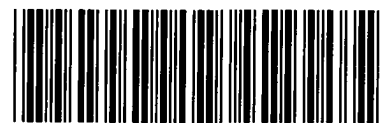

MERLIN RENEWABLES LIMITED

Directors' Report and Financial Statements

For the Year Ended 31 May 2019

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MERLIN RENEWABLES LIMITED

Company Information

Directors	B Field C Holmes W Mezzullo
Company secretary	Future Biogas Limited
Registered number	08125572
Registered office	10 - 12 Frederick Sanger Road Guildford Surrey GU2 7YD
Independent auditor	BDO LLP 31 Chertsey Street Guildford Surrey GU1 4HD

MERLIN RENEWABLES LIMITED

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MERLIN RENEWABLES LIMITED

Directors' Report For the Year Ended 31 May 2019

The Directors present their report and the financial statements for the year ended 31 May 2019.

Principal activity

The principal activity of the business is the generation and sale of electricity, gas and heat.

Business review

The Company's performance continued to improve during the year ending 31 May 2019 enabling it to record earnings before interest, tax and depreciation (EBITDA) of £1,884,711 (2018: £1,526,021). This resulted from increased turnover and continued tight cost control.

Turnover increased 9.3% to average £426,495 per month (2018: £390,072 per month). This was largely driven by increased productivity.

The Directors expect the Company to maintain its performance in future years.

Directors

The Directors who served during the year were:

M Hughes (resigned 5 February 2018)
P Lukas (resigned 15 August 2018)
C Corbally (resigned 15 August 2018)
B Field (appointed 15 August 2018)
C Holmes (appointed 15 August 2018)
W Mezzullo (appointed 15 August 2018)

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 27 February 2020 and signed on its behalf.



W Mezzullo
Director

MERLIN RENEWABLES LIMITED

**Directors' Responsibilities Statement
For the Year Ended 31 May 2019**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MERLIN RENEWABLES LIMITED

Independent Auditor's Report to the Shareholders of Merlin Renewables Limited

Opinion

We have audited the financial statements of Merlin Renewables Limited (the 'Company') for the year ended 31 May 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Analysis of Net Debt, the Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material

MERLIN RENEWABLES LIMITED

Independent Auditor's Report to the Shareholders of Merlin Renewables Limited (continued)

misstatement in 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

MERLIN RENEWABLES LIMITED

Independent Auditor's Report to the Shareholders of Merlin Renewables Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

BDO LLP

Nick Poulter (Senior Statutory Auditor)

for and on behalf of

BDO LLP, statutory auditor

31 Chertsey Street
Guildford
Surrey
GU1 4HD

Date: 28/2/2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127). 27 February 2020

MERLIN RENEWABLES LIMITED

**Statement of Comprehensive Income
For the Year Ended 31 May 2019**

	Note	2019 £	2018 £
Turnover	4	5,117,942	4,680,868
Cost of sales		(2,645,142)	(2,859,451)
Gross profit		2,472,800	1,821,417
Administrative expenses		(1,057,595)	(748,234)
Other operating income	5	43,494	60,247
Other operating charges		(49,293)	(79,973)
Operating profit	6	1,409,406	1,053,457
Interest receivable and similar income	9	-	3
Interest payable and expenses	10	(118,618)	(123,529)
Profit before tax		1,290,788	929,931
Tax on profit	11	(224,958)	23,667
Profit for the financial year		1,065,830	953,598

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018:£NIL).

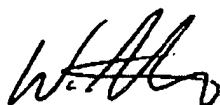
The notes on pages 11 to 25 form part of these financial statements.

MERLIN RENEWABLES LIMITED
Registered number: 08125572

Balance Sheet
As at 31 May 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	13	7,112,133	7,462,013
Investments	14	7,500	7,500
		<u>7,119,633</u>	<u>7,469,513</u>
Current assets			
Stocks	15	407,260	637,815
Debtors: amounts falling due within one year	16	2,591,992	2,985,827
Cash at bank and in hand	17	1,169,826	253,096
		<u>4,169,078</u>	<u>3,876,738</u>
Creditors: amounts falling due within one year	18	(761,595)	(2,042,738)
Net current assets		<u>3,407,483</u>	<u>1,834,000</u>
Total assets less current liabilities		<u>10,527,116</u>	<u>9,303,513</u>
Creditors: amounts falling due after more than one year	19	(1,399,150)	-
Provisions for liabilities			
Deferred tax	21	(198,623)	-
		<u>(198,623)</u>	<u>-</u>
Net assets		<u><u>8,929,343</u></u>	<u><u>9,303,513</u></u>
Capital and reserves			
Called up share capital	23	1	149,255
Share premium account	24	-	9,380,878
Profit and loss account	24	8,929,342	(226,620)
		<u><u>8,929,343</u></u>	<u><u>9,303,513</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 February 2020.



W Mezzullo
Director

The notes on pages 11 to 25 form part of these financial statements.

MERLIN RENEWABLES LIMITED

**Statement of Changes in Equity
For the Year Ended 31 May 2019**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 June 2017	149,255	9,380,878	(1,180,218)	8,349,915
Comprehensive income for the year				
Profit for the year	-	-	953,598	953,598
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	953,598	953,598
Total transactions with owners	-	-	-	-
At 1 June 2018	149,255	9,380,878	(226,620)	9,303,513
Comprehensive income for the year				
Profit for the year	-	-	1,065,830	1,065,830
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,065,830	1,065,830
Dividends: Equity capital	-	-	(1,440,000)	(1,440,000)
Share capital cancelled during the year	(149,254)	-	149,254	-
Transfer to/from profit and loss account	-	(9,380,878)	9,380,878	-
Total transactions with owners	(149,254)	(9,380,878)	8,090,132	(1,440,000)
At 31 May 2019	1	-	8,929,342	8,929,343

The notes on pages 11 to 25 form part of these financial statements.

MERLIN RENEWABLES LIMITED

**Analysis of Net Debt
For the Year Ended 31 May 2019**

	At 1 June 2018 £	Movement £	At 31 May 2019 £
Cash at bank and in hand	253,096	916,730	1,169,826
Debt due after 1 year	-	(1,399,150)	(1,399,150)
Debt due within 1 year	(1,387,650)	1,387,650	-
	<u>(1,134,554)</u>	<u>905,230</u>	<u>(229,324)</u>

The notes on pages 11 to 25 form part of these financial statements.

MERLIN RENEWABLES LIMITED

**Statement of Cash Flows
For the Year Ended 31 May 2019**

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	1,065,830	953,598
Adjustments for:		
Depreciation of tangible assets	475,326	472,564
Interest expense	118,618	123,529
Interest received	-	(3)
Taxation charge/(credit)	224,958	(23,667)
Decrease in stocks	230,555	5,722
Decrease/(increase) in debtors	370,169	(672,720)
Increase in creditors	97,869	321,493
Net cash generated from operating activities	2,583,325	1,180,516
Cash flows from investing activities		
Purchase of tangible fixed assets	(125,448)	(37,496)
Interest received	-	3
Net cash from investing activities	(125,448)	(37,493)
Cash flows from financing activities		
Repayment of other loans	-	(1,100,000)
Dividends paid	(1,440,000)	-
Interest paid	(101,147)	(134,439)
Net cash used in financing activities	(1,541,147)	(1,234,439)
Net increase/(decrease) in cash and cash equivalents	916,730	(91,416)
Cash and cash equivalents at beginning of year	253,096	344,512
Cash and cash equivalents at the end of year	1,169,826	253,096
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,169,826	253,096
	1,169,826	253,096

The notes on pages 11 to 25 form part of these financial statements.

MERLIN RENEWABLES LIMITED

Notes to the Financial Statements For the Year Ended 31 May 2019

1. General information

Merlin Renewables Limited is a limited liability company incorporated in England and Wales under the Companies Act. The registered office is 1 Kingsway, London, WC2B 6AN.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

2.2 Turnover

Turnover comprises revenue recognised by the Company in respect of generation of electricity, gas and heat. Turnover is recognised on a monthly basis as output is transferred.

2.3 Other operating income

Other operating income comprises income from activities falling outside of that defined in 'Turnover' (see Note 2.3) e.g. ad hoc sales of excess feedstock.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

MERLIN RENEWABLES LIMITED

Notes to the Financial Statements For the Year Ended 31 May 2019

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	- Over 30 years
Plant and machinery	- Over 20 years for all assets other than major components with a shorter useful economic life, as detailed below
Plant and machinery - engines	- Over 120,000 running hours
Motor vehicles	- Over 4 years
Office equipment	- Over 4 years
Computer equipment	- Over 4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.5 Valuation of investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period.

2.6 Stocks

Stocks represent costs of energy crops for use as a feedstock in biogas generation, and spare parts and consumables held for use on site. All stocks are valued at the lower of cost and net realisable value.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

MERLIN RENEWABLES LIMITED

Notes to the Financial Statements For the Year Ended 31 May 2019

2. Accounting policies (continued)

2.9 Financial instruments

With the exception of immaterial investments in unlisted company shares, the Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-puttable ordinary and preference shares are measured at fair value with changes recognised in the Statement of Income and Retained Earnings if the shares are publicly traded or their fair value can otherwise be measured reliably.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

MERLIN RENEWABLES LIMITED

Notes to the Financial Statements For the Year Ended 31 May 2019

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Retained Earnings.

2.12 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.15 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.16 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

MERLIN RENEWABLES LIMITED

Notes to the Financial Statements For the Year Ended 31 May 2019

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgement:

- Determine the provision for feedstock lost whilst being stored in clamps. This provision is recognised based on historic losses of relevant crops and assumes that losses will occur in the following stages - 60% losses initially, as it is expected that the majority of losses will occur during clamping, then a further 5% loss each month for the following 8 months.

Other key sources of estimation uncertainty

- Tangible fixed assets are depreciated over their useful lives. The actual lives of the assets may vary depending on a number of factors.

MERLIN RENEWABLES LIMITED

**Notes to the Financial Statements
For the Year Ended 31 May 2019**

4. Turnover

All turnover arose within the United Kingdom.

5. Other operating income

	2019 £	2018 £
Other operating income	43,494	60,247
	<u>43,494</u>	<u>60,247</u>

6. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of plant and equipment	475,326	472,564
Exchange differences	(2,562)	143
Other operating lease rentals	72,907	68,313
	<u>72,907</u>	<u>68,313</u>

7. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	10,455	9,635
Fees payable to the Company's auditor and its associates in respect of:		
Other services relating to taxation	3,895	1,750
	<u>3,895</u>	<u>1,750</u>

8. Employees

The Company has no employees other than its Directors (2018 - nil). The Directors receive no remuneration (2018 - £nil).

MERLIN RENEWABLES LIMITED

**Notes to the Financial Statements
For the Year Ended 31 May 2019**

9. Interest receivable

	2019 £	2018 £
Other interest receivable	-	3
	<u>-</u>	<u>3</u>
	<u>-</u>	<u>3</u>

10. Interest payable and similar expenses

	2019 £	2018 £
Other loan interest payable	24,434	123,529
Group loan interest payable	94,184	-
	<u>118,618</u>	<u>123,529</u>
	<u>118,618</u>	<u>123,529</u>

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	2,668	-
	<u>2,668</u>	<u>-</u>
	<u>2,668</u>	<u>-</u>
Total current tax	<u>2,668</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	222,290	(23,667)
	<u>222,290</u>	<u>(23,667)</u>
Total deferred tax	<u>222,290</u>	<u>(23,667)</u>
Taxation on profit/(loss) on ordinary activities	<u>224,958</u>	<u>(23,667)</u>

MERLIN RENEWABLES LIMITED

**Notes to the Financial Statements
For the Year Ended 31 May 2019**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - *lower than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>1,290,788</u>	<u>929,931</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	245,250	176,687
Effects of:		
Fixed asset differences	1,101	512
Expenses not deductible for tax purposes	4,758	5,325
Other permanent differences	-	170
Adjust closing deferred tax to average rate of 19%	(23,625)	2,784
Adjust opening deferred tax to average rate of 19%	(2,526)	(22,015)
Deferred tax not recognised	-	(187,130)
Total tax charge for the year	<u><u>224,958</u></u>	<u><u>(23,667)</u></u>

Factors that may affect future tax charges

The Company has taxable losses of £2,253,893 (2018: £3,295,330) which are to be carried forward and used against trading profits in future years.

12. Dividends

	2019 £	2018 £
Interim dividends paid	1,440,000	-
	<u><u>1,440,000</u></u>	<u><u>-</u></u>

Interim dividends of £1,350,000 has been paid since 31 May 2019.

MERLIN RENEWABLES LIMITED

**Notes to the Financial Statements
For the Year Ended 31 May 2019**

13. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Office equipment £	Computer equipment £	Total £
Cost						
At 1 June 2018	68,811	9,126,660	6,615	2,089	17,850	9,222,025
Additions	-	118,604	-	-	6,844	125,448
At 31 May 2019	68,811	9,245,264	6,615	2,089	24,694	9,347,473
Depreciation						
At 1 June 2018	11,080	1,736,500	6,615	2,089	3,730	1,760,014
Charge for the year	2,294	467,424	-	-	5,608	475,326
At 31 May 2019	13,374	2,203,924	6,615	2,089	9,338	2,235,340
Net book value						
At 31 May 2019	55,437	7,041,340	-	-	15,356	7,112,133
At 31 May 2018	57,732	7,390,161	-	-	14,120	7,462,013

14. Fixed asset investments

	Other fixed asset investments £
Valuation	
At 1 June 2018	7,500
At 31 May 2019	7,500

MERLIN RENEWABLES LIMITED

**Notes to the Financial Statements
For the Year Ended 31 May 2019**

15. Stocks

	2019	2018
	£	£
Feedstock	398,513	637,329
Spare parts	1,206	486
Other stock	7,541	-
	407,260	637,815

Feedstock and other stocks are valued at average cost. Spare parts are valued at cost on a first in, first out basis. The replacement cost of stocks at 31 May 2019 and 31 May 2018 was not materially different from the amount at which they are included in the accounts.

No stock was impaired or written off in the current or previous period.

Stock recognised in cost of sales during the period as an expense was £1,848,931 (2018: £1,853,937).

16. Debtors

	2019	2018
	£	£
Trade debtors	21,789	58,926
Other debtors	93,232	71,791
Prepayments and accrued income	2,476,971	2,831,443
Deferred taxation	-	23,667
	2,591,992	2,985,827

17. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	1,169,826	253,096
	1,169,826	253,096

MERLIN RENEWABLES LIMITED

**Notes to the Financial Statements
For the Year Ended 31 May 2019**

18. Creditors: Amounts falling due within one year

	2019 £	2018 £
Loans (see Note 20)	-	1,387,650
Trade creditors	602,568	498,961
Corporation tax	2,668	-
Other creditors	695	-
Accruals and deferred income	155,664	156,127
	<u>761,595</u>	<u>2,042,738</u>

19. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Loans (see Note 20)	1,399,150	-
	<u>1,399,150</u>	<u>-</u>

Please provide details of the terms of payment or repayment and the rates of any interest payable on the amounts repayable more than five years after the balance sheet date.

20. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Loans	-	1,387,650
	<u>-</u>	<u>1,387,650</u>
Amounts falling due after more than 5 years		
Other loans	1,399,150	-
	<u>1,399,150</u>	<u>-</u>
	<u>1,399,150</u>	<u>1,387,650</u>

The loan is repayable on 31 December 3036. Interest is payable at a rate of 9%.

MERLIN RENEWABLES LIMITED

**Notes to the Financial Statements
For the Year Ended 31 May 2019**

21. Deferred taxation

	2019 £
At beginning of year	23,667
Charged to profit or loss	(222,290)
At end of year	(198,623)

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Tax losses carried forward	383,162	683,959
Fixed asset timing differences	(581,785)	(660,292)
	<u>(198,623)</u>	<u>23,667</u>

22. Financial instruments

	2019 £	2018 £
Financial assets		
Measured at amortised cost		
- Trade and other debtors (see Note 15)	2,591,992	2,908,855
- Amounts due from associates (see Note 15)	-	-
	<u>2,591,992</u>	<u>2,908,855</u>
Financial liabilities		
Measured at amortised cost		
- Loans payable (see Note 19)	1,399,150	1,387,650
- Trade and other creditors (see Note 17)	603,263	498,961
- Accruals (see Note 17)	155,664	156,127
	<u>2,158,077</u>	<u>2,042,738</u>

MERLIN RENEWABLES LIMITED

**Notes to the Financial Statements
For the Year Ended 31 May 2019**

23. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
0 (2018 - 5,031,628) A Ordinary shares of £0.01 each	-	50,316
0 (2018 - 9,893,931) B Ordinary shares of £0.01 each	-	98,939
100 (2018 -) Ordinary shares of £0.01 each	1	-
	<u>1</u>	<u>149,255</u>

The Ordinary shares rank pari passu.

On 26 September 2018, following a statement of solvency by the Directors, under the terms of a Special Resolution, the Company cancelled 5,031,528 A Ordinary shares and 9,893,931 B Ordinary shares. The remaining 100 A Ordinary shares were redesignated as Ordinary shares.

24. Reserves

Share premium account

The share premium account represents the premium on issue of equity shares, net of any issue costs.

Profit and loss account

The profit and loss account represents cumulative profits and losses net of dividends paid and other adjustments.

25. Commitments under operating leases

At 31 May 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	60,621	60,269
Later than 1 year and not later than 5 years	242,485	241,074
Later than 5 years	1,151,804	1,210,793
	<u>1,454,910</u>	<u>1,512,136</u>

MERLIN RENEWABLES LIMITED

Notes to the Financial Statements For the Year Ended 31 May 2019

26. Related party transactions

During the year and the prior year, transactions with the following related parties occurred:

Future Biogas Limited	- P Lukas is a director and shareholder
Grange Farm Energy Limited	- B Field, C Holmes and W Mezzullo are directors
Heath Farm Energy Limited	- P Lukas is a director
Lapwing Farming Limited	- P Lukas is a director and shareholder
Vulcan Renewables Limited	- W Mezzullo is a director
Downing LLP	- C Corbally is a partner

All material transactions with the above are deemed to have been concluded under normal market conditions

Sales were made to the following:

	2019 £	2018 £
Grange Farm Energy Limited	-	11,567
Heath Farm Energy Limited	-	56,004
Lapwing Farming Limited	2,447	49,125

Purchases were made from the following:

Future Biogas Limited	48,741	813,788
Heath Farm Energy Limited	-	25,545
Lapwing Farming Limited	312,083	1,406,266
Vulcan Renewables Limited	-	4,150
Downing LLP	-	219,365

At the year end, there were no amounts due (to)/from the related parties.

MERLIN RENEWABLES LIMITED

**Notes to the Financial Statements
For the Year Ended 31 May 2019**

27. Controlling party

The Company is wholly owned by John Laing Environmental Assets Group (UK) Limited, a company registered in England and Wales (company number 08856505). John Laing Environmental Assets Group (UK) Limited's registered office is Foresight Group LLP The Shar, 32 London Bridge Street, London, United Kingdom, SE1 9SG.

The ultimate controlling party is John Laing Environmental Assets Group Limited, a limited corporate entity incorporated in Guernsey Channel Islands.