Melton Renewable Energy UK PLC

£152,000,000 6.75% Senior Secured Notes due 2020

Issued by Melton Renewable Energy UK PLC

Quarterly Report (Q1 – 2016/17)

Financial Results for the quarter ended September 30, 2016

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FORWARD LOOKING STATEMENTS

Except for historical information contained herein, statements contained in this quarterly report may constitute "forward looking statements" within the meaning of U.S. securities laws and the laws of certain other jurisdictions which are based on our current expectations and projections about future events.

All statements other than statements of historical facts included herein, including, without limitation, statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, may be deemed to be forward-looking statements. Forward-looking statements are typically identified by words such as "aim," "anticipate," "assume," "believe," "could," "can have," "estimate," "expect," "forecast," "intend," "may," "plan," "predict," "projects," "risk," "should," "suggests," "targets," "will," "would," and words of similar meaning or the negatives of these words in connection with a discussion of future operating or financial performance. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct and that such statements are not guarantees of future performance because they are based upon numerous assumptions. You should not place undue reliance on these forward-looking statements.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industry in which we compete to differ materially from those expressed or implied by the forward-looking statements contained herein. Factors that could cause such differences in actual results include, but are not limited to:

- reduction or abandonment of, or changes in, governmental support for renewable energy sources;
- the availability and the price of biomass fuel;
- changes to the current regulatory framework;
- environmental obligations which could require decontamination works or closure of our landfill sites;
- fluctuations in market prices of electricity, oil, natural gas, carbon and other traditional fuel products;
- fluctuations in the demand for and supply of ROCs;
- our dependence on our relationships with third-party off-takers;
- the termination of our key contracts;
- variation in the output of landfill gas and the associated difficulty in predicting such output;
- our dependence on landfill site owners and operators for access to and operations on our landfill sites;
- our compliance with extensive environmental laws and regulations;
- governmental regulation of landfill sites that may restrict our operations or increase our costs of operations;
- our volatile income from recycled ROC buy-out payments;
- economic conditions and their impact on demand for electricity and the volume of waste produced;
- our ability to maintain relationships with suppliers and regulatory authorities;
- mechanical failure, equipment malfunction or technological breakdown of our assets;
- catastrophes or other unexpected physical conditions at one or more of our facilities;
- uncertainties related to the costs and duration of our regular maintenance shutdowns;
- uncertainties related to the costs and capital expenditure associated with the maintenance of our energy generating plants and assets;
- our dependence on eight landfill sites for a significant amount of our total landfill gas power generation capacity;
- uncertainties related to devolution of political powers in the United Kingdom;
- the effect of legal proceedings on our reputation, financial condition, results of operations and cash flows;
- our exposure to the risk of material health and safety liabilities;

- damage resulting from our employees and agents acting outside our policies and procedures;
- our dependence on good relations with our employees, unions and employee representatives to avoid business interruptions, implement restructurings and amend existing collective bargaining agreements;
- our inability to attract and retain key personnel;
- our ability to maintain adequate insurance coverage;
- risks related to competitors with more established and well-recognized companies, which offer similar products and services;
- the impact of changes in tax laws or challenges to our tax position; and
- other risks associated with our structure, our financial profile, the Notes and our other indebtedness discussed under "Risk Factors"(see below).

For a more complete discussion of the factors that could affect our future performance and the markets in which we operate, please read the sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry and Market Data" and "Business" of the Offering Memorandum relating to the Notes (the "Offering Memorandum").

You are cautioned not to place undue reliance on these forward looking statements, which are made as of the date of this quarterly report and are not intended to give any assurance as to future results.

We undertake no obligation to, and do not intend to, publicly update or revise any of these forward looking statements, whether as a result of new information, future events or developments or otherwise.

KEY EVENTS AND RECENT DEVELOPMENTS

Planned Annual Maintenance Outages

During the three months ended September 30, 2016 the annual planned maintenance outages at Thetford, Ely, Glanford and Eye were all completed, broadly in line with the anticipated schedule of time and costs. Westfield's annual outage was undertaken during October, and maintenance work and costs were in line with expectations.

Electricity prices

The following is not a prediction or a projection of wholesale electricity prices for any future period or a projection or prediction of the electricity prices we will receive pursuant to our Power Purchase Agreements ("PPA's") for any future periods. Any fluctuations or decreases in wholesale electricity prices, whether temporary or permanent, may adversely affect our business, financial condition and results of operations.

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.

The wholesale electricity prices the Biomass and Landfill Gas businesses receive pursuant to their respective PPA's with British Gas Trading Limited are fixed in advance and revenue in the three months ended September 30, 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 PPA's.

The electricity price the Biomass Business receives is fixed annually for the twelve months commencing October 1, based on the average wholesale market electricity future prices over a three-month calculation period (June, July and August). The electricity price the Landfill Gas Business receives is fixed every six months (from April 1 and October 1), based on the average wholesale market electricity future prices over agreed two-month calculation periods ending mid-March and mid-September respectively.

The table below shows the confirmed prices for the current, comparative and future periods (where set), net of the respective discounts included in the PPA's:

Biomass Twelve months ended/ending September 30, (*In £ per MWh*)			**Landfill Gas Six months ended/ending March 31,** (*In £ per MWh*)		**Landfill Gas Six months ended September 30,** (*In £ per MWh*)	
2015	**2016**	**2017**	**2016**	**2017**	**2015**	**2016**
44.95	39.89	38.95	42.17	43.64	40.63	30.02

Yorkshire Windpower Limited ("YWP") – Repowering

YWP is a 50% owned subsidiary of Energy Power Resources Limited. YWP owns and operates a small wind-farm at Royd Moor and is in the process of repowering its wind-farm at Ovenden Moor, the revised project comprises nine 2MW turbines.

The repower project in respect of YWP's site at Ovenden Moor commenced in July 2015 with the decommissioning of the existing wind turbines. The project remained on track through to the end of February 2016 for scheduled commissioning in summer 2016 of the nine 2MW turbines. The agreed and only feasible delivery route to site for the wind turbines included a road spanning a 140-year old Victorian railway bridge. Following a structural survey, YWP was informed that a temporary reinforcement structure was required on leased land underneath the bridge before the transportation of wind turbines across the bridge would be permitted.

Negotiation of the compensation demanded by the leaseholder took several months and was not concluded until the end of June 2016. The required propping works were undertaken almost immediately and delivery of the wind turbines commenced on July 23, 2016, at the rate of one per week. All turbines and the main erection crane are now on site. As at the end of October five turbines were fully erected.

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 RO regime at the level of 0.9 ROCs per MWh. The capital costs of the repower project remain broadly in line with expectations.

Fuel Contracts / Gas Agreements

In September 2016, Bernard Matthews Foods Limited was placed into administration and its assets and trade were sold to the Boparan Private Office. At this time we were in the process of negotiating an extension to the previous Bernard Matthews' turkey litter supply contract.

Bernard Matthews Foods Limited continues to supply turkey litter on the basis of the proposed contract and we anticipate finalizing the contract with the new owners. The proposed contract represents approximately 6% of the fuel requirements of Thetford and Eye power stations.

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial information and operational data

On January 29, 2015 Melton Renewable Energy UK PLC ("MRE UK"), the Issuer, issued £190m senior secured notes (the "Notes") with an interest rate of 6.75% per annum and a repayment date of February 1, 2020. Proceeds of the Notes were used to repay existing third party debt and to make a distribution to our former shareholder by way of shareholder loan repayments.

This quarterly report includes unaudited combined historical financial statements for the Issuer and its subsidiaries as of and for the quarter ended September 30, 2016 together with comparative combined results for the quarter ended September 30, 2015 (the "Combined Financial Information").

The Issuer is a public limited company incorporated on August 29, 2014. On September 26, 2014 MRE UK acquired one hundred percent of the share capital of both Melton Renewable Energy (Holdings) Limited and Melton LG Holding Limited (the "Acquisition").

The Combined Financial Information presents the combined trading results and cash flows of the continuing operations of Melton LG Holding Limited and its consolidated subsidiaries and Melton Renewable Energy (Holdings) Limited and its consolidated subsidiaries for the quarters ended September 30, 2015 and 2016. This presentation of financial information is consistent with that included in our Offering Memorandum. The Combined Financial Information represents an aggregation of the amounts recognized in the financial records of entities within the MRE UK group to show the historical trading performance and therefore excludes certain accounting entries arising upon consolidation of the MRE UK group. These are included within the unaudited condensed consolidated interim financial information of MRE UK also presented within this report.

The accounting and other principles applied in preparing the Combined Financial Information are summarized as follows:

- The Combined Financial Information has been prepared on a historical cost basis;
- The Combined Financial Information of the entities comprising the MRE UK group has been prepared for the same reporting periods using consistent accounting policies; and
- Transactions and balances between entities within the MRE UK group have been eliminated within the Combined Financial Information.

Further, cost of sales within the Combined Financial Information includes biomass fuel, fossil fuel, sorbent, landfill gas royalties and engine maintenance expenses and is consistent with the presentation of information in the profit and loss account included in our Offering Memorandum. In the unaudited condensed consolidated interim financial information of MRE UK the directors have adopted a broader classification of costs of sales to include all plant maintenance, depreciation and operational staff costs in addition to those costs described above. Profit on ordinary activities and EBITDA is not affected by the reclassification of costs from administrative expenses to cost of sales. The Combined Financial Information has been prepared in accordance with FRS 102 in all other respects.

Non-GAAP Measures

We have presented certain information in this quarterly report which are Non-GAAP measures. As used in this quarterly report, this information includes "EBITDA", which represents operating profit before amortization, impairment and depreciation together, the "Non-GAAP Measures". We believe that these Non-GAAP Measures are meaningful for investors because they provide an indication of our operating performance, profitability and ability to service debt, and are commonly reported and widely used by analysts, investors and others interested in the renewable energy industry. These Non-GAAP Measures exclude amortization, impairment and depreciation from operating profit, thereby eliminating the impact of long-term capital expenditure. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by us to EBITDA of other companies. Whilst we are presenting these measures to enhance the understanding of operating performance, EBITDA should not be considered an alternative to operating profit as a measure of operating performance, or as an alternative to cash flows from operating activities as a measure of our liquidity. We view EBITDA as additional to, rather than a replacement for, these other performance indicators.

The Non-GAAP Measures presented in this quarterly report are unaudited and have not been prepared in accordance with IFRS or FRS 102 or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the SEC; compliance with its requirements would require us to make changes to the presentation of this information. A reconciliation of EBITDA to profit for the relevant financial period is included within the "Combined Financial Information and Other Data".

You should not consider EBITDA or any other Non-GAAP Measures presented herein as alternatives to measures of financial performance determined in accordance with generally accepted accounting principles (such as profit for the period), as measures of discretionary cash available to us to invest in the growth of our business or as measures of cash that will be available to us to meet our obligations. You should compensate for the limitations of Non-GAAP Measures by relying primarily on our FRS 102 results and using these Non-GAAP Measures only to supplement evaluation of our performance. You are encouraged to evaluate each of the adjustments reflected in our presentation of the Non-GAAP Measures and whether you consider each to be appropriate.

COMBINED FINANCIAL INFORMATION AND OTHER DATA

The following represents summary Combined Financial Information and other data for MRE UK and its subsidiaries as of and for the quarters ended September 30, 2015 and 2016.

Executive Summary

In the quarter ended September 30, 2016 MRE UK's total generation was 246GWh. This represented a reduction of 12GWh (5%) when compared to the corresponding quarter in the previous year.

Biomass Business output was 9.5GWh below the corresponding quarter in the previous year at 161GWh. Generation from the Biomass Business is usually lower in the quarter ended September 30, when compared to other quarters in the year as the power stations undertake their planned annual maintenance outages during the summer months. In addition, load factor can be adversely affected by higher ambient temperatures and the impact upon the efficiency of each station's air cooled condensers. This was particularly relevant during the warmer conditions of the 2016 summer.

During the quarter ended September 30, 2016 the annual planned maintenance outages at Thetford, Ely, Glanford and Eye were all completed, broadly in line with the anticipated schedule of time and costs.

There were a number of short term operational issues encountered at Ely during August following its return to service after its annual maintenance outage. These were quickly resolved. In addition, a planned trial of alternative biomass fuel at Eye power station proved more difficult than anticipated, resulting in a short term reduction in availability and load factor. The fuel trial was concluded during August.

Output from the Landfill Gas Business was 85GWh during the quarter ended September 30, 2016, a reduction of 2.3GWh (2.6%) compared to the comparative period in the previous year. A reduction in output is anticipated due to the age and operating profile of the landfill sites from which the business operates. The impact of this natural decline in gas and output was partly offset in the quarter by improvements in output at several of the open sites within the Landfill Gas portfolio.

In parallel with a reduction in the output, the Group's results for the quarter ended September 30, 2016 have been adversely impacted by the following factors:

- The electricity price received during the quarter pursuant to the Biomass PPA was re-set with effect from October 1, 2015 with the updated price reflecting the significant fall in the wholesale market price of electricity over the previous twelve months. In the Biomass Business, the price receivable from October 1, 2015 was approximately £5 per MWh (11%) lower than that received in the twelve months from October 1, 2014. Based on generation in the quarter ended September 30, 2016, the impact of the lower electricity price was a £0.8m reduction in turnover and EBITDA;

- In the Landfill Gas Business, the electricity price received pursuant to the Landfill Gas PPA for the six months commencing April 1, 2016 was approximately £11 per MWh (26%) lower than that received from April 1, 2015. Based on generation in the quarter ended September 30, 2016, the impact of the lower electricity price was a £0.9m reduction in turnover.

- The removal of the CCL exemption for renewable generation from August 1, 2015 adversely impacted turnover in the quarter ended September 30, 2016 by £0.4m relative to the corresponding quarter in the previous year.

Combined Statement of Income

(in thousands of £)	Quarter ended September 30, 2015	2016
Group turnover	**29,477**	**25,702**
Cost of sales	(12,496)	(11,662)
Gross profit	**16,981**	**14,040**
Administrative expenses	(15,234)	(15,946)
Group operating profit/(loss)	**1,747**	**(1,906)**
Share of operating (loss)/profit in joint venture	(5)	33
Total operating profit/(loss): group and share of joint venture	**1,742**	**(1,873)**
Interest receivable and similar income	41	12
Interest payable and similar charges	(6,813)	(6,077)
Loss on ordinary activities before taxation	**(5,030)**	**(7,938)**
Tax on loss on ordinary activities	1,613	1,328
Loss for the period	**(3,417)**	**(6,610)**

Combined Net Sales by Business

(in thousands of £)	Quarter ended September 30, 2015	2016
Biomass Business	22,033	19,545
Landfill Gas Business	7,444	6,157
Total	**29,477**	**25,702**

Consolidated Balance Sheets

(in thousands of £)	Audited As at June 30, 2016	Unaudited As at September 30, 2016
Cash at bank and in hand	21,248	10,819
Other current assets	45,118	50,529
Total non-current assets	264,838	258,930
Total assets	**331,204**	**320,278**
Total non-current liabilities	304,773	307,709
Total current liabilities	19,366	15,174
Total liabilities	324,139	322,883
Total invested capital	7,065	(2,605)
Total invested capital and liabilities	**331,204**	**320,278**

Presented above is the unaudited consolidated balance sheet of MRE UK as at September 30, 2016, together with the audited consolidated balance sheet as at June 30, 2016.

Combined Statement of Cash Flows

(in thousands of £)	Quarter ended September 30, 2015	2016
Net cash inflow/(outflow) from operating activities………………………	4,634	(3,502)
Returns on investment and servicing of finance……………………………	(6,905)	(5,179)
Taxation …………………………………………………………………………	9	-
Capital expenditure and financial investment………………………………	(1,710)	(1,508)
Loans to associated undertakings…………………………………………………	(570)	(240)
Net cash outflow from financing ………………………………………………	(19,000)	-
Decrease in cash ………………………………………………………………	**(23,542)**	**(10,429)**

Net cash inflow from operating activities in the quarter ended September 30, 2015 includes £4.8m of triad income. In 2016, triad revenues of £5.5m were received in June 2016, earlier than anticipated and are therefore not included in the cash flow for the quarter ended September 30, 2016.

In the quarter ended September 30, 2015 net cash outflow from financing reflects the redemption of senior secured notes to the value of £19m on August 12, 2015.

Staff costs

(in thousands of £)	Quarter ended September 30, 2015	2016
Wages and salaries ………………………………………………………………	2,642	2,673
Social security costs ……………………………………………………………	309	315
Other pension costs ……………………………………………………………	93	96
	3,044	**3,084**

Employee information

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

By activity	Quarter ended September 30, 2015	2016
Production ………………………………………………………………………	196	196
Administration …………………………………………………………………	65	62
	261	**258**

Interest payable and similar charges

(in thousands of £)	Quarter ended September 30, 2015	2016
Interest payable to shareholder company	2,798	3,206
Bond interest payable...	3,039	2,565
Redemption fee	570	-
Amortization of debt issue costs	309	247
Facility fees and charges..	97	59
	6,813	**6,077**

Other Financial Data

(in thousands of £)	Quarter ended September 30, 2015	2016
EBITDA [(1)]	5,746	2,101
Net third-party debt [(2)]..	154,985	137,269
Capital expenditures [(3)]...	1,710	1,508

1) Our EBITDA represents loss for the period *plus* tax on profit on ordinary activities, interest payable and similar charges, loss on disposal of tangible fixed assets depreciation and amortization. EBITDA is not a measurement of performance under FRS 102 and you should not consider EBITDA as an alternative to (a) operating profit or profit for the period (as determined in accordance with FRS 102) as a measure of our operating performance, (b) cash flows from operating investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under FRS 102.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist securities analysts, investors and other parties in evaluating our business. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by us to EBITDA of other companies. EBITDA as presented here differs from the definition of "Consolidated EBITDA" contained in the Indenture. See "Presentation of Financial and Other Data" for further information regarding EBITDA, including its limitations as an analytical tool.

The following table reconciles loss for the period from continuing operations to EBITDA for the periods indicated:

(in thousands of £)	Quarter ended September 30, 2015	2016
Loss for the financial period	(3,417)	(6,610)
Tax on loss on ordinary activities...	(1,613)	(1,328)
Interest payable and similar charges..	6,813	6,077
Interest receivable and similar income	(41)	(12)
Depreciation and amortization...	4,004	3,974
EBITDA...	**5,746**	**2,101**

(2) Net third-party debt consists of our senior secured debt net of unamortized debt issue costs and cash at bank and in hand.

(3) Capital expenditures represent additions to fixed assets.

Other Performance Data

	Quarter ended September 30, 2015	Quarter ended September 30, 2016
Output GWh	**257.7**	**245.9**
Biomass	170.2	160.7
Landfill	87.5	85.2
Availability % [(1)]	**88.9**	**87.5**
Biomass	82.1	79.3
Landfill [(2)]	95.7	95.6

(1) Availability is presented as the unweighted average availability in our Biomass Business and Landfill Gas Business.
(2) Within the Landfill Gas Business, spare engines are not included in the calculation of available hours.

OPERATING AND FINANCIAL REVIEW

In this Operating and Financial Review and unless otherwise indicated, we generally use "we", "our" and other similar terms to refer to MRE UK and its subsidiaries.

The following is a discussion of our results of operations in the periods set out below. You should read this discussion together with the sections entitled "Combined Financial Information and Other Data" and the combined financial statements and the related Notes and information included within this quarterly report. The combined financial information in this discussion of our results of operations and financial condition as of and for the quarters ended September 30, 2016 and September 30, 2015 have been derived from unaudited combined financial information included elsewhere in this quarterly report.

Business Overview

We are an independent generator of renewable energy in the United Kingdom and as of September 30, 2016 our portfolio of electricity generating assets had a total net installed capacity of 174 MW. We have a business which is diversified across multiple technologies, sites, network connection points and renewable fuels.

Through our Biomass Business, we own and operate the largest independent biomass-only fueled power station portfolio in the United Kingdom, consisting of five biomass power stations with a total net installed capacity of 111 MW. Through our Landfill Gas Business, we own and operate methane-powered electricity generation assets at 25 landfill sites across Great Britain, representing 63 MW of installed capacity. For the quarter ended September 30, 2016, the portfolio of assets generated 246GWh with group turnover of £25.7m and EBITDA of £2.1m.

Our five biomass power stations are located at Thetford, Ely, Glanford, Eye and Westfield and generate electricity from the combustion of poultry litter, straw, MBM, horse bedding and forest woodchips. We sell all of the electrical output of, and the various regulatory incentives attributable to, our Biomass Business pursuant to a long-term power purchase agreement. Since the commissioning of our first biomass power station in Eye, Suffolk in 1992, we have built strong relationships with fuel suppliers and have developed significant experience in the procurement and logistics associated with our primary input fuels. We source the majority of our fuel supply under medium and long-term RPI-linked contracts.

The Biomass Business also sells the residue combustion ashes from its biomass power stations as fertilizer. This element of our business is seasonal with the majority of sales arising during August and September each year. For the quarter ended September 30, 2016 fertilizer sales were 62,138 tonnes with turnover of £3.3m. Additionally, our Biomass Business owns a 50% equity stake in two onshore wind farms in the United Kingdom, with a current installed capacity of 6MW, with one site being repowered up to 18MW.

For the quarter ended September 30, 2016, our Biomass Business generated 161GWh of electricity with turnover of £19.5m (including fertilizer sales) and EBITDA of £0.1m.

Our Landfill Gas Business generates electricity using naturally occurring methane produced by the anaerobic decomposition of waste deposited in landfill sites to power gas engines. As of September 30, 2016, we operated from 25 landfill sites across Great Britain, with a total of 68 gas engines and a total installed capacity of 63 MW. We enter into specific, long-term gas agreements with each landfill site owner or operator which allow us to use the gas produced in return for payment of a royalty, linked to our turnover for the relevant site. We sell almost all of the electrical output of, and various regulatory incentives attributable to, our Landfill Gas Business pursuant to a long-term power purchase agreement.

For the quarter ended September 30, 2016, the Landfill Gas Business generated 85GWh with turnover of £6.2m and EBITDA of £2.0m.

Key Factors Influencing Our Results of Operations

Our results of operations during the periods under consideration have primarily been affected by a combination of regulatory, economic and group-specific operational factors. The regulatory framework determines the parameters within which we operate. Economic conditions influence electricity supply and demand as well as electricity price and the cost of biomass fuel, labour, services and commodities. These affect both the revenues and costs associated with our operations. Group-specific factors affecting our operating results include, but are not limited to, portfolio output, plant reliability and efficiency as well as availability of biomass fuel contracts and gas agreements. The most important of these factors are discussed below.

Power Contracting

We sell the entire electrical output and all other revenue elements of Thetford, Eye, Glanford, Ely and Westfield to British Gas pursuant to a long term power purchase agreement which runs to March 31, 2020 ("the BG Biomass PPA"). We sell the electrical output from all 25 of our landfill sites to British Gas pursuant to a long term power purchase agreement which runs to February 28, 2022 (the "BG Landfill Gas PPA"). In addition, we currently sell an element of separately-metered electricity generated at two landfill sites (Auchencarroch and Jameson Road) pursuant to legacy NFFO/SRO-contracts, under which we receive an all-inclusive RPI-indexed fixed price for every MWh of electricity generated. The NFFO/SRO-contracts will expire in 2017 and 2018, respectively, after which this element of electricity output from the two landfill sites will also be sold under the BG Landfill Gas PPA.

Our power purchase agreements cover all revenue elements and comprise (i) a payment for generated electricity which is based on the wholesale market electricity price and is fixed every six months in advance under our BG Landfill Gas PPA and every twelve months in advance under our BG Biomass PPA; (ii) a fixed element linked to the UK Government's RO regime, which includes a price for each of the Renewable Obligation Certificates ("ROCs") sold by us to British Gas (the "ROC buyout price"); (iii) variable annual ROC Recycle payments from the energy supplier to us; and (iv) embedded benefits, being triad income and GDUoS credits. The prices we receive for each of our ROCs are fixed under our PPAs as a percentage of the ROC buyout price. The ROC buyout price is RPI-linked and announced annually in advance for the following year by Ofgem. As a result, the revenue we receive under our PPAs depends on developments in the wholesale electricity market as well as the UK renewable energy regulatory regime.

Historically, our power purchase agreements included a per MWh revenue stream linked to the UK government's taxation of business consumers of electricity by way of CCL, being the price we received for the Levy Exemption Certificates ("LECs") sold by us to British Gas, this tracked the CCL ("LEC Value"). Following the Budget of July 8, 2015 the CCL exemption for renewable generators was discontinued from August 1, 2015. The revenue and EBITDA impact on the MRE UK group in the quarter to September 30, 2016 was £0.4m relative to the corresponding quarter in the previous year.

Wholesale Energy Prices

The market for wholesale electricity is affected by a number of factors, including the price of input fuel commodities, supply dynamics such as generator availability, and demand for electricity. Accordingly the wholesale electricity price may be volatile.

As we sell the vast majority of our generated electricity pursuant to our PPAs, which include a payment for electricity based on the wholesale market electricity price, our turnover is affected by changes in the wholesale market electricity price. The Biomass Business 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 Business 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.

The following table provides an overview of the average gross wholesale market electricity price within the prescribed calculation periods under the PPAs for the periods indicated, as determined pursuant to the methodologies of our PPA.

Biomass Twelve months ended/ending September 30, (*In £ per MWh*)			**Landfill Gas Six months ended/ending March 31, (*In £ per MWh*)**		**Landfill Gas Six months ended September 30, (*In £ per MWh*)**	
2015	**2016**	**2017**	**2016**	**2017**	**2015**	**2016**
48.86	43.36	42.34	44.39	45.94	42.77	31.60

Renewables Obligation (RO) Regime and Non-Fossil Fuel Obligation (NFFO) Regime

Group turnover received in respect of our electricity generating assets is predominantly supported by the RO regime and, to a much lesser extent, the NFFO/SRO regime. The NFFO/SRO regime, which applies to an element of output from two of our landfill gas sites, was originally established in 1989 and granted energy generators an RPI-indexed, fixed price for electricity output pursuant generally to a 15 year NFFO or SRO contract. The NFFO/SRO regime was replaced by the RO regime.

The RO regime was established in 2002 and required energy suppliers to source a growing percentage of electricity from eligible renewable generation capacity. Renewable energy generators, such as us, receive a given number of ROCs from Ofgem for each MWh of energy generated from renewable sources. The number of ROCs awarded per MWh depends on the renewable energy technology used and is known as a banding factor. We receive 1.5 ROCs per MWh of energy produced in our Biomass Business and 1.0 ROCs per MWh for the vast majority of energy produced in our Landfill Gas Business. While the banding factor for different technologies has varied over time, the banding factors currently applicable to our technologies have been grandfathered and will remain in place until 2027. We transfer and sell these ROCs to energy suppliers who in turn use them to satisfy their renewable obligation.

Energy suppliers who fail to fulfill their annual renewables obligations under the RO regime must make a cash buy-out payment, which is then recycled and returned to suppliers by the regulator, Ofgem, in proportion to the number of ROCs the suppliers surrendered ("ROC Recycle"). The ROC Recycle payments are generally then passed back to the renewable generators, such as ourselves, under the terms of the relevant power purchase agreements.

The level of the annual ROC Recycle payment is dependent upon the level of renewable generation and ROCs issued and subsequently submitted by electricity suppliers for the compliance year, compared to the target set by DECC, which since 2011/12 has been based upon its expectations of such generation, plus 10% headroom. DECC resets its forecast and target on an annual basis for the compliance year ahead.

We account for our ROC Recycle income annually each October when it is announced by Ofgem and its value is certain.

Historically, the all-in sale price we obtained under the RO regime has been significantly higher than the fixed price received by electricity generating assets supported under the NFFO/SRO regime. The number of our sites operating under the NFFO/SRO regime has significantly diminished since the introduction of the RO regime.

For the quarter ended September 30, 2016, the entire output of our Biomass Business's power stations and all 25 of our landfill sites was supported by the RO regime. A small proportion of the electricity generated at two of our landfill sites is separately metered and sold pursuant to NFFO and SRO contracts. Our remaining NFFO/SRO contracts will expire in 2017 and 2018, after which all our electricity will be sold pursuant to our PPAs. After the last NFFO/SRO contract terminates, only the RO regime will be relevant for our business. For the quarter ended September 30, 2016, electricity revenue comprised sales of £22.2m under the RO regime and £0.1m under the NFFO/SRO regime.

Pricing and Availability of Raw Materials

The results of operations of our Biomass Business are affected by the price and the availability of biomass fuels, predominantly poultry litter, straw and MBM. The price of biomass fuel for our 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 our business, where possible, we source the majority of our biomass fuels pursuant to long-term contracts with a variety of suppliers.

We generally source poultry litter under long-term contracts, with the price fixed and linked to the RPI over the duration of the contract period. For the quarter ended September 30, 2016, we sourced poultry litter pursuant to 18 supply contracts.

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. Since the summer of 2015 we have procured all our straw under fixed-term supply contracts.

We currently source MBM under contracts with five suppliers with the contracts lasting for between two and three years.

Our business can be exposed to unexpected increases in haulage costs. Haulage costs can either be included in the contracted biomass fuel price or can be contracted for separately. Where haulage costs are included in the biomass fuel price, diesel price increases are borne by the fuel supplier, whereas we bear the costs of diesel price increases where haulage is separately contracted for. We estimate that, for the quarter ended September 30, 2016, approximately 25% of the fuel we sourced included haulage costs in the fuel price. Historically, when diesel prices have increased, wholesale market electricity prices have usually increased as well, mitigating the increase in separately contracted haulage costs; however, there is no contractual link.

Where practical, we aim to minimize haulage costs by sourcing our fuel from suppliers located in close proximity to our power stations in order to reduce transportation costs.

To ensure the short-term availability of fuels, each of our power stations has on-site fuel storage, ranging from approximately three days' fuel requirements at Ely to approximately one month's fuel requirements at Glanford. Additionally, in order to aid logistics, support day-to-day operations and allow for any short term supply issues, each station except Glanford has an element of adjacent off-site storage.

Landfill Sites Portfolio Output

Our Landfill Gas Business generates electricity using landfill gas (methane) to fuel gas engines installed across 25 sites. Landfill gas is naturally occurring and is created through the anaerobic decomposition of organic matter over time. The output of energy at our landfill sites depends on the availability and collection of landfill gas, which in turn is affected by a number of factors which are not constant, including the amount and type of waste deposited in the landfill, the operational landfilling practices of the landfill operator, the rate of anaerobic decomposition, the efficiency of the landfill gas collection process and the weather. Additionally, the volume of gas production depends on whether a landfill site is capped (sealed) or uncapped and whether the sites are open or closed to new waste deposits. As a result, the landfill gas available and collected at individual sites and associated electrical output fluctuates although such changes are spread across 25 sites.

Output decreased by 2.3GWh, or 2.6%, from 87.5GWh for the quarter ended September 30, 2015 to 85.2GWh for the quarter ended September 30, 2016. A reduction in output can be expected due to the fact that 16 (previously 15) of the 25 sites from which the Landfill Gas Business operates are closed to new waste deposits and gas volumes from these sites will gradually decline over time. The site the Landfill Gas Business operates from at March, Cambridgeshire closed to waste inputs during July 2016.

We have secured access to our 25 landfill sites pursuant to long-term gas supply agreements with the relevant landfill site owner or operator. Pursuant to the gas supply agreements, we have the right to use the gas produced at the site in return for payment of a royalty fee to the landfill owner or operator. Royalty mechanisms vary from site to site, but are based on a percentage of the revenue received in respect of a site.

As of September 30, 2016, our gas supply arrangements had a remaining average term of 6 years and 1 month, and of the 25 sites from which we extract landfill gas under gas supply arrangements, the arrangements for 8 sites (representing approximately 11% of output in the quarter to September 30, 2016) will expire by March 31, 2020 and will need to be extended.

Availability of Assets

To maintain electrical output, our business depends on the availability of our power generating assets. Availability in our Biomass Business is affected by planned and unplanned outages of our power stations due to, for example, maintenance, inspections or other safety related downtime. Maintenance and plant failures result in a power station running at less than full capacity or being off-line and not generating power at all. Planned outages at our power stations occur with some regularity to allow for scheduled boiler cleaning and maintenance, and we anticipate these outages in our operating plans. Generally, our planned outages include a main annual outage of around 14 days during the summer months and interim outages of four to five days duration which occur every six to eight weeks at Thetford, Glanford, Eye and Westfield. Ely does not generally require interim cleaning and maintenance outages between its annual summer outages. In addition to planned outages, our Biomass Business may be affected by unplanned outages which can occur as a result of plant failure.

We believe our Biomass Business generating assets to be well invested. 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.

For the quarter ended September 30, 2016, Thetford, Eye, Ely, Glanford and Westfield had availabilities (including planned and unplanned outages) ranging between 72% and 89% with an average of 79%. In addition, we measure the performance of our Biomass power stations by load factor, representing the actual output generated by our power stations in a given period as a percentage of the theoretical maximum output of that plant. The theoretical maximum output assumes that the plant runs at its net capacity continuously over such period.

Two elements generally affect output and load factor: (i) scheduled or unscheduled outages of the plant, during which a power station does not generate electricity (for example, to undertake maintenance activity); or (ii) electricity generation at below maximum net capacity due to, for example, operational issues or combustion conditions. In general, we consider both elements in our operational plans, and in particular planned outages to enable scheduled maintenance to take place.

Within our Landfill Gas Business, we focus on engine availability, as planned and unplanned engine outages (i.e. an engine being unable to operate) can affect our operations. As we do in our Biomass Business, 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. For the quarter ended September 30, 2016, our gas engine fleet had availability of 95.6%, consistent with that achieved in the previous year.

To optimize the deployment of our gas engines across our landfill sites and to ensure operational efficiency, we replace larger engines installed at landfill sites with declining landfill gas output with smaller engines, from our portfolio of engines, thus reducing operating costs as well as personnel and maintenance costs at those sites. Similarly, we relocate larger engines and spare or under-utilized engines to sites with greater landfill gas resource to create spare engine capacity at those sites which we can utilize whenever another engine has a planned or unplanned outage. For example, we have strategically created spare capacity at a number of landfill sites with typically high output to reduce the effect of engine downtime at those sites on our business.

YWP's Ovenden Moor site was de-energized on July 21, 2015 ahead of its decommissioning and the start of the repower project (see below). During the quarter ended September 30, 2016, wind turbine availability at Royd Moor was 94.6%.

Output from YWP in the quarter ended September 30, 2016 was 2,460 MWh, an increase of 657 MWh compared with the quarter ended September 30, 2015. As is typical of wind assets, YWP's output is seasonal with generally approximately one third of its output arising in the six months to September 30 and the balance in the second six months to March 31.

We believe that without incremental capital and maintenance expenditure, availability of YWP's original wind farm at Royd Moor will remain in line with the current levels, or slightly decrease through to the end of its operating life and its planning permission which requires decommissioning by December 2018.

Energy Power Resources Limited is funding its share of the YWP repower project at Ovenden Moor by way of a shareholder loan in a maximum amount of £12m, representing 50% of the required capital expenditure. The balance of capital expenditure will be funded by an equivalent shareholder loan from our joint venture partner, E.ON Climate and Renewables Limited. The repower project will replace the original 1993 wind turbines and increase the installed capacity of the site from around 9MW to 18MW. Construction commenced in July 2015 with the decommissioning of existing turbines and completion is currently expected before the end of March 2017.

Seasonality

Output across our Landfill Gas portfolio is not generally subject to seasonal variations. However, under the terms of the BG Landfill Gas PPA, the electricity price for output of our landfill gas portfolio is re-set every six months, for periods commencing on April 1 and October 1. As the price for the six months commencing on October 1 is the "winter" price, which tends to be higher than the price for the six months commencing on April 1 due to higher electricity demand, revenue generated by our Landfill Gas Business during this period is usually higher.

The operations of our Biomass Business are more seasonal. Each of our five power stations undertakes an annual maintenance outage to perform checks of plant and equipment, maintenance, overhauls and capital improvements, which are planned in detail and tend to last around 14 days. We usually schedule these planned annual outages during the summer months (typically in the financial quarter ending September 30) to take advantage of the extra day-light hours and because thermal generation plants, such as our power stations, tend to be less efficient and unable to reach full output in the warmer summer months, as they are limited by the amount of steam which can be condensed at higher summer temperatures. As a result, output from our biomass power stations is typically lower in the July to September financial quarter, while operational costs are higher during this period, reflecting increased capital and maintenance expenditures. In addition, Ely has a seasonal export capacity, which allows greater electricity output of up to 38 MW in the period December to April each year, compared to up to either 34 MW or 35 MW during the rest of the year, thus positively affecting output, revenue and profitability during this period.

Our Biomass Business also includes sales of our Fibrophos fertilizer. We generally make approximately 75% of our annual fertilizer sales in the July to September quarter of the financial year, coinciding with the timing of the main agricultural harvest across the United Kingdom. Additionally, as the timing of the annual harvest is driven by weather conditions, a wet or late spring or a wet summer may result in a late harvest which can shorten the fertilizer spreading season and as a result the duration of our fertilizer sales season.

We account for ROC Recycle payments on a cash basis and generally receive these payments in October or November in respect of the previous compliance year to March 31.

In addition, we accrue annual triad revenue in March of each year. Triad periods are announced at the end of March each year, being the three half hour periods (ten days apart) between November and February with the highest electricity demand across the United Kingdom. In order to provide an incentive on consumers to minimize consumption during the triad peak times, electricity suppliers are charged a fee by the transmission system operator for the electricity they supply during the triad periods. Output from embedded energy generators such as our Biomass Business and Landfill Gas Business reduces the supply of electricity from the national electricity transmission system to the relevant local distribution network during triad periods, allowing energy suppliers to reduce Supplier Transmission Network Use of System charges. Under our BG Biomass PPA and BG Landfill Gas PPA, British Gas passes through to us a portion of the savings it receives. As a result of the foregoing, we tend to book a greater portion of our revenue in the October to December and January to March quarter of each financial year.

Management's discussion and analysis of financial condition and results of operations

Group Organization

We manage our operations by business units, referred to in this quarterly report as our "businesses," which include our Biomass Business and our Landfill Gas Business. Our Biomass Business generated turnover of £19.5m in the quarter ended September 30, 2016 compared to £22.0m in the quarter ended September 30, 2015. Turnover generated in our Biomass Business predominantly consists of revenue from the sale of electricity, ROCs and embedded benefits under our PPAs, accounting for an aggregate of £16.2m and £18.1m for the quarters ended September 30, 2016 and 2015, respectively.

Turnover generated in our Biomass Business also includes turnover from the sale of Fibrophos fertilizer, this element of our business is seasonal with the majority of sales arising during August and September each year. Revenue in the quarter ended September 30, 2016 was £3.3m compared to £3.8m in the quarter ended September 30, 2015.

Our Landfill Gas Business generated turnover of £6.2m for the quarter ended September 30, 2016 compared with £7.4m for the quarter ended September 30, 2015, representing 24.0% and 25.3% of group turnover in each period respectively. Turnover generated in our Landfill Gas Business predominantly consists of revenue from the sale of electricity, ROCs and embedded benefits under the BG Landfill Gas PPA.

Analysis of Key Operating and Performance Measures

We use several key operating measures including output, availability and average revenue per MWh, to track the performance of our business. Additionally, we rely on load factor to track the performance of our Biomass Business. None of these terms are measures of financial performance under UK GAAP, nor have these measures been reviewed by an outside auditor, consultant or expert. These measures are derived from management information systems. As these terms are defined by our management, they may not be comparable to similar terms used by other companies.

Output describes the amount of electricity generated over a specified period of time.

Availability measures the number of hours a power station or an engine is available to generate electricity during a certain period after subtracting scheduled and unscheduled maintenance, divided by the theoretical maximum of available number of hours over the period.

Load factor represents the actual output generated by our power stations in a given period as a percentage of the theoretical maximum output of that plant. The theoretical maximum output assumes that the plant runs at its net capacity continuously over such period. Two elements generally affect load factor and output: (i) scheduled or unscheduled outages of the plant, during which a power station does not generate electricity (for example, to undertake maintenance activity); or (ii) electricity generation at below maximum net capacity due to, for example, operational issues or combustion conditions.

Average revenue per MWh represents the turnover from electricity generation during any period divided by the output generated during the same period.

The following table sets forth certain key operating measures for the Group for the quarter ended September 30, 2015 and 2016:

	Quarter ended September 30,	
	2015	**2016**
Biomass Business		
Output (in MWh)	170,206	160,730
Availability (in %)	82.1	79.3
Average load factor	69.9	66.8
Thetford	64.5	70.8
Ely	69.7	61.7
Glanford	76.5	74.6
Eye	75.7	55.3
Westfield	76.5	73.2
Average Revenue per MWh (in £)	106.30	100.54

	Quarter ended September 30, 2015	Quarter ended September 30, 2016
Landfill Gas Business		
Output (in MWh)..	87,483	85,180
Availability (in %)..	95.7	95.6
Average revenue per MWh (in £)...........................	85.06	72.28

Biomass Business

Quarter ended September 30, 2016 compared to the quarter ended September 30, 2015

For the quarter ended September 30, 2016, output of our Biomass Business was 160,730 MWh, which represented a decrease of 9,476 MWh, or 5.6%, compared to 170,206 MWh for the quarter ended September 30, 2015. Both availability and average load factor were lower across the portfolio compared to the corresponding quarter in the previous year.

For the quarter ended September 30, 2016 the average availability across the five power stations was 79.3% a reduction from 82.1% in the quarter ended September 30, 2015. During both periods Thetford, Ely, Glanford and Eye all undertook their planned annual maintenance outages, generally scheduled to last for 14 days.

The average load factor of the five powers stations was 66.8% during the quarter ended September 30, 2016 a reduction of 3.1 percentage points from 69.9% achieved in the corresponding quarter in the previous year.

The reductions in both average availability and average load factor were primarily the result of a series of unrelated operational issues encountered at Ely during August 2016 following the return to service after its annual maintenance outage and the adverse impact of combustion trials at Eye during the quarter ended September 30, 2016.

Ely's availability was impacted by several short unplanned outages immediately following the return to service following its annual outage. These included issues with i) a new start-up valve installed during the outage and ii) the HP turbine bearing and coupling. These operational issues were resolved during August.

At Eye, combustion trials incorporating a new biomass fuel were undertaken between April and the end of July, to assess its impact and suitability. This change has potential to increase fuel flexibility and yield an ongoing reduction in fuel costs. However the trial proved more difficult than anticipated and had an adverse impact on availability and load factor in the short term. The station returned to its previous fuel mix from August 1, 2016 pending further analysis of the results and issues raised during the trial. The fuel trial was concluded during August.

In addition, sustained high ambient temperatures during the summer impacted all four biomass power stations located in England, but particularly Eye and Ely.

For the quarter ended September 30, 2016, average revenue per MWh of our Biomass Business was £100.54, a reduction of £5.76, or 5.4%, compared with £106.30 for the quarter ended September 30, 2015. This reduction reflects the lower electricity price receivable pursuant to the BG Biomass PPA which reduced from £44.95 to £39.89 per MWh, driven by lower wholesale market electricity prices during the relevant PPA calculation periods and the removal of LECs from August 1, 2015.

Landfill Gas Business

Quarter ended September 30, 2016 compared to the quarter ended September 30, 2015

For the quarter ended September 30, 2016, output from our Landfill Gas Business was 85,180 MWh, a decrease of 2,303 MWh, or 2.6%, compared to 87,483 MWh for the quarter ended September 30, 2015. A reduction in output is generally anticipated due to the fact that 16 of the 25 sites from which the Landfill Gas Business operates are closed to new waste deposits and gas volumes from these sites will decrease over time. The impact of this natural decline in gas and output was partly offset in the quarter ended September 30, 2016 by improvements in output at several of the open sites within the portfolio.

In the quarter ended September 30, 2016, average revenue per MWh of our Landfill Gas Business was £72.28, representing a decrease of £12.78, or 15.0%, compared to £85.06 for the quarter ended September 30, 2015. This reduction primarily reflects the lower electricity price receivable pursuant to the BG Landfill Gas PPA which reduced from £40.63 to £30.02 per MWh driven by lower wholesale market electricity prices during the relevant PPA calculation periods and the removal of LECs from August 1, 2015.

Discussion of Financial Results

Revenue from generation

The following table provides a breakdown of turnover from electricity generation of our Biomass Business and our Landfill Gas Business for the quarters ended September 30, 2015 and 2016:

	Quarter ended September 30,	
	2015	**2016**
(in thousands of £)		
Biomass Business		
Wholesale market electricity price......................	7,761	6,465
ROC buyout………………………………………….………	10,092	9,698
LEC sales……………………………………….……………	251	-
Embedded benefits……………………….……………….	(10)	(3)
	18,094	**16,160**
Landfill Gas Business		
Wholesale market electricity price......................	3,566	2,601
ROC buyout………………………………………….………	3,355	3,281
LEC sales……………………………………….……………	142	-
Embedded benefits……………………….……………….	379	275
	7,442	**6,157**

Biomass Business turnover from electricity generation decreased in the quarter ended September 30, 2016 compared to the same period in the prior year by £1.9m (10.7%). The decrease reflects the reduction in output, lower electricity prices received in the current period and the removal of LECs from August 1, 2015.

Output decreased by 5.6% in the quarter ended September 30, 2016 compared with the quarter ended September 30, 2015 from 170,206 MWh to 160,730 MWh.

Landfill Gas Business turnover from electricity generation decreased from £7.4m in the quarter ended September 30, 2015 to £6.2m in the quarter ended September 30, 2016. The reduction reflects lower electricity prices, a reduction in output and the removal of LECs from August 1, 2015.

Output decreased by 2.6% in the quarter ended September 30, 2016 compared with the quarter ended September 30, 2015 from 87,483 MWh to 85,180 MWh.

Revenue from Fibrophos fertilizer sales

August and September represent the main selling season for our Fibrophos fertilizer and we expect approximately 70% of total annual sales to occur during these two months.

Sales volumes in the quarter ended September 30, 2016 were in line with expectations at 62,138 tonnes, an increase of 4,393 tonnes compared to the quarter ended September 30, 2015. Sales revenue was £3.3m for the quarter ended September 30, 2016, a reduction of £0.5m compared to the quarter ended September 30, 2015.

The average unit selling price reduced quarter on quarter from £66 per tonne to £54 per tonne, reflecting lower underlying commodity prices (phosphate and potash) and challenging economic conditions for farmers, with low wheat prices.

Fuel Costs

The following table provides an overview of our total fuel costs for our Biomass Business for the quarters ended September 30, 2015 and 2016 are summarized below:

	Quarter ended September 30,	
(in thousands of £)	**2015**	**2016**
Fuel costs……………………………........................	7,255	6,610

Fuel costs consist of biomass fuel costs (including associated haulage and storage), fossil fuel and sorbent costs. Fuel costs in the quarter ended September 30, 2016 decreased by £0.6m when compared to the quarter ended September 30, 2015.

The majority of this reduction (£0.4m) arose from lower output requiring less biomass fuel input. A further £0.2m saving arose at Glanford where, following the renegotiation of the MBM supply contracts, the delivered price of MBM reduced significantly from January 2016.

Landfill Gas Royalties

We have secured access to our 25 landfill sites pursuant to long-term gas supply agreements with the relevant landfill site owner or operator. Pursuant to the gas supply agreements, we have the right to use the gas produced at each site in return for payment of a royalty fee to the landfill owner or operator. Royalty mechanisms vary from site to site, but are based on a percentage of the revenue received in respect of a site.

The following table provides an overview of our royalty amounts due to landfill owners and operators for the quarters ended September 30, 2015 and 2016:

	Quarter ended September 30,	
	2015	**2016**
(in thousands of £)		
Royalties due to landfill gas site owners and operators.........	1,528	1,132
(as a percentage of turnover)		
Royalties due to landfill gas site owners and operators.........	20.5%	18.4%

The amount of royalties' payable has reduced in the quarter ended September 30, 2016 compared to the equivalent period of the previous year reflecting the reduction in revenues. The average portfolio royalty percentage rate has also reduced in the quarter reflective of the output mix across sites and the impact of two new royalty agreements signed in April 2016.

Results of Operations

Comparison of the quarter ended September 30, 2016 and the quarter ended September 30, 2015

The following table sets forth our results of operations for the quarter ended September 30, 2016 compared to the quarter ended September 30, 2015.

	For the quarter ended September 30,		
(in thousands of £)	2015	2016	Change (%)
Group turnover	**29,477**	**25,702**	**(12.8)**
Biomass Business	22,033	19,545	(11.3)
Landfill Gas Business	7,444	6,157	(17.3)
Cost of sales	(12,496)	(11,662)	6.7
Gross profit	**16,981**	**14,040**	**(17.3)**
Administrative expenses	(15,234)	(15,946)	(4.7)
Group operating profit/(loss)	**1,747**	**(1,906)**	**(209.1)**
Share of operating (loss)/profit in joint venture	(5)	33	760.0
Total operating profit/(loss): group and share of joint venture	**1,742**	**(1,873)**	**(207.5)**
Interest receivable and similar income	41	12	(70.7)
Interest payable and similar charges	(6,813)	(6,077)	10.8
Loss on ordinary activities before taxation	**(5,030)**	**(7,938)**	**(57.8)**
Tax on loss on ordinary activities	1,613	1,328	(17.7)
Loss for the period	**(3,417)**	**(6,610)**	**(93.4)**

Group Turnover

Group turnover for the quarter ended September 30, 2016 was £25.7m, a decrease of £3.8m, or 12.8%, from £29.5m for the quarter ended September 30, 2015. In parallel with a reduction in output from the Biomass Business, unit revenue reduced when comparing the quarter ended September 30, 2016 to the quarter ended September 30, 2015, reflecting lower wholesale electricity prices and the removal of LECs from August 1, 2015. These were partly offset by the annual indexation of the ROC buy-out value.

Output from the Landfill Gas Business fell by 2.6% comparing the quarter ended September 30, 2016 to the quarter ended September 30, 2015. The principal reason for the reduction in turnover was lower revenue per MWh, impacted by the same external factors as the Biomass Business.

<u>Biomass Business</u>

Turnover in our Biomass Business for the quarter ended September 30, 2016 was £19.5m, a decrease of £2.5m, or 11.3% from £22.0m for the quarter ended September 30, 2015. Output from the Biomass Business decreased by 9.5GWh, equivalent to a reduction in turnover of £1.0m. The remainder of the reduction in turnover was attributable to lower revenue per MWh due arising from lower wholesale electricity prices and the removal of LECs, partly offset by the annual indexation of the ROC buy-out value.

<u>Landfill Gas Business</u>

Turnover in our Landfill Gas Business for the quarter ended September 30, 2016 was £6.2m, a decrease of £1.2m, or 17.3% from £7.4m for the quarter ended September 30, 2015. This decrease was attributable to a 2.6% reduction in output combined with lower revenue per MWh due to a fall in wholesale electricity prices and the removal of LECs.

Cost of Sales

Cost of sales includes biomass fuel, fossil fuel and sorbent costs, landfill gas royalties, engine maintenance costs and the cost of Fibrophos sales including processing, storage, haulage and commission. For the quarter ended September 30, 2016 cost of sales were £11.7m, a reduction of £0.8m, or 6.7%, from £12.5m for the quarter ended September 30, 2015.

Fuel costs (biomass fuel, fossil fuel and sorbent) decreased by £0.6m in the quarter ended September 30, 2016 when compared to the same quarter in the previous year. This was primarily driven by lower output and a reduction in the delivered price of MBM to Glanford following the renegotiation of supply contracts with effect from January 2016. In addition, landfill gas cost of sales decreased by £0.4m arising from lower royalty costs. These savings were offset in part by a £0.2m increase in fertilizer processing costs, reflective of the increase in Fibrophos sales volumes when compared to the comparative period.

Administrative Expenses

Administrative expenses for the quarter ended September 30, 2016 were £15.9m, an increase of £0.7m, or 4.7%, from £15.2m for the quarter ended September 30, 2015. Such costs mainly comprise plant maintenance costs, depreciation, salaries and overheads. The quarter on quarter increase arose from increased plant maintenance costs at Thetford, Ely, Glanford and Eye, reflective of the scope of works undertaken during the annual outages completed in the quarter.

Interest Payable and Similar Charges

Interest payable and similar charges for the quarter ended September 30, 2016 were £6.1m, a reduction of £0.7m from the quarter ended September 30, 2015. The reduction reflects the 3% premium in respect of the early redemption of the £19m senior secured notes made in the comparative period, as well as the ongoing interest cost savings arising from the combined £38m senior secured note redemption made in August 2015 and June 2016. These quarter on quarter variances are offset in part by a £0.4m increase in shareholder loan interest, reflecting quarterly interest rolled up into principal in the period to September 30, 2016.

Tax on loss on Ordinary Activities

Tax on the loss on ordinary activities for the quarter ended September 30, 2016 represented a credit of £1.3m, a reduction of £0.3m from the £1.6m credit on the loss on ordinary activities for the quarter ended September 30, 2015.

Loss for the Period

The loss for the quarter ended September 30, 2016 was £6.6m, compared with a loss of £3.4m for the quarter ended September 30, 2015.

Melton Renewable Energy UK PLC

Condensed Consolidated Interim Financial Information (unaudited)

3 months ended 30 September 2016

Group statement of income and retained earnings for the 3 months ended 30 September 2016

	Note	***3 months to 30 September 2016***	*3 months to 30 September 2015*
		£000s	*£000s*
Group turnover	2	**25,702**	29,477
Cost of sales		**(24,997)**	(24,637)
Gross profit		**705**	4,840
Administrative expenses		**(5,926)**	(6,241)
Operating loss	3	**(5,221)**	(1,401)
Share of operating profit/(loss) in joint venture		**33**	(5)
Total operating loss: group and share of joint venture		**(5,188)**	(1,406)
Interest receivable and similar income		**12**	41
Interest payable and similar charges	5	**(6,077)**	(6,813)
Loss on ordinary activities before taxation		**(11,253)**	(8,178)
Tax on loss on ordinary activities	6	**1,583**	1,877
Loss for the financial period	17	**(9,670)**	(6,301)
Accumulated losses brought forward		**(43,805)**	(27,441)
Accumulated losses carried forward	17	**(53,475)**	(33,742)

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 3 month period ended 30 September 2016	Note	***3 months to 30 September 2016***	*3 months to 30 September 2015*
		£000s	*£000s*
Loss for the financial period excluding the share of profits of joint venture		**(9,703)**	(6,296)
Share of joint venture's operating profit/(loss) for the period		**33**	(5)
Loss for the financial period attributable to members of the parent company		**(9,670)**	(6,301)
Total comprehensive income for the period	*17*	**(9,670)**	(6,301)

Group Balance sheet
As at 30 September 2016

	Note	***As at 30 September 2016 £000s***	*As at 30 September 2015 £000s*
Fixed assets			
Intangible assets	*7*	**106,638**	116,794
Tangible assets	*8*	**152,297**	168,598
Interests in joint venture	*9*	**(5)**	904
		258,930	286,296
Current assets			
Stocks	*10*	**12,046**	12,472
Debtors: amounts falling due within one year	*11*	**38,483**	34,817
Debtors: amounts falling due after more than one year	*11*	**-**	3,202
Cash at bank and in hand		**10,819**	10,915
		61,348	61,406
Creditors: amounts falling due within one year	*12*	**(15,174)**	(18,737)
Net current assets		**46,174**	42,669
Total assets less current liabilities		**305,104**	328,965
Creditors: amounts falling due after more than one year	*13*	**(292,618)**	(291,989)
Provisions for liabilities and charges			
Deferred tax		**(15,091)**	(19,848)
Net (liabilities)/assets		**(2,605)**	17,128
Capital and reserves			
Called up share capital	*16*	**50,870**	50,870
Accumulated losses	*17*	**(53,475)**	(33,742)
Total shareholders' (deficit)/funds	*18*	**(2,605)**	17,128

Group statement of cash flows
For the 3 month period ended 30 September 2016

	Note	***3 months to 30 September 2016 £000s***	*3 months to 30 September 2015 £000s*
Net cash (outflow)/inflow from operating activities	*19*	**(3,502)**	4,634
Taxation received		**-**	9
Net cash (used)/generated from operating activities		**(3,502)**	4,643
Cash flow from investing activities			
Payments to acquire tangible assets		**(1,508)**	(1,710)
Interest received		**11**	41
Net cash used in investing activities		**(1,497)**	(1,669)
Cash flow from financing activities			
Senior secured notes redeemed		-	(19,000)
Loans to associate undertaking		**(240)**	(570)
Interest paid		**(5,190)**	(6,946)
Net cash used in financing activities		**(5,430)**	(26,516)
Net decrease in cash and cash equivalents	*20*	**(10,429)**	(23,542)
Cash and cash equivalents at the beginning of the period		**21,248**	34,457
Cash and cash equivalents at the end of the period		**10,819**	10,915

Cash and cash equivalents consists of:

Cash at bank and in hand	**10,819**	10,915

Notes to the financial information (unaudited)

1. Accounting policies

The unaudited condensed consolidated interim financial information is 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”). A summary of the more important accounting policies, which have been applied consistently, are set out below. The condensed consolidated interim financial information does not include all the information or disclosures required in the annual financial statements as they have been prepared for the provision of interim information. The unaudited condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

Basis of consolidation

The unaudited condensed consolidated interim financial information include the results of Melton Renewable Energy UK PLC 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.

Foreign currencies

The unaudited condensed consolidated interim financial information is 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.

Notes to the financial information (unaudited)

1. Accounting policies (continued)

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.

Intangible fixed assets and amortization

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 capitalized and stated at cost less accumulated amortization 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.

Amortization 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.

Notes to the financial information (unaudited)

1. Accounting policies (continued)

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.

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 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.

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.

Notes to the financial information (unaudited)

1. Accounting policies (continued)

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.

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 the statement of income and retained earnings.

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

Notes to the financial information (unaudited)

1. Accounting policies (continued)

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

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

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

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

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

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.

2. 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 37 and 38 present segmental information for the period ended 30 September 2016 and for the comparative period ended 30 September 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 information (unaudited)

2. Segmental analysis (continued)

Segmental statement of income analysis

For 3 months ended 30 September 2016	Biomass	Landfill Gas	Central	Group
	£000s	*£000s*	*£000s*	*£000s*
Turnover	19,516	6,157	29	25,702
Operating costs	(19,372)	(4,033)	(229)	(23,634)
Share of operating profit in joint venture	33	-	-	33
EBITDA	**177**	**2,124**	**(200)**	**2,101**
Fixed asset depreciation	(4,187)	(560)	(3)	(4,750)
Intangible amortisation and impairments	(1,231)	(1,308)	-	(2,539)
Operating (loss)/profit: group and share of joint venture	**(5,241)**	**256**	**(203)**	**(5,188)**
Unallocated interest charges on borrowings	-	-	-	(6,065)
(Loss)/profit on ordinary activities before taxation	**(5,241)**	**256**	**(203)**	**(11,253)**

For 3 months ended 30 September 2015	Biomass	Landfill Gas	Central	Group
	£000s	£000s	£000s	£000s
Turnover	22,033	7,444	-	29,477
Operating costs	(19,078)	(4,434)	(214)	(23,726)
Share of operating loss in joint venture	(5)	-	-	(5)
EBITDA	**2,950**	**3,010**	**(214)**	**5,746**
Fixed asset depreciation	(4,013)	(600)	-	(4,613)
Intangible amortisation and impairments	(1,231)	(1,308)	-	(2,539)
Operating (loss)/profit: group and share of joint venture	**(2,294)**	**1,102**	**(214)**	**(1,406)**
Unallocated interest charges on borrowings	-	-	-	(6,772)
(Loss)/profit on ordinary activities before taxation	**(2,294)**	**1,102**	**(214)**	**(8,178)**

Notes to the financial information (unaudited)

2. **Segmental analysis** (continued)

Segmental balance sheet analysis

As at 30 September 2016	Biomass	Landfill Gas	Central	Group
	£000s	£000s	£000s	£000s
Non-current assets	182,478	76,402	50	258,930
Current assets	48,848	11,702	393	60,943
Unallocated current tax asset	-	-	-	405
Total assets	**231,326**	**88,104**	**443**	**320,278**
Creditors: falling due within one year	(9,827)	(3,161)	(233)	(13,221)
Unallocated long term debt and accrued interest	-	-	-	(294,328)
Unallocated current and deferred taxation	-	-	-	(15,334)
Total liabilities	**(9,827)**	**(3,161)**	**(233)**	**(322,883)**
Net assets/(liabilities)	**221,499**	**84,943**	**210**	**(2,605)**

As at 30 September 2015	Biomass	Landfill Gas	Central	Group
	£000s	£000s	£000s	£000s
Non-current assets	202,768	83,528	-	286,296
Current assets	43,903	13,983	268	58,154
Unallocated current tax asset	-	-	-	3,252
Total assets	**246,671**	**97,511**	**268**	**347,702**
Creditors: falling due within one year	(11,344)	(5,328)	(141)	(16,813)
Unallocated long term debt and accrued interest	-	-	-	(293,913)
Unallocated deferred taxation	-	-	-	(19,848)
Total liabilities	**(11,344)**	**(5,328)**	**(141)**	**(330,574)**
Net assets	**235,327**	**92,183**	**127**	**17,128**

Notes to the financial information (unaudited)

3. Operating loss

Operating loss is stated after charging the following:	***3 months to 30 September 2016 £000s***	*3 months to 30 September 2015 £000s*
Depreciation of owned fixed assets	**4,750**	4,613
Amortisation of goodwill	**2,539**	2,539
Operating lease rentals		
– land and buildings	**134**	86
– other	**24**	56
Inventory recognised as an expenses	**10,027**	10,407
Impairment of inventory	**55**	67

4. Employee information

	3 months to 30 September **2016** ***£000s***	*3 months to 30 September* 2015 *£000s*
Wages and salaries	**2,673**	2,642
Social security costs	**315**	309
Other pension costs	**96**	93
	3,084	3,044

The average monthly number of persons employed by the Group during the period was:

	3 months to 30 September 2016	*3 months to 30 September 2015*
Production	**196**	196
Administration	**62**	65
	258	261

Notes to the financial information (unaudited)

5. Interest payable and similar charges

	3 months to 30 September 2016 £000s	*3 months to 30 September 2015 £000s*
Interest payable on senior secured notes	**2,565**	3,609
Amortisation of issue costs of senior secured notes	**247**	309
Interest payable to immediate parent company	**3,206**	2,798
Other interest and charges	**59**	97
	6,077	6,813

6. Tax on loss on ordinary activities

Income tax expense is recognized based on management's best estimate of the weighted average annual statutory income tax rate expected for the full financial year as a percentage of taxable profit ("the effective tax rate").

7. Intangible assets

As at 30 September 2016

	Goodwill ***£000s***
Cost:	
At 1 July 2016 and 30 September 2016	**150,476**
Accumulated amortisation and impairment:	
On 1 July 2016	41,299
Charge for the period	2,539
At 30 September 2016	**43,838**
Net book value:	
At 30 September 2016	**106,638**
At 30 June 2016	109,177

Notes to the financial information (unaudited)

8. Tangible assets

	Freehold land and buildings £000s	*Power stations £000s*	*Plant and machinery £000s*	*Assets under construction £000s*	*Total £000s*
Cost:					
On 1 July 2016	4,557	156,736	26,429	172	187,894
Additions	-	12	-	1,496	1,508
Disposals	-	-	-	(5)	(5)
At 30 September 2016	**4,557**	**156,748**	**26,429**	**1,663**	**189,397**
Accumulated depreciation:					
On 1 July 2016:	106	27,868	4,376	-	32,350
Charge for the period	13	4,162	575	-	4,750
At 30 September 2016	**119**	**32,030**	**4,951**	**-**	**37,100**
Net book value:					
At 30 September 2016	**4,438**	**124,718**	**21,478**	**1,663**	**152,297**
At 30 June 2016	4,451	128,868	22,053	172	155,544

9. Investments

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.

	£000s
At 30 June 2016 (audited)	117
Share of loss retained by joint venture	(122)
At 30 September 2016	**(5)**

Notes to the financial information (unaudited)

10. Stocks

	As at 30 September 2016 £000s	*As at 30 September 2015 £000s*
Ash stock	**2,141**	2,284
Fuel, spare parts and consumables	**9,905**	10,188
	12,046	12,472

The replacement cost of stocks does not differ materially from the numbers disclosed above.

11. Debtors

	As at 30 September 2016 £000s	*As at 30 September 2015 £000s*
Amounts falling due within one year		
Trade debtors	**8,195**	9,017
Amounts owed by associate undertakings	**10,621**	-
Corporation tax debtor	**405**	3,252
Prepayments and accrued income	**19,262**	22,548
	38,483	34,817
Amounts falling due after more than one year		
Amounts owed by associate undertakings	**-**	3,202
	38,483	38,019

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.

Notes to the financial information (unaudited)

12. Creditors: amounts falling due within one year

	As at 30 September 2016 £000s	*As at 30 September 2015 £000s*
Interest on senior secured notes	**1,710**	1,924
Trade creditors	**1,866**	3,637
Consortium and group relief	**243**	-
Other creditors	**289**	-
Other taxation and social security	**1,700**	3,421
Accruals and deferred income	**9,366**	9,755
	15,174	18,737

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

	As at 30 September 2016 £000s	*As at 30 September 2015 £000s*
Senior secured notes	**148,087**	165,900
Shareholder loan	**144,531**	126,089
	292,618	291,989

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 information (unaudited)

14. Senior secured notes

	As at 30 September 2016 £000s	*As at 30 September 2015 £000s*
Senior secured notes	**148,087**	165,900

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.

Senior secured notes are stated net of unamortized issue costs of £3,913,000 (30 September 2015: £5,100,000). 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.

15. Shareholder loan

As at 30 September 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. As at 30 September 2016, the total outstanding balance is £144,530,670.

Notes to the financial information (unaudited)

16. Called up share capital

	As at 30 September 2016 £000s	*As at 30 September 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

17. Accumulated losses

	Accumulated losses £000s
At 1 July 2016	(43,805)
Loss for the financial period	(9,670)
At 30 September 2016	**(53,475)**

	Accumulated losses £000s
At 1 July 2015	(27,441)
Loss for the financial period	(6,301)
At 30 September 2015	**(33,742)**

18. Reconciliation of movements in shareholders' funds/(deficit)

	Share capital £000s	***Accumulated losses £000s***	***Total £000s***
On 1 July 2016	50,870	(43,805)	7,065
Loss for the financial period	-	(9,670)	(9,670)
At 30 September 2016	**50,870**	**(53,475)**	**(2,605)**

Notes to the financial information (unaudited)

19. Reconciliation of operating loss to net cash inflow from operating activities

	3 months ended 30 September 2016 £000s	*3 months ended 30 September 2015 £000s*
Operating loss	**(5,221)**	(1,401)
Depreciation	**4,750**	4,613
Amortisation of goodwill	**2,539**	2,539
Decrease in stocks	**1,135**	1,039
Increase in debtors	**(5,749)**	(1,481)
Decrease in creditors	**(956)**	(675)
Net cash (outflow)/inflow from operating activities	**(3,502)**	4,634

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

(a) Movement in net debt

	3 months ended 30 September 2016 £000s	*3 months ended 30 September 2015 £000s*
Decrease in cash	**(10,429)**	(23,542)
Senior secured notes redeemed	**-**	19,000
Non cash movements	**(3,452)**	(3,076)
Movement in net debt	**(13,881)**	(7,618)
Opening net debt	**(267,918)**	(273,456)
Closing net debt	**(281,799)**	(281,074)

Notes to the financial information (unaudited)

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

(b) Analysis of changes in net debt

	At 1 July 2016 £000s	*Cash flow £000s*	*Non-cash movements £000s*	***At 30 September 2016 £000s***
Cash at bank and in hand	21,248	(10,429)	-	**10,819**
Shareholder company loan				
Debt due after more than one year	(141,325)	-	(3,206)	**(144,531)**
Senior secured notes:				
Senior secured notes	(152,000)	-	-	**(152,000)**
Debt issue costs paid	4,159	-	(246)	**3,913**
Total	(267,918)	(10,429)	(3,452)	**(281,799)**

Non cash movements relating to the shareholder loan represent loan interest for the three months to 30 September 2016 which has been capitalised and included in the principal balance outstanding.

21. Related party transactions

As at 30 September 2016 £10,621,000 (30 September 2015: £3,202,000) 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 quarter the group received, in the normal course of business, from YWP £2,500 (quarter to 30 September 2015: £39,365) for management and accountancy services. At the quarter end £2,500 (quarter to 30 September 2015: £39,365) was outstanding.

22. 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 4. Assets of the scheme are held in independently administered funds. Outstanding contributions at 30 September 2016 amounted to £31,882 (30 September 2015: £31,522).

23. 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.

COMPARISON OF LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Combined Financial Information to the Condensed Consolidated Interim Financial Information

The table below provides a comparison of the loss on ordinary activities before taxation between the Combined Financial Information for the three months ended September 30, 2016 (the "Combined Results") and the Condensed Consolidated Interim Financial Information for the three months ended September 30, 2016 (the "Consolidated Results").

	Unaudited Combined 3 months ended 30 September 2016 £000s	*Unaudited Consolidated 3 months ended 30 September 2016 £000s*	*Difference £'000s*
Group turnover	**25,702**	**25,702**	**-**
Cost of sales [1]	(11,662)	(24,997)	(13,335)
Gross profit	**14,040**	**705**	**(13,335)**
Administrative expenses	(15,946)	(5,926)	10,020
Group operating loss [2]	**(1,906)**	**(5,221)**	**(3,315)**
Share of operating profit in joint venture	33	33	-
Total operating loss: group and share of joint venture	**(1,873)**	**(5,188)**	**(3,315)**
Interest receivable and similar income	12	12	-
Interest payable and similar charges	(6,077)	(6,077)	-
Loss on ordinary activities before taxation	**(7,938)**	**(11,253)**	**(3,315)**

Notes

[1] In the Consolidated Results the directors have adopted a broader classification of cost of sales to include all plant maintenance, depreciation and operational staff costs. The impact of the reclassification increases cost of sales by £13.3m and decreases administrative expenses by the same amount but has no impact on the group's loss or net assets.

[2] The increase in group operating loss arises due to:

i. an increase in fixed asset depreciation of £2.1m resulting from the upwards revaluation of fixed assets to their depreciated replacement cost at the acquisition date of the group by MRE UK PLC; and
ii. an increase in goodwill amortization of £1.2m resulting from the amortization of goodwill arising upon acquisition of the group by MRE UK PLC.