



## **Melton Renewable Energy UK Limited**

### **Annual report and financial statements**

for the year ended 30 June 2023

Registered number: 09194088

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COMPANIES HOUSE

## Company information

### Directors

E J Wilkinson

E W Fellows

M J Bullard

### Secretary

Octopus Company Secretarial Services Limited

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## Strategic report for the year ended 30 June 2023

The directors present their strategic report for the group and for the company for the year ended 30 June 2023.

### 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 2023 and financial position as at that date were satisfactory but below expectations reflecting the impact of high inflation on operating costs (relative to previously fixed electricity revenue) and lower than expected output, particularly from Ely and Glanford biomass power stations and to a lesser extent from Garlaff and Auchencarroch landfill gas sites.

Output for the year was 968GWh (2022: 1,019GWh) with group turnover of £144,585,000 (2022: £156,654,000). Total group operating profit was £4,769,000 (2022: £25,989,000) with EBITDA (as defined on page 9) of £26,167,000 (2022: £48,951,000). The group loss before taxation was £5,102,000 (2022: £15,814,000 profit).

Operational performance during the year ended 30 June 2023, as measured by portfolio output, availability and costs, was below expectations. The reduction in output in the year ended 30 June 2023 compared with the previous year primarily reflects operational issues and output restrictions at Ely and Glanford Power Stations. Ely Power Station suffered from gas path restrictions (caused by water ingress) and a number of boiler and grate tube leaks during the year ended 30 June 2023. These issues were largely addressed in the annual maintenance outage in July 2023, with extensive re-tubing in these areas. Output was also restricted at Glanford for a large part of the financial year due to blinded bag filters which impacted performance. Whilst the issue was first noted in November 2022, the bags were a long-lead item and were not able to be replaced until May 2023. Thetford and Eye Power Stations performed reasonably well but slightly below recent expectations. Westfield Power Station performed exceptionally well, with good availability and delivering its highest ever annual output.

Output from the Landfill Gas division reduced year on year reflecting the natural decline in available gas across the Landfill Gas division, which operates from a predominance of landfill sites which are closed to fresh waste inputs. In addition, available gas and output at Garlaff declined in the year ended 30 June 2023 over and above general expectations following the site's hastened and unexpected closure to fresh waste inputs in November 2021. There were also short-term leachate management issues at Auchencarroch which impacted available gas, but these have largely been resolved.

The group continues to place great importance and emphasis on health and safety. During the year both the Biomass division and the Landfill Gas division retained their accreditations to ISO 45001. The high standards demonstrated in internal and external audit performance have been maintained across the group during the year. Health and safety will continue to be an area of focus in 2023/24.

The group generates its revenue primarily through the sale of electricity and associated renewable benefits principally Renewable Obligation Certificates ("ROCs") but also Renewable Electricity Guarantee of Origin ("REGO") certificates through a range of counterparties under separate power purchase sales agreements ("PPAs") for the Biomass and Landfill Gas divisions. The group also receives less significant and declining revenue streams such as Triads and Generator Distribution Use of System ("GDUoS") credits, collectively referred to as embedded benefits.

Group turnover in the year ended 30 June 2023 decreased by 7.7% when compared with the previous year due to the reduction in portfolio output. Turnover per MWh increased from £145.04 to £149.41.

## Strategic report for the year ended 30 June 2023

### Group business review (continued)

#### *Revenue from the sale of electricity*

Revenue generated from the sale of electricity was £52,598,000 (2022: £60,383,000). The Biomass division's electricity and embedded benefits are sold pursuant to five long term PPAs (one for each of its power stations) with Axpo UK Limited ("Axpo"). Under these five-year PPAs the electricity price has been fixed at different rates for each summer (April to September) and winter (October to March) period through to 31 March 2026.

In addition, the Biomass division's ROCs are sold under five separate ROC trading master agreements with EDF Energy Limited ("EDF"). These agreements cover the transfer and sale of all of the Biomass division's ROCs (buy-out and recycle) at fixed discounts for the three compliance years to 31 March 2022, 2023 and 2024.

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

The Landfill Gas business sells its electricity, ROCs, REGOs and other embedded benefits to EDF pursuant to a PPA covering the period 1 March 2022 to 31 March 2025. Under the terms of the new PPA, electricity prices for the summer and winter periods have been fixed for the duration of the contract. ROCs are sold at a market reflective discount to the ROC buy-out price.

In June 2023 the Landfill Gas business entered into a PPA with Octopus Energy Limited including electricity, ROCs, REGOs and associated benefits for the two-year period ending 31 March 2027.

The Biomass and Landfill Gas division's electricity revenue per MWh reduced marginally during the year ended 30 June 2023, due to the timing of agreeing prices under the PPAs with Axpo and EDF respectively. The electricity prices received (per MWh) for electricity sold across the relevant periods for the Biomass and Landfill Gas divisions are set out below:

| Season / Period                             | Biomass Division<br>£ per MWh | Landfill Gas Division<br>£ per MWh |
|---------------------------------------------|-------------------------------|------------------------------------|
| Summer 2021 (April 2021 to September 2021)  | 50.83                         | 49.23                              |
| Winter 2021 (October 2021 to February 2022) | 56.17                         | 109.34                             |
| Winter 2021 (March 2022)                    | 56.17                         | 72.05                              |
| Summer 2022 (April 2022 to September 2022)  | 44.25                         | 62.13                              |
| Winter 2022 (October 2022 to March 2023)    | 53.49                         | 72.05                              |
| Summer 2023 (April 2023 to September 2023)  | 44.90                         | 62.13                              |

#### *Electricity Generator Levy*

With effect from 1 January 2023 the government introduced a tax on energy generators, at a rate of 45% on electricity sales revenue above £75 per MWh, referred to as the Electricity Generator Levy ("EGL"). Based upon the electricity prices receivable under its PPAs the group has no liability for EGL during the year ended 30 June 2023 or for the foreseeable future.

The group's average electricity price receivable during the year ended 30 June 2023 was below £75 per MWh. To the extent that its below threshold position offsets EGL liabilities arising elsewhere in the UK parent group, the group has agreed with its ultimate parent company, Fern Trading Limited, that EGL credits will be receivable at the prevailing 45% rate. For the year ended 30 June 2023 these credits have been recognized within other operating income.

## Strategic report for the year ended 30 June 2023

### *Revenue from the sale of ROCs*

Revenue generated from the sale of ROCs was £69,529,000 in the year ended 30 June 2023 (2022: £68,536,000). The price per ROC received by the Biomass and Landfill Gas divisions is based upon the ROC buy-out price effective from 1 April each year, net of contracted discounts under the terms of the relevant agreements. The ROC buy-out price is indexed annually and confirmed in advance by Ofgem. The confirmed gross ROC buy-out prices applicable during the year ended 30 June 2023 and prior period were:

ROC compliance year commencing:

|              |                |
|--------------|----------------|
| 1 April 2021 | £50.80 per ROC |
| 1 April 2022 | £52.88 per ROC |
| 1 April 2023 | £59.01 per ROC |

### *ROC Recycle revenue*

ROC recycle revenue for the year ended 30 June 2023 was £7,709,000 (2022: £15,890,000). ROC recycle revenue within the financial statements for the current and prior year is based upon the following gross accrued values per ROC:

ROC compliance year commencing:

|              |                   |
|--------------|-------------------|
| 1 April 2021 | £8.53 (confirmed) |
| 1 April 2022 | £5.92 (estimate)  |
| 1 April 2023 | £5.11 (estimate)  |

In November 2022 Ofgem confirmed the initial ROC recycle payment for compliance year ended 31 March 2022 at £7.04 per ROC. In December 2022, an additional amount receivable of £1.49 per ROC was confirmed in respect of the ROC buy-out late payment fund.

The gross ROC recycle values accrued in respect of compliance years 2022/23 and 2023/24 represent estimates based upon a weighted average of external market reports of energy price indices.

### *Revenue from the sale of REGOs*

Revenue generated from the sale of REGOs for the year ended 30 June 2023 was £1,063,000 (2022: £425,000). From 1 April 2023, the biomass division entered into a new three-year contract with Shell Energy Europe Limited for the sale of its REGOs at an agreed fixed price.

### *Revenue from Embedded Benefits – Triad*

The group performed reasonably well during the Triad season (1 November 2022 to 28 February 2023), with associated revenue of £307,000 in the year ended 30 June 2023 (2022: £338,000).

### **Macroeconomic factors**

The recovery of the UK and global economies during 2021, coincided with a sharp increase in wholesale UK electricity prices. These effects were exacerbated following Russia's invasion of the Ukraine and the imposition of economic sanctions, with sustained increases in electricity prices throughout 2022. Whilst wholesale prices have reduced during 2023, they are still well above long term historic average prices.

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

## Strategic report for the year ended 30 June 2023

### Divisional business review

#### Biomass division

The results of the Biomass division for the year ended 30 June 2023 and the financial position at that date were satisfactory although below expectations. Following excellent operational performance and output in recent financial years, output and availability were below expectations in the year ended 30 June 2023. Portfolio output in the year ended 30 June 2023 was 742GWh, a decrease of 36GWh (4.6%) compared with the prior year. Principally, this reflected reduced output from Ely and Glanford Power Stations. Ely Power Station suffered from gas path restrictions (caused by water ingress) and a number of boiler and grate tube leaks during the year ended 30 June 2023. These issues were largely addressed in the annual maintenance outage in July 2023, with extensive re-tubing in these areas. Output was also restricted at Glanford for a large part of the financial year due to blinded bag filters which adversely impacted performance. Whilst the issue was first noted in November 2022, the bags were a long-lead item and were not able to be replaced until May 2023. Thetford and Eye Power Stations performed reasonably well but slightly below recent expectations. Westfield Power Station performed exceptionally well, with good availability and delivering its highest ever annual output.

#### *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 2023 reduced CO<sub>2</sub>e emissions by some 154,000 tonnes (2022: 151,000 tonnes). This was achieved by displacing the equivalent amount of generation from alternative UK power sources and is calculated using the UK Government 2023 GHG Conversion Factor for UK electricity generation.

The number of environmental permit non-conformances during the year ended 30 June 2023 remained relatively low and less than the previous year with 55 reported non-conformances across the five power stations (2022: 67). The reduction in non-conformances predominantly arose at Westfield Power Station, where improvements in fuel and its mixing continued and resulted in better and more consistent combustion. The Biomass division's ISO 14001 (Environmental) certification was maintained during the year.

ROC entitlement for dedicated biomass fuelled generators is linked to annually audited fuel sustainability criteria. Given the nature of the fuels used across the group, being generally locally sourced and mainly classified as wastes, residues or energy crops from accredited sources, we anticipate full compliance and significant headroom against the required minimum greenhouse gas savings on an on-going basis. Further we believe that our data collection and reporting processes are fully compliant. As with previous years, this view has been supported by successful audits for each of the five biomass power stations in respect of the compliance year ended 31 March 2023.

#### *Thetford Power Station*

Thetford Power Station generated 271GWh in the year ended 30 June 2023 (2022: 282GWh). Overall output and availability in the year to 30 June 2023 were good albeit slightly less than very high expectations. Thetford Power Station has maintained its very good 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 2023, with output of 233GWh (2022: 252GWh). The station suffered from gas path restrictions (caused by water ingress) and several boiler and grate tube leaks during the year ended 30 June 2023. These issues were largely addressed in the annual maintenance outage in July 2023. The 2022 straw harvest was very good, with fuel in plentiful supply and the expectations for the 2023 harvest remain positive although harvest was later this year following the wet weather in July and the beginning of August.

## Strategic report for the year ended 30 June 2023

### Divisional business review (continued)

#### *Glanford Power Station*

Glanford Power Station's output in the year ended 30 June 2023 was 86GWh, below both expectations and that achieved in the year ended 30 June 2022 (93GWh). Output was restricted for a large part of the financial year due to blinded bag filters which adversely impacted performance. Whilst the issue was first noted in November 2022, the bags were a long-lead item and were not able to be replaced until May 2023.

#### *Eyc Power Station*

Eyc Power Station's output in the year ended 30 June 2023 was 86GWh, broadly in line with expectations although slightly below that achieved in the year ended 30 June 2022 (87GWh). Whilst there were a number of short-term issues with the boiler grate, Eyc Power Station's output and availability were generally good throughout the financial year.

#### *Westfield Power Station*

Westfield Power Station had an excellent year with output above both expectations and the prior year, generating 67GWh in the year ended 30 June 2023 (2022: 64GWh). Performance in the year reflected improvements made to fuel inputs and fuel mixing which resulted in better and more consistent combustion and increased output. This together with good management of the fluidised bed and a successful maintenance regime resulted in record annual generation as well as a reduction in the number of permit non-conformances during the year ended 30 June 2023.

#### *Fibrophos Limited*

Fibrophos Limited is a subsidiary of Energy Power Resources Limited ("EPRL") and its principal activity is the marketing and sale of potash and phosphate fertiliser which is derived from the combustion ashes of EPRL's biomass fuelled power stations. Sales of Fibrophos fertiliser were broadly in line with expectations in the year ended 30 June 2023 at 66,000 tonnes sold (year to 30 June 2022: 101,000 tonnes). Sales revenue was £9,556,000 (2022: £8,132,000).

In the previous year sales volumes were exceptional, reflecting a greater volume of available product from brought forward stock and rising commodity prices. Sales in the year ended 30 June 2023 broadly reflected all available volumes (with no brought forward stock), although sales in spring 2023 were dampened by falling commodity and fertiliser prices.

#### **Landfill Gas division**

The results of the Landfill Gas division for the year ended 30 June 2023 and financial position as at that date were satisfactory and broadly in line with expectations.

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

Output from the landfill gas division in the year ended 30 June 2023 was 226GWh, a reduction of 5.8% compared to generation of 240GWh in the year ended 30 June 2022.

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. In addition to the expected general decline, available gas and output at Garlaff declined in the year ended 30 June 2023 over and above general expectations following the site's hastened and unexpected closure to fresh waste inputs in November 2021. There were also short-term leachate management issues at Auchencarroch which impacted available gas, but these have largely been resolved.

## Strategic report for the year ended 30 June 2023

### **Statement by the directors in performance of their statutory duties in accordance with section 172(1)(a) to (f) Companies Act 2006**

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

Long-term business plans are in place for both the Biomass and Landfill Gas divisions. These are subject to annual review and assessed against long-term cash flows forecasts and key performance indicators ("KPIs") relevant to the business.

The directors' intention is to behave responsibly and ensure that management operates the business in a safe and responsible manner, operating with high standards of business conduct and good corporate governance. In this regard, the directors place great emphasis on relationships with key stakeholders, specifically: staff, shareholder, Ofgem, Environment Agency, SEPA, lenders, fuel suppliers, landfill operators, PPA providers and equipment and service suppliers.

#### **Relationships with stakeholders**

##### *Employees*

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

##### *Environmental Regulation (Ofgem, Environment Agency, SEPA)*

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

##### *Other stakeholders*

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

The group maintains long-term business relationships with key suppliers in the Biomass division by means of regular communications and long-term fuel supply contracts. Similarly, the Landfill Gas division maintains relationships with each of the owners and operators of the site from which it operates by way of regular meetings and long-term gas agreements. Relationships with PPA counterparties are supported by good information flow and communication of planned and unplanned outages. 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 2023

### Principal risks and uncertainties

#### *Risk management policy*

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

#### *General risks*

The key general risks and uncertainties affecting both the Biomass and Landfill Gas divisions are considered to relate to wholesale electricity prices and changes to renewable energy support regimes. The wholesale electricity prices the group receives pursuant to its PPAs are fixed in advance. The Biomass division's output is sold pursuant to five long term PPAs (one for each of its power stations) with Axpo UK Limited covering the five years ending 31 March 2026, under which electricity prices have been fixed. Furthermore, the Biomass division has long term ROC trading master agreements with EDF covering the transfer and sale of all of its ROCs (buy-out and recycle) at fixed discounts for the three compliance years ending 31 March 2022, 2023 and 2024.

The Landfill Gas division has a long term PPA with EDF covering the sale of its electrical output, ROCs and associated benefits for the period to 31 March 2025. This includes fixed pricing for the electrical output and fixed discounts for ROCs. In June 2023 the Landfill Gas business entered into a PPA with Octopus Energy Limited including electricity, ROCs, REGOs and associated benefits for the two-year period ending 31 March 2027.

With effect from 1 January 2023 the government introduced a tax on energy generators, at a rate of 45% on electricity sales revenue above £75 per MWh, referred to as the Electricity Generator Levy ("EGL"). Based upon the electricity prices receivable under its PPAs, the group has no liability for EGL for the foreseeable future as these prices are below the £75 per MWh threshold. To the extent that its below threshold position offsets EGL liabilities arising elsewhere in the UK parent group, the group has agreed with its ultimate parent company, Fern Trading Limited, that EGL credits will be receivable at the prevailing 45% rate. For the year ended 30 June 2023 these credits have been recognized within other operating income. Renewable generators such as Melton Renewable Energy UK Limited will continue to receive existing revenue support, such as ROCs.

Overall the group's exposure to movements in the market price of electricity is considered appropriate given the fixed electricity prices currently in place under its various PPAs and the indexed linked nature of ROCs, its other principal revenue stream.

#### *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 and performing preventative maintenance. In addition, we undertake annual capital improvements during scheduled outages to remediate or remove recurring maintenance issues in a timely and cost-effective manner. We support our maintenance regime through our trained team of operational and maintenance staff together with long term maintenance contracts for specialist equipment such as turbines and generators. We also maintain a stock of strategic spare parts.

Biomass fuel is contracted mainly through a mix of medium to long-term contracts, a number of which extend to 2027. Over half of the average annual fuel requirement of the Biomass division's three predominantly poultry litter powered power stations is contracted through to 31 March 2027. The Biomass division's straw and MBM fuel contracts are by their nature shorter in term and are generally between one and four years in duration.

## Strategic report for the year ended 30 June 2023

### Principal risks and uncertainties (continued)

During the year ended 30 June 2023 the Biomass division has demonstrated reasonable progress in managing a number of key risks, namely maintaining consistently high output and availability, and retaining ISO 14001 and ISO 45001 certification. It is noted that availability and output at Ely and Glanford has been below expectations, and this will be a focus in their respective annual outages in the summer of 2023.

#### *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 volume and engine availability are monitored site by site on an ongoing basis and reviewed as a minimum each week. 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 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, REGOs and embedded benefits. It excludes turnover from fertiliser sales and other fees and receipts. The group's performance and the movements in KPIs are discussed in the group business review section of the strategic report.

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

| Key performance indicators         | 30 June 2023        | 30 June 2022        |
|------------------------------------|---------------------|---------------------|
| Output (GWh)                       | 967.7               | 1,019               |
| Group turnover (£000s)             | 144,585             | 156,654             |
| EBITDA (£000s)                     | 26,167              | 48,951              |
| Operating profit (£000s)           | 4,769               | 25,989              |
| Group turnover per MWh (£/MWh)     | 149.41              | 145.04              |
| <b>Operating profit to EBITDA</b>  | <b>30 June 2023</b> | <b>30 June 2022</b> |
|                                    | <b>£'000s</b>       | <b>£'000s</b>       |
| <b>Operating profit:</b>           | <b>4,769</b>        | <b>25,989</b>       |
| <i>Add back:</i>                   |                     |                     |
| Depreciation of owned fixed assets | 11,223              | 12,787              |
| Amortisation of goodwill           | 10,175              | 10,175              |
| <b>EBITDA</b>                      | <b>26,167</b>       | <b>48,951</b>       |

## **Strategic report for the year ended 30 June 2023**

### **Results**

The group loss for the financial year ended 30 June 2023 was £5,339,000 (2022: £11,392,000 profit).

**Approved by and on behalf of the board on 8 November 2023**



**E J Wilkinson**  
**Director**

## Directors' report for the year ended 30 June 2023

The directors present their annual report and the audited consolidated financial statements for the group and the company for the year ended 30 June 2023.

### 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, fuel procurement and management services to its subsidiaries and three non-group businesses: Snetterton Renewable Power Limited, Brigg Renewable Power Limited and Doveryard Limited.

Melton Renewable Energy (Holdings) Limited is the holding company of the Energy Power Resources Limited ("EPRL") group, the primary activity of which is the operation of five biomass fuelled power stations (in total approximately 111MW capacity) and the marketing and sale of potash and phosphate fertiliser, branded as Fibrophos.

The primary activity of the Melton LG Holding Limited group is the production of energy from landfill gas. The group currently operates from 19 landfill gas sites across the UK and has 40MW of installed capacity.

### Future developments

#### *Output*

The directors anticipate that output from the biomass portfolio in the year ending 30 June 2024 will be broadly consistent with that of the year ended 30 June 2023 although some improvement in output is expected from Ely and Glanford Power Stations. Output from the landfill gas portfolio is anticipated to decline slightly due to falling gas volumes because of the predominance of closed sites from which it operates. The sites which are open to fresh waste inputs are generally operating at capacity.

### Dividends

No dividends were paid by Melton Renewable Energy UK Limited in the year to 30 June 2023 (30 June 2022: £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 J Bullard

E W Fellows (appointed on 12 December 2022)

M G Setchell (resigned on 24 January 2023)

P S Latham (resigned on 12 December 2022)

## **Directors' report for the year ended 30 June 2023**

### **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 RPI over the duration of the contract period. Over half of the average annual fuel requirement of the Biomass division's three predominantly poultry litter powered power stations is contracted through to 31 March 2027. The Biomass division's straw and MBM fuel contracts are by their nature more short-term and are generally between one and four years in duration.

#### *Liquidity risk*

The group maintains appropriate cash balances and has access to a working capital facility so as to ensure the group has sufficient available funds for operations.

#### *Interest rate risk*

The group has entered into interest rate swap arrangements to mitigate the interest rate risk of floating market rates on its debt instruments.

### **Going concern**

The group and the company are financed by a combination of bank and shareholder loans. The shareholder loans are subordinated to the bank loans and are not due until March 2028. The directors have considered the group and company's financial performance and cash flows, including modelling sensitivities that consider the risk of further reductions in revenues. These financial forecasts and sensitivities show the group is expected to continue to be cash generative and it will continue to operate within its facilities, meet its obligations as they fall due and operate within its bank facility covenants for the period to 31 December 2024. Consequently, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Directors' third-party indemnity provision**

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

## Directors' report for the year ended 30 June 2023

### 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.

### Employee Information

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

### Carbon dioxide emissions

Renewable electricity generated by the group's Biomass power stations reduced CO<sub>2</sub>e emissions by 154,000 tonnes in the year ended 30 June 2023 (30 June 2022: 151,000 tonnes). This was achieved by displacing the equivalent amount of generation from alternative UK power sources and is calculated using the UK Government 2023 GHG Conversion Factor 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 2023.

Scope 1 CO<sub>2</sub>e emissions arising from:

- Fossil fuel consumed for the start-up of the power stations and combustion stabilisation.

Scope 2 CO<sub>2</sub>e emissions arising from:

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

Scope 3 CO<sub>2</sub>e 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

|                                              | 2023         | 2022         |
|----------------------------------------------|--------------|--------------|
| Scope 1 CO <sub>2</sub> e emissions (tonnes) | 5,170        | 5,229        |
| Scope 2 CO <sub>2</sub> e emissions (tonnes) | 950          | 738          |
| Scope 3 CO <sub>2</sub> e emissions (tonnes) | 240          | 208          |
| <b>Total CO<sub>2</sub>e (tonnes)</b>        | <b>6,361</b> | <b>6,175</b> |

### Intensity ratio

|                                                            |       |       |
|------------------------------------------------------------|-------|-------|
| Total generation (GWh)                                     | 967.7 | 1,019 |
| Total CO <sub>2</sub> e per GWh generation (tonnes)        | 6.57  | 6.06  |
| Energy consumption used to calculate above emissions (GWh) | 4.6   | 3.8   |

## Directors' report for the year ended 30 June 2023

### Carbon dioxide emissions (continued)

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

### Out of Scope Emissions

Biogenic CO<sub>2</sub> emissions are one of several activities labelled 'outside of scope' by the GHG Protocol Corporate Accounting and Reporting Standard because the Scope 1 impact of these fuels has been determined to be a net '0' (since the fuel source itself absorbs an equivalent amount of CO<sub>2</sub> during the growth phase as the amount of CO<sub>2</sub> released through combustion). Full reporting of any fuel from a biogenic source should have the biogenic CO<sub>2</sub> value documented to ensure complete accounting for the emissions created. The biogenic emissions for the group are set out below.

|                                               | 2023   | 2022   |
|-----------------------------------------------|--------|--------|
| Biogenic CO <sub>2</sub> e emissions (tonnes) | 15,418 | 14,301 |

## **Directors' report for the year ended 30 June 2023**

### **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.

### **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.



## **Directors' report for the year ended 30 June 2023**

### **Independent auditors**

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

**Approved by and on behalf of the board on 8 November 2023**



**E J Wilkinson**  
**Director**

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

### **Opinion**

We have audited the financial statements of Melton Renewable Energy UK Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 30 June 2023 which comprise the group Statement of comprehensive income, the group and parent company Balance Sheet, the group and parent Statement of changes in equity, the group Statement of cash flows and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 30 June 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for the period to 31 December 2024.

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

### **Other information**

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

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

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

### **Other information (continued)**

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

Our approach was as follows:

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

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

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

### **Use of our report**

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

*Ernst & Young LLP*

**Michael Christie (Senior statutory auditor)**

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

**Belfast**

**Date: 8 November 2023**

## Group statement of comprehensive income

for the year ended 30 June 2023

|                                                                                   | Note | 2023<br>£000s  | 2022<br>£000s |
|-----------------------------------------------------------------------------------|------|----------------|---------------|
| <b>Turnover</b>                                                                   | 5    | <b>144,585</b> | 156,654       |
| Cost of sales                                                                     |      | (110,036)      | (102,874)     |
| <b>Gross profit</b>                                                               |      | <b>34,549</b>  | 53,780        |
| Distribution costs                                                                |      | (530)          | (588)         |
| Administrative expenses                                                           |      | (31,367)       | (27,581)      |
| Other operating income                                                            | 6    | 2,117          | 378           |
| <b>Operating profit</b>                                                           | 7    | <b>4,769</b>   | 25,989        |
| Interest receivable and similar income                                            | 10   | 211            | 20            |
| Interest payable and similar expenses                                             | 11   | (10,082)       | (10,195)      |
| <b>(Loss)/profit before taxation</b>                                              |      | <b>(5,102)</b> | 15,814        |
| Tax charge on (loss)/profit                                                       | 12   | (237)          | (4,422)       |
| <b>(Loss)/profit for the financial year</b>                                       |      | <b>(5,339)</b> | 11,392        |
| <b>Other comprehensive income</b>                                                 |      |                |               |
| Change in fair value of cash flow hedges                                          |      | 3,097          | 5,034         |
| Amount reclassified from cash flow hedge reserve to profit for the financial year |      | (1,109)        | (859)         |
| Change in deferred tax in respect of fair value of cash flow hedges               |      | (659)          | (793)         |
| <b>Other comprehensive income for the year</b>                                    |      | <b>1,329</b>   | 3,382         |
| <b>Total comprehensive (expense)/income for the year</b>                          |      | <b>(4,010)</b> | 14,774        |

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

## Group balance sheet

as at 30 June 2023

|                                                                | Note | 2023<br>£000s    | 2022<br>£000s    |
|----------------------------------------------------------------|------|------------------|------------------|
| <b>Fixed assets</b>                                            |      |                  |                  |
| Intangible assets                                              | 13   | 38,087           | 48,261           |
| Tangible assets                                                | 14   | 80,337           | 88,035           |
|                                                                |      | <b>118,424</b>   | <b>136,296</b>   |
| <b>Current assets</b>                                          |      |                  |                  |
| Stocks                                                         | 16   | 21,439           | 19,001           |
| Debtors: amounts falling due within one year                   | 17   | 46,141           | 42,563           |
| Debtors: amounts falling due after more than one year          | 17   | 4,231            | 2,095            |
| Cash at bank and in hand                                       |      | 9,517            | 7,232            |
|                                                                |      | <b>81,328</b>    | <b>70,891</b>    |
| <b>Creditors: amounts falling due within one year</b>          | 18   | <b>(53,479)</b>  | <b>(39,526)</b>  |
| <b>Net current assets</b>                                      |      | <b>27,849</b>    | <b>31,365</b>    |
| <b>Total assets less current liabilities</b>                   |      | <b>146,273</b>   | <b>167,661</b>   |
| <b>Creditors: amounts falling due after more than one year</b> | 19   | <b>(133,653)</b> | <b>(149,514)</b> |
| <b>Provisions for liabilities</b>                              | 21   | <b>(11,019)</b>  | <b>(12,536)</b>  |
| <b>Net assets</b>                                              |      | <b>1,601</b>     | <b>5,611</b>     |
| <b>Capital and reserves</b>                                    |      |                  |                  |
| Called up share capital                                        | 24   | 50,870           | 50,870           |
| Cash flow hedge reserve                                        |      | 3,026            | 1,697            |
| Accumulated losses                                             |      | (52,295)         | (46,956)         |
| <b>Total shareholders' funds</b>                               |      | <b>1,601</b>     | <b>5,611</b>     |

The financial statements on pages 21 to 49 were approved by the board of directors on 8 November 2023 and were signed on its behalf by:



**E J Wilkinson**  
Director

Registered number: 09194088

## Company balance sheet

as at 30 June 2023

|                                                                | Note | 2023<br>£000s    | 2022<br>£000s    |
|----------------------------------------------------------------|------|------------------|------------------|
| <b>Fixed assets</b>                                            |      |                  |                  |
| Intangible assets                                              | 13   | 2                | 20               |
| Tangible assets                                                | 14   | -                | -                |
| Investments                                                    | 15   | 87,091           | 106,591          |
|                                                                |      | <b>87,093</b>    | <b>106,611</b>   |
| <b>Current assets</b>                                          |      |                  |                  |
| Debtors: amounts falling due within one year                   | 17   | 71,412           | 73,374           |
| Debtors: amounts falling due after more than one year          | 17   | 18,081           | 15,945           |
| Cash at bank and in hand                                       |      | 184              | 2,507            |
|                                                                |      | <b>89,677</b>    | <b>91,826</b>    |
| <b>Creditors: amounts falling due within one year</b>          | 18   | <b>(27,458)</b>  | <b>(20,018)</b>  |
| <b>Net current assets</b>                                      |      | <b>62,219</b>    | <b>71,808</b>    |
| <b>Total assets less current liabilities</b>                   |      | <b>149,312</b>   | <b>178,419</b>   |
| <b>Creditors: amounts falling due after more than one year</b> | 19   | <b>(133,653)</b> | <b>(149,514)</b> |
| <b>Provisions for liabilities</b>                              | 21   | <b>(1,050)</b>   | <b>(392)</b>     |
| <b>Net assets</b>                                              |      | <b>14,609</b>    | <b>28,513</b>    |
| <b>Capital and reserves</b>                                    |      |                  |                  |
| Called up share capital                                        | 24   | 50,870           | 50,870           |
| Cash flow hedge reserve                                        |      | 3,026            | 1,697            |
| Accumulated losses                                             |      | (39,287)         | (24,054)         |
| <b>Total shareholders' funds</b>                               |      | <b>14,609</b>    | <b>28,513</b>    |

The loss for the financial year attributable to the company amounted to £15,233,000 (2022: £1,668,000).

The financial statements on pages 21 to 49 were approved by the board of directors on 8 November 2023 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 2023

| <i>Group</i>                                                                                                    | <i>Called up<br/>share capital<br/>£'000s</i> | <i>Cash flow<br/>hedge reserve<br/>£000s</i> | <i>Accumulated<br/>losses<br/>£000s</i> | <i>Total<br/>equity<br/>£'000s</i> |
|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|-----------------------------------------|------------------------------------|
| At 1 July 2021                                                                                                  | 50,870                                        | (1,685)                                      | (58,348)                                | (9,163)                            |
| Profit for the financial year                                                                                   | -                                             | -                                            | 11,392                                  | 11,392                             |
| Movement in derivative<br>financial instruments<br>designated as cash flow hedges                               | -                                             | 4,175                                        | -                                       | 4,175                              |
| Movement in deferred tax in<br>respect of derivative financial<br>instruments designated as cash<br>flow hedges | -                                             | (793)                                        | -                                       | (793)                              |
| <b>At 30 June 2022</b>                                                                                          | <b>50,870</b>                                 | <b>1,697</b>                                 | <b>(46,956)</b>                         | <b>5,611</b>                       |
|                                                                                                                 | <i>Called up<br/>share capital<br/>£'000s</i> | <i>Cash flow<br/>hedge reserve<br/>£000s</i> | <i>Accumulated<br/>losses<br/>£000s</i> | <i>Total<br/>equity<br/>£'000s</i> |
| At 1 July 2022                                                                                                  | 50,870                                        | 1,697                                        | (46,956)                                | 5,611                              |
| Loss for the financial year                                                                                     | -                                             | -                                            | (5,339)                                 | (5,339)                            |
| Movement in derivative<br>financial instruments<br>designated as cash flow hedges                               | -                                             | 1,988                                        | -                                       | 1,988                              |
| Movement in deferred tax in<br>respect of derivative financial<br>instruments designated as cash<br>flow hedges | -                                             | (659)                                        | -                                       | (659)                              |
| <b>At 30 June 2023</b>                                                                                          | <b>50,870</b>                                 | <b>3,026</b>                                 | <b>(52,295)</b>                         | <b>1,601</b>                       |

## Company statement of changes in equity

For the year ended 30 June 2023

*Company*

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

|                                                                                                                 | <i>Called up<br/>share capital<br/>£'000s</i> | <i>Cash flow<br/>hedge reserve<br/>£000s</i> | <i>Accumulated<br/>losses<br/>£000s</i> | <i>Total<br/>equity<br/>£'000s</i> |
|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|-----------------------------------------|------------------------------------|
| At 1 July 2022                                                                                                  | 50,870                                        | 1,697                                        | (24,054)                                | 28,513                             |
| Loss for the financial year                                                                                     | -                                             | -                                            | (15,233)                                | (15,233)                           |
| Movement in derivative<br>financial instruments<br>designated as cash flow hedges                               | -                                             | 1,988                                        | -                                       | 1,988                              |
| Movement in deferred tax in<br>respect of derivative financial<br>instruments designated as cash<br>flow hedges | -                                             | (659)                                        | -                                       | (659)                              |
| <b>At 30 June 2023</b>                                                                                          | <b>50,870</b>                                 | <b>3,026</b>                                 | <b>(39,287)</b>                         | <b>14,609</b>                      |

## Group statement of cash flows

for the year ended 30 June 2023

|                                                             | Note | 2023<br>£000s   | 2022<br>£000s |
|-------------------------------------------------------------|------|-----------------|---------------|
| <b>Net cash inflow from operating activities</b>            | 25   | <b>30,033</b>   | 30,696        |
| Taxation paid                                               |      | (2,975)         | (2,757)       |
| <b>Net cash generated from operating activities</b>         |      | <b>27,058</b>   | 27,939        |
| <b>Cash flow from investing activities</b>                  |      |                 |               |
| Payments to acquire tangible assets                         |      | (3,693)         | (2,657)       |
| Proceeds from disposal of tangible assets                   |      | 60              | -             |
| Interest received                                           |      | 211             | 20            |
| <b>Net cash used in investing activities</b>                |      | <b>(3,422)</b>  | (2,637)       |
| <b>Cash flow from financing activities</b>                  |      |                 |               |
| Principal repayment of bank loan                            |      | (17,570)        | (18,291)      |
| Principal drawdown of bank loan                             |      | 4,000           | -             |
| Repayment of parent company loans                           |      | (3,658)         | (8,208)       |
| Interest and similar charges paid                           |      | (4,123)         | (3,927)       |
| <b>Net cash used in financing activities</b>                |      | <b>(21,351)</b> | (30,426)      |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | 26   | <b>2,285</b>    | (5,124)       |
| Cash and cash equivalents at the beginning of the year      |      | 7,232           | 12,356        |
| <b>Cash and cash equivalents at the end of the year</b>     |      | <b>9,517</b>    | 7,232         |
| <b>Cash and cash equivalents consists of:</b>               |      |                 |               |
| Cash at bank and in hand                                    |      | 9,517           | 7,232         |

## Notes to the financial statements

### for the year ended 30 June 2023

#### 1. General information

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

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

#### 2. Statement of compliance

The group and individual financial statements of Melton Renewable Energy UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### 3. Accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all years presented.

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

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

##### ***Going concern***

The Group and Company are financed by a combination of bank and shareholder loans. The shareholder loans are subordinated to the bank loans and are not due until March 2028. The directors have considered the Group and Company's financial performance and cash flows, including modelling sensitivities that consider the risk of further reductions in revenues. These financial forecasts and sensitivities show the Group is expected to continue to be cash generative and it will continue to operate within its facilities, meet its obligations as they fall due and operate within its bank facility covenants for the period to 31 December 2024. Consequently, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### ***Exemptions for qualifying entities under FRS 102***

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

The company has taken advantage of the following exemptions in preparing the company's financial statements:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows;
- ii) from disclosing transactions with related entities, these being other 100% owned subsidiaries of Fem 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 2023

#### 3. Accounting policies (continued)

##### ***Basis of consolidation***

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

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

No separate statement of comprehensive income is presented for the company Melton Renewable Energy UK Limited as permitted by section 408 of the Companies Act 2006. The loss for the year attributable to the company amounted to £12,733,000 (2022: £1,668,000 profit).

##### ***Foreign currencies***

The group financial statements are presented in pound sterling and rounded to thousands. The company's functional and presentation currency is the pound sterling.

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

At each year end foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

##### ***Turnover***

Turnover represents the invoiced value of goods and services net of value added tax and trade discounts.

Turnover derived from the sale of electricity and associated renewable and embedded benefits is recognised when electricity generated is exported to third party customers.

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

Turnover derived from the sale of fertiliser is recognised on physical dispatch.

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

##### ***Other operating income***

Amounts disclosed as other operating income include:

- i) taxable credits arising on the group's qualifying research and development expenditure recognised in the year in which the claim is submitted;
- ii) rebates in non-domestic rates charges arising due to a reassessment of the rateable value of landfill gas sites recognised in the year in which the rebates were confirmed and received;
- iii) credits receivable in respect of the electricity generator levy ("EGL"). The group has agreed with its ultimate parent company, Fern Trading Limited that EGL credits will be receivable by the group to the extent that its below threshold position offsets EGL liabilities arising elsewhere in the UK parent group. The EGL credits are receivable at the prevailing 45% rate.

##### ***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 2023

#### 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.

##### ***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.

## Notes to the financial statements

### for the year ended 30 June 2023

#### 3. Accounting policies (continued)

##### **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.

##### **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.

## Notes to the financial statements

### for the year ended 30 June 2023

#### 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.

##### **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.

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.



## Notes to the financial statements

### for the year ended 30 June 2023

#### 3. Accounting policies (continued)

##### *Financial instruments (continued)*

##### *Financial liabilities (continued)*

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

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

##### *Offsetting*

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

#### 4. Critical accounting judgements and estimation uncertainty

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

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

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

##### (b) Key accounting estimates and assumptions

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

##### i) The valuation of investments in subsidiary undertakings

The company considers whether the valuation of its investments in subsidiary undertakings, including the recoverability of any loans to those subsidiary undertakings, is impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of future cash flows from the subsidiary operations and also the selection of an appropriate discount rate in order to calculate the net present value of those cash flows. In the year to 30 June 2023 an impairment of £19,500,000 (2022: £13,000,000) has been recorded against the company's value of investments in subsidiary undertakings (see note 15).

##### ii) ROC Recycle income

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

## Notes to the financial statements

### for the year ended 30 June 2023

#### 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:          | 2023<br>£000s  | 2022<br>£000s  |
|--------------------------------------------|----------------|----------------|
| Electricity sales                          | 52,598         | 60,383         |
| ROC sales                                  | 69,529         | 68,536         |
| Recycled ROC sales                         | 7,709          | 15,890         |
| Embedded benefits received                 | 2,728          | 2,517          |
| REGO sales                                 | 1,063          | 425            |
| <b>Turnover from generation activities</b> | <b>133,627</b> | <b>147,751</b> |
| Fertilizer sales                           | 9,556          | 8,132          |
| Other turnover                             | 1,402          | 771            |
| <b>Total turnover</b>                      | <b>144,585</b> | <b>156,654</b> |

#### 6. Other operating income

Other operating income included within the group statement of comprehensive income consists of:

|                                                          | 2023<br>£000s | 2022<br>£000s |
|----------------------------------------------------------|---------------|---------------|
| Rebates in non-domestic rates charges                    | 1,302         | 121           |
| Electricity generator levy credits                       | 558           | -             |
| Government grants - research and development expenditure | 257           | 257           |
|                                                          | <b>2,117</b>  | <b>378</b>    |

##### *Rebates in non-domestic rates charges*

Rebates in non-domestic rates charges arose due to a reassessment of the rateable value of landfill gas sites following reductions in total generating capacity. The rebates relate to the period 1 April 2017 to 31 March 2022. The total rebate amount due was confirmed and received during the current financial year ended 30 June 2023.

##### *Electricity generator levy credits*

With effect from 1 January 2023 the government introduced a tax on energy generators, at a rate of 45% on electricity sales revenue above £75 per MWh, referred to as the Electricity Generator Levy ("EGL").

In the six months to 30 June 2023, the group's average electricity price receivable was below £75 per MWh meaning no EGL liability arose during this period. The group has agreed with its ultimate parent company, Fern Trading Limited that EGL credits will be receivable by the group to the extent that its below threshold position offsets EGL liabilities arising elsewhere in the UK parent group. The EGL credits are receivable at the prevailing 45% rate.

## Notes to the financial statements

### for the year ended 30 June 2023

#### 7. Operating profit

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

|                                                                                          | 2023<br>£000s | 2022<br>£000s |
|------------------------------------------------------------------------------------------|---------------|---------------|
| Services provided by the company's auditors:                                             |               |               |
| - Fees payable for the audit of the parent company and consolidated financial statements | 222           | 193           |
| - Fees payable to the company's auditors and their associates for other services         |               |               |
| - audit related assurance services                                                       | 20            | 10            |
| - tax compliance services                                                                | 50            | 20            |
| Depreciation of owned fixed assets                                                       | 11,223        | 12,787        |
| Loss/(profit) on disposal of fixed assets                                                | 108           | (2)           |
| Amortisation of goodwill                                                                 | 10,175        | 10,175        |
| Gain arising due to interest rate swap ineffectiveness                                   | (146)         | -             |
| Operating lease rentals                                                                  |               |               |
| - land and buildings                                                                     | 242           | 292           |
| - other                                                                                  | 377           | 356           |
| Government grants - research and development expenditure                                 | (257)         | (257)         |
| Inventory recognised as an expense                                                       | 52,043        | 46,458        |
| Write back of inventory                                                                  | (12)          | (69)          |

#### 8. Directors' emoluments

Emoluments paid to directors by the company:

|                                      | 2023<br>£000s | 2022<br>£000s |
|--------------------------------------|---------------|---------------|
| Aggregate emoluments during the year | 351           | 343           |

At 30 June 2023 no directors had benefits arising under the defined contribution scheme. The total emoluments of the highest paid director in office for the year were £351,000 (30 June 2022: £343,000). E W Fellows, M J Bullard, P S Latham and M G Setchell did not receive any payment for their services to the Melton Renewable Energy UK Limited group. Remuneration for these directors is paid by companies within the shareholder group, is not recharged to Melton Renewable Energy UK Limited and is considered as negligible in value.

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

|                                        | 2023<br>£000s | 2022<br>£000s |
|----------------------------------------|---------------|---------------|
| Salaries and other short term benefits | 1,629         | 1,696         |

## Notes to the financial statements

for the year ended 30 June 2023

### 9. Employee information

|                       | <i>Group</i>  |               | <i>Company</i> |              |
|-----------------------|---------------|---------------|----------------|--------------|
|                       | <b>2023</b>   | <b>2022</b>   | <b>2023</b>    | <b>2022</b>  |
|                       | <b>£000s</b>  | <b>£000s</b>  | <b>£000s</b>   | <b>£000s</b> |
| Wages and salaries    | 13,742        | 13,043        | 2,271          | 1,567        |
| Social security costs | 1,608         | 1,548         | 281            | 203          |
| Other pension costs   | 648           | 587           | 101            | 64           |
|                       | <b>15,998</b> | <b>15,178</b> | <b>2,653</b>   | <b>1,834</b> |

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

|                | <i>Group</i>  |               | <i>Company</i> |               |
|----------------|---------------|---------------|----------------|---------------|
|                | <b>2023</b>   | <b>2022</b>   | <b>2023</b>    | <b>2022</b>   |
|                | <b>Number</b> | <b>Number</b> | <b>Number</b>  | <b>Number</b> |
| Production     | 188           | 193           | -              | -             |
| Administration | 85            | 69            | 32             | 19            |
|                | <b>273</b>    | <b>262</b>    | <b>32</b>      | <b>19</b>     |

### 10. Interest receivable and similar income

|                     | <b>2023</b>  | <b>2022</b>  |
|---------------------|--------------|--------------|
|                     | <b>£000s</b> | <b>£000s</b> |
| Interest receivable | 211          | 20           |

### 11. Interest payable and similar expenses

|                                              | <b>2023</b>   | <b>2022</b>   |
|----------------------------------------------|---------------|---------------|
|                                              | <b>£000s</b>  | <b>£000s</b>  |
| Interest payable on bank loans               | 3,838         | 3,741         |
| Amortisation of issue costs of bank loans    | 569           | 569           |
| Interest payable to immediate parent company | 5,605         | 5,665         |
| Other interest and charges                   | 70            | 220           |
|                                              | <b>10,082</b> | <b>10,195</b> |

## Notes to the financial statements

### for the year ended 30 June 2023

#### 12. Tax charge on (loss)/profit

a) Analysis of the charge in the year

|                                                | 2023<br>£000s | 2022<br>£000s |
|------------------------------------------------|---------------|---------------|
| <b>Current tax</b>                             |               |               |
| UK corporation tax                             | -             | 5,982         |
| Group relief payable                           | 2,066         | -             |
| Adjustments in respect of prior years          | 347           | (203)         |
| Total current tax charge for the year          | 2,413         | 5,779         |
| <b>Deferred tax</b>                            |               |               |
| Origination and reversal of timing differences | (1,595)       | (1,985)       |
| Adjustments in respect of prior years          | (229)         | 91            |
| Impact of change in tax rate                   | (352)         | 537           |
| Total deferred tax credit for the year         | (2,176)       | (1,357)       |
| Tax charge on (loss)/profit                    | 237           | 4,422         |

b) Reconciliation of tax charge

The tax assessed on the (loss)/profit before taxation for the year is higher than (2022: higher than) the standard rate of corporation tax in the UK of 20.5% (2022: 19%). The differences are explained below:

|                                                                                                    | 2023<br>£000s | 2022<br>£000s |
|----------------------------------------------------------------------------------------------------|---------------|---------------|
| (Loss)/profit before taxation                                                                      | (5,102)       | 15,814        |
| (Loss)/profit before taxation multiplied by effective rate of corporation tax of 20.5% (2020: 19%) | (1,046)       | 3,005         |
| Effect of:                                                                                         |               |               |
| Adjustments in respect of prior years                                                              | 118           | (112)         |
| Expenses not deductible for tax purposes                                                           | 1,706         | 527           |
| Non-taxable income                                                                                 | (189)         | 753           |
| Re-measurement of deferred tax – change in UK tax rate                                             | (352)         | 249           |
| Tax charge for the year                                                                            | 237           | 4,422         |

c) Factors that may affect future charges

The Finance Act 2021 included measures to increase the standard rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. The Finance Act 2021 was enacted in June 2021 and accordingly, these rates are applicable to the measurement of deferred tax balances at 30 June 2023.

## Notes to the financial statements

### for the year ended 30 June 2023

#### 13. Intangible assets

##### Group

|                                                 | Goodwill<br>£000s | Software<br>£000s | Total<br>£000s |
|-------------------------------------------------|-------------------|-------------------|----------------|
| <b>Cost:</b>                                    |                   |                   |                |
| At 1 July 2022 and 30 June 2023                 | <b>150,476</b>    | <b>93</b>         | <b>150,569</b> |
| <b>Accumulated amortisation and impairment:</b> |                   |                   |                |
| At 1 July 2022                                  | 102,235           | 73                | 102,308        |
| Charge for the year                             | 10,156            | 18                | 10,175         |
| At 30 June 2023                                 | <b>112,391</b>    | <b>91</b>         | <b>112,482</b> |
| <b>Net book value:</b>                          |                   |                   |                |
| At 30 June 2023                                 | <b>38,085</b>     | <b>2</b>          | <b>38,087</b>  |
| At 30 June 2022                                 | 48,241            | 20                | 48,261         |

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 2023

#### 13. Intangible assets (continued)

##### *Company*

|                                                 | <i>Software<br/>£000s</i> |
|-------------------------------------------------|---------------------------|
| <b>Cost:</b>                                    |                           |
| At 1 July 2022 and 30 June 2023                 | <b>93</b>                 |
| <b>Accumulated amortisation and impairment:</b> |                           |
| At 1 July 2022                                  | 73                        |
| Charge for the year                             | 18                        |
| At 30 June 2023                                 | <b>91</b>                 |
| <b>Net book value:</b>                          |                           |
| At 30 June 2023                                 | <b>2</b>                  |
| At 30 June 2022                                 | 20                        |

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

#### 14. Tangible assets

##### *Group*

|                                  | <i>Freehold<br/>land and<br/>buildings<br/>£000s</i> | <i>Power<br/>stations<br/>£000s</i> | <i>Plant and<br/>machinery<br/>£000s</i> | <i>Asset under<br/>construction<br/>£000s</i> | <i>Total<br/>£000s</i> |
|----------------------------------|------------------------------------------------------|-------------------------------------|------------------------------------------|-----------------------------------------------|------------------------|
| <b>Cost:</b>                     |                                                      |                                     |                                          |                                               |                        |
| At 1 July 2022                   | 6,060                                                | 169,035                             | 27,981                                   | 381                                           | 203,457                |
| Additions                        | 40                                                   | 1,775                               | 843                                      | 1,035                                         | 3,693                  |
| Transfers                        | -                                                    | 133                                 | 55                                       | (188)                                         | -                      |
| Disposals                        | -                                                    | -                                   | (1,228)                                  |                                               | (1,228)                |
| At 30 June 2023                  | <b>6,100</b>                                         | <b>170,943</b>                      | <b>27,651</b>                            | <b>1,228</b>                                  | <b>205,922</b>         |
| <b>Accumulated depreciation:</b> |                                                      |                                     |                                          |                                               |                        |
| At 1 July 2022                   | 488                                                  | 98,964                              | 15,970                                   | -                                             | 115,422                |
| Charge for the year              | 70                                                   | 8,483                               | 2,670                                    | -                                             | 11,223                 |
| Disposals                        | -                                                    | -                                   | (1,060)                                  | -                                             | (1,060)                |
| At 30 June 2023                  | <b>558</b>                                           | <b>107,447</b>                      | <b>17,580</b>                            | <b>-</b>                                      | <b>125,585</b>         |
| <b>Net book value:</b>           |                                                      |                                     |                                          |                                               |                        |
| At 30 June 2023                  | <b>5,542</b>                                         | <b>63,496</b>                       | <b>10,071</b>                            | <b>1,228</b>                                  | <b>80,337</b>          |
| At 30 June 2022                  | 5,572                                                | 70,071                              | 12,011                                   | 381                                           | 88,035                 |

## Notes to the financial statements

### for the year ended 30 June 2023

#### 14. Tangible assets (continued)

##### *Company*

|                                        | <i>Plant and<br/>machinery<br/>£000s</i> | <i>Total<br/>£000s</i> |
|----------------------------------------|------------------------------------------|------------------------|
| <b>Cost:</b>                           |                                          |                        |
| <b>At 1 July 2022 and 30 June 2023</b> | <b>54</b>                                | <b>54</b>              |
| <b>Accumulated depreciation:</b>       |                                          |                        |
| <b>At 1 July 2022 and 30 June 2023</b> | <b>54</b>                                | <b>54</b>              |
| <b>Net book value:</b>                 |                                          |                        |
| <b>At 1 July 2022 and 30 June 2023</b> | <b>-</b>                                 | <b>-</b>               |

#### 15. Investments

##### *Group*

As at 30 June 2023 the group held no investments (30 June 2022: none).

##### *Company*

|                                        | <i>Subsidiary<br/>undertakings<br/>£000s</i> |
|----------------------------------------|----------------------------------------------|
| <b>Cost:</b>                           |                                              |
| <b>At 1 July 2022 and 30 June 2023</b> | <b>172,591</b>                               |
| <b>Accumulated impairment:</b>         |                                              |
| <b>At 1 July 2022</b>                  | <b>66,000</b>                                |
| <b>Charge</b>                          | <b>19,500</b>                                |
| <b>At 30 June 2023</b>                 | <b>85,500</b>                                |
| <b>Net book value:</b>                 |                                              |
| <b>At 30 June 2023</b>                 | <b>87,091</b>                                |
| <b>At 30 June 2022</b>                 | <b>106,591</b>                               |

In the year to 30 June 2023 an impairment of £19,500,000 (2022: £13,000,000) has been recorded against the company's value of investments in subsidiary undertakings. The value of the investments have been assessed based upon the estimated net present value of future cash flows from the subsidiary operations using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the assets. Future cash flows are estimated based upon management's assumptions in respect of output and operational performance, electricity prices, biomass fuel costs, royalty rates and other operating costs.



## Notes to the financial statements

### for the year ended 30 June 2023

#### 15. Investments (continued)

##### *Company (continued)*

The subsidiary companies of the company at 30 June 2023, 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 * <sup>1</sup>      | 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     |
| Queens 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 * <sup>1</sup>   | 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 2023

#### 15. 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 <sup>1</sup>     | 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 * <sup>1</sup>   | Ordinary shares | 100%                                               | Generation of electricity from landfill gas                                   |
| Cilgwyn Energy Limited                  | Ordinary shares | 100%                                               | Dormant company                                                               |
| Stoneyhill Energy Limited <sup>1</sup>  | 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 * <sup>2</sup>     | 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:

<sup>1</sup> Pinsent Masons LLP, Capital Square, 58 Morrison Street, Edinburgh, Scotland, EH3 8BP

<sup>2</sup> 1 West Regent Street, Glasgow, Scotland, G2 1AP

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

#### 16. Stocks

| <i>Group</i>                      | <i>2023<br/>£000s</i> | <i>2022<br/>£000s</i> |
|-----------------------------------|-----------------------|-----------------------|
| Ash stock                         | 1,977                 | 1,538                 |
| Fuel, spare parts and consumables | 19,462                | 17,463                |
|                                   | <b>21,439</b>         | <b>19,001</b>         |

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 £378,000 for unusable fuel stock and obsolete spare parts (2022: £390,000). The company held no stock during the year (2022: £nil).

## Notes to the financial statements

### for the year ended 30 June 2023

#### 17. Debtors

|                                                     | <i>Group</i>  |               | <i>Company</i> |               |
|-----------------------------------------------------|---------------|---------------|----------------|---------------|
|                                                     | <i>2023</i>   | <i>2022</i>   | <i>2023</i>    | <i>2022</i>   |
|                                                     | <i>£000s</i>  | <i>£000s</i>  | <i>£000s</i>   | <i>£000s</i>  |
| <b>Amounts falling due within one year</b>          |               |               |                |               |
| Trade debtors                                       | 487           | 609           | 48             | 10            |
| Amounts owed by group undertakings                  | -             | -             | 67,967         | 70,700        |
| Group relief                                        | -             | -             | 2,888          | 2,412         |
| Corporation tax                                     | 5,806         | -             | -              | -             |
| Other taxation and social security                  | -             | 52            | -              | -             |
| Derivative financial instruments                    | 109           | -             | 109            | -             |
| Prepayments and accrued income                      | 39,739        | 41,902        | 400            | 252           |
|                                                     | <b>46,141</b> | <b>42,563</b> | <b>71,412</b>  | <b>73,374</b> |
| <b>Amounts falling due after more than one year</b> |               |               |                |               |
| Amounts owed by group undertakings                  | -             | -             | 13,850         | 13,850        |
| Derivative financial instruments                    | 4,231         | 2,095         | 4,231          | 2,095         |
|                                                     | <b>4,231</b>  | <b>2,095</b>  | <b>18,081</b>  | <b>15,945</b> |

Amounts owed by group undertakings include the following loans from Melton Renewable Energy UK Limited to subsidiary companies. The loans are unsecured and have repayment dates as set out below:

|                                            | <i>Loan principal</i> | <i>Interest accrued</i> | <i>Interest rate</i> | <i>Date of repayment</i> |
|--------------------------------------------|-----------------------|-------------------------|----------------------|--------------------------|
| Melton Renewable Energy (Holdings) Limited | £13,850,000           | nil                     | 11%                  | December 2028            |
| Energy Power Resources Limited             | £1,300,000            | nil                     | 7.5%                 | On demand                |
| Melton LG Energy Limited                   | £65,243,000           | nil                     | 7.5%                 | On demand                |

## Notes to the financial statements

### for the year ended 30 June 2023

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

|                                    | <i>Group</i>  |               | <i>Company</i> |               |
|------------------------------------|---------------|---------------|----------------|---------------|
|                                    | <i>2023</i>   | <i>2022</i>   | <i>2023</i>    | <i>2022</i>   |
|                                    | <i>£000s</i>  | <i>£000s</i>  | <i>£000s</i>   | <i>£000s</i>  |
| Bank loans (note 22)               | 22,378        | 17,570        | 22,378         | 17,570        |
| Trade creditors                    | 4,270         | 2,007         | 22             | 5             |
| Amounts owed to parent undertaking | 3,564         | 1,543         | 3,564          | 1,543         |
| Group relief                       | 10,811        | 5,662         | -              | -             |
| Corporation tax                    | -             | 99            | -              | -             |
| Other creditors                    | 904           | 953           | 429            | -             |
| Taxation and social security       | 511           | 814           | 99             | 123           |
| Accruals and deferred income       | 11,041        | 10,878        | 966            | 777           |
|                                    | <b>53,479</b> | <b>39,526</b> | <b>27,458</b>  | <b>20,018</b> |

Amounts owed to immediate parent undertaking represent management fees payable to Eucalyptus Energy Limited of £3,564,000 (2022: £1,543,000).

#### 19. Creditors: amounts falling due after more than one year

|                                     | <i>Group</i>   |                | <i>Company</i> |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | <i>2023</i>    | <i>2022</i>    | <i>2023</i>    | <i>2022</i>    |
|                                     | <i>£000s</i>   | <i>£000s</i>   | <i>£000s</i>   | <i>£000s</i>   |
| Bank loans and overdrafts (note 22) | 50,339         | 68,147         | 50,339         | 68,147         |
| Shareholder loan (note 23)          | 83,314         | 81,367         | 83,314         | 81,367         |
|                                     | <b>133,653</b> | <b>149,514</b> | <b>133,653</b> | <b>149,514</b> |

The shareholder loan is unsecured, bears interest at 7% and is repayable on 31 March 2028.

## Notes to the financial statements

### for the year ended 30 June 2023

#### 20. Financial instruments

The group and company have entered into interest rate swaps to manage the exposure to interest rate risk. These derivatives are not basic financial instruments, were recognised at fair value on the date that the contracts were entered into and have been subsequently re-measured at their fair value. These interest rate swaps have a termination date of 31 March 2027, aligned with the final repayment date of the group's bank loan facility (see note 22).

##### *Group*

The group has the following financial instruments:

|                                                         | Note | 2023<br>£000s  | 2022<br>£000s  |
|---------------------------------------------------------|------|----------------|----------------|
| <b>Financial instruments measured at amortised cost</b> |      |                |                |
| Trade receivables                                       | 17   | 423            | 609            |
|                                                         |      | <u>423</u>     | <u>609</u>     |
| <b>Financial liabilities measured at amortised cost</b> |      |                |                |
| Bank loans falling due within one year                  | 18   | 22,378         | 17,570         |
| Trade creditors                                         | 18   | 4,270          | 2,007          |
| Amounts owed to shareholder                             | 18   | 3,564          | 1,543          |
| Accruals                                                | 18   | 11,041         | 10,878         |
| Other creditors                                         | 18   | 904            | 953            |
| Bank loans falling due after more than one year         | 19   | 50,339         | 68,147         |
| Shareholder loan falling due after more than one year   | 19   | 83,314         | 81,367         |
|                                                         |      | <u>175,810</u> | <u>182,465</u> |

##### *Company*

The company has the following financial instruments.

|                                                         | Note | 2023<br>£000s  | 2022<br>£000s  |
|---------------------------------------------------------|------|----------------|----------------|
| <b>Financial instruments measured at amortised cost</b> |      |                |                |
| Trade receivables                                       | 17   | 48             | 10             |
| Amounts owed by group undertakings                      | 17   | 81,817         | 84,550         |
|                                                         |      | <u>81,865</u>  | <u>84,560</u>  |
| <b>Financial liabilities measured at amortised cost</b> |      |                |                |
| Bank loans falling due within one year                  | 18   | 22,378         | 17,570         |
| Amounts owed to shareholder                             | 18   | 3,564          | 1,543          |
| Accruals                                                | 18   | 966            | 777            |
| Bank loans falling due after more than one year         | 19   | 50,339         | 68,147         |
| Shareholder loan falling due after more than one year   | 19   | 83,314         | 81,367         |
|                                                         |      | <u>160,561</u> | <u>169,404</u> |

## Notes to the financial statements

### for the year ended 30 June 2023

#### 21. Provisions for liabilities

The group has a net deferred tax liability totalling £11,019,000 (30 June 2022: £12,536,000) and the company has a net deferred tax liability of £1,050,000 (30 June 2022: £392,000) made up as follows:

|                                                        | <i>Group</i> |              | <i>Company</i> |              |
|--------------------------------------------------------|--------------|--------------|----------------|--------------|
|                                                        | <i>2023</i>  | <i>2022</i>  | <i>2023</i>    | <i>2022</i>  |
|                                                        | <i>£000s</i> | <i>£000s</i> | <i>£000s</i>   | <i>£000s</i> |
| Capital allowances in excess of depreciation           | 10,140       | 12,222       | (4)            | (4)          |
| Tax losses carried forward                             | (157)        | (72)         | (4)            | -            |
| Other timing differences                               | (22)         | (12)         | -              | (2)          |
| Tax on components of cash flow hedges                  | 1,058        | 398          | 1,058          | 398          |
| Total deferred tax liability                           | 11,019       | 12,536       | (1,050)        | 392          |
| At the beginning of the year                           | 12,536       | 13,099       | 392            | (400)        |
| Origination and reversal of timing differences         | (1,537)      | (1,696)      | (1)            | -            |
| Adjustments in respect of prior years                  | (229)        | 91           | -              | (1)          |
| Movement in tax on components of cash flow hedges      | 659          | 793          | 659            | 793          |
| Re-measurement of deferred tax – change in UK tax rate | (410)        | 249          | -              | -            |
| Net deferred tax liability at the end of the year      | 11,019       | 12,536       | 1,050          | 392          |

Deferred tax has been calculated at 25% (2022: 25%) which represents the future corporation tax rate that was enacted at the balance sheet date.

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

## Notes to the financial statements

### for the year ended 30 June 2023

#### 22. Bank loans

##### Group and company

|                                              | 2023<br>£000s | 2022<br>£000s |
|----------------------------------------------|---------------|---------------|
| Amounts falling due within one year          | 22,378        | 17,570        |
| Amounts falling due after more than one year | 50,339        | 68,147        |
|                                              | <b>72,717</b> | <b>85,717</b> |

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

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

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

Bank loans are stated net of unamortised issue costs of £2,135,000 (30 June 2022: £2,705,000).

#### 23. Shareholder loan

As at 30 June 2023, the company is in receipt of a shareholder loan from its immediate parent company Eucalyptus Energy Limited. The loan was issued on 30 October 2015 with a principal amount of £127,021,000. The loan is subordinated to the senior secured notes, bears interest at 7% and has a repayment date of 31 March 2028.

Unpaid accrued interest is charged to the statement of comprehensive income and added to the principal balance on a quarterly basis. Unpaid interest added to the principal during the year was £5,605,000 (30 June 2022: £5,665,000).

During the year, principal repayments of £3,658,000 were made to Eucalyptus Energy Limited (30 June 2022: £8,208,000). As at 30 June 2023, the total outstanding balance due in more than one year is £83,314,000 (30 June 2022: £81,367,000).

#### 24. Called up share capital

##### Group and company

|                                                          | 2023<br>£000s | 2022<br>£000s |
|----------------------------------------------------------|---------------|---------------|
| <i>Authorised</i>                                        |               |               |
| 50,870,000 (2022: 50,870,000) ordinary shares of £1 each | 50,870        | 50,870        |
| <i>Allotted</i>                                          |               |               |
| 50,870,000 (2022: 50,870,000) ordinary shares of £1 each | <b>50,870</b> | <b>50,870</b> |

## Notes to the financial statements

for the year ended 30 June 2023

### 25. Reconciliation of operating profit to net cash inflow from operating activities

|                                                    | 2023<br>£000s | 2022<br>£000s |
|----------------------------------------------------|---------------|---------------|
| (Loss)/profit for the financial year               | (5,339)       | 11,392        |
| Tax charge on (loss)/profit                        | 237           | 4,422         |
| Interest payable and similar expenses              | 10,082        | 10,195        |
| Interest receivable and similar income             | (211)         | (20)          |
| <b>Operating profit</b>                            | <b>4,769</b>  | <b>25,989</b> |
| Depreciation                                       | 11,223        | 12,787        |
| Loss/(profit) on disposal of fixed assets          | 108           | (2)           |
| Amortisation of goodwill and intangibles           | 10,175        | 10,175        |
| Hedging ineffectiveness gain on interest rate swap | (146)         | -             |
| Increase in stocks                                 | (2,438)       | (2,666)       |
| Decrease/(increase) in debtors                     | 2,337         | (12,492)      |
| Increase/(decrease) in creditors                   | 4,005         | (3,095)       |
| <b>Net cash inflow from operating activities</b>   | <b>30,033</b> | <b>30,696</b> |

### 26. Reconciliation of net cash flow to movement in net debt

#### (a) Movement in net debt

|                                                             | 2023<br>£000s    | 2022<br>£000s    |
|-------------------------------------------------------------|------------------|------------------|
| Increase/(decrease) in cash                                 | 2,285            | (5,124)          |
| Bank loan principal repayments net of drawdowns             | 13,570           | 18,291           |
| Repayment of shareholder loan due within more than one year | 3,658            | 8,208            |
| Non-cash movements                                          | (6,175)          | (6,234)          |
| <b>Movement in net debt</b>                                 | <b>13,338</b>    | <b>15,141</b>    |
| <b>Opening net debt</b>                                     | <b>(159,852)</b> | <b>(174,993)</b> |
| <b>Closing net debt</b>                                     | <b>(146,514)</b> | <b>(159,852)</b> |



## Notes to the financial statements

### for the year ended 30 June 2023

#### 26. Reconciliation of net cash flow to movement in net debt (continued)

(b) Analysis of changes in net debt

|                                   | At<br>1 July<br>2022<br>£000s | Cash flow<br>£000s | Non-cash<br>movements<br>£000s | At<br>30 June<br>2023<br>£000s |
|-----------------------------------|-------------------------------|--------------------|--------------------------------|--------------------------------|
| Cash at bank and in hand          | 7,232                         | 2,285              |                                | 9,517                          |
| <b>Shareholder company loan</b>   |                               |                    |                                |                                |
| Debt due after more than one year | (81,367)                      | 3,658              | (5,605)                        | (83,314)                       |
| <b>External debt:</b>             |                               |                    |                                |                                |
| Bank loan drawn down              | (152,190)                     | (4,000)            |                                | (156,190)                      |
| Bank loan principal repayments    | 63,768                        | 17,570             |                                | 81,338                         |
| Debt issue costs paid             | 2,705                         | -                  | (570)                          | 2,135                          |
| <b>Total</b>                      | <b>(159,852)</b>              | <b>19,513</b>      | <b>(6,175)</b>                 | <b>(146,514)</b>               |

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

#### 27. Other financial commitments

At 30 June 2023 and 30 June 2022 the group had the following future minimum lease payments under non-cancellable operating leases for each of the following years:

|                                                   | As at 30 June 2023             |                | As at 30 June 2022             |                |
|---------------------------------------------------|--------------------------------|----------------|--------------------------------|----------------|
|                                                   | Land and<br>Buildings<br>£000s | Other<br>£000s | Land and<br>Buildings<br>£000s | Other<br>£000s |
| Payments due:                                     |                                |                |                                |                |
| Not later than one year                           | 242                            | 322            | 240                            | 221            |
| Later than one year and not later than five years | 601                            | 306            | 836                            | 273            |
|                                                   | <b>843</b>                     | <b>629</b>     | <b>1,076</b>                   | <b>494</b>     |

The company had no other financial commitments as at 30 June 2023 or 30 June 2022.

#### 28. 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 15 were subject at 30 June 2023 until they are satisfied in full. These liabilities total £312,589,000 (2022: £308,596,000) of which £279,306,000 (2022: £282,942,000) 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.

## Notes to the financial statements

### for the year ended 30 June 2023

#### 29. Pension costs

The group contributes to defined contribution personal pension schemes for eligible employees. The costs for the year are recognised in the statement of income and retained earnings (see note 9). Assets of the scheme are held in independently administered funds. Outstanding contributions at 30 June 2023 amounted to £53,000 (2022: £49,000).

#### 30. Related party transactions

During the year and in the normal course of business, the group incurred management fees payable to Eucalyptus Energy Limited of £3,564,000 (2022: £1,543,000) for management and administration services. At 30 June 2023 £3,564,000 (30 June 2022: £1,543,000) was outstanding.

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

|                                    |                           |
|------------------------------------|---------------------------|
| Snetterton Renewable Power Limited | £653,000 (2022: £337,000) |
| Brigg Renewable Power Limited      | £461,000 (2022: £241,000) |
| Doveryard Limited                  | £259,000 (2022: £156,000) |

At 30 June 2023, the following amounts were outstanding:

|                                    |                          |
|------------------------------------|--------------------------|
| Snetterton Renewable Power Limited | £115,000 (2022: £36,000) |
| Brigg Renewable Power Limited      | £92,000 (2022: £29,000)  |
| Doveryard Limited                  | £nil (2022: £19,000)     |

#### 31. Ultimate parent company

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

Cedar Energy and Infrastructure Limited, registered in England and Wales, is the holding company of the smallest group of undertakings for which group financial statements are drawn up and Fern Trading Limited is the holding company of the largest group of undertakings for which group financial statements are drawn up. Copies of these financial statements are available from the address above.