October 2021 to February 2022)	56.17	109.34
Winter 2021 (March 2022)	56.17	72.05
Summer 2022 (April 2022 to June 2022)	44.25	62.13

Strategic report for the year ended 30 June 2022

Group business review (continued)

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

Revenue generated from the sale of ROCs was £68,536,000 in the year ended 30 June 2022 (2021: £66,491,000). 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 contracted discounts under the terms of the relevant agreements. 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 2022 and prior period were:

ROC compliance year commencing:

1 April 2020	£50.05 per ROC
1 April 2021	£50.80 per ROC
1 April 2022	£52.88 per ROC

ROC Recycle revenue

ROC recycle revenue within the financial statements for the year ended 30 June 2022 was £15,890,000 (2021: £3,468,000). ROC recycle revenue within the financial statements for the current and prior year is based upon the following gross accrued values per ROC:

ROC compliance year commencing:

1 April 2020	£6.50 (confirmed)
1 April 2021	£8.26 (estimate)
1 April 2022	£6.30 (estimate)

In November 2021 Ofgem confirmed the initial ROC recycle payment for compliance year ended 31 March 2021 at £3.87 per ROC. Subsequently, an additional payment of £2.63 per ROC arising from the ROC buy-out late payment fund was confirmed in December 2021. ROC Recycle revenue in respect of the compliance year ended 31 March 2021 was accrued as at 30 June 2021 based on an estimated value of £2.85 per ROC. The additional revenue arising from the difference between the accrued value and the total confirmed value has been recognized in the current financial year.

The gross ROC recycle values accrued in respect of compliance years 2021/22 and 2022/23 represent estimates based upon a weighted average of external market reports of energy price indices.

Revenue from Embedded Benefits – Triad

The group performed well during the Triad season (December 2021 to January 2022), with associated revenue of £338,000 in the year ended 30 June 2022 (2021: £489,000). The lower income in 2021/22 reflects lower electricity transmission charging income for embedded generators.

Macroeconomic factors

The spread of Covid-19 and governmental responses to it resulted in an economic downturn in the UK and the global economy more widely during 2020, as well as causing initial declines and increased volatility in financial and electricity markets. The UK and global economies recovered during 2021, coinciding with a sharp rise in wholesale UK electricity prices. These effects and the increase in wholesale electricity prices continued at the start of 2022 and thereafter following Russia's invasion of the Ukraine and the imposition of economic sanctions.

Since the early part of 2022 the UK has seen a significant increase in inflation which has impacted businesses and the wider population. The group is not immune to these wider inflationary pressures particularly in terms of the cost of haulage, biomass fuel, gas oil, maintenance contracts and salaries.

Whilst the group fixed the near term electricity prices it receives during 2021 it will benefit from the annual indexation of its ROC buy out income. Further, as a generator of renewable electricity the group is somewhat protected from increasingly difficult consumer market conditions.

Strategic report for the year ended 30 June 2022

Divisional business review

Biomass division

The results of the Biomass division for the year ended 30 June 2022 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 2022. Portfolio output in the year ended 30 June 2022 was 778GWh, an increase of 16GWh (2.2%) compared with the prior year. This reflected increased output from Ely Power Station, its output having been impacted by a shortfall in available biomass fuel in the final quarter of the previous financial year following the poor straw harvest in the summer of 2020. In addition, there was improved output from Westfield Power Station which performed exceptionally well in the year ended 30 June 2022. These improvements were partially offset by marginal reductions in output from Thetford, Glanford and Eyc Power Stations. Overall output from the Biomass division was in line with expectations and broadly consistent with recent years.

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 2022 reduced CO₂ emissions by some 151,000 tonnes (2021: 162,000 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 for UK electricity generation provided by the Department for Business, Energy and Industrial Strategy ("BEIS").

The number of environmental permit non-conformances during the year ended 30 June 2022 remained relatively low and less than the previous year with 67 reported non-conformances across the five power stations (2021: 96). The reduction in non-conformances predominantly arose at Westfield Power Station, where a number of improvements were introduced which resulted in better and more consistent combustion. The Biomass division's ISO 14001 (Environmental) certification was maintained during the year.

ROC entitlement for dedicated biomass fuelled generators is linked to annually audited fuel sustainability criteria. Given the nature of the fuels used across the group, being 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 2022.

Thetford Power Station

Thetford Power Station performed exceptionally well during the year ended 30 June 2022, generating 282GWh; marginally below the year to 30 June 2021 (288GWh). Overall output and availability in the year to 30 June 2022 were very good and in line with already high expectations. Thetford Power Station has maintained its excellent operating performance through a programme of planning, preventative maintenance, operational risk management and a regime of rigorous and regular boiler cleans.

Ely Power Station

Ely Power Station's performance was in line with expectations in the year ended 30 June 2022, with output of 252GWh, a significant increase when compared to the year ended 30 June 2021 (223GWh) in which output was adversely impacted by fuel availability in the last three months of the year following the poor straw harvest of 2020. Ely's fuel position was much improved from August 2021 onwards, reflecting the 2021 harvest which was significantly better than the previous year, with an increase in the volume of straw available and baled. Similarly the 2022 harvest has been very good.

Strategic report for the year ended 30 June 2022

Divisional business review (continued)

Glanford Power Station

Glanford Power Station's output in the year ended 30 June 2022 was 93GWh, marginally below both expectations and that achieved in the year ended 30 June 2021 (98GWh). The slightly lower output reflected a combination of a longer planned outage in August 2021 due to additional discovery works and a requirement for more boiler cleaning outages during the financial year. Additional works are planned in the station's 2022 annual outage which are intended to resolve these issues.

Eye Power Station

Eye Power Station's output in the year ended 30 June 2022 was 87GWh; broadly in line with expectations although slightly below that achieved in the year ended 30 June 2021 (92GWh). Eye Power Station's output and availability were generally good across the financial year but a turbine blade failure resulted in a two-week unplanned outage across February and March 2022.

Westfield Power Station

Westfield Power Station had an excellent year with output above both expectations and the prior year, generating 64GWh in the year ended 30 June 2022 (2021: 61GWh). The improvement reflected excellent management of the fluidised bed and the success of the maintenance regime. In addition, the station has benefitted from improvements made to fuel inputs and fuel mixing which resulted in better and more consistent combustion and improved output. In parallel this has resulted in a significant reduction in the number of permit non-conformances during the year ended 30 June 2022.

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 combustion ashes of EPRL's biomass fuelled power stations. Due to the rising costs of commodities and mined fertilisers, sales of Fibrophos fertiliser were well above expectations in the year ended 30 June 2022, with over 101,000 tonnes sold (year to 30 June 2021: 87,000 tonnes). Similarly, revenue generated was significantly higher in unit and absolute terms, with sales of £8,132,000 (2021: £5,119,000).

Landfill Gas division

The results of the Landfill Gas division for the year ended 30 June 2022 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, and include the 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 2022 was 240GWh, a reduction of 6.1% compared to generation of 256GWh in the year ended 30 June 2021.

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 during the year ended 30 June 2022 from Cotesbach, Walleys, and Whinney Hill (three sites open to fresh waste inputs) was generally good and in line with the previous year, however output from three other sites open to waste fresh inputs, namely Auchencarroch, Garlaff and Stoneyhill was slightly below expectations. Garlaff was unexpectedly closed to fresh waste inputs during the year, and this caused some operational disruption. Output from Auchencarroch and Stoneyhill was adversely impacted as a result of the storms of winter 2021/22.

Strategic report for the year ended 30 June 2022

Statement by the directors in performance of their statutory duties in accordance with section 172(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 key performance indicators ("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, PPA 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 PPE, our rapid and robust response to the Covid-19 pandemic and most recently demonstrated by provision of one-off cost of living crisis payments to employees. 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 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 regulatory requirements and has appropriate processes in place to manage its operations in accordance with its environmental permits and to ensure accurate reporting to Ofgem.

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 PPA counterparties are supported by good information flow and communication of planned and unplanned outages. As noted in the Group business review, in August 2021, following a competitive tender process, a new PPA for the Landfill Gas business was signed with EDF covering the period 1 March 2022 to 31 March 2024. 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 2022

Principal risks and uncertainties

Risk management policy

The management of the group and execution of its 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 PPAs are fixed in advance. The Biomass division entered into new long term PPAs (one for each of its power stations) with Axpo UK Limited covering the five years ending 31 March 2026, under which electricity prices have been fixed. Furthermore, the Biomass division has long term ROC trading master agreements with EDF covering the transfer and sale of all of its ROCs (buy-out and recycle) at fixed discounts for the three compliance years ending 31 March 2022, 2023 and 2024.

The Landfill Gas division has a long term PPA with EDF covering the sale of its electrical output, ROCs and associated benefits for the period 1st March 2022 to 31st March 2025. This includes fixed pricing for the electrical output and fixed discounts for ROCs.

We are aware that the government has recently announced an Energy Prices Bill, granting powers to introduce a temporary “Cost-Plus Revenue Limit” on power generators in the UK. We understand that this is intended to be a short-term measure although the level of the cap is yet to be determined and is subject to consultation. The government plan for measures to be in place from the start of 2023. Generators will continue to receive existing revenue support, such as ROCs.

Overall the group’s exposure to movements in the market price of electricity is considered appropriate given the fixed electricity prices currently in place under its various PPAs and 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 performing preventative maintenance. In addition, we undertake annual capital improvements during scheduled outages to remediate or remove recurring maintenance issues in a timely and cost-effective manner. We support our maintenance regime through our trained team of operational and maintenance staff together with long term maintenance contracts for specialist equipment such as turbines and generators. We also maintain a stock of strategic spare parts.

Biomass fuel is contracted mainly through a mix of medium to long-term contracts, a number of which extend to 2027. Over half of the average annual fuel requirement of the Biomass division’s three predominantly 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 2022

Principal risks and uncertainties (continued)

During the year ended 30 June 2022 the Biomass division has demonstrated good progress in managing a number of key risks, namely maintaining consistently high output and availability, and retaining ISO 14001 and ISO 45001 certification.

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 ("KPIs") 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 KPIs are discussed in the group business review section of the strategic report.

The directors are of the opinion that further analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Key performance indicators	30 June 2022	30 June 2021
Output (GWh)	1,019	1,018
Group turnover (£000s)	156,654	134,668
EBITDA (£000s)	48,951	53,725
Operating profit: group and share of joint venture (£000s)	25,989	29,763
Group turnover per MWh (£/MWh)	145.04	127.06
Operating profit to EBITDA	30 June 2022	30 June 2021
	£'000s	£'000s
Operating profit: group and share of joint venture	25,989	29,763
<i>Add back:</i>		
Depreciation of owned fixed assets	12,787	13,788
Amortisation and impairment of intangibles	10,175	10,174
EBITDA	48,951	53,725

Strategic report for the year ended 30 June 2022

Results

The group profit for the financial year ended 30 June 2022 was £11,392,000 (2021: £12,420,000 profit).

Approved by and on behalf of the board on 2 November 2022

A handwritten signature in black ink, appearing to be 'E J Wilkinson', written over a horizontal line.

E J Wilkinson
Director

Directors' report for the year ended 30 June 2022

The directors present their annual report and the audited consolidated financial statements for the group and the company for the year ended 30 June 2022.

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 111MW capacity) and the marketing and sale of potash and phosphate fertiliser, branded as Fibrophos.

The primary activity of the Melton LG Holding Limited group is the production of energy from landfill gas. The group currently operates from 19 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 2023 will be broadly consistent with that of the year ended 30 June 2022, 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.

Dividends

No dividends were paid by Melton Renewable Energy UK Limited in the year to 30 June 2022 (30 June 2021: £nil).

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.

Directors' report for the year ended 30 June 2022

Financial risk management (continued)

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 RPI over the duration of the contract period. Over half of the average annual fuel requirement of the Biomass division's three predominantly 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

The Group and Company are financed by a combination of bank and shareholder loans. The shareholder loans are subordinated to the bank loans and are not due until March 2028. The directors have considered the Group and Company's financial performance and cash flows, including modelling sensitivities that consider the risk of further reductions in revenues. These financial forecasts and sensitivities show the Group is expected to continue to be cash generative and it will continue to operate within its facilities, meet its obligations as they fall due and operate within its bank facility covenants for the period to 31 December 2023. Consequently, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

Directors' report for the year ended 30 June 2022

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 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 CO₂e emissions by 151,000 tonnes in the year ended 30 June 2022 (30 June 2021: 162,000 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 BEIS for UK electricity generation.

The group generates electricity by burning a combination of waste and non-waste biomass fuels and landfill gas. During the course of its electricity generation activities, the group also 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.

We report our carbon dioxide equivalent emissions following the Greenhouse Gas Protocol, utilising the emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2022.

Scope 1 CO₂e emissions arising from:

- Non-waste biomass fuel (straw, woodchip) and landfill gas consumed directly for the purposes of renewable electricity generation.
- Fossil fuel consumed for the start-up of the power stations and combustion stabilisation.

Scope 2 CO₂e emissions arising from:

- Electricity and natural gas used by the generating assets and at the group's head office.

Scope 3 CO₂e emissions arising from:

- Fuel consumed by company vehicles in the course of business activities.

The usage data is captured through continuous measurement of fuel consumed for the purposes of generation, utility billing or meter readings for imported electricity and internal mileage records for company vehicle usage.

Global Green House Gas (GHG) Emissions

	2022	2021
Scope 1 CO ₂ e emissions (tonnes)	19,682	17,872
Scope 2 CO ₂ e emissions (tonnes)	1,715	2,083
Scope 3 CO ₂ e emissions (tonnes)	208	108
Total CO₂e (tonnes)	21,605	20,063

Intensity ratio

Total generation (GWh)	1,019	1,018
Total CO ₂ e per GWh generation (tonnes)	21.21	19.71
Energy consumption used to calculate above emissions (GWh)	9.2	11.0

Directors' report for the year ended 30 June 2022

Carbon dioxide emissions (continued)

The group's operating strategy is to maximise output and availability of both the biomass and landfill gas generating assets therefore minimising downtime and the associated requirement for imported electricity. We also continue to invest in improving the energy efficiency of our offices, power stations and landfill gas sites. This includes upgrades to LED lighting systems, utilising heat pump technology in air conditioning and heating units, fitting inverter drives to the larger motors at the power stations to reduce electricity consumption and where possible minimising business travel with the increasing use of conferencing technology. The group has also installed electric vehicle charging points at all its main operating and office locations which are available for use by staff who travel to work and between business locations using electric vehicles.

Statement of directors' responsibilities in respect of the financial statements

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

Directors' 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.

Directors' report for the year ended 30 June 2022

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.

Independent auditors

In accordance with section 487(2) of the Companies Act 2006 the auditors, Ernst & Young LLP, were appointed auditors on 6 July 2022.

Approved by and on behalf of the board on 2 November 2022



E J Wilkinson
Director

Independent auditor's report to the members of Melton Renewable Energy UK Limited

Opinion

We have audited the financial statements of Melton Renewable Energy UK Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 30 June 2022 which comprise the group Statement of comprehensive income, the group and parent company Balance Sheet, group Statement of cash flows, the group and parent Statement of changes in equity and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 30 June 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period to 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Melton Renewable Energy UK Limited

Other information (continued)

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Melton Renewable Energy UK Limited

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent company and determined that the most significant are those that relate to the reporting framework (FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the group has to comply with laws and regulations relating to its operations, including the environment health and safety.
- We understood how the group and parent company are complying with those frameworks by making inquiries of management to understand how the group and parent company maintains and communicates their policies and procedures in these areas. We corroborated our inquiries through reading board minutes and correspondence with relevant authorities.
- We assessed the susceptibility of the group and parent company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override of controls and assuming revenue in respect of RoCs income to be a fraud risk. We tested manual journals related to such revenue, assessed the assumptions made by management of any accrued income and, where possible, vouched receipt of this revenue to post year end receipts.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journals identified by specific risk criteria. We read the minutes of Directors' meetings to identify any non-compliance with laws and regulations. We also made enquiries with the Directors and of management of the group and parent company regarding compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditor's report to the members of Melton Renewable Energy UK Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Michael Christie (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Belfast

Date: 2 November 2022

Group statement of comprehensive income

for the year ended 30 June 2022

	Note	2022 £000s	2021 £000s
Turnover	5	156,654	134,668
Cost of sales		(102,874)	(95,490)
Gross profit		53,780	39,178
Distribution costs		(588)	(476)
Administrative expenses		(27,581)	(29,020)
Profit on disposal of joint venture	14	-	18,102
Other operating income		378	224
Operating profit	6	25,989	28,008
Share of operating profit in joint venture		-	1,755
Total operating profit: group and share of joint venture		25,989	29,763
Interest receivable and similar income	9	20	8
Interest payable and similar expenses	10	(10,195)	(12,240)
Profit before taxation		15,814	17,531
Tax on profit	11	(4,422)	(5,111)
Profit for the financial year		11,392	12,420
Other comprehensive income			
Change in fair value of cash flow hedges		5,034	3,017
Amount reclassified from cash flow hedge reserve to profit for the financial year		(859)	(1,108)
Change in deferred tax in respect of fair value of cash flow hedges		(793)	(362)
Other comprehensive income for the year		3,382	1,547
Total comprehensive income for the year		14,774	13,967

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

Group balance sheet

as at 30 June 2022

	Note	2022 £000s	2021 £000s
Fixed assets			
Intangible assets	12	48,261	58,436
Tangible assets	13	88,035	98,165
		136,296	156,601
Current assets			
Stocks	15	19,001	16,335
Debtors: amounts falling due within one year	16	42,563	33,264
Debtors: amounts falling due after more than one year	16	2,095	-
Cash at bank and in hand		7,232	12,356
		70,891	61,955
Creditors: amounts falling due within one year	17	(39,526)	(43,480)
Net current assets		31,365	18,475
Total assets less current liabilities		167,661	175,076
Creditors: amounts falling due after more than one year	18	(149,514)	(171,140)
Provisions for liabilities	20	(12,536)	(13,099)
Net assets / (liabilities)		5,611	(9,163)
Capital and reserves			
Called up share capital	23	50,870	50,870
Cash flow hedge reserve		1,697	(1,685)
Accumulated losses		(46,956)	(58,348)
Total shareholders' funds/(deficit)		5,611	(9,163)

The financial statements on pages 20 to 49 were approved by the board of directors on 2 November 2022 and were signed on its behalf by:



E J Wilkinson
Director

Registered number: 09194088

Company balance sheet

as at 30 June 2022

	Note	2022 £000s	2021 £000s
Fixed assets			
Intangible assets	12	20	39
Tangible assets	13	-	-
Investments	14	106,591	119,591
		106,611	119,630
Current assets			
Debtors: amounts falling due within one year	16	73,374	76,966
Debtors: amounts falling due after more than one year	16	15,945	17,770
Cash at bank and in hand		2,507	6,856
		91,826	101,592
Creditors: amounts falling due within one year	17	(20,018)	(23,283)
Net current assets		71,808	78,309
Total assets less current liabilities		178,419	197,939
Creditors: amounts falling due after more than one year	18	(149,514)	(171,140)
Provisions for liabilities	20	(392)	-
Net assets		28,513	26,799
Capital and reserves			
Called up share capital	23	50,870	50,870
Cash flow hedge reserve		1,697	(1,685)
Accumulated losses		(24,054)	(22,386)
Total shareholders' funds		28,513	26,799

The loss for the financial year attributable to the company amounted to £1,668,000 (2021: £26,423,000 profit).

The financial statements on pages 20 to 49 were approved by the board of directors on 2 November 2022 and were signed on its behalf by:



E J Wilkinson
Director

Registered number: 09194088

Group statement of changes in equity

For the year ended 30 June 2022

<i>Group</i>	<i>Called up share capital £'000s</i>	<i>Cash flow hedge reserve £000s</i>	<i>Accumulated losses £000s</i>	<i>Total equity £'000s</i>
At 1 July 2020	50,870	(3,232)	(70,768)	(23,130)
Profit for the financial year	-	-	12,420	12,420
Movement in derivative financial instruments designated as cash flow hedges	-	1,909	-	1,909
Movement in deferred tax in respect of derivative financial instruments designated as cash flow hedges	-	(362)	-	(362)
At 30 June 2021	50,870	(1,685)	(58,348)	(9,163)
	<i>Called up share capital £'000s</i>	<i>Cash flow hedge reserve £000s</i>	<i>Accumulated losses £000s</i>	<i>Total equity £'000s</i>
At 1 July 2021	50,870	(1,685)	(58,348)	(9,163)
Profit for the financial year	-	-	11,392	11,392
Movement in derivative financial instruments designated as cash flow hedges	-	4,175	-	4,175
Movement in deferred tax in respect of derivative financial instruments designated as cash flow hedges	-	(793)	-	(793)
At 30 June 2022	50,870	1,697	(46,956)	5,611

Company statement of changes in equity

For the year ended 30 June 2022

Company

	<i>Called up share capital £'000s</i>	<i>Cash flow hedge reserve £000s</i>	<i>Accumulated losses £000s</i>	<i>Total equity £'000s</i>
At 1 July 2020	50,870	(3,232)	(48,809)	(1,171)
Profit for the financial year	-	-	26,423	26,423
Movement in derivative financial instruments designated as cash flow hedges	-	1,909	-	1,909
Movement in deferred tax in respect of derivative financial instruments designated as cash flow hedges	-	(362)	-	(362)
At 30 June 2021	50,870	(1,685)	(22,386)	26,799

	<i>Called up share capital £'000s</i>	<i>Cash flow hedge reserve £000s</i>	<i>Accumulated losses £000s</i>	<i>Total equity £'000s</i>
At 1 July 2021	50,870	(1,685)	(22,386)	26,799
Loss for the financial year	-	-	(1,668)	(1,668)
Movement in derivative financial instruments designated as cash flow hedges	-	4,175	-	4,175
Movement in deferred tax in respect of derivative financial instruments designated as cash flow hedges	-	(793)	-	(793)
At 30 June 2022	50,870	1,697	(24,054)	28,513

Group statement of cash flows

for the year ended 30 June 2022

	Note	2022 £000s	2021 £000s
Net cash inflow from operating activities	24	30,696	39,907
Taxation paid		(2,757)	(4,656)
Net cash generated from operating activities		27,939	35,251
Cash flow from investing activities			
Payments to acquire tangible assets		(2,657)	(2,944)
Proceeds from disposal of investments		-	28,880
Dividends from joint venture		-	1,500
Interest received		20	-
Net cash (used in)/generated from investing activities		(2,637)	27,436
Cash flow from financing activities			
Principal repayment of bank loan		(18,291)	(18,792)
Repayment of parent company loans		(8,208)	(38,653)
Interest and similar charges paid		(3,927)	(4,335)
Net cash used in financing activities		(30,426)	(61,780)
Net (decrease)/increase in cash and cash equivalents	25	(5,124)	907
Cash and cash equivalents at the beginning of the year		12,356	11,449
Cash and cash equivalents at the end of the year		7,232	12,356
Cash and cash equivalents consists of:			
Cash at bank and in hand		7,232	12,356

Notes to the financial statements

for the year ended 30 June 2022

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 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.

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

The Group and Company are financed by a combination of bank and shareholder loans. The shareholder loans are subordinated to the bank loans and are not due until March 2028. The directors have considered the Group and Company's financial performance and cash flows, including modelling sensitivities that consider the risk of further reductions in revenues. These financial forecasts and sensitivities show the Group is expected to continue to be cash generative and it will continue to operate within its facilities, meet its obligations as they fall due and operate within its bank facility covenants for the period to 31 December 2023. Consequently, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 in preparing the company's financial statements:

- 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 2022

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 loss for the year attributable to the company amounted to £1,668,000 (2021: £26,423,000 profit).

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 2022

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 2022

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 2022

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 2022

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) 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. In the year to 30 June 2022 an impairment of £13,000,000 (2021: £23,000,000) has been recorded against the company's value of investments in subsidiary undertakings (see note 14).

ii) 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.

Notes to the financial statements

for the year ended 30 June 2022

5. Turnover

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

Analysis of turnover by category:	2022 £000s	2021 £000s
Electricity sales	60,383	57,219
ROC sales	68,536	66,491
Recycled ROC sales	15,890	3,468
Embedded benefits received	2,517	2,031
REGO sales	425	120
Turnover from generation activities	147,751	129,329
Fertiliser sales	8,132	5,119
Other turnover	771	220
Total turnover	156,654	134,668

6. Operating profit

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

	2022 £000s	2021 £000s
Services provided by the company's auditors:		
- Fees payable for the audit of the parent company and consolidated financial statements	193	310
- Fees payable to the company's auditors and their associates for other services		
- audit related assurance services	10	40
- tax compliance services	20	26
Depreciation of owned fixed assets	12,787	13,788
(Profit) / loss on disposal of fixed assets	(2)	13
Amortisation of goodwill	10,175	10,174
Operating lease rentals		
- land and buildings	292	277
- other	356	372
Government grants - research and development expenditure	(378)	(224)
Inventory recognised as an expense	46,458	43,652
Write back of inventory	(69)	(249)

Notes to the financial statements

for the year ended 30 June 2022

7. Directors' emoluments

Emoluments paid to directors by the company:

	2022	2021
	£000s	£000s
Aggregate emoluments during the year	343	373

At 30 June 2022 no directors had benefits arising under the defined contribution scheme. The total emoluments of the highest paid director in office for the year were £343,000 (30 June 2021: £373,000). 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. Remuneration for these directors is paid by companies within the shareholder group, is not recharged to Melton Renewable Energy UK Limited and is considered as negligible in value.

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

	2022	2021
	£000s	£000s
Salaries and other short term benefits	1,696	1,778

8. Employee information

	Group		Company	
	2022	2021	2022	2021
	£000s	£000s	£000s	£000s
Wages and salaries	13,043	12,279	1,567	981
Social security costs	1,548	1,406	203	123
Other pension costs	587	571	64	38
	15,178	14,256	1,834	1,142

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

	Group		Company	
	2022	2021	2022	2021
	Number	Number	Number	Number
Production	193	195	-	-
Administration	69	61	19	11
	262	256	19	11

Notes to the financial statements

for the year ended 30 June 2022

9. Interest receivable and similar income

	2022 £000s	2021 £000s
Interest receivable	20	8

10. Interest payable and similar expenses

	2022 £000s	2021 £000s
Interest payable on bank loans	3,741	4,143
Amortisation of issue costs of bank loans	569	569
Interest payable to immediate parent company	5,665	7,302
Other interest and charges	220	226
	10,195	12,240

11. Tax on profit

a) Analysis of the charge in the year

	2022 £000s	2021 £000s
Current tax		
UK corporation tax	5,982	-
Group relief payable	-	2,960
Share of joint venture's current tax	-	311
Adjustments in respect of prior years	(203)	91
Total current tax charge for the year	5,779	3,362
Deferred tax		
Origination and reversal of timing differences	(1,985)	(1,200)
Share of joint venture's deferred tax	-	367
Adjustments in respect of prior years	91	(53)
Impact of change in tax rate	537	2,635
Total deferred tax (credit)/charge for the year	(1,357)	1,749
Tax charge on profit	4,422	5,111

Notes to the financial statements

for the year ended 30 June 2022

11. Tax on profit (continued)

b) Reconciliation of tax charge

The tax assessed on the profit before taxation for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000s	2021 £000s
Profit before taxation	15,814	17,531
Profit before taxation multiplied by effective rate of corporation tax of 19% (2020: 19%)	3,005	3,331
Effect of:		
Adjustments in respect of prior years	(112)	38
Expenses not deductible for tax purposes	527	2,321
Non-taxable income	753	(3,482)
Re-measurement of deferred tax – change in UK tax rate	249	2,635
Re-measurement of joint venture deferred tax – change in UK tax rate	-	268
Tax charge for the year	4,422	5,111

c) Factors that may affect future charges

The Finance Act 2021 enacted on 10 June 2021 increased the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. Deferred taxes on the balance sheet have been measured at 25% (2021: 25%) which represents the future corporation tax rate that was enacted at the balance sheet date.

12. Intangible assets

Group

	Goodwill £000s	Software £000s	Total £000s
Cost:			
At 1 July 2021 and 30 June 2022	150,476	93	150,569
Accumulated amortisation and impairment:			
At 1 July 2021	92,079	54	92,133
Charge for the year	10,156	19	10,175
At 30 June 2022	102,235	73	102,308
Net book value:			
At 30 June 2022	48,241	20	48,261
At 30 June 2021	58,397	39	58,436

Notes to the financial statements

for the year ended 30 June 2022

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

	<i>Software £000s</i>
Cost:	
At 1 July 2021 and 30 June 2022	93
Accumulated amortisation and impairment:	
At 1 July 2021	54
Charge for the year	19
At 30 June 2022	73
Net book value:	
At 30 June 2022	20
At 30 June 2021	39

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 2022

13. Tangible assets

Group

	<i>Freehold land and buildings £000s</i>	<i>Power stations £000s</i>	<i>Plant and machinery £000s</i>	<i>Asset under construction £000s</i>	<i>Total £000s</i>
Cost:					
At 1 July 2021	6,054	167,430	26,878	449	200,811
Additions	6	1,537	1,114	-	2,657
Transfers	-	68	-	(68)	-
Disposals	-	-	(11)	-	(11)
At 30 June 2022	6,060	169,035	27,981	381	203,457
Accumulated depreciation:					
At 1 July 2021	423	88,815	13,408	-	102,646
Charge for the year	65	10,149	2,573	-	12,787
Disposals	-	-	(11)	-	(11)
At 30 June 2022	488	98,964	15,970	-	115,422
Net book value:					
At 30 June 2022	5,572	70,071	12,011	381	88,035
At 30 June 2021	5,631	78,615	13,470	449	98,165

Company

	<i>Plant and machinery £000s</i>	<i>Total £000s</i>
Cost:		
At 1 July 2021 and 30 June 2022	54	54
Accumulated depreciation:		
At 1 July 2021 and 30 June 2022	54	54
Net book value:		
At 1 July 2021 and 30 June 2022	-	-

Notes to the financial statements

for the year ended 30 June 2022

14. Investments

Group

As at 30 June 2022 the group held no investments (30 June 2021: none). During the previous financial year ended 30 June 2021 Energy Power Resources Limited ("EPRL") disposed of its joint venture investment in YWP for a sale value of £28,880,000. EPRL's share of YWP's operating profit and current and deferred tax charges up to the date of disposal (1 March 2021) were included in the consolidated results for the year ended 30 June 2021, together with the profit on disposal of £18,102,000.

Company

	<i>Subsidiary undertakings £000s</i>
Cost:	
At 1 July 2021 and 30 June 2022	172,591
Accumulated impairment:	
At 1 July 2021	53,000
Charge	13,000
At 30 June 2022	66,000
Net book value:	
At 30 June 2022	106,591
At 30 June 2021	119,591

In the year to 30 June 2022 an impairment of £13,000,000 (2021: £23,000,000) 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 2022

14. Investments (continued)

Company (continued)

The subsidiary companies and joint venture of the group and the company at 30 June 2022, which are all wholly owned and incorporated and registered in Great Britain are listed below.

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
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 * ¹	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%	Dormant company
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 * ¹	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

Notes to the financial statements

for the year ended 30 June 2022

14. Investments (continued)

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Garlaff Energy Limited ¹	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 * ¹	Ordinary shares	100%	Generation of electricity from landfill gas
Cilgwyn Energy Limited	Ordinary shares	100%	Dormant company
Stoneyhill Energy Limited ¹	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 * ²	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

*Subsidiaries exempt from audit by virtue of s479A of the Companies Act 2006 (note 27)

– Held directly by Melton Renewable Energy UK Limited.

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

¹ Pinsent Masons LLP, Capital Square, 58 Morrison Street, Edinburgh, Midlothian, EH3 8BP

² 1 West Regent Street, Glasgow, G2 1AP

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

15. Stocks

<i>Group</i>	<i>2022 £000s</i>	<i>2021 £000s</i>
Ash stock	1,538	2,195
Fuel, spare parts and consumables	17,463	14,140
	19,001	16,335

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 £390,000 for unusable fuel stock and obsolete spare parts (2021: £459,000). The company held no stock during the year (2021: £nil).

Notes to the financial statements

for the year ended 30 June 2022

16. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Amounts falling due within one year				
Trade debtors	609	615	10	-
Amounts owed by group undertakings	-	-	70,700	75,499
Consortium and group relief	-	-	2,412	1,279
Corporation tax	-	3,193	-	-
Other taxation and social security	52	52	-	-
Prepayments and accrued income	41,902	29,404	252	188
	42,563	33,264	73,374	76,966
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	13,850	17,370
Derivative financial instruments	2,095	-	2,095	-
Deferred tax asset	-	-	-	400
	2,095	-	15,945	17,770

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:

	<i>Loan principal</i>	<i>Interest accrued</i>	<i>Interest rate</i>	<i>Date of repayment</i>
Melton Renewable Energy (Holdings) Limited	£13,850,000	nil	11%	December 2028
Energy Power Resources Limited	£2,600,000	nil	7.5%	On demand
Melton LG Energy Limited	£68,100,000	nil	7.5%	On demand

Notes to the financial statements

for the year ended 30 June 2022

17. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Bank loans and overdrafts (note 21)	17,570	18,290	17,570	18,290
Trade creditors	2,007	1,459	5	1
Amounts owed to immediate parent undertaking	1,543	4,071	1,543	4,071
Group relief	5,662	5,932	-	-
Corporation tax	99	-	-	-
Other creditors	953	1,002	-	-
Taxation and social security	814	3,547	123	46
Accruals and deferred income	10,878	9,179	777	875
	39,526	43,480	20,018	23,283

Amounts owed to immediate parent undertaking represent management fees payable to Eucalyptus Energy Limited of £1,543,000 (2021: £4,071,000).

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

	<i>Group</i>		<i>Company</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Bank loans and overdrafts (note 21)	68,147	85,149	68,147	85,149
Shareholder loan (note 22)	81,367	83,910	81,367	83,910
Derivative financial instruments	-	2,081	-	2,081
	149,514	171,140	149,514	171,140

The shareholder loan notes are unsecured, bear interest at 7% and are repayable on 31 March 2028.

Notes to the financial statements

for the year ended 30 June 2022

19. Financial instruments

The group and company have entered into interest rate swaps to manage the exposure to interest rate risk. These derivatives are not basic financial instruments, were recognised at fair value on the date that the contracts were entered into and have been subsequently re-measured at their fair value. These interest rate swaps have a termination date of 31 March 2027, aligned with the final repayment date of the group's bank loan facility (see note 21).

Group

The group has the following financial instruments:

	Note	2022 £000s	2021 £000s
Financial instruments measured at amortised cost			
Trade receivables	16	609	615
		609	615
Financial liabilities measured at amortised cost			
Bank loans falling due within one year	17	17,570	18,290
Trade creditors	17	2,007	1,459
Amounts owed to shareholder	17	1,543	4,071
Accruals	17	10,878	9,179
Other creditors	17	953	1,002
Bank loans falling due after more than one year	18	68,147	85,149
Shareholder loan falling due after more than one year	18	81,367	83,910
		182,465	203,060

Company

The company has the following financial instruments.

	Note	2022 £000s	2021 £000s
Financial instruments measured at amortised cost			
Trade receivables	16	10	-
Amounts owed by group undertakings	16	84,550	92,869
		84,560	92,869
Financial liabilities measured at amortised cost			
Bank loans falling due within one year	17	17,570	18,290
Amounts owed to shareholder	17	1,543	4,071
Accruals	17	777	875
Bank loans falling due after more than one year	18	68,147	85,149
Shareholder loan falling due after more than one year	18	81,367	83,910
		169,404	192,295

Notes to the financial statements

for the year ended 30 June 2022

20. Provisions for liabilities

The group has a net deferred tax liability totalling £12,536,000 (30 June 2021: £13,099,000) and the company has a net deferred tax liability of £392,000 (30 June 2021: nil) made up as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Capital allowances in excess of depreciation	12,222	13,775	(4)	-
Tax losses carried forward	(72)	(171)	-	-
Other timing differences	(12)	(110)	(2)	-
Tax on components of cash flow hedges	398	(395)	398	-
Total deferred tax liability	12,536	13,099	392	-
At the beginning of the year	13,099	11,354	(400)	-
Origination and reversal of timing differences	(1,696)	(1,200)	-	-
Adjustments in respect of prior years	91	(53)	(1)	-
Movement in tax on components of cash flow hedges	793	363	793	-
Re-measurement of deferred tax – change in UK tax rate	249	2,635	-	-
Net deferred tax liability at the end of the year	12,536	13,099	392	-

Deferred tax has been calculated at 25% (2021: 25%) which represents the future corporation tax rate that was enacted at the balance sheet date.

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

Notes to the financial statements

for the year ended 30 June 2022

21. Bank loans

Group and company

	2022 £000s	2021 £000s
Amounts falling due within one year	17,570	18,290
Amounts falling due after more than one year	68,147	85,149
	85,717	103,439

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 SONIA 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 floating rate has been swapped to a fixed rate of 1.483%.

Bank loans are stated net of unamortised issue costs of £2,705,000 (30 June 2021: £3,274,000).

22. Shareholder loan

As at 30 June 2022, 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 has a repayment date of 31 March 2028.

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 £5,665,000 (30 June 2021: £7,301,000).

During the year, principal repayments of £8,208,000 were made to Eucalyptus Energy Limited (30 June 2021: £38,653,000). As at 30 June 2022, the total outstanding balance due in more than one year is £81,367,000 (30 June 2021: £83,910,000).

Notes to the financial statements

for the year ended 30 June 2022

23. Called up share capital

Group and company

	2022 £000s	2021 £000s
<i>Authorised</i>		
50,870,000 (2021: 50,870,000) ordinary shares of £1 each	50,870	50,870
<i>Allotted</i>		
50,870,000 (2021: 50,870,000) ordinary shares of £1 each	50,870	50,870

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

	2022 £000s	2021 £000s
Profit for the financial year	11,392	12,420
Tax on profit	4,422	5,111
Interest payable and similar expenses	10,195	12,240
Interest receivable and similar income	(20)	(8)
Share of operating profit in joint venture	-	(1,755)
Operating profit	25,989	28,008
Depreciation	12,787	13,788
(Profit)/loss on disposal of fixed assets	(2)	13
Profit on disposal of investments	-	(18,102)
Amortisation of goodwill and intangibles	10,175	10,174
(Increase)/decrease in stocks	(2,666)	2,451
(Increase)/decrease in debtors	(12,492)	7,060
Decrease in creditors	(3,095)	(3,485)
Net cash inflow from operating activities	30,696	39,907

Notes to the financial statements

for the year ended 30 June 2022

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

(a) Movement in net debt

	2022 £000s	2021 £000s
(Decrease)/increase in cash	(5,124)	907
Bank loan principal repayments	18,291	18,792
Repayment of shareholder loan due within more than one year	8,208	38,653
Non-cash movements	(6,234)	(7,831)
Movement in net debt	15,141	50,521
Opening net debt	(174,993)	(225,514)
Closing net debt	(159,852)	(174,993)

(b) Analysis of changes in net debt

	At 1 July 2021 £000s	Cash flow £000s	Non-cash movements £000s	At 30 June 2022 £000s
Cash at bank and in hand	12,356	(5,124)	-	7,232
Shareholder company loan				
Debt due after more than one year	(83,910)	8,208	(5,665)	(81,367)
External debt:				
Bank loan drawn down	(152,190)	-	-	(152,190)
Bank loan principal repayments	45,477	18,291	-	63,768
Debt issue costs paid	3,274	-	(569)	2,705
Total	(174,993)	21,375	(6,234)	(159,852)

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

Notes to the financial statements

for the year ended 30 June 2022

26. Other financial commitments

At 30 June 2022 and 30 June 2021 the group had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

	<i>As at 30 June 2022</i>		<i>As at 30 June 2021</i>	
	<i>Land and Buildings £000s</i>	<i>Other £000s</i>	<i>Land and Buildings £000s</i>	<i>Other £000s</i>
Payments due:				
Not later than one year	240	221	240	284
Later than one year and not later than five years	836	273	831	378
Later than five years	-	-	136	-
	<u>1,076</u>	<u>494</u>	<u>1,207</u>	<u>662</u>

The company had no other financial commitments as at 30 June 2022 or 30 June 2021.

27. 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 2022 until they are satisfied in full. These liabilities total £308,596,000 (2021: £335,888,000) of which £282,942,000 (2021: £309,344,000) 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.

28. Pension costs

The group contributes to defined contribution personal pension schemes for eligible employees. The costs for the year are recognised in the statement of income and retained earnings (see note 8). Assets of the scheme are held in independently administered funds. Outstanding contributions at 30 June 2022 amounted to £49,000 (2021: £47,000).

29. Related party transactions

During the year and in the normal course of business, the group incurred management fees payable to Eucalyptus Energy Limited of £1,543,000 (2021: £4,071,000) for management and administration services. At 30 June 2022 £1,543,000 (30 June 2021: £4,071,000) was outstanding.

During the year and in the normal course of business, the group received fees for the provision of management and administration services from the following related parties:

Snetterton Renewable Power Limited	£337,000 (2021:£26,000)
Brigg Renewable Power Limited	£241,000 (2021: £26,000)
Doveryard Limited	£156,000 (2021: £nil)

At 30 June 2022, the following amounts were outstanding;

Snetterton Renewable Power Limited	£36,000 (2021:£12,750)
Brigg Renewable Power Limited	£29,000 (2021:£12,750)
Doveryard Limited	£19,000 (2021: £nil)

Notes to the financial statements

for the year ended 30 June 2022

30. Ultimate parent company

Eucalyptus Energy Limited is the immediate parent undertaking and Fern Trading Limited (an English limited company with its registered office at 6th Floor, 33 Holborn, London EC1N 2HT) is the ultimate parent undertaking and controlling party.

Cedar Energy and Infrastructure Limited, registered in England and Wales, 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 these financial statements are available from the address above.