

CONSOLIDATED ACCOUNTS
OF PARENT COMPANY
AND SUBSIDIARY

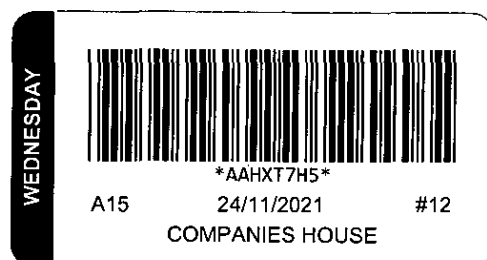


Melton Renewable Energy UK Limited

Report and financial statements

for the year ended 30 June 2021

Registered number: 09194088



Directors and advisers

Directors

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

Secretary

Octopus Company Secretarial Services Limited

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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Strategic report for the year ended 30 June 2021

The directors present their strategic report for the group and for the company for the year ended 30 June 2021.

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 2021 and financial position as at that date were satisfactory and in line with expectations.

Output for the year was 1,018GWh (2020: 1,049GWh) with group turnover of £134,668,000 (2020: £135,605,000). Total group operating profit including share (and profit on disposal) of joint venture was £29,763,000 (2020: £14,247,000) and EBITDA (as defined on page 10) was £53,725,000 (2020: £38,725,000). The group profit before taxation was £17,531,000 (2020: £360,000).

Operational performance during the year ended 30 June 2021, as measured by output, availability and costs, was in line with expectations. The small reduction in output during the year ended 30 June 2021 compared with the previous year primarily reflects the natural decline in available gas and therefore output across the Landfill Gas division, which operates from a predominance of sites which are closed to fresh waste inputs. In addition, there was a reduction in output from Ely Power Station as its biomass fuel supplies (and consequently its output) were adversely impacted in the last quarter of the financial year following the poor straw harvest in the summer of 2020.

During the year the group disposed of its 50% shareholding in Yorkshire Windpower Limited ("YWP"), its joint venture windfarm business.

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 respective accreditation to ISO 45001. The high standards demonstrated in internal and external audit performance have been maintained across the group during the year. In parallel, the number of minor accidents reported year on year has fallen during the year ended 30 June 2021. Health and safety will continue to be an area of focus in 2021/22.

The group generates its revenue primarily through the sale of electricity and associated renewable benefits principally Renewable Obligation Certificates ("ROCs") under separate power purchase sales arrangements for the Biomass and Landfill Gas divisions. The group also receives less significant and reducing 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 2021 decreased by 0.7% when compared to the previous year reflecting the small reduction in generation. Unit revenue per MWh increased to £127.06 compared to £123.96 in the previous year.

Revenue from the sale of electricity

Revenue generated from the sale of electricity was £57,219,000 (2020: £54,424,000). Through to 31 March 2021 electrical output and associated benefits (excluding REGOs) from the Biomass division were sold to Axpo UK Limited ("Axpo") pursuant to a set of one year power purchase agreements ("PPA"), one for each power station. On 13 January 2021 the Biomass division entered into a set of long term PPAs (one for each of its power stations) with Axpo for the sale of electrical output and embedded benefits covering the period 1 April 2021 to 31 March 2026. Under these PPAs the electricity price can be fixed based upon the prevailing market price, the timing of such fixed price requests are at the generator's choosing.

Strategic report for the year ended 30 June 2021

Group business review (continued)

In March 2021 the Biomass division entered into five separate ROC trading master agreements with EDF Energy Limited 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.

REGOs attributable to output from the Biomass division in respect of the three compliance years ended or ending 31 March 2021, 2022 and 2023 are sold at an agreed fixed price pursuant to a contract with E.ON UK PLC.

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

Following a competitive tender process, a new PPA for the Landfill Gas business has been signed with EDF Energy Limited 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.

The Biomass division's revenue per MWh improved during the year ended 30 June 2021, due in part to the Axpo PPAs, whilst the Landfill Gas division saw a significant reduction due to lower wholesale electricity prices in the relevant two-month calculation periods. The price per MWh received for electricity sold across the relevant periods under the relevant PPAs for the Biomass division and Landfill Gas division are set out below:

	Biomass Division £ per MWh	Landfill Gas Division £ per MWh
Summer 2019 (April 2019 to September 2019)	52.62	47.89
Winter 2019 (October 2019 to March 2020)	50.96	51.70
Summer 2020 (April 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

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

Revenue generated from the sale of ROCs was £66,491,000 in the year ended 30 June 2021 (2020: £64,214,000). The price per ROC received by the Biomass and Landfill Gas divisions is based upon the ROC buy-out price effective from 1 April each year, net of associated discounts under the terms of the relevant PPAs. 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 2021 were:

ROC compliance year commencing:
1 April 2020 £50.05 per ROC
1 April 2021 £50.80 per ROC

Strategic report for the year ended 30 June 2021

Group business review (continued)

ROC Recycle revenue

ROC recycle revenue within the financial statements for the year ended 30 June 2021 was £3,468,000 (2020: £7,748,000). ROC recycle revenue within the financial statements for the current year and prior year comparatives is based upon the following gross accrued values per ROC:

ROC compliance year commencing:

1 April 2019	£5.93 (confirmed)
1 April 2020	£2.85 (estimate)
1 April 2021	£6.57 (estimate)

In October 2020 Ofgem announced the ROC recycle value for 2019/20 at £5.02 per ROC, with an additional payment of £0.91 per ROC confirmed in December 2020 arising from the ROC buy-out late payment fund. The gross ROC recycle values accrued in respect of compliance years 2020/21 and 2021/22 represent estimates based upon a weighted average of external market reports of energy price indices.

Revenue from Embedded Benefits – Triad

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

The group performed well during the Triad season (November 2020 to February 2021), with associated revenue of £489,000 in the year ended 30 June 2021 (2020: £1,910,000). The lower income in 2020/21 reflects the final stage of the phasing out of this benefit in line with changes to electricity transmission charging arrangements for embedded generators set out above.

Covid-19

On 11 March 2020, the World Health Organization declared a global pandemic in respect of the outbreak of Covid-19. Governments in affected areas have imposed a number of measures designed to manage and contain the outbreak, including business closures, travel and work restrictions, stay at home orders and cancellations of gatherings and events. The spread of Covid-19 and governmental responses to it 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 have recovered during 2021, coinciding with a sharp rise in wholesale UK electricity prices. If the pandemic outbreak continues, or further diseases emerge that give rise to similar effects, the adverse impact on the global economy could recur and result in subsequent declines in financial and electricity markets.

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

Since the first lockdown period in the spring of 2020, within our Biomass division we have increased cleaning procedures at all sites and amended induction processes to include temperature checks and minimise contact. Further we have reduced visitors to only those essential to the business and have minimised contact with hauliers and contractors. Whilst there were short term impacts on the supply of some fuels during the UK's first lock-down period, the business was able to modify fuel inputs where required. Biomass fuel supplies have since returned to previous levels and the power stations continue to operate largely as normal with these enhanced procedures.

Strategic report for the year ended 30 June 2021

Group business review (continued)

Within our Landfill Gas division, onsite operational and maintenance activities are undertaken at 19 sites across the UK. This consists of regular planned maintenance, servicing, plant condition monitoring and unplanned repairs. On a daily basis this generally requires minimum manpower and can usually be undertaken whilst observing social distancing rules and other precautionary measures. By minimising the number of staff on sites at any one time and maintaining social distancing, normal operations and availability have been maintained.

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

Brexit

On 31 January 2020 the UK left the EU and an 11 month transitional period to 31 December 2020 commenced. MRE is a UK based business with revenues driven by UK wholesale electricity prices and the Renewables Obligation support mechanism which is underpinned by UK Government legislation. Further, MRE's supply chain is primarily UK based with limited import contracts, although some plant spares are sourced outside of the UK. Whilst Brexit, has resulted in some general disruption and will continue to do so, it is expected that this will continue to be managed and subsequently resolved in the short to medium term. Accordingly, we do not believe that leaving the EU will have any material long term impact upon MRE's operations, its biomass fuel supply contracts, UK electricity prices or the Renewables Obligation support mechanism.

Divisional business review

Biomass division

The results of the Biomass division for the year ended 30 June 2021 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 2021. Overall portfolio output in the year ended 30 June 2021 was 762GWh, a decrease of 15GWh (1.9%) compared with the prior year. This reflected a marginal reduction in output from Thetford Power Station following its exceptionally strong operational performance in the previous year, and lower output from Ely Power Station due to a shortfall in available biomass fuel in the final quarter of the financial year following the poor straw harvest in the summer of 2020. Glanford, Eye and Westfield Power Stations each continued to operate to a very high standard and overall output from the Biomass division was maintained at a broadly consistent level year on year.

Yorkshire Windpower Limited ("YWP")

Energy Power Resources Limited ("EPRL"), a subsidiary within the group, has for many years retained ownership of 50% of the share capital of YWP, which itself owns and operates wind-farms at Royd Moor and Ovenden Moor.

On 1st March 2021 EPRL disposed of its investment in YWP with the disposal proceeds of £28,880,000 used to fund a partial repayment of MRE's shareholder loan from Eucalyptus Energy Limited shortly thereafter. EPRL's share of YWP's operating profit up to the point of disposal are included in the consolidated results for the year ended 30 June 2021, together with the profit on disposal.

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 2021 reduced CO₂ emissions by some 162,000 tonnes (2020: 181,000 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").

Strategic report for the year ended 30 June 2021

Divisional business review (continued)

The number of environmental permit non-conformances during the year ended 30 June 2021 remained relatively low although above the previous year, with 72 reported non-conformances across the five power stations (2020: 47). The increase in non-conformances has arisen at Westfield Power Station, where a significant number of these non-conformances relate to CO spikes caused by variable fuel quality and slag falls in the boiler. SEPA has been kept informed and updated as to the internal improvement plans. EPRL group's ISO 14001 (Environmental) certification was maintained during the year.

ROC entitlement for dedicated biomass fuelled generators such as EPRL is linked to annually audited fuel sustainability criteria. Given the nature of the fuels used across the group, being UK and generally locally sourced and mainly classified as wastes, residues or energy crops from accredited sources, we anticipate full compliance and significant headroom against the required minimum greenhouse gas savings on an on-going basis. Further we believe that our data collection and reporting processes are fully compliant. As with previous years, this view has been supported by successful audits for each of the five biomass power stations in respect of the compliance year ended 31 March 2021.

Thetford Power Station

Thetford Power Station performed exceptionally well during the year ended 30 June 2021, generating 288GWh; marginally below the year to 30 June 2020 (295GWh), which was a record. Overall output and availability in the year to 30 June 2021 were very good and ahead of 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 below expectations in the year ended 30 June 2021, with output of 223GWh, a reduction when compared to the year ended 30 June 2020 (236GWh). Whilst operational performance was generally good and in line with expectations, the straw harvest in the summer of 2020 was extremely poor, due to a very wet autumn in 2019 reducing plantings and a dry spring in 2020 reducing growth and yield. As a result the volume of straw available in the 2020 harvest was significantly reduced and Ely Power Station was required to load manage during the last quarter of the financial year, thereby reducing output. The 2021 harvest has been significantly better than the previous year, with an increase in the volume of straw available and baled. However, the harvest started a few weeks late due to colder and wetter weather in May and June. As a result Ely returned to service at full load towards the end of July 2021 following its two week annual maintenance outage which took place during the first half of that month.

Glanford Power Station

Glanford Power Station's output in the year ended 30 June 2021 was 98GWh, marginally below that achieved in the year ended 30 June 2020 (101GWh). Both availability and output whilst online remained consistent and high, being a testimony to the preventative maintenance regime which is consistently applied at site.

Eye Power Station

Eye Power Station's output in the year ended 30 June 2021 was 92GWh; above both expectations and that achieved in the year ended 30 June 2020 (90GWh), which itself was very good. This improvement reflects the continued success of the programme of maintenance and refurbishment works undertaken at the station.

Westfield Power Station

Output from Westfield Power Station in the year ended 30 June 2021 was in line with expectations at 61GWh (2020: 55GWh) and an improvement on the previous year which was adversely impacted by a failure of the power station's generator.

Strategic report for the year ended 30 June 2021

Divisional business review (continued)

Fuel quality in terms of calorific value and moisture remains below expectations which in turn has led to periods of poor combustion and a number of permit non-conformances during the year ended 30 June 2021. The work to introduce an automated fuel mixing process has taken place but as yet has not led to consistent combustion and has not eliminated CO spikes. SEPA has been kept informed and updated as to the station's improvement plans and this work and focus will continue in 2021/22.

Fibrophos Limited

Fibrophos Limited is a subsidiary of Energy Power Resources Limited ("EPRL") and its principal activity is the marketing and sale of potash and phosphate fertiliser which is derived from the resultant ashes from EPRL's biomass fuelled power stations. Despite generally difficult trading conditions within UK agriculture, sales of Fibrophos fertiliser were above expectations in the year ended 30 June 2021, with over 87,000 tonnes sold (year to 30 June 2020: 90,000 tonnes). Revenue generated from sales of fertiliser was £5,119,000 (2020: £5,164,000). Selling prices were in line with both expectations and the previous year.

Landfill Gas division

The results of the Landfill Gas division for the year ended 30 June 2021 and financial position as at that date were satisfactory and broadly in line with expectations.

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

Output from the landfill gas division in the year ended 30 June 2021 was 256GWh, representing a reduction of 5.9% compared to generation of 272GWh in the previous year ended 30 June 2020.

Output from the landfill gas portfolio is generally anticipated to gradually decline due to the age of the landfill sites from which the division operates and the proportion of sites which are closed to new waste inputs. Output from Auchencarroch, Garlaff, Cotesbach and Whinney Hill (four sites open to fresh waste inputs) was good during the year ended 30 June 2021. Performance at Stoneyhill (also open to waste inputs) continued to be adversely impacted by high leachate levels in the site, but was generally improving through the year. Output and operations from Walleys (again a site which remains open to waste inputs) has been adversely impacted, particularly during the last quarter of the year, due to the impact of high levels of H₂S contamination within the landfill gas. The rate of decline at Common Bridge and Cathkin, two of the larger sites closed to waste inputs, continued to be greater than expected due to low gas recovery rates from areas of the landfill at both sites. During the year under review the group ceased operations from Queens Park landfill site as the low volumes of gas available meant it was no longer economically beneficial to continue generation activities.

Strategic report for the year ended 30 June 2021

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

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

Long-term business plans are in place for both the Biomass and Landfill Gas divisions. These are subject to annual review and assessed against long-term cash flows forecasts and 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, power purchase agreement providers and equipment and service suppliers.

Relationships with stakeholders

Employees

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

Environmental Regulation (Ofgem, Environment Agency, SEPA)

The group places great importance on operating in line with all its environmental regulatory requirements and has appropriate processes in place to manage its operations in accordance with its environmental permits and to ensure accurate reporting to Ofgem.

As well as providing a secure and sustainable disposal route for poultry litter and other agricultural residues, the operations of the group in the year ended 30 June 2021 reduced CO₂ emissions by some 162,000 tonnes (30 June 2020: 181,000 tonnes). This was achieved by displacing the equivalent amount of generation from alternative UK power sources, with the calculation based upon BEIS's assessment of average emissions for UK electricity generation.

Other stakeholders

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

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

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

Strategic report for the year ended 30 June 2021

Principal risks and uncertainties

Risk management policy

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

General risks

The key general risks and uncertainties affecting both the Biomass and Landfill Gas divisions are considered to relate to wholesale electricity prices and changes to renewable energy support regimes. The wholesale electricity prices the group receives pursuant to its PPAs are fixed in advance. The Biomass division entered into new PPAs (one for each of its power stations) with Axpo UK Limited for the twelve months to 31 March 2021, these included fixed electricity prices and agreed discounts for ROC buy-out and recycle and other associated benefits. In January 2021 the Biomass division entered into a set of long-term replacement PPAs (one for each of its power stations) with Axpo UK Limited for the sale of electrical output and embedded benefits covering the period 1 April 2021 to 31 March 2026. Under these PPAs the electricity price can be fixed over time based upon the market price, the timing of such fixed price requests are at the sellers choosing. In March 2021 the Biomass division entered into a number of ROC trading master agreements 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 electricity price the Landfill Gas division receives under the terms of its long term PPA with BGTL is fixed every six months (such price being effective for the subsequent six months from 1 April and 1 October), based on the average wholesale market electricity future prices for the relevant period over agreed two-month calculation periods ending mid-March and mid-September respectively. The BGTL Landfill Gas PPA runs to 28 February 2022.

During August 2021 a replacement PPA covering the electrical output, ROCs and associated benefits for the period 1st March 2022 to 31st March 2024 was signed with EDF Energy Limited. This includes fixed pricing for the electrical output and fixed discounts for 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.), performing preventative maintenance and undertaking improvement works during scheduled outages. 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. In addition, we undertake annual capital improvements to remediate or remove recurring maintenance issues in a timely and cost-effective manner. Biomass fuel is contracted mainly through a mix of medium to long-term contracts, a number of which extend to 2027.

During the year ended 30 June 2021 the Biomass division has demonstrated good progress in managing a number of key risks, namely maintaining consistently high output and availability, retaining ISO 14001 and achieving ISO 45001 certification.

Strategic report for the year ended 30 June 2021

Principal risks and uncertainties (continued)

Biomass division (continued)

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.

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.

As such 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 2021	30 June 2020
Output (GWh)	1,018	1,049
Group turnover (£000s)	134,668	135,605
EBITDA (£000s)	53,725	38,725
Operating profit: group and share of joint venture (£000s)	29,763	14,247
Group turnover per MWh (£/MWh)	127.06	123.96
Operating profit to EBITDA	30 June 2021	30 June 2020
	£'000s	£'000s
Operating profit: group and share of joint venture	29,763	14,247
<i>Add back:</i>		
Depreciation of owned fixed assets	13,788	14,303
Amortisation and impairment of intangibles	10,174	10,175
EBITDA	53,725	38,725

Strategic report for the year ended 30 June 2021

Results

The group profit before taxation for the year ended 30 June 2021 was £17,531,000 (2020: £360,000 profit).

Approved by and on behalf of the board on 8 November 2021



E J Wilkinson
Director

Directors' report for the year ended 30 June 2021

The directors present their report and the audited consolidated financial statements for the group and the company for the year ended 30 June 2021.

Principal activities

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

Melton Renewable Energy (Holdings) Limited is the holding company of the Energy Power Resources Limited ("EPRL") group, the primary activity of which is the operation of five biomass fuelled power stations (in total approximately 111MWs capacity) and the marketing and sale of potash and phosphate fertiliser, branded as Fibrophos. During the year ended 30 June 2021 EPRL sold its 50% share in YWP which owns two wind farms located in Yorkshire at Ovenden Moor (18MW) and Royd Moor (6.5MW).

The primary activity of the Melton LG Holding Limited group is the production of energy from landfill gas. The group currently operates from 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 2022 will be broadly consistent with that of the year ended 30 June 2021, whilst that of the landfill gas portfolio is anticipated to decline slightly due to falling gas volumes as a result of the predominance of closed sites from which it operates, whilst those sites which are open to fresh waste inputs are generally operating at capacity.

Availability of straw

As previously reported the 2020 harvest was the worst for 40 years in terms of crop yield, this arose due to extremely wet weather across the UK immediately following the 2019 harvest compounded by the very dry spring in 2020. Overall yields were significantly reduced across the UK with an adverse impact upon the volume of straw available for 2020/21. This resulted in Ely Power Station having to load manage in the last quarter of the financial year. The directors are pleased to report that the 2021 harvest is significantly better than that in 2020 and it is envisaged that sufficient straw will be procured for the year ending 30 June 2022.

Dividends

No dividends were paid by Melton Renewable Energy UK Limited in the year to 30 June 2021 (30 June 2020: £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

Directors' report for the year ended 30 June 2021

Financial risk management

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

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

Price risk

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

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

Poultry litter is mainly sourced under long-term contracts, with the price fixed and linked to the RPI over the duration of the contract period. Over half of the average annual fuel requirement of the Biomass division's three 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

After considering the projections prepared for the period to 31 December 2022 for the Melton Renewable Energy UK Limited group, the directors believe that the group and company have sufficient operating cash flow to enable them to meet liabilities as they fall due and have accordingly prepared the financial statements on a going concern basis.

Directors' 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 2021

Employee Information

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

Carbon dioxide emissions

Renewable electricity generated by the group's Biomass power stations reduced CO₂e emissions by 162,000 tonnes in the year ended 30 June 2021 (30 June 2020: 181,000 tonnes). This was achieved by displacing the equivalent amount of generation from alternative UK power sources and is calculated using the assessment of average emissions provided BEIS 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 2021.

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	2021	2020
Scope 1 CO ₂ e emissions (tonnes)	17,872	21,775
Scope 2 CO ₂ e emissions (tonnes)	2,083	1,642
Scope 3 CO ₂ e emissions (tonnes)	108	123
Total CO₂e (tonnes)	20,063	23,540
Intensity ratio		
Total generation (GWh)	1,018	1,049
Total CO ₂ e per GWh generation (tonnes)	19.71	22.44
Energy consumption used to calculate above emissions (GWh)	11.0	7.9

Directors' report for the year ended 30 June 2021

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.

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 2021

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, PricewaterhouseCoopers LLP, are deemed to be re-appointed.

Approved by and on behalf of the board on 8 November 2021



E J Wilkinson
Director

Independent auditors' report

to the members of Melton Renewable Energy UK Limited

Report on the audit of the financial statements

Opinion

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

- *give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2021 and of the group's profit and the group's cash flows for the year then ended.*
- *have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and*
- *have been prepared in accordance with the requirements of the Companies Act 2006.*

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the group and company balance sheets as at 30 June 2021; the group statement of comprehensive income, the group and company statements of changes in equity and the group statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report

to the members of Melton Renewable Energy UK Limited

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 June 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Independent auditors' report

to the members of Melton Renewable Energy UK Limited

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and Environmental and Health and Safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase profit or through management bias in the manipulation of accounting estimates. Audit procedures performed by the engagement team included

- Discussions with management and those charged with governance, including considerations of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing legal expenditure in the year to identify potential non-compliance with laws and regulations;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular any journal entries with unusual account combinations and journal entries posted by unexpected users;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Reviewing meeting minutes, including those of the board of directors; and
- Challenging assumptions and judgements made by management in their significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

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

Use of this report

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

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

8 November 2021

Group statement of comprehensive income

for the year ended 30 June 2021

	Note	2021 £000s	2020 £000s
Turnover	5	134,668	135,605
Cost of sales		(95,490)	(95,061)
Gross profit		39,178	40,544
Distribution costs		(476)	(502)
Administrative expenses		(29,020)	(29,004)
Profit on disposal of joint venture	14	18,102	-
Other operating income		224	492
Operating profit	6	28,008	11,530
Share of operating profit in joint venture		1,755	2,717
Total operating profit: group and share of joint venture		29,763	14,247
Interest receivable and similar income	9	8	45
Interest payable and similar expenses	10	(12,240)	(13,932)
Profit before taxation		17,531	360
Tax on profit	11	(5,111)	(3,921)
Profit/(loss) for the financial year		12,420	(3,561)
Other comprehensive income/(expense)			
Change in market value of cash flow hedges		1,547	(1,321)
Other comprehensive income/(expense) for the year		1,547	(1,321)
Total comprehensive income/(expense) for the year		13,967	(4,882)

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

Group balance sheet

as at 30 June 2021

	<i>Note</i>	2021 £000s	2020 £000s
Fixed assets			
Intangible assets	12	58,436	68,610
Tangible assets	13	98,165	109,023
Interests in joint venture	14	-	11,201
		156,601	188,834
Current assets			
Stocks	15	16,335	18,786
Debtors: amounts falling due within one year	16	33,264	37,677
Cash at bank and in hand		12,356	11,449
		61,955	67,912
Creditors: amounts falling due within one year	17	(43,480)	(46,400)
Net current assets		18,475	21,512
Total assets less current liabilities		175,076	210,346
Creditors: amounts falling due after more than one year	18	(171,140)	(222,122)
Provisions for liabilities	20	(13,099)	(11,354)
Net liabilities		(9,163)	(23,130)
Capital and reserves			
Called up share capital	23	50,870	50,870
Cash flow hedge reserve		(1,685)	(3,232)
Accumulated losses		(58,348)	(70,768)
Total shareholders' deficit		(9,163)	(23,130)

The financial statements on pages 21 to 50 were approved by the board of directors on 8 November 2021 and were signed on its behalf by:



E. J. Wilkinson
Director

Registered number: 09194088

Company balance sheet

as at 30 June 2021

	Note	2021 £000s	2020 £000s
Fixed assets			
Intangible assets	12	39	57
Tangible assets	13	-	-
Investments	14	119,591	142,591
		119,630	142,648
Current assets			
Debtors: amounts falling due within one year	16	76,966	77,214
Debtors: amounts falling due after more than one year	16	17,770	18,133
Cash at bank and in hand		6,856	6,419
		101,592	101,766
Creditors: amounts falling due within one year	17	(23,283)	(23,463)
Net current assets		78,309	78,303
Total assets less current liabilities		197,939	220,951
Creditors: amounts falling due after more than one year	18	(171,140)	(222,122)
Net assets/(liabilities)		26,799	(1,171)
Capital and reserves			
Called up share capital	23	50,870	50,870
Cash flow hedge reserve		(1,685)	(3,232)
Accumulated losses		(22,386)	(48,809)
Total shareholders' funds/(deficit)		26,799	(1,171)

The profit for the financial year attributable to the company amounted to £26,423,000 (2020: £58,000).

The financial statements on pages 21 to 50 were approved by the board of directors on 8 November 2021 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 2021

<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 2019	50,870	(1,911)	(67,207)	(18,248)
Loss for the financial year	-	-	(3,561)	(3,561)
Movement in derivative financial instruments designated as cash flow hedges	-	(1,321)	-	(1,321)
At 30 June 2020	50,870	(3,232)	(70,768)	(23,130)
	<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	-	1,547	-	1,547
At 30 June 2021	50,870	(1,685)	(58,348)	(9,163)

Company statement of changes in equity

For the year ended 30 June 2021

<i>Company</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 2019	50,870	(1,911)	(48,867)	92
Profit for the financial year	-	-	58	58
Movement in derivative financial instruments designated as cash flow hedges	-	(1,321)	-	(1,321)
At 30 June 2020	50,870	(3,232)	(48,809)	(1,171)
	<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	-	1,547	-	1,547
At 30 June 2021	50,870	(1,685)	(22,386)	26,799

Group statement of cash flows

for the year ended 30 June 2021

		2021	2020
	Note	£000s	£000s
Net cash inflow from operating activities	24	39,907	38,074
Taxation paid		(4,656)	(1,520)
Net cash generated from operating activities		35,251	36,554
Cash flow from investing activities			
Payments to acquire tangible assets		(2,944)	(5,256)
Proceeds from disposal of investments		28,880	-
Dividends from joint venture		1,500	2,500
Interest received		-	12
Net cash generated from/(used in) investing activities		27,436	(2,744)
Cash flow from financing activities			
Principal repayment of bank loan		(18,792)	(14,991)
Repayment of parent company loans		(38,653)	(15,717)
Interest and similar charges paid		(4,335)	(5,674)
Net cash used in financing activities		(61,780)	(36,382)
Net increase/(decrease) in cash and cash equivalents	25	907	(2,572)
Cash and cash equivalents at the beginning of the year		11,449	14,021
Cash and cash equivalents at the end of the year		12,356	11,449
Cash and cash equivalents consists of:			
Cash at bank and in hand		12,356	11,449

Notes to the financial statements

for the year ended 30 June 2021

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

After considering the projections prepared for the period to 31 December 2022 for the Melton Renewable Energy UK Limited group, the directors believe that the group and company have sufficient operating cash flow to enable them to meet liabilities as they fall due and have accordingly prepared the financial statements on a going concern basis.

Exemptions for qualifying entities under FRS 102

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

The company has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows;
- ii) from disclosing transactions with related entities, these being other 100% owned subsidiaries of Fern Trading Limited, as required by FRS 102 paragraph 33.1;
- iii) from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Notes to the financial statements

for the year ended 30 June 2021

3. Accounting policies (continued)

Basis of consolidation

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

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

No separate statement of comprehensive income is presented for the company Melton Renewable Energy UK Limited as permitted by section 408 of the Companies Act 2006. The profit for the year attributable to the company amounted to £26,423,000 (2020: £58,000).

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 2021

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 2021

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 2021

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 2021

3. Accounting policies (continued)

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

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

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

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

Offsetting

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

4. Critical accounting judgements and estimation uncertainty

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

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

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

(b) Key accounting estimates and assumptions

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

i) Impairment of goodwill

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

ii) Stock obsolescence

The group reviews and provides for unusable or slow moving stock. Unusable stock includes biomass fuel assessed to have too high a moisture content for use at the power stations and obsolete spare parts. As at 30 June 2021 the provision for unusable and slow moving stock was £459,000 (2020: £708,000).

Notes to the financial statements

for the year ended 30 June 2021

4. Critical accounting judgements and estimation uncertainty (continued)

iii) Useful economic life on tangible assets

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

iv) The valuation of investments in subsidiary undertakings

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

v) Cash flow hedges

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

vi) ROC Recycle income

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

5. Turnover

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

Analysis of turnover by category:

	2021 £000s	2020 £000s
Electricity sales	57,219	54,424
ROC sales	66,491	64,214
Recycled ROC sales	3,468	7,748
Embedded benefits received	2,031	3,594
REGO sales	120	74
Turnover from generation activities	129,329	130,054
Fertiliser sales	5,119	5,164
Other turnover	220	387
Total turnover	134,668	135,605

Notes to the financial statements

for the year ended 30 June 2021

6. Operating profit

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

	2021 £000s	2020 £000s
Services provided by the company's auditors:		
- Fees payable for the audit of the parent company and consolidated financial statements	310	295
- Fees payable to the company's auditors and their associates for other services		
- audit related assurance services	40	42
- tax compliance services	26	26
Depreciation of owned fixed assets	13,788	14,303
Loss on disposal of fixed assets	13	44
Amortisation of goodwill	10,174	10,175
Operating lease rentals		
- land and buildings	277	261
- other	372	279
Inventory recognised as an expense	43,652	41,242
Write back of inventory	(249)	(32)

7. Directors' emoluments

Emoluments paid to directors by the company:

	2021 £000s	2020 £000s
Aggregate emoluments during the year	373	363
Company pension contributions	-	10

At 30 June 2021 no directors had benefits arising under the defined contribution scheme. The total emoluments of the highest paid director in office for the year were £373,000 (30 June 2020: £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 and not recharged to Melton Renewable Energy UK Limited.

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

	2021 £000s	2020 £000s
Salaries and other short term benefits	1,778	1,730

Notes to the financial statements

for the year ended 30 June 2021

8. Employee information

	<i>Group</i>		<i>Company</i>	
	2021	2020	2021	2020
	£000s	£000s	£000s	£000s
Wages and salaries	12,279	12,593	981	1,097
Social security costs	1,406	1,471	123	141
Other pension costs	571	578	38	47
	14,256	14,642	1,142	1,285

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

	<i>Group</i>		<i>Company</i>	
	2021	2020	2021	2020
	Number	Number	Number	Number
Production	195	195	-	-
Administration	61	61	11	10
	256	256	11	10

9. Interest receivable and similar income

	2021	2020
	£000s	£000s
Interest receivable	8	45

10. Interest payable and similar expenses

	2021	2020
	£000s	£000s
Interest payable on bank loans	4,143	5,010
Amortisation of issue costs of bank loans	569	574
Interest payable to immediate parent company	7,302	8,146
Other interest and charges	226	202
	12,240	13,932

Notes to the financial statements

for the year ended 30 June 2021

11. Tax on profit

a) Analysis of the charge in the year

	2021 £000s	2020 £000s
Current tax		
UK Corporation tax on profits for the year	-	3,005
Group relief payable	2,960	-
Share of joint venture's current tax	311	170
Adjustments in respect of prior years	91	89
Total current tax charge for the year	3,362	3,264
Deferred tax		
Origination and reversal of timing differences	(1,200)	(923)
Share of joint venture's deferred tax	367	249
Adjustments in respect of prior years	(53)	(53)
Impact of change in tax rate	2,635	1,384
Total deferred tax charge for the year	1,749	657
Tax charge on profit	5,111	3,921

b) Reconciliation of tax charge

The tax assessed on the profit before taxation for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000s	2020 £000s
Profit before taxation	17,531	360
Profit before taxation multiplied by effective rate of corporation tax of 19% (2020: 19%)	3,331	68
Effect of:		
Adjustments in respect of prior years	38	36
Expenses not deductible for tax purposes	2,321	5,367
Non-taxable income	(3,482)	(2,934)
Re-measurement of deferred tax – change in UK tax rate	2,635	1,384
Re-measurement of joint venture deferred tax – change in UK tax rate	268	-
Tax charge for the year	5,111	3,921

Notes to the financial statements

for the year ended 30 June 2021

11. Tax on profit (continued)

c) Factors that may affect future charges

The Finance (No. 2) Act 2015 reduced the main rate of UK corporation tax to 19% effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax rate, thereby maintaining the current rate of 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25% which is due to be effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and have been reflected in the measurement of deferred tax balance as at 30 June 2021.

12. Intangible assets

Group

	<i>Goodwill</i> £000s	<i>Software</i> £000s	<i>Total</i> £000s
Cost:			
At 1 July 2020 and 30 June 2021	150,476	93	150,569
Accumulated amortisation and impairment:			
At 1 July 2020	81,923	36	81,959
Charge for the year	10,156	18	10,174
At 30 June 2021	92,079	54	92,133
Net book amount:			
At 30 June 2021	58,397	39	58,436
At 30 June 2020	68,553	57	68,610

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.

Notes to the financial statements

for the year ended 30 June 2021

12. Intangible assets (continued)

Company

	<i>Software £000s</i>
Cost:	
At 1 July 2020 and 30 June 2021	<u>93</u>
Accumulated amortisation and impairment:	
At 1 July 2020	36
Charge for the year	18
At 30 June 2021	<u>54</u>
Net book amount:	
At 30 June 2021	<u>39</u>
At 30 June 2020	<u>57</u>

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

13. Tangible assets

<i>Group</i>	<i>Freehold land and buildings £000s</i>	<i>Power stations £000s</i>	<i>Plant and machinery £000s</i>	<i>Assets under construction £000s</i>	<i>Total £000s</i>
Cost:					
At 1 July 2020	6,054	165,165	27,246	470	198,935
Additions	-	1,929	566	449	2,944
Transfers	-	338	132	(470)	-
Disposals	-	(2)	(1,066)	-	(1,068)
At 30 June 2021	<u>6,054</u>	<u>167,430</u>	<u>26,878</u>	<u>449</u>	<u>200,811</u>
Accumulated depreciation:					
At 1 July 2020	358	77,680	11,874	-	89,912
Charge for the year	65	11,136	2,587	-	13,788
Disposals	-	(1)	(1,053)	-	(1,054)
At 30 June 2021	<u>423</u>	<u>88,815</u>	<u>13,408</u>	<u>-</u>	<u>102,646</u>
Net book amount:					
At 30 June 2021	<u>5,631</u>	<u>78,615</u>	<u>13,470</u>	<u>449</u>	<u>98,165</u>
At 30 June 2020	<u>5,696</u>	<u>87,485</u>	<u>15,372</u>	<u>470</u>	<u>109,023</u>

Notes to the financial statements

for the year ended 30 June 2021

13. Tangible assets (continued)

Company

	<i>Plant and machinery £000s</i>	<i>Total £000s</i>
Cost:		
At 1 July 2020 and 30 June 2021	54	54
Accumulated depreciation:		
At 1 July 2020 and 30 June 2021	54	54
Net book amount:		
At 30 June 2021 and 30 June 2020	-	-

14. Investments

Group

On 1 March 2021 Energy Power Resources Limited ("EPRL") disposed of its 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 point of disposal are included in the consolidated results for the year ended 30 June 2021, together with the profit on disposal of £18,102,000.

	<i>Joint venture £000s</i>
As at 1 July 2020	11,201
Share of profit after taxation for the financial year	1,077
Dividends	(1,500)
Disposal of investment	(10,778)
As at 30 June 2021	-

Company

	<i>Subsidiary undertakings £000s</i>
Cost:	
At 1 July 2020 and 30 June 2021	172,591
Accumulated impairment:	
At 1 July 2020	30,000
Charge	23,000
At 30 June 2021	53,000
Net book amount:	
At 30 June 2021	119,591
At 30 June 2020	142,591

Notes to the financial statements

for the year ended 30 June 2021

14. Investments (continued)

Company (continued)

In the year to 30 June 2021 an impairment of £23,000,000 (2020: £15,000,000) has been recorded against the company's value of investments in subsidiary undertakings. The value of the investments have been assessed based upon the estimated net present value of future cash flows from the subsidiary operations using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the assets. Future cash flows are estimated based upon management's assumptions in respect of output and operational performance, electricity prices, biomass fuel costs, royalty rates and other operating costs.

The subsidiary companies and joint venture of the group and the company at 30 June 2021, 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 2021

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, Princes Exchange, 1 Earl Grey Street, Edinburgh, Midlothian, EH3 9AQ

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>2021 £000s</i>	<i>2020 £000s</i>
Ash stock	2,195	2,594
Fuel, spare parts and consumables	14,140	16,192
	16,335	18,786

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 £459,000 for unusable fuel stock and obsolete spare parts (2020: £708,000). The company held no stock during the year (2020: £nil).

Notes to the financial statements

for the year ended 30 June 2021

16. Debtors

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Amounts falling due within one year				
Trade debtors	615	540	-	1
Amounts owed by group undertakings	-	-	75,499	74,677
Consortium and group relief	-	-	1,279	2,202
Corporation tax	3,193	546	-	-
Other taxation and social security	52	-	-	204
Prepayments and accrued income	29,404	36,591	188	130
	33,264	37,677	76,966	77,214
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	17,370	17,370
Deferred tax asset	-	-	400	763
	-	-	17,770	18,133

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	£17,370,000	nil	11%	December 2028
Energy Power Resources Limited	£3,000,000	nil	7.5%	On demand
Melton LG Energy Limited	£69,300,000	£3,199,000	7.5%	On demand

Notes to the financial statements

for the year ended 30 June 2021

17. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Bank loans and overdrafts (note 21)	18,290	18,792	18,290	18,792
Trade creditors	1,459	1,448	1	-
Amounts owed to immediate parent undertaking	4,071	3,726	4,071	3,726
Group relief	5,932	4,838	-	-
Other creditors	1,002	679	-	-
Taxation and social security	3,547	6,237	46	32
Accruals and deferred income	9,179	10,680	875	913
	43,480	46,400	23,283	23,463

Amounts owed to immediate parent undertaking include management fees payable to Eucalyptus Energy Limited of £4,071,000 (2020: £3,726,000).

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

	<i>Group</i>		<i>Company</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Bank loans and overdrafts (note 21)	85,149	102,870	85,149	102,870
Shareholder loan (note 22)	83,910	115,262	83,910	115,262
Derivative financial instruments	2,081	3,990	2,081	3,990
	171,140	222,122	171,140	222,122

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

Notes to the financial statements

for the year ended 30 June 2021

19. Financial instruments

Group

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

The group has the following financial instruments:

	Note	2021 £000s	2020 £000s
Financial instruments measured at amortised cost			
Trade receivables	16	615	540
		<u>615</u>	<u>540</u>
Financial liabilities measured at amortised cost			
Bank loans falling due within one year	17	18,290	18,792
Trade creditors	17	1,459	1,448
Amounts owed to shareholder	17	4,071	3,726
Accruals	17	9,179	10,680
Other creditors	17	1,002	679
Bank loans falling due after more than one year	18	85,149	102,870
Shareholder loan falling due after more than one year	18	83,910	115,262
		<u>203,060</u>	<u>253,457</u>

Company

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

The company has the following financial instruments.

	Note	2021 £000s	2020 £000s
Financial instruments measured at amortised cost			
Trade receivables	16	-	1
Amounts owed by group undertakings	16	92,869	92,047
		<u>92,869</u>	<u>92,048</u>
Financial liabilities measured at amortised cost			
Bank loans falling due within one year	17	18,290	18,792
Amounts owed to shareholder	17	4,071	3,726
Accruals	17	875	913
Bank loans falling due after more than one year	18	85,149	102,870
Shareholder loan falling due after more than one year	18	83,910	115,262
		<u>192,295</u>	<u>241,563</u>

Notes to the financial statements

for the year ended 30 June 2021

20. Provisions for liabilities

The group has a net deferred tax liability totalling £13,099,000 (30 June 2020: £11,354,000) made up as follows:

	<i>Group</i>	
	<i>2021</i>	<i>2020</i>
	<i>£000s</i>	<i>£000s</i>
Capital allowances in excess of depreciation	13,775	12,299
Tax losses carried forward	(171)	(176)
Other timing differences	(110)	(11)
Tax on components of cash flow hedges	(395)	(758)
Total deferred tax liability	<u>13,099</u>	<u>11,354</u>
At the beginning of the year	11,354	11,312
Origination and reversal of timing differences	(1,200)	(923)
Adjustments in respect of prior years	(53)	(53)
Movement in tax on components of cash flow hedges	363	(366)
Re-measurement of deferred tax – change in UK tax rate	2,635	1,384
Net deferred tax liability at the end of the year	<u>13,099</u>	<u>11,354</u>

The company has no deferred tax liabilities

Deferred tax assets not recognised

	<i>Group</i>	
	<i>2021</i>	<i>2020</i>
	<i>£000s</i>	<i>£000s</i>
Tax losses carried forward	-	(6)

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

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

Notes to the financial statements

for the year ended 30 June 2021

21. Bank loans

Group and company

	2021 £000s	2020 £000s
Amounts falling due within one year	18,290	18,792
Amounts falling due after more than one year	85,149	102,870
	103,439	121,662

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

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

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

Bank loans are stated net of unamortised issue costs of £3,273,000 (30 June 2020: £3,843,000).

22. Shareholder loan

As at 30 June 2021, the company is in receipt of a shareholder loan from its immediate parent company Eucalyptus Energy Limited. The loan was issued on 30 October 2015 with a principal amount of £127,021,000. The loan is subordinated to the senior secured notes, bears interest at 7% and is repayable on demand.

Eucalyptus Energy Limited have confirmed that they will not seek repayment of the loan for a period of at least 12 months from the date of signing of these financial statements to the extent that such repayment would reasonably be expected to result in the group being unable to meet its liabilities as they fall due.

Unpaid accrued interest is charged to the statement of comprehensive income and added to the principal balance on a quarterly basis. Unpaid interest added to the principal during the year was £7,301,000 (30 June 2020: £7,460,000).

During the year, principal repayments of £38,653,000 were made to Eucalyptus Energy Limited (30 June 2020: £15,717,000). As at 30 June 2021, the total outstanding balance due in more than one year is £83,910,000 (30 June 2020: £115,262,000).

Notes to the financial statements

for the year ended 30 June 2021

23. Called up share capital

Group and company

	<i>As at 30 June 2021 £000s</i>	<i>As at 30 June 2020 £000s</i>
<i>Authorised</i>		
50,870,000 (2020: 50,870,000) ordinary shares of £1 each	50,870	50,870
<i>Allotted</i>		
50,870,000 (2020: 50,870,000) ordinary shares of £1 each	50,870	50,870

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

	<i>2021 £000s</i>	<i>2020 £000s</i>
Profit/(loss) for the financial year	12,420	(3,561)
Tax on profit	5,111	3,921
Interest payable and similar expenses	12,240	13,932
Interest receivable and similar income	(8)	(45)
Share of operating profit in joint venture	(1,755)	(2,717)
Operating profit	28,008	11,530
Depreciation	13,788	14,303
Loss on disposal of fixed assets	13	44
Profit on disposal of investments	(18,102)	-
Amortisation of goodwill and intangibles	10,174	10,175
Decrease/(increase) in stocks	2,451	(3,413)
Decrease/(increase) in debtors	7,060	(795)
(Decrease)/increase in creditors	(3,485)	6,230
Net cash inflow from operating activities	39,907	38,074

Notes to the financial statements

for the year ended 30 June 2021

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

(a) Movement in net debt

	2021 £000s	2020 £000s
Increase/(decrease) in cash	907	(2,572)
Bank loan principal repayments	18,792	14,991
Repayment of shareholder loan due within more than one year	38,653	15,717
Non-cash movements	(7,831)	(8,034)
Movement in net debt	50,521	20,102
Opening net debt	(225,514)	(245,616)
Closing net debt	(174,993)	(225,514)

(b) Analysis of changes in net debt

	At 1 July 2020 £000s	Cash flow £000s	Non-cash movements £000s	At 30 June 2021 £000s
Cash at bank and in hand	11,449	907	-	12,356
Shareholder company loan				
Debt due after more than one year	(115,262)	38,653	(7,301)	(83,910)
External debt:				
Bank loan drawn down	(152,190)	-	-	(152,190)
Bank loan principal repayments	26,685	18,792	-	45,477
Debt issue costs paid	3,804	-	(530)	3,274
Total	(225,514)	58,352	(7,831)	(174,993)

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 2021

26. Other financial commitments

At 30 June 2021 and 30 June 2020 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 2021</i>		<i>As at 30 June 2020</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	284	195	304
Later than one year and not later than five years	831	378	593	325
Later than five years	136	-	244	9
	<u>1,207</u>	<u>662</u>	<u>1,032</u>	<u>638</u>

The company had no other financial commitments as at 30 June 2021 or 30 June 2020.

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 2021 until they are satisfied in full. These liabilities total £335,888,000 (2020: £330,512,000) of which £309,344,000 (2020: £301,456,000) 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 a defined contribution personal pension schemes for certain qualifying employees. The costs for the year are shown in note 8. Assets of the scheme are held in independently administered funds. Outstanding contributions at 30 June 2021 amounted to £47,000 (2020: £48,000).

29. Related party transactions

During the year the group incurred, in the normal course of business, management fees payable to Eucalyptus Energy Limited of £4,071,000 (2020: £3,726,000) for management and administration services. At the year-end £4,071,000 (30 June 2020: £3,726,000) was outstanding.

During the year the group received, in the normal course of business, from Yorkshire Windpower Limited £74,000 (30 June 2020: £62,000) for management and accountancy services. At the year-end £nil (30 June 2020: £nil) was outstanding.

Notes to the financial statements

for the year ended 30 June 2021

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.

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