

Melton Renewable Energy (Holdings) Limited

Report and financial statements

for the year ended 30 June 2021

Registered number: 05375886

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COMPANIES HOUSE

Directors and advisers

Directors

P S Latham
M G Setchell
E J Wilkinson

Secretary

Octopus Company Secretarial Services Limited.

Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Registered office

6th Floor
33 Holborn
London
EC1N 2HT

Strategic report for the year ended 30 June 2021

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

Business review

The company's sole activity is to hold shares in Melton Renewable Energy Newco Limited ("MREN"). MREN's sole activity is to hold shares in EPR Renewable Energy Limited ("EREL"). EREL's sole activity is to hold shares in Energy Power Resources Limited ("EPRL").

The company's results for the year and financial position at the year end were in line with expectations.

EPRL and its subsidiaries collectively represent the "Biomass division" of the Melton Renewable Energy UK Limited group ("the group"). The primary activity of the Biomass division is the operation of five electricity power stations (in total approximately 111MW capacity) and the marketing and sale of potash and phosphate fertiliser, branded as Fibrophos. During the year the EPRL disposed of its 50% shareholding in Yorkshire Windpower Limited ("YWP"), its joint venture windfarm business.

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 consistent level year on year.

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 and review 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, the group has increased cleaning procedures and amended induction processes to include temperature check and minimise contact. Further we have reduced visitors to only those essential to the business and have minimised contact with hauliers and contractors. Whilst there were short term impacts on the supply of some fuels during the UK's 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.

Business review (continued)

Consequently, at this point we believe that the Covid-19 pandemic will not impact upon the company's balance sheet or its ability to continue as a going concern. Further, we believe that there will be only a

Strategic report for the year ended 30 June 2021

limited impact upon the company's operational activities, income statement and cash flows in the upcoming 12 months.

Results

The results of the company show a profit for the financial year of £55,282,000 (2020: £18,922,000). Dividend income from shares in group undertakings of £56,830,000 was received in the year (2020: £20,500,000). Excluding dividend income the company's loss for the financial year was £1,548,000 (2020: £1,578,000).

Principal risks and uncertainties

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

Key performance indicators

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

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

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

The report was approved by the board on 8 November 2021 and signed on its behalf by:



E J Wilkinson
Director

Director's report for the year ended 30 June 2021

The directors present their report and the financial statements for Melton Renewable Energy (Holdings) Limited (the "company") for the year ended 30 June 2021.

Principal activities

The company's sole activity is to hold shares in Melton Renewable Energy Newco Limited ("MREN"). MREN's sole activity is to hold shares in EPR Renewable Energy Limited ("EREL"). EREL's sole activity is to hold shares in Energy Power Resources Limited ("EPRL").

EPRL and its subsidiaries collectively represent the "Biomass division" of the Melton Renewable Energy UK Limited group.

The primary activity of the Biomass division is the operation of five electricity power stations (in total approximately 111MWs capacity) and the marketing and sale of potash and phosphate fertiliser, branded as Fibrophos.

Future developments

The directors anticipate that the company will continue to achieve satisfactory results in future years.

Dividends

Ordinary dividends of £54,580,000 were paid during the year (2020: £20,500,000) and a profit of £702,000 (2020: £1,578,000 loss) was transferred to reserves.

Directors

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

P S Latham
M G Setchell
E J Wilkinson

Directors' third-party indemnity provision

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

Going concern

After considering the projections prepared for the period to 31 October 2022 the directors believe the company has sufficient funds to meet its liabilities as they fall due and have accordingly prepared the financial statements on a going concern basis. The directors have received confirmation from Melton Renewable Energy UK Limited, of its intention to financially support the company such that the company can meet those obligations as they fall due for a period of at least twelve months from the date of the directors' approval of these financial statements.

Director's report for the year ended 30 June 2021

Financial risk management

The company's operations expose it to limited financial risk that include liquidity risk.

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

Liquidity risk

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

Statement of directors' responsibilities

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 company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for safeguarding the assets of the 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Director's report for the year ended 30 June 2021

Audit exemption

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

The report was approved by the board on 8 November 2021 and signed on its behalf by:



E J Wilkinson
Director

Statement of income and retained earnings
for the year ended 30 June 2021

	<i>Note</i>	2021 £000s	2020 £000s
Income from shares in group undertakings	9	56,830	20,500
Profit on ordinary activities before interest and taxation		56,830	20,500
Interest payable and similar charges	6	(1,911)	(1,948)
Profit on ordinary activities before taxation		54,919	18,552
Tax on profit on ordinary activities	7	363	370
Profit for the financial year	15	55,282	18,922
Retained earnings brought forward		12,577	14,155
Dividends	8	(54,580)	(20,500)
Retained earnings carried forward	15	13,279	12,577

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

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

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

Balance sheet

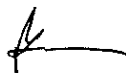
as at 30 June 2021

	Note	2021 £000s	2020 £000s
Fixed assets			
Investments	9	1,000	1,000
Current assets			
Debtors: amounts falling due within one year	10	59,182	59,467
Cash at bank and in hand		42	7
		59,224	59,474
Creditors: amounts falling due within one year	11	(6,850)	(7,802)
Net current assets		52,374	51,672
Total assets less current liabilities		53,374	52,672
Creditors: amounts falling due after more than one year	12	(17,370)	(17,370)
Net assets		36,004	35,302
Capital and reserves			
Called up share capital	14	22,725	22,725
Retained earnings	15	13,279	12,577
Total shareholders' funds	16	36,004	35,302

For the year ending 30 June 2021 the directors consider that the company is entitled to exemption from audit under section 479A of the Companies Act 2006 ("the Act") and the members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476 of the Act.

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

The financial statements on pages 7 to 17 were approved by the board of directors on **8 November 2021** and were signed on its behalf by:



P S Latham
Director

Registered number: 05375886

Notes to the financial statements

for the year ended 30 June 2021

1. General information

Melton Renewable Energy (Holdings) Limited's sole activity is to hold shares in Melton Renewable Energy Newco Limited.

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

2. Statement of compliance

The financial statements of Melton Renewable Energy (Holdings) 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 financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the 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.

Group financial statements

The company has taken advantage of the exemption available under section 400 of the Companies Act 2006 not to prepare consolidated financial statements, on the basis that the company's holding company is Melton Renewable Energy UK Limited, a company established under UK law that prepares consolidated financial statements.

Exemptions for qualifying entities under FRS 102

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

The company has taken advantage of the following exemptions:

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

Notes to the financial statements

for the year ended 30 June 2021

3. Accounting policies (continued)

Related parties

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

Investments

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

Current tax

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

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

Deferred tax

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

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

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

Group relief

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

Notes to the financial statements

for the year ended 30 June 2021

3. Accounting policies (continued)

Financial instruments

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

Financial assets

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

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

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

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

Financial liabilities

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

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

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

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

Offsetting

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

Notes to the financial statements

for the year ended 30 June 2021

4. Critical accounting judgements and estimation uncertainty

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

a) Critical judgements in applying the company's accounting policies.

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

b) Key accounting estimates and assumptions.

The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

5. Employee information

The company paid no remuneration or wages to its directors and had no other employees during the year (2020: £nil). The emoluments of E J Wilkinson are paid by Energy Power Resources Limited which makes no recharge to the company. E J Wilkinson is a director of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of his emoluments in respect of each of the subsidiaries. His total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the subsidiary. P S Latham and M G Setchell did not receive any payment for their services to the Melton Renewable Energy UK Limited group.

6. Interest payable and similar charges

	2021	2020
	£000s	£000s
Interest payable to parent undertakings	1,911	1,948

Notes to the financial statements

for the year ended 30 June 2021

7. Tax on profit on ordinary activities

a) Analysis of credit in the year

	2021 £000s	2020 £000s
Current tax:		
Group relief receivable	(363)	(370)
Total tax credit	(363)	(370)

b) Reconciliation of tax credit

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

	2021 £000s	2020 £000s
Profit on ordinary activities before taxation	54,919	18,552
Profit on ordinary activities before taxation multiplied by effective rate of corporation tax of 19% (2020: 19%)	10,435	3,525
Effect of:		
Non-taxable income	(10,798)	(3,895)
Tax credit for the year	(363)	(370)

c) Factors that may affect future tax 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 at 30 June 2021.

8. Dividends

	2021 £000s	2020 £000s
2021: £2.40 per ordinary share (2020: £0.90)	54,580	20,500

Notes to the financial statements

for the year ended 30 June 2021

9. Investments

Cost:	£000s
At 1 July 2020 and 30 June 2021	1,000

The subsidiary companies of the company at 30 June 2021, which are all wholly owned and incorporated 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>
<i>Subsidiary undertakings</i>			
Melton Renewable Energy Newco Ltd +	Ordinary Shares	100%	Intermediate holding company
EPR Renewable Energy Limited	Ordinary shares	100%	Intermediate holding company
Energy Power Resources Limited	Ordinary shares	100%	Development of renewable energy projects and providing management and administrative services
EPR Scotland Limited	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

+ Held directly by Melton Renewable Energy (Holdings) Limited.

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

The registered office of the companies listed above is 6th Floor, 33 Holborn, London, EC1N 2HT except for EPR Scotland Limited, 1 West Regent Street, Glasgow, G2 1AP.

9. Investments (continued)

During the year the company received dividends from wholly owned subsidiaries as follows: -

Notes to the financial statements

for the year ended 30 June 2021

	2021	2020
	£000s	£000s
Melton Renewable Energy Newco Limited	56,830	20,500

10. Debtors

	2021	2020
	£000s	£000s
Amounts owed by group undertakings	57,393	57,877
Group relief	1,789	1,590
	<u>59,182</u>	<u>59,467</u>

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

11. Creditors: amounts falling due within one year

	2021	2020
	£000s	£000s
Amounts owed to group undertakings	6,850	6,850
Parent company loan interest (note 13)	-	952
	<u>6,850</u>	<u>7,802</u>

All amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

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

	2021	2020
	£000s	£000s
Parent company loan (note 13)	17,370	17,370

13. Parent company loan

The parent company loan provided by Melton Renewable Energy UK Limited is unsecured, bears interest at 11% per annum and is due to be repaid on 31 December 2028.

Notes to the financial statements

for the year ended 30 June 2021

14. Called up share capital

	2021 £000s	2020 £000s
<i>Allotted, called up and fully paid:</i>		
22,725,001 (2020: 22,725,001) ordinary shares of £1 each	22,725	22,725

15. Retained earnings

	<i>Retained earnings £000s</i>
At 1 July 2020	12,577
Profit for the financial year	55,282
Dividends (note 8)	(54,580)
At 30 June 2021	13,279

16. Reconciliation of movements in shareholders' funds

	2021 £000s	2020 £000s
Opening shareholders' funds	35,302	36,880
Profit for the financial year	55,282	18,922
Dividends (note 8)	(54,580)	(20,500)
Closing shareholders' funds	36,004	35,302

17. Contingent liabilities

At 30 June 2021 the company was guarantor with other group companies of a bank loan facility provided by the group's financiers. The outstanding loan balance as at 30 June 21 was £106,713,000 (2020: £125,505,000)

The company has no other off balance sheet arrangements.

18. Ultimate parent company

Melton Renewable Energy UK Limited is the immediate parent undertaking and is registered in England and Wales. The ultimate parent undertaking as at the year ended 30 June 2021 was Fern Trading Limited, a company incorporated in England and Wales with its registered office at 6th Floor, 33 Holborn, London, EC1N 2HT.

Notes to the financial statements

for the year ended 30 June 2021

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