Melton Renewable Energy UK PLC

(Formerly MEIF Renewable Energy UK PLC)

Report and financial statements

for the 15 month period ended 30 June 2016

Registered number: 09194088

Directors and advisers

Directors
E J Wilkinson
M G Setchell
P S Latham
D Bird

Secretary
S Ludlow

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Strategic report for the 15 month period ended 30 June 2016

The directors present their strategic report for the group and for the company for the period ended 30 June 2016.

Group business review

On 30 October 2015 Eucalyptus Energy Limited acquired 100% of MEIF Renewable Energy UK PLC share capital with funds managed by Octopus Investments. Immediately following the acquisition on 3 November 2015 MEIF Renewable Energy UK PLC changed its name to Melton Renewable Energy UK PLC. References to Melton Renewable Energy UK PLC include reference to MEIF Renewable Energy UK PLC prior to the change of name. In order to align the financial period end of the company and its subsidiaries with that of its ultimate parent company, Fern Trading Limited, the company has changed its financial period end to 30 June, giving rise to a 15 month accounting period ended 30 June 2016.

In the Budget of 8 July 2015 the Government announced its intention to discontinue the Climate Change Levy ("CCL") exemption for renewable generators and this was implemented with effect from 1 August 2015 and Levy Exemption Certificates ("LECs") have not been issued for renewable generation since this date. This change and loss of revenue stream was unexpected and extremely disappointing.

On 14 August 2015 the company redeemed £19,000,000 of the aggregate principal amount of outstanding notes at a redemption price of 103% of the principal amount plus accrued and unpaid interest up to the redemption date. The company redeemed a further £19,000,000 of outstanding notes on 28 June 2016 on identical terms.

The results of the group for the period ended 30 June 2016 and financial position as at that date were satisfactory and in line with expectations. Output for the period was 1,417GWh with group turnover of £149,728,000. Group operating profit (including share of joint venture) was £12,860,000 and EBITDA (as defined on page 7) was £48,686,000. The group loss on ordinary activities before taxation for the period ended 30 June 2016 was £19,400,000.

Group turnover per MWh in the period ended 30 June 2016 was £101.18/MWh a reduction of 10% when compared to the period ended 31 March 2015, reflecting the loss of revenue from the sale of LECs and lower wholesale electricity prices received during the period.

The group continues to place great importance and significant emphasis on health and safety, and the biomass division's OHSAS 18001 (Health & Safety) certification was maintained throughout the period. The number of minor accidents that have occurred in the period has reduced significantly from the equivalent previous period. The previously reported improvement in internal and external audit performance in terms of non-conformances has been maintained in the period.

Wholesale electricity prices

Between summer 2015 and February 2016, mainly as a result of a decrease in UK natural gas prices, wholesale electricity market future prices decreased by between 20% and 25%. Subsequently wholesale electricity future market prices have recovered and are currently trading at levels equivalent to those available in summer 2015.

The wholesale electricity prices the group receives pursuant to its power purchase agreements are fixed in advance and revenue in the period ended 30 June 2016 was only impacted by the fall in market prices between summer 2015 and February 2016, to the extent it coincided with the price setting periods as defined in the relevant power purchase agreements.

Strategic report for the 15 month period ended 30 June 2016

Group business review (continued)

Pursuant to its power purchase agreement with British Gas Trading Limited, the electricity price the Biomass division receives is fixed annually for the twelve months commencing 1 October, based on the average wholesale market electricity future prices over a three-month calculation period (June, July and August). Pursuant to its power purchase agreement with British Gas Trading Limited, the electricity price the Landfill gas division receives is fixed every six months (from 1 April and 1 October), based on the average wholesale market electricity future prices over agreed two-month calculation periods ending mid-March and mid-September respectively.

ROC recycle income

The results for the period include Compliance Period 13 (2014/15) Renewable Obligation Certificate ("ROC") recycle income, announced and received during the period ended 30 June 2016. The value per ROC was lower than received in the prior period (itself being significantly below expectations), reflecting higher renewable generation in 2014/15 compared to DECC ("Department of Energy and Climate Change") expectations, resulting in a greater number of ROCs produced and issued during this compliance year compared with that assumed when setting the target for the compliance period.

Divisional business review

Following the change of financial year end, the strategic review of the biomass and landfill gas divisions relates to the 15 month period ended 30 June 2016, a period for which there is no natural comparative period. Comparison to the 15 months ended 30 June 2015 has been used as the directors consider this a useful benchmark to give a more comprehensive assessment of the business and the operational factors influencing the group's performance. Generation for the year ended 31 March 2015 is also quoted by way of comparison.

Biomass division

The results of the biomass division for the period ended 30 June 2016 and the financial position at the period-end date were satisfactory and continue to be underpinned by solid operational performance across the portfolio. Following excellent operational performance and results for the year ended 31 March 2015, output and availability improved further in the period to 30 June 2016. Output at each of the five power stations was at the upper end of expectations in the period ended 30 June 2016. Overall portfolio output in the period ended 30 June 2016 was 986 GWh, an increase of 21 GWh (2.2%) compared with the 15 months ended 30 June 2015.

Fuel contracts

Energy Power Resource Limited's ("EPRL") fuel contracts with its current suppliers of meat and bone marrow ("MBM") were extended in the autumn of 2015 for two years commencing January 2016.

There have been no long term fuel supply contracts entered into subsequent to the extension of two contracts for the annual supply of 255,000 tonnes of poultry litter (February 2015) and the extension of an existing contract for the annual supply of 60,000 tonnes of fuel with its principal horse-bedding supplier (May 2015) each out to 31 March 2027.

Yorkshire Windpower Limited

Yorkshire Windpower Limited ("YWP") is a 50% owned investment of EPRL which owns and operates a small wind-farm at Royd Moor. During the period ended 30 June 2016, wind turbine availability at Royd Moor remained relatively low, reflecting the age of the assets and reduced propensity to undertake expensive repairs given the planned de-commissioning of existing turbines towards the end of 2018.

Strategic report for the 15 month period ended 30 June 2016

Group business review (continued)

The repower project in respect of YWP's site at Ovenden Moor, incorporating the decommissioning of the existing wind turbines and replacement with nine new 2MW turbines, commenced in July 2015. The project remained largely on track through to the end of February 2016 for commissioning of the new turbines in summer 2016. The delivery route for the wind turbine generators (WTG) includes a road that spans a 140-year old Victorian railway bridge. Following a structural survey, we were informed that a temporary reinforcement structure was required underneath the bridge prior to allowing the movements of WTG across the bridge.

Negotiation of access rights with the leaseholder of the land directly underneath the bridge took several months and was not concluded until the end of June 2016. The propping works were undertaken almost immediately and the WTG deliveries commenced on 23 July 2016, at the rate of one per week. All turbines are now delivered and the main erection crane is on site.

It is anticipated that all nine turbines will be erected and commissioned before the end of March 2017. We remain confident that the repowered Ovenden Moor will be accredited under the Renewable Obligations ("RO") regime at the level of 0.9 ROCs per MWh.

The capital costs remain broadly in line with expectations.

Environment and sustainability
Environmentally, as well as providing a secure and sustainable disposal route for poultry litter and other agricultural based residues, the group's output in the period ended 30 June 2016 reduced CO^2 emissions by some 351,000 tonnes (12 months ended 31 March 2015: 271,000 tonnes). This was achieved by displacing the equivalent amount of generation from gas fired plant (based upon Department of Energy and Climate Change's assessment of average emissions).

Following on from the significant improvement in the previous year, there was a further 50% reduction in the number of environmental permit non-conformances during the compliance year ended 31 March 2016. Whilst the absolute number of permit non-conformances across the group is low and has improved significantly over recent years, continued focus is required in this area. EPRL group's ISO 14001 (Environmental) certification was maintained during the year.

Since 1 April 2015, ROC entitlement for dedicated biomass fuelled generators such as EPRL is linked to annually audited fuel sustainability criteria. Given the nature of the fuels used across the group, being UK and locally sourced and classified as either wastes, residues or energy crops from accredited sources, we anticipate full compliance and significant headroom against the required minimum greenhouse gas savings. Further we believe that our data collection and reporting processes are fully compliant. This view has been supported by successful audits for each of the five biomass stations in respect of 2015/16.

Thetford Power Station
Thetford Power Station had a strong 15 month period ended 30 June 2016, generating 346 GWh (12 months to 31 March 2015: 263 GWh), an improvement on the equivalent 15 months to 30 June 2015 (337 GWh) and ahead of expectations. This was driven by increased availability and a general improvement in output whilst on line across the period.

Ely Power Station
Ely Power Station had a strong 15 month period ended 30 June 2016 generating 329 GWh (12 months to 31 March 2015: 261 GWh), marginally above both expectations and the equivalent 15 month period to 30 June 2015 (325 GWh). The improvement in output arises from a slight increase in both availability and output whilst on line.

Strategic report for the 15 month period ended 30 June 2016

Group business review (continued)

Historically, we have sourced approximately 75% of our straw requirements pursuant to supply contracts, which generally have a duration of four years, with annual price increases linked to the RPI. With effect from summer 2015, we have procured all our straw through medium term supply contracts. Consequently, in the 15 months ended 30 June 2016 there has been a reduction in both straw stock and cost of sales per MWh.

Glanford Power Station
Glanford Power Station had a strong 15 months ended 30 June 2016 generating 127 GWh (12 months to 31 March 2015: 96 GWh), this was above expectations and the equivalent 15 months ended 30 June 2015 (121 GWh). Both availability and output whilst online remain very good.

Eye Power Station
Eye Power Station's output in the 15 months ended 30 June 2016 was 109 GWh (12 months to 31 March 2015: 85 GWh), slightly ahead of both expectations and that achieved in the equivalent 15 months ended 30 June 2015 (108 GWh) with generally good availability and output whilst online.

Westfield Power Station
Westfield Power Station's performance was broadly in line with expectations for the 15 months ended 30 June 2016 generating just under 76 GWh (12 months to 31 March 2015: 58 GWh), slightly ahead of that produced in the equivalent 15 months ended 30 June 2015 (74 GWh).

Fibrophos
Despite difficult trading conditions within UK agriculture, Fibrophos achieved a significant increase in sales in the 15 months ended 30 June 2016, selling almost 86,000 tonnes in the period (12 months ended 31 March 2015: 66,471 tonnes). Whilst fertiliser sales volumes were significantly up, prices were lower than the previous year, impacted adversely by lower commodity price and lower farming revenues.

Landfill gas division

The results of the landfill gas division for the 15 months ended 30 June 2016 and financial position as at that date were satisfactory and broadly in line with expectations.

Output from the landfill gas portfolio in the 15 months ended 30 June 2016 was 431GWh (12 months ended 31 March 2015: 371GWh). There was a reduction in output of 5.5% in the 15 months ended 30 June 2016 compared to the equivalent 15 months ended 30 June 2015, this reflects the maturity of the 25 landfill gas sites from which the group operates, and the proportion closed to new waste inputs. The sites being operated within the portfolio did not change during the financial period.

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, which are largely outside the control of the group.

Cost of sales for the group decreased on a comparable 15 month basis as royalties payable to landfill site operators, calculated as a percentage of turnover, decreased reflecting a decrease in turnover during the 15 month period ended 30 June 2016. Administrative costs were in line with the previous year.

During the period, updated and extended gas agreements, governing the terms of our operations at two of the landfill sites from which we already operate, were signed. The extensions were for up to three and seven years respectively.

Strategic report for the 15 month period ended 30 June 2016

Principal risks and uncertainties

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

General risks
The key general risks and uncertainties affecting both the biomass and landfill gas divisions are considered to relate to wholesale electricity prices and changes to renewable energy support regimes. The wholesale electricity prices the group receives pursuant to its power purchase agreements are fixed in advance. The biomass division receives an electricity price that is fixed every twelve months in advance at the market rate less a customary margin, with each twelve month period lasting from October 1 to September 30 of the following year. The electricity price the landfill gas division receives under the terms of the BG Landfill Gas PPA is fixed every six months in advance at the market rate less a customary margin, with the six-month periods lasting from 1 October to 31 March and from 1 April to 30 September. Its exposure to movements in the market price of electricity is considered appropriate given the indexed linked nature of its other principal revenue stream, ROC buy-out.

Biomass division
The key business risks and uncertainties affecting the biomass division are considered to relate to operational availability, staff competencies, environmental, health and safety performance and fuel availability. These and all identified risks are managed through the risk management policy. We mitigate the risk of unplanned outages by undertaking ongoing plant condition monitoring (e.g. oil sampling, vibration and heat analysis, etc.) and preventative maintenance. We support our maintenance regime through our trained team of operational and maintenance staff and our operations benefit from long term maintenance contracts for specialist equipment such as turbines and generators. We also maintain a stock of strategic spare parts. In addition, we undertake annual capital improvements to remediate or remove recurring maintenance issues in a timely and cost-effective manner. Biomass fuel is contracted mainly through a mix of medium to long-term contracts, some of which extend to 2027.

During the 15 months ended 30 June 2016 the biomass division has demonstrated good progress in managing a number of key risks, namely improving portfolio output and availability for the fourth consecutive year, retaining ISO 14001 and OHSAS 18001 certification and developing a system of health and safety observations.

Over a third of the average annual fuel requirement of the biomass division's three 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 for between two and four years.

Landfill gas division
The key business risks and uncertainties affecting the landfill gas division are considered to relate to gas quality and availability, third party landfill operations, engine availability, environmental, health and safety performance and the renewal of landfill gas agreements at the end of their existing term. Gas quality and availability are monitored continuously via gas sampling, analysis and monitoring on a weekly site by site basis. 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 and we carry 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 have spare engine capacity, this is reviewed on a case by case basis.

Strategic report for the 15 month period ended 30 June 2016

Key performance indicators

The key performance indicators ("KPI's") used by the directors are output, turnover, EBITDA, operating profit and revenue per MWh. EBITDA represents earnings before tax, interest, depreciation and amortisation. Group turnover per MWh includes turnover from the sale of electricity, ROCs and the receipt of ROC recycle income and embedded generation benefits. It excludes turnover from fertiliser sales and other fees and receipts.

As such the directors are of the opinion that further analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

For the fifteen month period to 30 June 2016

Key performance indicators	**15 months to 30 June 2016**	215 days to 31 March 2015
Output (GWh)	**1,417**	602
Group turnover (£000s)	**149,728**	69,399
EBITDA* (£000s)	**48,686**	28,158
Operating profit/(loss): group and share of joint venture (£000s)	**12,860**	(9,803)
Group turnover per MWh (£/MWh)	**101.18**	112.80

*EBITDA for the period ended 31 March 2015 excludes impairment of goodwill.

Results

The group loss on ordinary activities before taxation for the 15 months ended 30 June 2016 was £19,400,000 (215 days ended 31 March 2015: £24,013,000).

Basis of financial statements preparation

This is the first period that the group and the company have presented their results under FRS 102. The last financial statements under the UK GAAP were for the period ended 31 March 2015. The date of transition to FRS 102 was 29 August 2014, this being the date of incorporation of the company. A reconciliation of the group's loss for the financial period ended 31 March 2015 and the group's and company's total shareholder funds as at 31 March 2015 between UK GAAP as previously reported and FRS 102 is included in note 32 of the notes to the financial statements.

Approved by and on behalf of the board

E J Wilkinson
Director

24 October 2016

Directors' report for the 15 month period ended 30 June 2016

The directors present their report and the audited consolidated financial statements for the group and the company for the 15 month period ended 30 June 2016.

Principal activities

The principal activity of Melton Renewable Energy UK PLC (formerly MEIF Renewable Energy UK PLC) is that of a holding company to Melton Renewable Energy (Holdings) Limited and Melton LG Holding Limited. The group represents a UK focused renewable energy portfolio of biomass and landfill gas generation assets with an installed capacity of 174MW. In addition, Melton Renewable Energy UK PLC employs a small number of central staff that provide HR, payroll, legal and management services to its subsidiaries.

On 30 October 2015 Eucalyptus Energy Limited (an English limited company with its registered office at 6th Floor, 33 Holborn, London EC1N 2HT) acquired 100% of Melton Renewable Energy UK PLC's share capital. Following the acquisition, MEIF Renewable Energy UK PLC changed its name to Melton Renewable Energy UK PLC on 3 November 2015. References to Melton Renewable Energy UK PLC include reference to MEIF Renewable Energy UK PLC prior to the change of name.

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 110MWs capacity) and the marketing and sale of potash and phosphate fertiliser, branded as Fibrophos. In addition, EPRL holds a 50% share in YWP which owns one wind farm at Royd Moor, Yorkshire with a capacity of 6.5MW. YWP also owns an adjacent wind farm project at Ovenden Moor, this is currently being repowered (to 18MW) with nine 2MW wind turbines. The wind turbines are expected to be erected and commissioned by the end of March 2017.

The primary activity of the Melton LG Holding group is the production of energy from landfill gas. The group operates from 25 landfill gas sites across the UK and has 64MW of installed capacity.

Future developments

The directors anticipate that output from the biomass portfolio in the year ending 30 June 2017 will be consistent with that of the period ended 30 June 2016, whilst that of the landfill gas portfolio is anticipated to decline slightly due to falling gas volumes as a result of the mix of closed and open landfill sites from which it operates.

As noted above, it is anticipated that YWP's 18MW wind farm at Ovenden Moor will be commissioned by the end of March 2017 and we remain confident that it will be supported under the RO regime at the level of 0.9 ROCs per MWh.

Dividends

No dividends were paid by Melton Renewable Energy UK PLC in the period to 30 June 2016 (period to 31 March 2015: £nil).

Directors' report for the 15 month period ended 30 June 2016

Directors

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

E J Wilkinson	
M G Setchell	(appointed 30 October 2015)
P S Latham	(appointed 30 October 2015)
T J Senior	(appointed 30 October 2015) (resigned 6 October 2016)
D Bird	(appointed 10 October 2016)
A T Lygoe	(resigned 30 October 2015)
D P Tilstone	(resigned 30 October 2015)

Financial risk management

The group's operations expose it to limited financial risks that include price risk and liquidity 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

The group is exposed to commodity price risk relating to the sale of electricity and fertiliser as a result of its operations. 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 the biomass power stations is affected by a number of factors, including competition for existing fuels from other biomass power stations or alternative users, 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 business, where possible, the group sources the majority of biomass fuels pursuant to long-term contracts with a variety of suppliers.

Poultry litter is sourced under long-term contracts, with the price fixed and linked to the RPI over the duration of the contract period. Over a third of the average annual fuel requirement of the biomass division's three poultry litter powered power stations is contracted through to March 2027. The biomass division's straw and MBM fuel contracts are by their nature more short-term and are generally for between two and four years.

Liquidity risk

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

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 period 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 period and up to the date of signing the financial statements.

Directors' report for the 15 month period ended 30 June 2016

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.

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 monthly team briefings at a local level and the publication of monthly key performance indicators covering output, operating costs and health and safety.

Directors' report for the 15 month period ended 30 June 2016

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

So far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

In accordance with section 487(2) of the Companies Act 2006 the auditors, PricewaterhouseCoopers LLP, are deemed to be re-appointed.

Approved by and on behalf of the board

E J Wilkinson
Director

24 October 2016

Independent auditors' report

to the members of Melton Renewable Energy UK PLC (continued)

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2016 and of the group's loss and cash flows for the 15 month period ("the period") 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.

What we have audited

The financial statements, included within the Report and financial statements (the "Annual Report"), comprise:

- the group and company balance sheets as at 30 June 2016;
- the group statement of income and retained earnings for the period then ended;
- the group statement of comprehensive income for the period then ended;
- the group statement of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report

to the members of Melton Renewable Energy UK PLC (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

24 October 2016

Group statement of income and retained earnings

for the 15 month period ended 30 June 2016

	Note	***15 months to 30 June 2016 £000s***	*215 days to 31 March 2015 £000s*
Group turnover	5	**149,728**	69,399
Cost of sales		**(107,028)**	(44,667)
Gross profit		**42,700**	24,732
Distribution costs		**(859)**	(212)
Administrative expenses		**(29,109)**	(35,435)
Other operating income		**-**	661
Operating profit/(loss)	6	**12,732**	(10,254)
Share of operating profit in joint venture		**128**	451
Total operating profit/(loss): group and share of joint venture		**12,860**	(9,803)
Interest receivable and similar income	9	**90**	10
Interest payable and similar charges (including exceptional items)	10	**(32,350)**	(14,220)
Loss on ordinary activities before taxation		**(19,400)**	(24,013)
Tax on loss on ordinary activities	11	**1,621**	(2,013)
Loss for the financial period	24	**(17,779)**	(26,026)
Accumulated losses brought forward		**(26,026)**	-
Accumulated losses carried forward	24	**(43,805)**	(26,026)

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

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

Group statement of comprehensive income

for the 15 month period ended 30 June 2016

	Note	***15 months to 30 June 2016 £000s***	*215 days to 31 March 2015 £000s*
Loss for the financial period excluding the share of profits of joint venture		**(17,907)**	(26,477)
Share of joint venture's operating profit for the period		**128**	451
Loss for the financial period attributable to members of the parent company		**(17,779)**	(26,026)
Total comprehensive income for the period	24	**(17,779)**	(26,026)

Group balance sheet

as at 30 June 2016

	Note	*As at 30 June 2016 £000s*	*As at 31 March 2015 £000s*
Fixed assets			
Intangible assets	12	**109,177**	121,872
Tangible assets	13	**155,544**	175,990
Interests in joint venture	14	**117**	833
		264,838	298,695
Current assets			
Stocks	15	**13,184**	12,362
Debtors: amounts falling due within one year	16	**31,934**	29,106
Debtors: amounts falling due after more than one year	16	**-**	1,082
Cash at bank and in hand		**21,248**	26,367
		66,366	68,917
Creditors: amounts falling due within one year	17	**(19,366)**	(18,137)
Net current assets		**47,000**	50,780
Total assets less current liabilities		**311,838**	349,475
Creditors: amounts falling due after more than one year	18	**(289,166)**	(304,993)
Provisions for liabilities and charges			
Deferred tax	20	**(15,607)**	(19,638)
Net assets		**7,065**	24,844
Capital and reserves			
Called up share capital	23	**50,870**	50,870
Accumulated losses	24	**(43,805)**	(26,026)
Total shareholders' funds	25	**7,065**	24,844

The financial statements on pages 13 to 49 were approved by the board of directors on 24 October 2016 and were signed on its behalf by:

M G Setchell
Director

Registered number: 09194088

Company balance sheet

as at 30 June 2016

	Note	***As at 30 June 2016 £000s***	*As at 31 March 2015 £000s*
Fixed assets			
Investments	14	**172,591**	172,591
Tangible assets	13	**53**	-
		172,644	172,591
Current assets			
Debtors: amounts falling due within one year	16	**2,582**	1,209
Debtors: amounts falling due after more than one year	16	**157,943**	177,902
Cash at bank and in hand		**2,509**	7,949
		163,034	187,060
Creditors: amounts falling due within one year	17	**(4,499)**	(2,794)
Net current assets		**158,535**	184,266
Total assets less current liabilities		**331,179**	356,857
Creditors: amounts falling due after more than one year	18	**(289,166)**	(304,993)
Net assets		**42,013**	51,864
Capital and reserves			
Called up share capital	23	**50,870**	50,870
(Accumulated losses)/retained earnings	24	**(8,857)**	994
Total shareholders' funds	25	**42,013**	51,864

The financial statements on pages 13 to 49 were approved by the board of directors on 24 October 2016 and were signed on its behalf by:

M G Setchell
Director

Registered number: 09194088

Group statement of cash flows

for the 15 month period ended 30 June 2016

	Note	*15 months to 30 June 2016 £000s*	*215 days to 31 March 2015 £000s*
Net cash inflow from operating activities	26	**51,546**	27,287
Taxation received/(paid)		**165**	(1,460)
Net cash generated from operating activities		**51,711**	25,827
Cashflow from investing activities			
Payments to acquire tangible assets		**(2,835)**	(908)
Proceeds from sale of tangible assets		**2**	-
Dividends from joint venture		**300**	-
Interest received		**90**	10
Net cash used in investing activities		**(2,443)**	(898)
Cashflow from financing activities			
Senior secured notes (redeemed)/issued		**(38,000)**	190,000
Repayment of long term borrowings		**-**	(112,093)
Advance/(repayment) of parent company loan		**6,500**	(78,300)
Loans to associate undertaking		**(8,641)**	(1,072)
Interest paid		**(14,246)**	(21,730)
Net cash used in financing activities		**(54,387)**	(23,195)
Net (decrease)/increase in cash and cash equivalents	27	**(5,119)**	1,734
Cash and cash equivalents at the beginning of the period		**26,367**	24,633
Cash and cash equivalents at the end of the period		**21,248**	26,367

Cash and cash equivalents consists of:

Cash at bank and in hand		**21,248**	26,367

Notes to the financial statements

for the 15 month period ended 30 June 2016

1. General information

Melton Renewable Energy UK PLC's principal activity is that of holding company to Melton Renewable Energy (Holdings) Limited and Melton LG Holding Limited. The group represents a UK focussed renewable energy portfolio of biomass and landfill gas generation assets with an installed capacity of 174MW. In addition, Melton Renewable Energy UK PLC 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 in England. 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 PLC 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 periods presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 32.

Basis of preparation

Following the acquisition of the company by Eucalyptus Energy Limited on 30 October 2015, the financial period-end date of the group has changed to 30 June in order to align with that of the acquiring parent company. Accordingly, the consolidated and separate financial statements have been prepared for the 15 month period ended 30 June 2016. The comparative amounts presented are for the 215 days ended 31 March 2015 and are therefore not directly comparable.

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

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

Exemptions for qualifying entities under FRS 102

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

The company has taken advantage of the following exemptions:

i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the company's cash flows;

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

iii) from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7;

Notes to the financial statements

for the 15 month period ended 30 June 2016

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 income and retained earnings 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.

Entities, other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over who's operating and financial policies the group exercises a significant influence are treated as associates. In the group financial statements, associates are accounted for using the equity method.

No separate statement of income and retained earnings is presented for the company Melton Renewable Energy UK PLC as permitted by section 408 of the Companies Act 2006. The loss for the period attributable to the company amounted to £9,851,000.

Foreign currencies

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

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

At each period 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 period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and retained earnings account.

Turnover

Turnover represents the invoiced value of goods and services for electricity supplied, net of value added tax and trade discounts.

Turnover is derived from and recognised when electricity generated is exported to third party customers. Income from recycled renewable obligation certificates ('Recycled ROC') is recognised when the amount is known with reasonable certainty. Turnover generated from the sale of fertiliser is recognised on physical dispatch.

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

Other operating income

Amounts disclosed as other income is generated from the receipt of insurance proceeds and these are recognised in the period in which the proceeds are received.

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 15 month period ended 30 June 2016

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 income and retained earnings.

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 based upon the group's weighted average cost of capital that reflects current market assessments of the time value of money and the risks specific to the group.

Notes to the financial statements

for the 15 month period ended 30 June 2016

3. Accounting policies (continued)

Investments

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

Stocks

Spare parts are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stock.

Fuel stocks (MBM and litter) are valued on an average cost basis over 1 to 2 months and provision for unusable litter is reviewed monthly and applied to off-site stock.

Fuel stock of straw has been valued at the historical cost per tonne of straw. A provision for unusable straw is identified on an individual stack basis and is reviewed monthly. Stocks are currently used on a first in, first out ("FIFO") basis by age of straw.

Stocks of ash at Fibrophos are valued at the lower of cost and net realisable value to the group.

Stocks of finished goods are valued at raw material cost plus processing and storage costs, or net realisable value if lower.

Current tax

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

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

Deferred tax

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

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

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

Group relief

Credits for amounts receivable in respect of tax losses surrendered to group companies are recognised in the 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 PLC group operates multiple defined contribution personal pension schemes for certain qualifying employees. 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 income and retained earnings when they fall due.

Notes to the financial statements

for the 15 month period ended 30 June 2016

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 income and retained earnings on a straight line basis over the period of the lease.

Debt issue costs

Issue costs associated with senior secured notes are capitalised and netted off against the principal amounts. The costs are amortised over the five year term of the notes in proportion to amounts outstanding.

Financial instruments

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

Financial assets

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

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

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

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

Financial liabilities

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

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Notes to the financial statements

for the 15 month period ended 30 June 2016

3. Accounting policies (continued)

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

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

Offsetting

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

4. Critical accounting judgements and estimation uncertainty

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

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

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

(b) Key accounting estimates and assumptions

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

i) Impairment of goodwill

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

ii) Fair value of fixed assets arising on business combination

On 26 September 2014, Melton Renewable Energy UK PLC acquired 100% of the issued share capital of Melton Renewable Energy (Holdings) Limited and 100% of the issued share capital of Melton LG Holding Limited. Both acquisitions were accounted for using the acquisition accounting method and gave rise to a fair value uplift of £76,138,000. Of this, £71,213,000 arose from an increase in value of power stations, plant and machinery to its depreciated replacement cost upon acquisition of Melton Renewable Energy (Holdings) Limited. A further £4,925,000 arose from an increase in value of plant and machinery to its depreciated replacement cost upon acquisition of Melton LG Holding Limited. In both cases, the fair value was based on a third party assessment of the replacement cost of the assets taking into account depreciation and price inflation in the period to 26 September 2014.

iii) Stock obsolescence

The group reviews and provides for unusable or slow moving stock. Unusable stock represents biomass fuel assessed to have too high a moisture content for use at the power stations. As at 30 June 2016 the provision for unusable and slow moving stock was £579,000 (31 March 2015: £629,000).

Notes to the financial statements

for the 15 month period ended 30 June 2016

4. Critical accounting judgements and estimation uncertainty (continued)

iv) Useful economic life of tangible assets

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

5. Segmental analysis

The group is divided into two operating segments, the biomass and landfill gas divisions, as well as a central management and administration function. This reflects the group's management and internal reporting structures which are monitored by the group's Chief Operating Decision Maker ("CODM"). The group uses EBITDA as a key reporting metric representing earnings before interest, taxation, depreciation and amortisation.

The tables on pages 26 and 27 present segmental information for the period ended 30 June 2016 and for the comparative period ended 31 March 2015.

Segmental profit/(loss), assets and liabilities include items directly attributable to each segment as well as those which can be allocated to each segment on a reasonable basis including goodwill and fair value adjustments to fixed assets arising upon acquisition and the amortisation and depreciation thereon.

Unallocated items included in the group's loss on ordinary activities represent interest and similar charges on senior and shareholder debt. Unallocated items included within total liabilities represent long term senior and shareholder debt, current tax creditors and provisions for deferred taxation.

Notes to the financial statements

for the 15 month period ended 30 June 2016

5. Segmental analysis (continued)

Segmental statement of income analysis

For 15 months ended 30 June 2016	Biomass	Landfill Gas	Central	Group
	£000s	*£000s*	*£000s*	*£000s*
Turnover	112,784	36,944	-	149,728
Operating costs	(77,963)	(21,549)	(1,658)	(101,170)
Share of operating profit in joint venture	128	-	-	128
EBITDA	**34,949**	**15,395**	**(1,658)**	**48,686**
Fixed asset depreciation	(20,196)	(2,935)	-	(23,131)
Intangible amortisation and impairments	(6,153)	(6,542)	-	(12,695)
Operating profit/(loss): group and share of joint venture	**8,600**	**5,918**	**(1,658)**	**12,860**
Unallocated interest charges on borrowings	-	-	-	(32,260)
Profit/(loss) on ordinary activities before taxation	**8,600**	**5,918**	**(1,658)**	**(19,400)**

For 215 days ended 31 March 2015	Biomass	Landfill Gas	Central	Group
	£000s	£000s	£000s	£000s
Turnover	50,782	18,617	-	69,399
Other operating oncome	661	-	-	661
Operating costs	(32,001)	(9,669)	(683)	(42,353)
Share of operating profit in joint venture	451	-	-	451
EBITDA	**19,893**	**8,948**	**(683)**	**28,158**
Fixed asset depreciation	(7,936)	(1,421)	-	(9,357)
Intangible amortisation and impairments	(17,775)	(10,829)	-	(28,604)
Operating loss: group and share of joint venture	**(5,818)**	**(3,302)**	**(683)**	**(9,803)**
Unallocated interest charges on borrowings	-	-	-	(14,210)
Loss on ordinary activities before taxation	**(5,818)**	**(3,302)**	**(683)**	**(24,013)**

Notes to the financial statements

for the 15 month period ended 30 June 2016

5. Segmental analysis (continued)

Segmental balance sheet analysis

As at 30 June 2016	Biomass	Landfill Gas	Central	Group
	£000s	£000s	£000s	£000s
Non-current assets	186,623	78,162	53	264,838
Current assets	52,754	11,007	2,605	66,366
Total assets	**239,377**	**89,169**	**2,658**	**331,204**
Creditors: falling due within one year	(9,629)	(4,355)	(198)	(14,182)
Unallocated long term debt and accrued interest	-	-	-	(293,444)
Unallocated current and deferred taxation	-	-	-	(16,513)
Total liabilities	**(9,629)**	**(4,355)**	**(198)**	**(324,139)**
Net assets	**229,748**	**84,814**	**2,460**	**7,065**

As at 31 March 2015	Biomass	Landfill Gas	Central	Group
	£000s	£000s	£000s	£000s
Non-current assets	211,477	87,218	-	298,695
Current assets	41,001	18,325	8,007	67,333
Unallocated current tax asset	-	-	-	1,584
Total assets	**252,478**	**105,543**	**8,007**	**367,612**
Creditors: falling due within one year	(10,466)	(5,159)	(553)	(16,178)
Unallocated long term debt and accrued interest	-	-	-	(306,952)
Unallocated current and deferred taxation	-	-	-	(19,638)
Total liabilities	**(10,466)**	**(5,159)**	**(553)**	**(342,768)**
Net assets	**242,012**	**100,384**	**7,454**	**24,844**

Notes to the financial statements

for the 15 month period ended 30 June 2016

6. Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting) the following:	***15 months to 30 June 2016 £000s***	*215 days to 31 March 2015 £000s*
Services provided by the company's auditors:		
- Fees payable for the audit of the parent company and consolidated financial statements	**64**	42
- Fees payable to the company's auditors and its associates for other services		
- audit services	**306**	144
- audit related assurance services	**65**	20
- tax compliance services	**19**	15
- other services	**-**	4
Depreciation of owned fixed assets	**23,131**	9,357
Loss on disposal of fixed assets	**96**	98
Amortisation of goodwill	**12,695**	5,078
Impairment of goodwill (note 32)	**-**	23,526
Operating lease rentals		
– land and buildings	**398**	276
– other	**392**	227
Inventory recognised as an expense	**46,547**	19,917
Impairment of inventory	**(50)**	(119)

Included within operating loss in the 215 days to 31 March 2015, and presented as other operating income, are insurance proceeds of £661,000 recovered following a loss of straw due to fire. The associated costs are included within cost of sales.

7. Directors' emoluments

Emoluments paid to directors by the company:

	15 months to 30 June 2016 £000s	*215 days to 31 March 2015 £000s*
Aggregate emoluments during the period	**493**	241
Company pension contributions	**11**	3

At 30 June 2016 no directors had benefits arising under the defined contribution scheme. The total emoluments of the highest paid director in office for the period were £504,000 (215 days to 31 March 2015: £244,000). M G Setchell, P S Latham, T J Senior and D Bird do not receive any payment for their services to the Melton Renewable Energy UK PLC group.

Notes to the financial statements

for the 15 month period ended 30 June 2016

7. Directors' emoluments (continued)

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

	15 months to 30 June 2016 £000s	*215 days to 31 March 2015 £000s*
Salaries and other short term benefits	**1,812**	887

8. Employee information

	Group		***Company***	
	15 months to 30 June **2016** ***£000s***	*215 days to 31 March* 2015 *£000s*	***15 months to 30 June*** **2016** ***£000s***	*215 days to 31 March* 2015 *£000s*
Wages and salaries	**13,644**	5,474	**1,121**	513
Social security costs	**1,541**	604	**152**	80
Other pension costs	**469**	180	**34**	10
	15,654	6,258	**1,307**	603

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

	Group		***Company***	
	15 months to 30 June **2016** ***Number***	*215 days to 31 March* 2015 *Number*	***15 months to 30 June*** **2016** ***Number***	*215 days to 31 March* 2015 *Number*
Production	**198**	200	**-**	-
Administration	**63**	57	**9**	7
	261	257	**9**	7

Notes to the financial statements

for the 15 month period ended 30 June 2016

9. Interest receivable and similar income

	15 months to 30 June 2016 £000s	*215 days to 31 March 2015 £000s*
Interest receivable	**90**	10

10. Interest payable and similar charges (including exceptional items)

	15 months to 30 June 2016 £000s	*215 days to 31 March 2015 £000s*
Interest payable on bank debt	**-**	937
Interest payable on senior secured notes	**16,070**	1,959
Amortisation of issue costs of senior secured notes	**1,507**	120
Interest payable to immediate parent company	**14,239**	7,706
Other interest and charges	**534**	-
Exceptional items		
Interest rate swap breakage costs	**-**	2,751
Amortised bank loan issue costs	**-**	747
	32,350	14,220

Exceptional items in the prior period relate to losses incurred upon settlement of the group's interest rate swaps as part of the repayment of the group's third party debt in February 2015 (see note 32).

Notes to the financial statements

for the 15 month period ended 30 June 2016

11. Tax on loss on ordinary activities

a) Analysis of the (credit)/charge in the period.

	15 months to 30 June 2016 £000s	*215 days to 31 March 2015 £000s*
Current tax		
Corporation tax charge/(credit)	**2,122**	(473)
Share of joint venture's current tax	**(243)**	80
Current period consortium relief	**243**	-
Adjustments in respect of prior periods	**2**	(106)
Total current tax charge/(credit) for the period	**2,124**	(499)
Deferred tax		
Origination and reversal of timing differences	**(2,294)**	2,577
Share of joint venture's deferred tax	**286**	-
Adjustments in respect of prior periods	**(3)**	(65)
Change in rate of corporation tax	**(1,734)**	-
Total deferred tax (credit)/charge for the period	**(3,745)**	2,512
Tax (credit)/charge on loss on ordinary activities	**(1,621)**	2,013

Notes to the financial statements

for the 15 month period ended 30 June 2016

11. Tax on loss on ordinary activities (continued)

b) Reconciliation of tax (credit)/charge

The tax assessed on the loss on ordinary activities before taxation for the period differs (2015: differs) from the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	15 months to 30 June 2016 £000s	*215 days to 31 March 2015 £000s*
Loss on ordinary activities before taxation	**(19,400)**	(24,013)
Loss on ordinary activities before taxation multiplied by standard rate of corporation tax of 20% (2015: 21%)	**(3,880)**	(5,043)
Effect of:		
Adjustments in respect of prior periods	**(1)**	(106)
Expenses not deductible for tax purposes	**3,988**	7,864
Tax rate changes	**(1,734)**	-
Brought forward losses utilised	**-**	(1,060)
Consortium relief adjustment	**(21)**	80
Other timing differences	**27**	278
Tax (credit)/charge for the period	**(1,621)**	2,013

c) Factors that may affect future charges

The standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for the accounting period are taxed at an effective rate of 20%. A reduction in the main rate of corporation tax to 18% from 1 April 2020 was enacted during the period. Consequently deferred tax has been calculated at the period-end using a tax rate of 18%.

12. Intangible assets

	Goodwill £000s
Cost:	
At 1 April 2015 and 30 June 2016	**150,476**
Accumulated amortisation and impairment:	
At 1 April 2015	28,604
Charge for the period	12,695
At 30 June 2016	**41,299**
Net book amount:	
At 30 June 2016	**109,177**
At 31 March 2015	121,872

Notes to the financial statements

for the 15 month period ended 30 June 2016

12. Intangible assets (continued)

The goodwill arising on acquisitions is being amortised on a straight line basis over 12 ½ years being the directors' estimate of the minimum period over which benefits may reasonably be expected to accrue from the acquisitions. The value of goodwill and any required impairment is based upon the estimated net present value of future cash flows from the group's operations using a pre-tax discount rate of 8% which is considered to be representative of the group's weighted average cost of capital.

Future cash flows are estimated based upon management's high level 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. The company does not hold any intangible fixed assets.

13. Tangible assets

Group	*Freehold land and buildings*	*Power stations*	*Plant and machinery*	*Assets under construction*	*Total*
	£000s	*£000s*	*£000s*	*£000s*	*£000s*
Cost:					
At 1 April 2015	4,541	154,466	26,038	302	185,347
Additions	16	2,049	618	152	2,835
Transfers	-	221	59	(280)	-
Disposals	-	-	(286)	(2)	(288)
At 30 June 2016	**4,557**	**156,736**	**26,429**	**172**	**187,894**
Accumulated depreciation:					
At 1 April 2015	32	7,859	1,466	-	9,357
Charge for the period	74	20,014	3,043	-	23,131
Disposals	-	-	(138)	-	(138)
Reclassification	-	(5)	5	-	-
At 30 June 2016	**106**	**27,868**	**4,376**	**-**	**32,350**
Net book amount:					
At 30 June 2016	**4,451**	**128,868**	**22,053**	**172**	**155,544**
At 31 March 2015	4,509	146,607	24,572	302	175,990

Notes to the financial statements

for the 15 month period ended 30 June 2016

13. Tangible assets (continued)

Company

	Plant and machinery £000s	*Total £000s*
Cost:		
At 1 April 2015	-	-
Additions	54	54
At 30 June 2016	**54**	**54**
Accumulated depreciation:		
At 1 April 2015	-	-
Charge for the period	1	1
At 30 June 2016	**1**	**1**
Net book amount:		
At 30 June 2016	**53**	**53**
At 31 March 2015	-	-

14. Investments

Group

Energy Power Resources Limited, a subsidiary of Melton Renewable Energy UK PLC, owns 50% of the issued share capital of Yorkshire Windpower Limited as part of a 50:50 joint venture with E.ON Climate & Renewables UK Operations Limited. The principal activities of Yorkshire Windpower Limited are the ownership, maintenance and operation of two wind farms at Ovenden Moor and Royd Moor in Yorkshire and the sale of the associated electrical generation under a power purchase agreement. Yorkshire Windpower Limited is governed and managed through a joint board of directors with decisions in respect of the entity agreed at board level.

	Joint venture £000s
At 1 April 2015	833
Share of loss after taxation for the financial period	(416)
Dividends	(300)
At 30 June 2016	**117**

Notes to the financial statements

for the 15 month period ended 30 June 2016

14. Investments (continued)

Company

	Subsidiary undertakings £000s
Cost:	
At 1 April 2015 and 30 June 2016	**172,591**
Net book amount:	
At 1 April 2015 and 30 June 2016	**172,591**

The subsidiary companies and joint venture of the group and the company at 30 June 2016, which are all wholly owned and incorporated in Great Britain are listed below.

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
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%	Dormant 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	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%	Generation of electricity from landfill gas
Cotesbach Energy Limited	Ordinary shares	100%	Generation of electricity from landfill gas
Queen’s Park Road Energy Limited	Ordinary shares	100%	Generation of electricity from landfill gas
Skelbrooke Energy Limited	Ordinary shares	100%	Generation of electricity from landfill gas
Wetherden Energy Limited	Ordinary shares	100%	Generation of electricity from landfill gas
Auchencarroch Energy Limited	Ordinary shares	100%	Generation of electricity from landfill gas

Notes to the financial statements

for the 15 month period ended 30 June 2016

14. Investments (continued)

Name of company	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
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
Garlaff Energy Limited	Ordinary shares	100%	Dormant company
Jameson Road Energy Limited	Ordinary shares	100%	Generation of electricity from landfill gas
Kilgarth Energy Limited	Ordinary shares	100%	Dormant company
March Energy Limited	Ordinary shares	100%	Generation of electricity from landfill gas
Todhills Energy Limited	Ordinary shares	100%	Generation of electricity from landfill gas
Whinney Hill Energy 2 Limited	Ordinary shares	100%	Dormant company
Beetley Energy Limited	Ordinary shares	100%	Generation of electricity from landfill gas
Cathkin Energy Limited	Ordinary shares	100%	Generation of electricity from landfill gas
Cilgwyn Energy Limited	Ordinary shares	100%	Dormant company
Stoneyhill Energy Limited	Ordinary shares	100%	Dormant company
Snetterton Energy Limited	Ordinary shares	100%	Dormant company
CLPE ROC – 2A Limited	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
Melton 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	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
Anglian Straw Limited	Ordinary shares	100%	Dormant company
Best Selection	Ordinary shares	100%	Dormant company
Energy Power Resources (Newco) Limited	Ordinary shares	100%	Dormant company
EPR Ely Power Limited	Ordinary shares	100%	Dormant company
Fibrowatt Limited	Ordinary shares	100%	Dormant company
Fibrowatt Group Limited	Ordinary shares	100%	Dormant company
First Renewables Limited	Ordinary shares	100%	Dormant company
Joint venture			
Yorkshire Windpower Limited *	Ordinary shares	50%	Owner and operator of two windfarms

+ Held directly by Melton Renewable Energy UK PLC.
* The financial year end of Yorkshire Windpower Limited was 31 March 2016.

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

Notes to the financial statements

for the 15 month period ended 30 June 2016

15. Stocks

Group	***As at 30 June 2016 £000s***	*As at 31 March 2015 £000s*
Ash stock	**3,483**	2,794
Fuel, spare parts and consumables	**9,701**	9,568
	13,184	12,362

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 £149,000 for unusable fuel stock (2015: £199,000). Included in the ash stock value is a provision of £430,000 for slow moving stock (2015: £430,000). The company held no stock during the period.

16. Debtors

	Group		***Company***	
	As at 30 June 2016 £000s	*As at 31 March 2015 £000s*	***As at 30 June 2016 £000s***	*As at 31 March 2015 £000s*
Amounts falling due within one year				
Trade debtors	**497**	740	-	-
Amounts owed by group undertakings	**-**	-	-	283
Amounts owed by associate undertakings	**10,226**	-	**-**	-
Consortium and group relief	**-**	-	**2,462**	868
Corporation tax debtor	**-**	1,584	-	-
Taxation and social security	**-**	-	**4**	-
Prepayments and accrued income	**21,210**	26,782	**116**	58
	31,934	29,106	**2,582**	1,209
Amounts falling due after more than one year				
Amounts owed by associate undertakings	**-**	1,082	-	-
Amounts owed by group undertakings	**-**	-	**157,936**	177,891
Deferred tax asset	**-**	-	**7**	11
	-	1,082	**157,943**	177,902

Amounts owed by associate undertakings relate to the groups 50% share of the shareholder loan facility made available to Yorkshire Windpower Limited in relation to the re-powering of Ovenden Moor. The loan has a fixed interest rate of 6.91% and is due for repayment in February 2017.

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

	Loan principal	***Interest accrued***	***Interest rate***	***Date of repayment***
Melton Renewable Energy (Holdings) Limited	£47,192,800	-	11%	December 2017
Energy Power Resources Limited	£26,549,733	-	7.5%	On demand
Melton LG Energy Limited	£10,655,795	£147,716	15%	December 2028
Melton LG Energy Limited	£72,932,553	£457,756	7.5%	On demand

Notes to the financial statements

for the 15 month period ended 30 June 2016

17. Creditors: amounts falling due within one year

	Group		***Company***	
	As at 30 June 2016 £000s	*As at 31 March 2015 £000s*	***As at 30 June 2016 £000s***	*As at 31 March 2015 £000s*
Interest on senior secured notes	**4,279**	1,959	**4,279**	1,959
Trade creditors	**1,202**	1,562	**-**	-
Corporation tax creditor	**662**	-	**-**	-
Consortium and group relief	**243**	-	**-**	-
Other creditors	**306**	-	**-**	-
Other taxation and social security	**3,427**	4,057	**24**	23
Accruals and deferred income	**9,247**	10,559	**196**	812
	19,366	18,137	**4,499**	2,794

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

	Group		***Company***	
	As at 30 June 2016 £000s	*As at 31 March 2015 £000s*	***As at 30 June 2016 £000s***	*As at 31 March 2015 £000s*
Senior secured notes (note 21)	**147,841**	184,407	**147,841**	184,407
Shareholder loan (note 22)	**141,325**	120,586	**141,325**	120,586
	289,166	304,993	**289,166**	304,993

The senior secured notes are repayable on 1 February 2020, bear interest at 6.75% and are guaranteed by the subsidiary group companies of Melton Renewable Energy UK PLC. The shareholder loan notes are unsecured, are repayable no earlier than 1 February 2021 and bear interest at 9%.

Notes to the financial statements

for the 15 month period ended 30 June 2016

19. Financial instruments

Group

No assets or liabilities are measured at fair value through the statement of income and retained earnings in the period.

The group has the following financial instruments:

	Note	***As at 30 June 2016 £000s***	*As at 31 March 2015 £000s*
Financial instruments that are debt instruments Measured at amortised cost			
Trade receivables	16	**497**	740
Amounts owed by associate undertakings	16	**10,226**	1,082
		10,723	1,822

	Note	***As at 30 June 2016 £000s***	*As at 31 March 2015 £000s*
Financial liabilities measured at amortised cost			
Senior secured notes	18	**147,841**	184,407
Shareholder loan	18	**141,325**	120,586
Trade creditors	17	**1,202**	1,562
Accruals	17	**9,247**	10,559
Other creditors	17	**306**	-
		299,921	317,114

Company

No assets or liabilities are measured at fair value through the statement of income and retained earnings in the period.

The company has the following financial instruments

	Note	***As at 30 June 2016 £000s***	*As at 31 March 2015 £000s*
Financial instruments that are debt instruments Measured at amortised cost			
Amounts owed by group undertakings	16	**157,936**	178,174
		157,936	178,174

	Note	***As at 30 June 2016 £000s***	*As at 31 March 2015 £000s*
Financial liabilities measured at amortised cost			
Senior secured notes	18	**147,841**	184,407
Shareholder loan	18	**141,325**	120,586
Accruals	17	**196**	812
		289,362	305,805

Notes to the financial statements

for the 15 month period ended 30 June 2016

20. Provision for liabilities

The group has a net deferred tax liability totalling £15,607,000 (31 March 2015: £19,638,000) made up as follows:

	Group	
	As at 30 June 2016 £000s	*As at 31 March 2015 £000s*
Capital allowances in excess of depreciation	**16,586**	21,002
Tax losses carried forward	**(948)**	(1,559)
Other timing differences	**(31)**	195
Total deferred tax liability	**15,607**	19,638

1 April / at acquisition	**19,638**	17,126
Deferred tax (credit)/charge in statement of income and retained earnings	**(2,294)**	2,512
Adjustments in respect of prior periods	**(3)**	-
Tax rate changes	**(1,734)**	-
Net deferred tax liability	**15,607**	19,638

Deferred tax assets not recognised

	Group	
	As at 30 June 2016 £000s	*As at 31 March 2015 £000s*
Tax losses carried forward	**(487)**	(540)

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

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

Notes to the financial statements

for the 15 month period ended 30 June 2016

21. Senior secured notes

Group and company

	As at 30 June 2016 £000s	*As at 31 March 2015 £000s*
Senior secured notes	**147,841**	184,407

On 29 January 2015, Melton Renewable Energy UK PLC issued £190m senior secured notes with an interest rate of 6.75% and a repayment date of 1 February 2020. The proceeds of the notes were used to repay in full the existing bank facilities within Melton Renewable Energy (Holdings) Limited and Melton LG Energy Limited, both subsidiaries of Melton Renewable Energy UK PLC.

During the 15 month period to 30 June 2016, Melton Renewable Energy UK PLC redeemed £38,000,000 of the senior secured notes. In accordance with the terms set out within the Offering Memorandum ("OM"), due to the early redemption date, the redemption price was 103% of the principal.

Senior secured notes are stated net of unamortised issue costs of £4,159,000. The group and company incurred total issue costs of £5,786,000 in respect of the senior secured notes. These costs together with the interest expense are allocated to the statement of income and retained earnings over the term of the notes. Interest is calculated using the effective interest rate method.

22. Shareholder loan

As at 30 June 2016, 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 £127,020,903. The loan is subordinated to the senior secured notes, bears interest at 9% and is repayable no earlier than 1 February 2021. A further principal amount of £6,500,000 was advanced to the company under the same terms on 25 June 2016. Unpaid accrued interest is charged to the statement of income and retained earnings and added to the principal balance on a quarterly basis. Unpaid interest added to the principal during the period was £7,803,825. As at 30 June 2016, the total outstanding balance is £141,324,728.

The initial loan principal was used to repay outstanding principal and accrued interest owed to the previous shareholder under the terms of a separate shareholder loan agreement dated 26 September 2014 and in place up to 30 October 2015. This loan bore interest at 9% with unpaid accrued interest charged to the statement of income and retained earnings and added to the principal balance on a quarterly basis. Unpaid interest added to the principal during the period was £6,435,305. At 31 March 2015 the total outstanding balance was £120,586,000.

Notes to the financial statements

for the 15 month period ended 30 June 2016

23. Called up share capital

Group and company

	As at 30 June 2016 £000s	*As at 31 March 2015 £000s*
Authorised		
50,870,000 ordinary shares of £1 each	**50,870**	50,870
Allotted		
50,870,000 ordinary shares of £1 each	**50,870**	50,870

24. Accumulated losses

	Accumulated losses £000s
Group	
At 1 April 2015	(26,026)
Loss for the financial period	(17,779)
At 30 June 2016	**(43,805)**

	Accumulated losses £000s
Company	
At 1 April 2015	994
Loss for the financial period	(9,851)
At 30 June 2016	**(8,857)**

Notes to the financial statements

for the 15 month period ended 30 June 2016

25. Reconciliation of movements in shareholders' funds

Group

	Share capital £000s	***Accumulated losses £000s***	***Total £000s***
At 1 April 2015	50,870	(26,026)	24,844
Loss for the financial period	-	(17,779)	(17,779)
At 30 June 2016	**50,870**	**(43,805)**	**7,065**

Company

	Share capital £000s	***Accumulated losses £000s***	***Total £000s***
At 1 April 2015	50,870	994	51,864
Loss for the financial period	-	(9,851)	(9,851)
At 30 June 2016	**50,870**	**(8,857)**	**42,013**

26. Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	15 months ended 30 June 2016 £000s	*215 days ended 31 March 2015 £000s*
Operating profit/(loss)	**12,732**	(10,254)
Depreciation	**23,131**	9,357
Loss on disposal of fixed assets	**96**	98
Amortisation of goodwill	**12,695**	5,078
Impairment of goodwill	**-**	23,526
(Increase)/decrease in stocks	**(822)**	1,371
Decrease in debtors	**5,814**	3,409
(Decrease) in creditors	**(2,100)**	(5,298)
Net cash inflow from operating activities	**51,546**	27,287

Notes to the financial statements

for the 15 month period ended 30 June 2016

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

(a) Movement in net debt

	15 months ended 30 June 2016 £000s	*215 days ended 31 March 2015 £000s*
(Decrease)/increase in cash	**(5,119)**	1,734
Senior secured notes redeemed/(issued)	**38,000**	(190,000)
Debt issue costs	**73**	5,713
Repayment of bank loans	**-**	112,093
(Drawdown)/repayment of shareholder loan	**(6,500)**	78,300
Non cash movements	**(15,746)**	(134,464)
Movement in net debt	**10,708**	(126,624)
Opening net debt	**(278,626)**	(152,002)
Closing net debt	**(267,918)**	(278,626)

(b) Analysis of changes in net debt

	At 1 April 2015 £000s	*Cash flow £000s*	*Non-cash movements £000s*	***At 30 June 2016 £000s***
Cash at bank and in hand	26,367	(5,119)	-	**21,248**
Shareholder company loan				
Debt due after more than one year	(120,586)	(6,500)	(14,239)	**(141,325)**
Senior secured notes:				
Senior secured notes redeemed	(190,000)	38,000	-	**(152,000)**
Debt issue costs paid	5,593	73	(1,507)	**4,159**
Total	(278,626)	26,454	(15,746)	**(267,918)**

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

Notes to the financial statements

for the 15 month period ended 30 June 2016

28. Other financial commitments

At 30 June 2016 and 31 March 2015 the group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	As at 30 June 2016		*As at 31 March 2015*	
	Land and Buildings £000s	***Other £000s***	*Land and Buildings £000s*	*Other £000s*
Payments due:				
Not later than one year	**298**	**273**	270	237
Later than one year and not later than five years	**911**	**328**	873	418
Later than five years	**48**	**-**	118	-
	1,257	**601**	1,261	655

Capital commitments	***As at 30 June 2016 £000s***	*As at 31 March 2015 £000s*
Capital commitments in respect of joint venture	**1,198**	-

The company had no other financial commitments at 30 June 2016.

29. Pension costs

The group contributes to a defined contribution personal pension schemes for certain qualifying employees. The costs for the period are shown in note 8. Assets of the scheme are held in independently administered funds. Outstanding contributions at 30 June 2016 amounted to £36,895 (31 March 2015: £36,975).

30. Related party transactions

As at 30 June 2016 £10,226,000 (31 March 2015: £1,082,000) was due from Yorkshire Windpower Limited (“YWP”), a 50% joint venture investment, in relation to the groups 50% share of the shareholder loan facility made available to YWP in relation to the re-powering of Ovenden Moor. The loan has a fixed interest rate of 6.91% and is due for repayment in February 2017.

During the period the group received, in the normal course of business, from YWP £104,423 (215 days to 31 March 2015: £104,000) for management and accountancy services. At the period end £62,352 (31 March 2015: £63,000) was outstanding.

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.

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

Notes to the financial statements

for the 15 month period ended 30 June 2016

32. Transition to FRS 102

This is the first period that the group and company have presented their results under FRS 102. The last financial statements under the UK GAAP were for the period ended 31 March 2015. The date of transition to FRS 102 was 29 August 2014, this being the date of incorporation of the company.

On 29 September 2014 ("the acquisition date") the company acquired 100% of the issued share capital of Melton Renewable Energy (Holdings) Limited and Melton LG Holding Limited. The net assets of the acquired companies and their subsidiaries have been revalued as at the date of acquisition to reflect any changes in accounting policies arising from the transition to FRS102 resulting in a restatement of goodwill arising from the acquisitions.

Set out below are the changes in accounting policies which reconcile profit for the financial period ended 31 March 2015 and the total shareholders funds as at 31 March 2015 between UK GAAP as previously reported and FRS 102.

A Fair value adjustments on derivative financial instruments held by group subsidiaries

FRS 102 requires derivative financial instruments to be recognised at fair value. As at the acquisition date, two interest rate swaps were held by group subsidiaries. The swaps were valued at a combined fair value of £9,934,000 (liability). The associated deferred tax asset at 20% was £1,986,000. An upward restatement of £7,948,000, equivalent to the net of the fair value liability in respect of the interest rate swaps and the associated deferred tax asset has been recognised in goodwill arising upon acquisitions.

During the period ended 31 March 2015 both interest rate swaps were settled early as part of the repayment in full of the group's third party bank debt. A reduction in interest and similar charges of £9,934,000 and an increase in the deferred tax charge of £1,986,000 have been recognised in the statement of income and retained earnings in the period ended 31 March 2015.

B Deferred tax on fair value adjustment

FRS 102 requires that deferred tax is provided on fair value adjustments in respect of qualifying assets arising from business combinations. As at the acquisition date, a deferred tax liability of £15,578,000 arising from fair value adjustments has been recognised resulting in a restatement of goodwill arising upon acquisitions of the same amount. As at 31 March 2015, the deferred tax liability recognised in respect of fair value adjustments was £15,070,000. A gain of £508,000 has been recognised in the statement of income and retained earnings for the period ended 31 March 2015.

C Impairment of goodwill

Following the restatement of goodwill arising from the transition to FRS102 (adjustments A and B), the group has considered whether goodwill is impaired based on an estimation of future cash flows from the group's operations and the selection of an appropriate discount rate in order to calculate the net present value of those cash flows. As a result of this review the group considers that the restated goodwill value arising from the transition to FRS102 would have been impaired at, or shortly after, the acquisition date. An impairment of £23,526,000 has therefore been reflected in the statement of income and retained earnings for the period ended 31 March 2015.

D Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the statement of income and retained earnings as the employee service is received. This has resulted in the group recognising a liability of £114,000 on transition to FRS102. Previously holiday pay accruals were not recognised and were charged to the statement of income and retained earnings as they were paid.

Notes to the financial statements

for the 15 month period ended 30 June 2016

32. Transition to FRS 102 (continued)

Group balance sheet — ***As at 31 March 2015***

	Note	*Previously stated*	*Effect of transition*	*FRS 102*
		£000s	*£000s*	*£000s*
Fixed assets				
Intangible assets	A,B,C	121,872	-	121,872
Tangible assets		175,990	-	175,990
Interests in joint venture		833	-	833
		298,695	-	298,695
Current assets				
Stocks		12,362	-	12,362
Debtors: amounts falling due within one year		29,106	-	29,106
Debtors: amounts falling due after more than one year		1,082	-	1,082
Cash at bank and in hand		26,367	-	26,367
		68,917	-	68,917
Creditors: amounts falling due within one year	D	(18,023)	(114)	(18,137)
Net current assets		50,894	(114)	50,780
Total assets less current liabilities		349,589	(114)	349,475
Creditors: amounts falling due after more than one year		(304,993)	-	(304,993)
Provisions for liabilities and charges				
Deferred tax	B	(4,568)	(15,070)	(19,638)
Net assets		40,028	(15,184)	24,844
Capital and reserves				
Called up share capital		50,870	-	50,870
Accumulated losses		(10,842)	(15,184)	(26,026)
Total shareholders' funds		40,028	(15,184)	24,844

Notes to the financial statements

for the 15 month period ended 30 June 2016

32. Transition to FRS 102 (continued)

Group statement of income and retained earnings

		215 days to 31 March 2015		
		Previously stated	*Effect of transition*	*FRS 102*
	Note	*£000s*	*£000s*	*£000s*
Group turnover		69,399	-	69,399
Cost of sales		(44,667)	-	(44,667)
Gross profit		24,732	-	24,732
Distribution costs		(212)	-	(212)
Administrative expenses	C,D	(11,796)	(23,639)	(35,435)
Other operating income		661	-	661
Operating profit/(loss)		13,385	(23,639)	(10,254)
Share of operating profit in joint venture		451	-	451
Total operating profit/(loss): group and share of joint venture		13,836	(23,639)	(9,803)
Interest receivable and similar income		10	-	10
Interest payable and similar charges (including exceptional items)	A	(24,154)	9,934	(14,220)
Loss on ordinary activities before taxation		(10,308)	(13,705)	(24,013)
Tax on loss on ordinary activities	B	(535)	(1,478)	(2,013)
Loss for the financial period		(10,843)	(15,183)	(26,026)

Notes to the financial statements

for the 15 month period ended 30 June 2016

32. Transition to FRS 102 (continued)

Company balance sheet

		31 March 2015		
		Previously stated	*Effect of transition*	*FRS 102 (restated)*
	Note	*£000s*	*£000s*	*£000s*
Fixed assets				
Investments		172,591	-	172,591
Current assets				
Debtors: amounts falling due within one year		1,209	-	1,209
Debtors: amounts falling due after more than one year		177,902	-	177,902
Cash at bank and in hand		7,949	-	7,949
		187,060	-	187,060
Creditors: amounts falling due within one year	A	(2,783)	(11)	(2,794)
Net current assets		184,277	(11)	184,266
Total assets less current liabilities		356,868	(11)	356,857
Creditors: amounts falling due after more than one year		(304,993)	-	(304,993)
Net assets		51,875	(11)	51,864
Capital and reserves				
Called up share capital		50,870	-	50,870
Retained earnings		1,005	(11)	994
Total shareholders' funds		51,875	(11)	51,864

A Holiday pay accrual

FRS 102 requires short term employee benefits to be charged to the statement of income and retained earnings as the employee service is received. This has resulted in the company recognising a liability of £11,000 on transition to FRS102. Previously holiday pay accruals were not recognised and were charged to the statement of income and retained earnings as they were paid.

No separate statement of income and retained earnings is presented for the company as the adjustments resulting from the transition to FRS 102 are not considered material.