Melton Renewable Energy UK PLC

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

Issued by Melton Renewable Energy UK PLC

Quarterly Report (Q4 – 2016/17)

Financial Results for the quarter and twelve months ended June 30, 2017

Table of Contents

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

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 decreases in wholesale electricity prices, whether temporary or permanent, may adversely affect our business, financial condition and results of operations.

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. 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 (the preceding 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 price setting periods to determine the wholesale electricity price the Biomass and Landfill Gas businesses will receive under their respective PPA's from 1 October 2017 have recently concluded. The confirmed prices, net of the respective discounts include in the PPA's, are shown in the table below. It is noted that the net electricity prices from October 1, 2017 have increased compared with the comparative prior year periods.

Biomass Twelve months ended/ending September 30,			**Landfill Gas Six months ended September 30,**		**Landfill Gas Six months ended / ending March 31,**		
(*In £ per MWh*)			**(*In £ per MWh*)**		**(*In £ per MWh*)**		
2016	**2017**	**2018**	**2016**	**2017**	**2016**	**2017**	**2018**
39.89	38.95	40.13	30.02	41.64	42.17	43.64	46.09

Recycle ROC

The Recycle ROC value for 2016/17 (Compliance Period 15) has yet to be announced by OFGEM. When announced the Recycle ROC income in respect of 2016/17 will be accounted for in quarter 2 of 2017/18.

Embedded Benefits

On June 20, 2017 Ofgem confirmed its decision to change electricity transmission charging arrangements for embedded generators such as the MRE UK group. These changes will remove approximately 90% of the current Triad benefit from embedded generators by 2020/21 and will be phased in equally over three years commencing in 2018/19.

Yorkshire Windpower Limited ("YWP") – Repowering

During 2016/17 YWP completed the construction of its wind-farm at Ovenden Moor, comprising 9 Gamesa G80 wind turbines with a total installed capacity of 18MW.

Generation commenced in December 2016 however output was limited before February 2017. Ovenden Moor was accredited under the Renewables Obligation Order with effect from January 24, 2017, at the rate of 0.9 ROCs per MWh.

The Ovenden Moor project was taken over formally from Gamesa Eòlica S.L. and transferred to operations on October 2, 2017.

Landfill gas sites and agreements

In August 2017 the Landfill Gas Business agreed 17 year extensions to existing gas agreements in respect of sites from which the Landfill Gas business currently operates. These three sites contributed approximately 7% of the portfolio's output in the year to June 30, 2017.

At the beginning of September 2017 the Connon Bridge site closed to waste deposits, following which 17 of the 24 sites from which the Landfill Gas Business operates are closed to new waste deposits. The closure is in line with expectations. Subject to final capping, we do not anticipate any material impact on generation in the short term but gas volumes in the medium and longer term will naturally decline.

The Landfill Gas Business has served notice to cease generation and operations at the Beetley landfill site with effect from February 2018. This is a closed landfill site which is no longer economically viable with low and diminishing gas volumes, an installed capacity of 0.2MW and annual generation of around 0.6GWh.

During July 2017 the Landfill Gas Business novated its spare 3MW connection at United Mines to a third party for consideration of £250,000. The Landfill Gas Business continues to operate from United Mines, utilising a separate and distinct 3MW network connection.

Landfill Gas SRO contract expiry

The SRO contract through which an element of Auchencarroch's electrical output is sold reached its expiry date on August 16, 2017. Output generated subsequent to this date is sold pursuant to the Landfill Gas PPA with BGT.

Alternative fuel trials

Following further trials, modifications have been made to the fuel feed system at Eye Power Station during its annual outage in July 2017 to allow the introduction of around 50% waste wood fuel blended with poultry litter. Waste wood has been successfully introduced to the fuel mix at Eye Power Station following these changes.

Annual management fee

Included within the results for the quarter and year ended June 30, 2017 is an annual management charge for 2016/17 of £2.0m payable to MRE UK's sole shareholder, Eucalyptus Energy Limited. The charge is reflective of the strategic and management services provided to MRE UK in respect of, amongst other things, the development of a medium term growth and long term portfolio extension strategy.

PRESENTATION OF FINANCIAL AND OTHER DATA

Financial information and operational data

On January 29, 2015 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.

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").

This quarterly report includes unaudited combined historical financial statements for the Issuer and its subsidiaries as of and for the quarter and twelve months ended June 30, 2017 together with comparative combined results as of and for both the quarter and twelve months ended June 30, 2016 (the "Combined Financial Information").

Combined Financial information

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 quarter and twelve months ended June 30, 2016 and 2017. 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 Audited Consolidated Financial Statements 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.

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 Audited Consolidated Financial Statements 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 Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") in all other respects.

Audited Consolidated Financial Statements

In addition to the Combined Financial Information, we have presented the Audited Consolidated Financial Statements of MRE UK as at June 30, 2017, including trading results for the year ended June 30, 2017.

On October 30, 2015 MRE UK was acquired with funds managed by Octopus Investments with Eucalyptus Energy Limited acquiring 100% of its share capital. In order to align the financial year end of MRE UK and its subsidiaries with that of its parent company, the company changed its financial year end to 30 June, giving rise to a 15 month accounting period ending June 30, 2016, representing the comparative period in the Audited Consolidated Financial Statements.

The Audited Consolidated Financial Statements of MRE UK have been prepared in compliance with United Kingdom Accounting Standards, FRS 102 and the Companies Act 2006.

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 and "EBITDA (excluding ROC Recycle payments)" 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 and EBITDA (before ROC Recycle payments) 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 and EBITDA (before ROC Recycle payments) 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 and EBITDA (before ROC Recycle payments) 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 both the quarter and twelve months ended June 30, 2017, together with comparatives.

Executive Summary

Generation

The group's output for the quarter ended June 30, 2017 was 282.1GWh, a 1% reduction when compared to the quarter ended June 30, 2016.

Output from the Biomass Business was 200.7GWh in the quarter ended June 30, 2017, broadly consistent with the 201.0GWh achieved in the corresponding quarter of the previous year.

Output from the Landfill Gas business was 81.4GWh in the quarter ended June 30, 2017, representing a decrease of 2.9GWh (3%) when compared to the corresponding quarter in the previous year. Output from the Landfill Gas portfolio is generally anticipated to decline gradually due to the age and operating profile of the landfill sites from which it operates and the actual rate of decline was in line with expectations.

Revenue

Despite the slight reduction in output, the group's turnover increased to £27.7m from £20.0m when comparing the two quarters, primarily due to an increase in the wholesale electricity price received pursuant to the Landfill Gas PPA from £30.02 per MWh in the quarter ended June 30, 2016 to £41.64 per MWh in the quarter ended June 30, 2017.

Other operating income

Other operating income in the quarter ended June 30, 2017 was £0.4m representing taxable credits claimed on the group's qualifying research and development expenditure undertaken in the previous two years.

Costs

Total costs in the quarter ended June 30, 2017 were £25.3m, an increase of £2.9m from £22.4m in the comparative quarter. This increase is attributable to three main factors:

- Included within the quarter and twelve months to June 30, 2017 is an annual management charge of £2.0m in respect of the year ended June 30, 2017 payable to MRE UK's sole shareholder, Eucalyptus Energy Limited. The charge is reflective of the strategic and management services provided to MRE in respect of, amongst other things, the development of a medium term growth and long term portfolio extension strategy;
- A timing difference of £0.5m in respect of staff costs. Following the change in the group's financial year end annual staff bonuses were accrued in June 2017 whereas in the prior year such bonuses were accrued in March 2016;
- An increase of £0.2m in landfill gas royalties payable reflecting higher revenue in the Landfill Gas business during the quarter ended June 30, 2017.

Excluding these factors, costs remained broadly consistent quarter on quarter and the group continued to maintain effective control of costs during the quarter and year ended June 30, 2017.

EBITDA

As a result of the above, the group's EBITDA for the quarter ended June 30, 2017 was £6.7m, a reduction of £1.5m compared with the quarter ended June 30, 2016.

Combined Statement of Income

(in thousands of £)	Quarter ended June 30, 2016	Quarter ended June 30, 2017	Twelve months ended June 30, 2016	Twelve months ended June 30, 2017
Group turnover..	**26,986**	**27,721**	**119,044**	**116,567**
Cost of sales..	(11,104)	(11,340)	(47,185)	(46,809)
Gross profit..	**15,882**	**16,381**	**71,859**	**69,758**
Administrative expenses...............................	(11,341)	(13,969)	(51,556)	(52,758)
Other operating income..................................	-	431	-	431
Group operating profit...............................	**4,541**	**2,843**	**20,303**	**17,431**
Share of operating (loss)/profit in joint venture...	(214)	256	(47)	598
Total operating profit: group and share of joint venture	**4,327**	**3,099**	**20,256**	**18,029**
Interest receivable and similar income	21	2	85	25
Interest payable and similar charges............	(6,915)	(5,913)	(26,087)	(24,324)
Loss on ordinary activities before taxation...	**(2,567)**	**(2,812)**	**(5,746)**	**(6,270)**
Tax on loss on ordinary activities....................	545	1,170	170	1,449
Loss for the period...	**(2,022)**	**(1,642)**	**(5,576)**	**(4,821)**

Combined Net Sales by Business

(in thousands of £)	Quarter ended June 30, 2016	Quarter ended June 30, 2017	Twelve months ended June 30, 2016	Twelve months ended June 30, 2017
Biomass Business...	20,820	20,871	89,601	87,546
Landfill Gas Business......................................	6,166	6,850	29,443	29,021
Total...	**26,986**	**27,721**	**119,044**	**116,567**

Consolidated Balance Sheets

(in thousands of £)	Audited As at June 30, 2016	Audited As at June 30, 2017
Cash at bank and in hand	21,248	16,342
Other current assets	45,118	53,381
Total non-current assets...	264,838	239,917
Total assets.....	**331,204**	**309,640**
Total non-current liabilities	304,773	297,707
Total current liabilities...	19,366	20,948
Total liabilities..	324,139	318,655
Total invested capital..	7,065	(9,015)
Total invested capital and liabilities..	**331,204**	**309,640**

Presented above is the audited consolidated balance sheet of MRE UK as at June 30, 2017, together with the audited consolidated balance sheet as at June 30, 2016.

Combined Statement of Cash Flows

(in thousands of £)	Quarter ended June 30, 2016	Quarter ended June 30, 2017	Twelve months ended June 30, 2016	Twelve months ended June 30, 2017
Net cash inflow from operating activities…………	11,522	7,597	41,767	28,363
Dividends from joint venture……………………………	-	-	300	-
Returns on investment and servicing of finance.	(1,131)	(56)	(14,101)	(10,475)
Taxation received/(paid)………………………………..	156	(170)	165	(877)
Capital expenditure and financial investment…..	(215)	(395)	(2,651)	(2,640)
Receipts from sales of tangible fixed assets………	1	-	2	-
Loans to associated undertakings……………………..	(1,718)	(922)	(7,191)	(1,277)
Net cash outflow from financing………………………	(12,500)	(18,000)	(31,500)	(18,000)
Decrease in cash……………………………………………	**(3,885)**	**(11,946)**	**(13,209)**	**(4,906)**

Net cash inflow from operating activities in the twelve months ended June 30, 2016 includes £10.3m of Triad income, being in respect of both the 2014 and 2015 winter periods. There was no cash inflow from Triad revenue in the twelve months ended June 30, 2017 following the early receipt of the winter 2015 Triad revenue. Winter 2016 Triad revenue was received in accordance with the normal timing, in Quarter 1 of 2017/18.

In the twelve months ended June 30, 2016 net cash outflow from financing of £31.5m reflects the redemption of senior secured notes to the value of £38m, partially funded by the drawdown of a £6.5m shareholder loan.

In the twelve months ended June 30, 2017 MRE UK made a shareholder loan repayment of £18.0m to its parent company Eucalyptus Energy Limited by way of i) a repayment of the £6.5m shareholder loan advanced to MRE UK referenced above; and ii) a further payment of £11.5m permitted under the Senior Secured Notes Indenture.

Staff costs

(in thousands of £)	Quarter ended June 30, 2016	Quarter ended June 30, 2017	Twelve months ended June 30, 2016	Twelve months ended June 30, 2017
Wages and salaries...	2,556	3,013	11,339	10,716
Social security costs…………………………………….	302	386	1,234	1,263
Other pension costs…………………………………….	95	98	376	387
	2,953	**3,497**	**12,949**	**12,366**

The increase in staff costs in the quarter ended June 30, 2017 is primarily the result of a timing difference in the recognition of staff bonuses, following the change in the group's financial year end from March 31 to June 30, annual staff bonuses were accrued in June 2017 in 2016/17 whereas in the prior year such bonuses were accrued in March 2016.

Staff costs for the twelve months ended June 30, 2016 include one-off bonuses payable following the sale of MRE UK to Eucalyptus Energy Limited.

Employee information

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

By activity	Quarter ended June 30, 2016	Quarter ended June 30, 2017	Twelve months ended June 30, 2016	Twelve months ended June 30, 2017
Production…………......................................	199	189	199	194
Administration……..………………………………….	61	65	62	62
	260	**254**	**261**	**256**

Interest payable and similar charges

(in thousands of £)	Quarter ended June 30, 2016	Quarter ended June 30, 2017	Twelve months ended June 30, 2016	Twelve months ended June 30, 2017
Interest payable to shareholder company……..	2,969	3,009	11,534	12,773
Bond interest payable………………….……………….	2,879	2,565	11,689	10,260
Redemption fee…………………………………………….	570	-	1,140	-
Amortization of debt issue costs……………………	436	276	1,250	1,045
Facility fees and charges……………………………….	61	63	474	246
	6,915	**5,913**	**26,087**	**24,324**

Other Financial Data

(in thousands of £)	Quarter ended June 30, 2016	Quarter ended June 30, 2017	Twelve months ended June 30, 2016	Twelve months ended June 30, 2017
EBITDA (1)…………………………………………………….	8,204	6,708	36,263	33,172
EBITDA (excluding ROC Recycle payments) (2)	8,204	6,708	35,896	33,172
Net third-party debt (3)………………………………….	126,592	132,544	126,592	132,544
Capital expenditures (4)………………………………..	215	395	2,651	2,640

1) Our EBITDA represents loss for the period *plus* tax on loss on ordinary activities, interest payable and similar charges, 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 loss 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 June 30, 2016	Quarter ended June 30, 2017	Twelve months ended June 30, 2016	Twelve months ended June 30, 2017
Loss for the financial period................................	(2,022)	(1,642)	(5,576)	(4,821)
Tax on loss on ordinary activities………………………	(545)	(1,170)	(170)	(1,449)
Interest payable and similar charges………………...	6,915	5,913	26,087	24,324
Interest receivable and similar income………………	(21)	(2)	(85)	(25)
Depreciation……………………………………………………..	2,561	2,293	10,742	9,878
Amortization……………………………………………………	1,316	1,316	5,265	5,265
EBITDA…………………………………………………………..	**8,204**	**6,708**	**36,263**	**33,172**

(2) EBITDA as presented in each period includes ROC Recycle payments. EBITDA (excluding ROC Recycle payments) represents our EBITDA less ROC Recycle payments received. Energy suppliers who fail to fulfill their renewables obligations under the RO regime must make a cash buy-out payment, which is then recycled and returned to suppliers by Ofgem in proportion to the ROCs such supplier presented. Pursuant to our PPAs, British Gas is required to pass through to us a certain portion of the ROC Recycle payments it received from Ofgem. We account for ROC Recycle payments on a cash basis and generally receive these payments in October for the previous compliance year to March 31. As a result, the Group turnover reported in any given year reflects the amount of buy-out payments received in that year but in respect of output generated in the prior financial year.
As ROC Recycle payments fluctuate from period to period as a function of the annual quantity of renewable energy produced in the United Kingdom, and thus are not within the control of our business, management does not consider ROC Recycle payments to be indicative of our underlying performance nor to aid in the understanding of our EBITDA for a given period. The following table provides our EBITDA excluding ROC Recycle payments received for the periods indicated:

(in thousands of £)	Quarter ended June 30, 2016	Quarter ended June 30, 2017	Twelve months ended June 30, 2016	Twelve months ended June 30, 2017
EBITDA...	8,204	6,708	36,263	33,172
ROC Recycle payments…………………………………………	-	-	(367)	-
EBITDA (excluding ROC Recycle payments)……………	**8,204**	**6,708**	**35,896**	**33,172**

We believe that EBITDA (excluding ROC Recycle payments) 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 (excluding ROC Recycle payments) 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 (excluding ROC Recycle payments) as reported by us to EBITDA (excluding ROC Recycle payments) of other companies. EBITDA (excluding ROC Recycle payments) 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 (excluding ROC Recycle payments), including its limitations as an analytical tool.

(3) Net third-party debt consists of our senior secured debt net of unamortized debt issue costs and cash at bank and in hand.
(4) Capital expenditures represent additions to tangible and intangible assets.

Other Performance Data

	Quarter ended June 30, 2016	Quarter ended June 30, 2017	Twelve months ended June 30, 2016	Twelve months ended June 30, 2017
Output GWh	**285.3**	**282.1**	**1,129.9**	**1,114.9**
Biomass...	201.0	200.7	784.3	777.2
Landfill…………………………………………………………	84.3	81.4	345.6	337.7
Availability (%) [1]**…………………………………….**	**92.0%**	**94.7%**	**91.7%**	**92.6%**
Biomass……………………………………………………….	89.2%	92.7%	88.3%	89.4%
Landfill [2]……………………………………………………	94.8%	96.6%	95.0%	95.7%

(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 quarter and twelve months ended June 30, 2017 and June 30, 2016 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 at June 30, 2017 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 a portfolio of five biomass fueled power stations based in the United Kingdom, with a total net installed capacity of 111 MW. Through our Landfill Gas Business, we own and operate methane-powered electricity generation assets at 24 landfill sites across the United Kingdom, representing 63 MW of installed capacity. During the quarter ended June 30, 2017, the portfolio generated 282GWh with group turnover of £27.7m and EBITDA of £6.7m.

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, waste wood 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 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 June 30, 2017 fertilizer sales were 7,890 tonnes with turnover of £0.6m. Additionally, our Biomass Business owns a 50% equity stake in two onshore wind farms in the United Kingdom. The combined installed capacity has increased to 24.5MW following the completion in of the Ovenden Moor re-power project which has increased the capacity of the larger of the two sites to 18MW.

For the quarter ended June 30, 2017, our Biomass Business generated 201GWh of electricity with turnover of £20.9m (including fertilizer sales) and EBITDA of £4.7m.

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 at June 30, 2017 we operated from 24 landfill sites across Great Britain, with a total of 67 gas engines and a total installed capacity of approximately 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 June 30, 2017, the Landfill Gas Business generated 81GWh with turnover of £6.8m 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 24 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"). On August 16, 2017 a legacy SRO contract through which an element of separately metered output from the Auchencarroch landfill site is sold reached expiry. All output generated from the Auchencarroch site subsequent to this date is sold pursuant to the BG Landfill Gas PPA. There is one remaining NFFO contract in place within the landfill gas portfolio covering an element of separately-metered electricity from the Jameson Road landfill site. This is due to expire in November 2018 after which all output will 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 British Gas 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. Accordingly, the revenue we receive under our PPAs depends on the wholesale electricity market as well as the UK renewable energy regulatory regime.

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 PPAs.

Biomass Twelve months ended/ending September 30,			**Landfill Gas Six months ended September 30,**		**Landfill Gas Six months ended/ending March 31,**		
(*In £ per MWh*)			(*In £ per MWh*)		(*In £ per MWh*)		
2016	**2017**	**2018**	**2016**	**2017**	**2016**	**2017**	**2018**
43.36	42.34	43.62	31.60	43.83	44.39	45.94	48.51

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 was replaced by the RO regime, 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 number of our sites operating under the NFFO/SRO regime has significantly diminished since the introduction of 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 MRE UK, 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 British Gas, through our PPAs, who in turn use them to satisfy their renewable obligation. 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.

Energy suppliers who fail to fulfill their annual renewables obligations under the RO regime must make a cash buy-out payment to Ofgem, which is then recycled and returned to suppliers 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 (now part of Department of Business, Energy & Industrial Strategy – BEIS), 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, in respect of the compliance year to the previous March 31.

During the quarter ended June 30, 2017, the entire output of our Biomass Business's power stations and the vast majority of output from our landfill sites was supported by the RO regime. A small proportion of the electricity generated from two of our landfill sites was separately metered and sold pursuant to NFFO/SRO contracts. For the quarter ended June 30, 2017, the group's electricity revenue comprised sales of £26.9m under the RO regime and £0.2m under the NFFO/SRO regime.

On August 16, 2017 the SRO contract in respect of an element of separately metered output at our Auchencarroch landfill site expired, with all output generated at Auchencarroch subsequent to this date being sold pursuant to the BG Landfill Gas PPA.

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 medium and long-term contracts with a variety of suppliers.

We generally source poultry litter under long-term contracts, with the price linked to the RPI over the duration of the contract period. For the quarter ended June 30, 2017, we sourced poultry litter pursuant to 18 supply contracts.

All of our straw is procured under fixed-term supply contracts.

MBM is generally sourced under contracts of one to three years in length with four or five of the UK's MBM producers. Contracts have recently been signed for 2018 with four MBM suppliers and we remain in discussion with other suppliers for the balance of the requirements of Glanford Power Station.

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 June 30, 2017, 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 and transportation costs by sourcing our fuel from suppliers located in close proximity to our power stations.

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 around 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 24 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 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 individual cells within a landfill site are capped (sealed) or uncapped and whether the overall site is 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 24 sites.

Output decreased by 2.9GWh, or 3.4%, from 84.3GWh in the quarter ended June 30, 2016 to 81.4GWh in the quarter ended June 30, 2017. A reduction in output can be expected due to the fact that 17 of the 24 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.

We have secured access to our 24 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 June 30, 2017 (adjusted for the three 17 year extensions agreed in August 2017), the Landfill Gas Business' gas supply arrangements had a remaining average term of 7 years and 10 months. Four of the 24 gas supply arrangements (representing approximately 4% of output in the twelve months to June 30, 2017) are scheduled to expire by March 31, 2020 and where economically viable will need to be extended.

Availability of Assets

Biomass Business

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 and occasionally faults associated with the external electricity distribution network.

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 implement this maintenance regime through our trained team of operational and maintenance staff together with long term maintenance and support 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 June 30, 2017, Thetford, Eye, Ely, Glanford and Westfield had availabilities (including planned and unplanned outages) ranging between 90% and 96% with an average of 93%. 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 aim to maximize availability, load factor and output over the long-term through effective plant condition monitoring, preventative maintenance, operational risk management and planning within our operational plans.

Landfill Gas Business

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 June 30, 2017, our gas engine fleet had availability of 96.6%, an improvement compared to the 94.8% achieved in the corresponding quarter of the previous year.

We optimize the deployment of our engine fleet across our landfill sites where possible by matching engine capacity to gas resource, thereby ensuring operational efficiency. We replace larger engines installed at landfill sites with declining landfill gas volumes and 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 have relocated spare engines to sites with greater landfill gas resource and running at full capacity to create spare engine capacity at those sites which we can utilize whenever another engine has a planned or unplanned outage.

Yorkshire Windpower - 50% Joint Venture

Ovenden Moor

During April 2017 Ofgem approved the accreditation of the 18 MW Ovenden Moor repowered wind-farm (at 0.9 ROCs per MWh) under the Renewables Obligation with effect from January 24, 2017. Output from Ovenden Moor in the quarter ended June 30, 2017 was 9,116 MWh.

Energy Power Resources Limited is funding its share of the YWP repower project at Ovenden Moor by way of a shareholder loan facility with a maximum amount available 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.

Royd Moor

Output from Royd Moor in the quarter ended June 30, 2017 was 2,016 MWh, an increase of 524 MWh compared with the quarter ended June 30, 2016, a result of comparatively higher wind resource and availability. 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 six months to March 31.

We believe that without incremental capital and maintenance expenditure, availability of YWP's wind farm at Royd Moor (which was commissioned in 1993) 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.

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 each March, being the three half hour periods (at least 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, MRE UK tends to book a greater portion of its revenue in the October to December and January to March quarters 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 £20.9m in the quarter ended June 30, 2017 compared to £20.8m in the quarter ended June 30, 2016. 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 £20.3m in the quarter ended June 30, 2017 compared to £20.2m in the quarter ended June 30, 2016.

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 June 30, 2017 was £0.6m in line with the quarter ended June 30, 2016.

Our Landfill Gas Business generated turnover of £6.9m for the quarter ended June 30, 2017 compared to £6.2m in the quarter ended June 30, 2016, representing 24.7% and 22.8% of group turnover in each period respectively. Turnover generated in our Landfill Gas Business 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 FRS 102, 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 and twelve month periods ended June 30, 2016 and 2017:

	Quarter ended June 30,		Twelve months ended June 30,	
	2016	2017	2016	2017
Biomass Business				
Output (in MWh)	200,995	200,679	784,342	777,180
Availability (in %)	89.2%	92.7%	88.3%	89.4%

	Quarter ended June 30,		Twelve months ended June 30,	
	2016	2017	2016	2017
Average load factor	84.4%	84.2%	81.9%	81.4%
Thetford...	87.6%	86.4%	80.6%	84.8%
Ely…………………………………………………………….	85.6%	81.7%	84.0%	78.0%
Glanford	90.4%	89.1%	88.7%	87.9%
Eye...	80.8%	87.0%	83.0%	80.1%
Westfield	64.3%	74.8%	69.2%	73.3%
Average Revenue per MWh (in £)	100.74	100.94	107.14	106.09
Landfill Gas Business				
Output (in MWh)	84,274	81,360	345,627	337,713
Availability (in %)	94.8%	96.6%	95.0%	95.7%
Average revenue per MWh (in £)	73.06	84.09	85.14	85.88

Biomass Business

Quarter ended June 30, 2017 compared to the quarter ended June 30, 2016

For the quarter ended June 30, 2017, output of our Biomass Business was 200,679 MWh, which represented a reduction of 316 MWh, or 0.1%, compared to 200,995 MWh for the quarter ended June 30, 2016. Whilst availability was higher across the portfolio compared to the corresponding quarter in the previous year, average load factor reduced slightly.

For the quarter ended June 30, 2017 the average availability across the five power stations was 92.7% an increase from 89.2% in the quarter ended June 30, 2016 driven by particularly strong operational performance at Thetford and Westfield during the quarter.

The average load factor of the five power stations was 84.2% during the quarter ended June 30, 2017, marginally less than that achieved in the quarter ended June 30, 2016 (84.4%). The load factors at Eye and Westfield increased quarter on quarter whilst Thetford and Glanford remained broadly consistent. Ely's load factor was impacted adversely in June 2017 by higher ambient temperatures, steam attemperation issues and a couple of unplanned distribution network outages.

For the quarter ended June 30, 2017, average revenue per MWh of our Biomass Business was £100.94, a marginal increase of £0.20 when compared with the £100.74 for the quarter ended June 30, 2016.

Landfill Gas Business

Quarter ended June 30, 2017 compared to the quarter ended June 30, 2016

For the quarter ended June 30, 2017, output from our Landfill Gas Business was 81,360 MWh, a reduction of 2,914 MWh, or 3.4%, compared to 84,274 MWh for the quarter ended June 30, 2016. A natural reduction in output can be expected due to the fact that 17 of the 24 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.

In the quarter ended June 30, 2017, average revenue per MWh of our Landfill Gas Business was £84.09, representing an increase of £11.03, or 15.1%, compared to £73.06 for the quarter ended June 30, 2016 due to an increase in the wholesale price of electricity received pursuant to the Landfill Gas PPA from £30.02 per MWh to £41.64 per MWh.

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 and nine months ended June 30, 2016 and 2017:

	Quarter ended June 30,		**Twelve months ended June 30,**	
	2016	**2017**	**2016**	**2017**
(in thousands of £)				
Biomass Business				
Wholesale market electricity price......................	8,086	7,883	32,535	30,737
ROC buyout………………………………………………….......	12,162	12,373	46,623	47,249
LEC sales…………………………………………………............	-	-	251	-
ROC Recycle……………………………………………………	-	-	265	-
Triad income…………………………………………………..	-	-	3,499	3,896
Other embedded benefits………………………………	-	-	863	599
	20,248	**20,256**	**84,036**	**82,481**
Landfill Gas Business				
Wholesale market electricity price......................	2,440	3,239	12,905	12,880
NFFO income………………………………………………….	135	163	575	602
ROC buyout………………………………………………….......	3,266	3,155	13,250	12,958
LEC sales…………………………………………………............	-	-	142	-
ROC Recycle……………………………………………………	-	-	102	-
Triad income…………………………………………………..	-	-	1,170	1,429
Other embedded benefits………………………………..	316	284	1,281	1,134
	6,157	**6,841**	**29,425**	**29,003**

Output from the Biomass Business decreased by 0.1% to 200,679 MWh in the quarter ended June 30, 2017 from 200,995 MWh in the quarter ended June 30, 2016. Turnover from electricity generation was consistent across the two quarters. The impact of the marginal reduction in output and a small decrease in the wholesale electricity price received under the BG Biomass PPA from October 1, 2016 was offset by the annual indexation of the ROC buy-out value.

Output from the Landfill Gas business decreased by 3.4% to 81,360 MWh in the quarter ended June 30, 2017 from 84,274 MWh in the quarter ended June 30, 2016. Despite the reduction in output, turnover from electricity generation in the Landfill Gas Business increased by £0.7m over the two periods to £6.8m. The impact of the reduction in output being more than offset by a higher wholesale electricity price received under the BG Biomass PPA from April 1, 2017.

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 June 30, 2017 were slightly above expectations at 7,890 tonnes, representing an increase of 166 tonnes compared to the 7,724 tonnes sold in the quarter ended June 30, 2016. Sales revenues were £0.6m in both the quarter to June 30, 2017 and the quarter to June 30, 2016.

In the twelve months to June 30, 2017 sales volumes were 87,176 tonnes, an increase of 9,470 tonnes (12%) when compared to 77,706 tonnes in the previous twelve months. Despite the increase in volume, sales revenue decreased by £0.3m from £5.3m to £5.0m, due to a reduction in the average selling price per tonne from £67 to £57. The decrease in average selling price reflects lower underlying commodity prices (phosphate and potash) and challenging economic conditions for farmers, with low wheat prices.

Fuel Costs

Total fuel costs for our Biomass Business for the quarters and twelve months ended June 30, 2016 and 2017 are summarized below:

	Quarter ended June 30,		Twelve months ended June 30,	
(in thousands of £)	**2016**	**2017**	**2016**	**2017**
Fuel costs...	8,195	8,329	32,770	31,909

Fuel costs, consisting of biomass fuel costs (including associated haulage and storage), fossil fuel and sorbent costs, increased by £0.1m (1.6%) in the quarter ended June 30, 2017 when compared to the corresponding quarter in the previous year, primarily reflecting the annual indexation of litter and straw prices.

In the twelve months ended June 30, 2017 fuel costs (biomass fuel, fossil fuel and sorbent) have decreased by £0.9m when compared to the previous twelve months. This reduction reflects a full year of lower MBM prices at Glanford following the renegotiation of supply contracts with effect from January 2016 and the variation in the biomass output profile between the two periods, with a lower proportion of output generated at Ely (with the highest cost biomass fuel (straw) on a per MWh basis) and a greater proportion of output from Thetford (with a lower cost per MWh) in the year ended June 30, 2017.

Landfill Gas Royalties

We have secured access to our 24 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 and twelve months ended June 30, 2016 and 2017:

	Quarter ended June 30,		Twelve months ended June 30,	
	2016	**2017**	**2016**	**2017**
(in thousands of £)				
Royalties due to landfill gas site owners and operators.........	1,287	1,458	6,060	6,027
(as a percentage of turnover)				
Royalties due to landfill gas site owners and operators.........	20.9%	21.3%	20.6%	20.8%

The amount of royalties' payable, and the portfolio average royalty percentage, has increased in the quarter ended June 30, 2017 compared to the equivalent period in the previous year, primarily reflecting an increase in landfill gas generation revenues due to higher wholesale electricity prices and variations in output by site across the portfolio.

In the twelve months ended June 30, 2017 the amount of royalties payable and the portfolio average royalty percentage have remained broadly consistent with the previous year.

Results of Operations

Comparison of the quarter ended June 30, 2017 and the quarter ended June 30, 2016

The following table sets forth our results of operations for the quarter ended June 30, 2017 compared to the quarter ended June 30, 2016.

	For the quarter ended June 30,		
(in thousands of £)	2016	2017	Change (%)
Group turnover	**26,986**	**27,721**	**2.7**
Biomass Business	20,820	20,871	0.2
Landfill Gas Business	6,166	6,850	11.1
Cost of sales	(11,104)	(11,340)	(2.1)
Gross profit	**15,882**	**16,381**	**3.1**
Administrative expenses	(11,341)	(13,969)	(23.2)
Other operating income	-	431	100.0
Group operating profit	**4,541**	**2,843**	**(37.4)**
Share of operating (loss)/profit in joint venture	(214)	256	219.6
Total operating profit: group and share of joint venture	**4,327**	**3,099**	**(28.4)**
Interest receivable and similar income	21	2	(90.5)
Interest payable and similar charges	(6,915)	(5,913)	14.5
Loss on ordinary activities before taxation	**(2,567)**	**(2,812)**	**(9.5)**
Tax on loss on ordinary activities	545	1,170	114.7
Loss for the period	**(2,022)**	**(1,642)**	**18.8**

Group Turnover

Group turnover for the quarter ended June 30, 2017 was £27.7m, an increase of £0.7m, or 2.7%, from £27.0m for the quarter ended June 30, 2016.

Turnover in the Biomass Business for the quarter ended June 30, 2017 was £20.9m, in line with the quarter ended June 30, 2016.

Turnover in the Landfill Gas Business for the quarter ended June 30, 2017 was £6.9m, an increase of £0.7m, or 11.1% from £6.2m for the quarter ended June 30, 2016. The increase in the wholesale electricity price received pursuant to the Landfill Gas PPA more than offset the impact of a reduction in output of 2.9GWh (3%).

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 June 30, 2017 cost of sales were £11.3m, an increase of £0.2m when compared to the quarter ended June 30, 2016. This reflects marginal increases in i) royalties payable to landfill operators; ii) biomass fuel prices due to annual indexation; and iii) the timing of planned engine maintenance costs within the Landfill Gas business.

Administrative Expenses

Administrative expenses for the quarter ended June 30, 2017 were £14.0m, an increase of £2.7m, or 23.2%, from £11.3m for the quarter ended June 30, 2016. Such costs mainly comprise plant maintenance, depreciation, salaries and overheads.

Included in the quarter to June 30, 2017 is an annual management charge of £2.0m payable to the MRE UK's sole shareholder, Eucalyptus Energy Limited. The charge reflects the strategic and management services provided to MRE UK in respect of, amongst other things, the development of a medium term growth and long term portfolio extension strategy. A further £0.5m of the increase relates to the recognition of annual staff bonuses, following the change in financial year end annual staff bonuses were accrued in the quarter ended June 30, 2017 whereas in the prior year such bonuses were accrued in March 2016.

Other operating income

Other operating income in the quarter to June 30, 2017 was £0.4m representing taxable credits claimed on the group's qualifying research and development expenditure incurred between April 2014 and June 2016.

Interest Payable and Similar Charges

Interest payable and similar charges for the quarter ended June 30, 2017 were £5.9m, a reduction of £1.0m from the quarter ended June 30, 2016. Interest payable on the senior secured notes decreased by £0.3m to £2.6m reflecting the £19m redemption of notes in June 2016. In addition, the comparative period included associated redemption fees of £0.6m.

Tax on Loss on Ordinary Activities

Tax on the loss on ordinary activities for the quarter ended June 30, 2017 is a credit of £1.2m, compared to a credit of £0.5m for the quarter ended June 30, 2016.

Loss for the Period

The loss for the quarter ended June 30, 2017 was £1.6m, compared with a loss of £2.0m for the quarter ended June 30, 2016.

Results of Operations

Comparison of the twelve months ended June 30, 2017 and the twelve months ended June 30, 2016

The following table sets forth our results of operations for the twelve months ended June 30, 2017 compared to the twelve months ended June 30, 2016.

	For the twelve months ended June 30,		
(in thousands of £)	2016	2017	Change (%)
Group turnover	**119,044**	**116,567**	**(2.1)**
Biomass Business	89,601	87,546	(2.3)
Landfill Gas Business	29,443	29,021	(1.4)
Cost of sales	(47,185)	(46,809)	0.8
Gross profit	**71,859**	**69,758**	**(2.9)**
Administrative expenses	(51,556)	(52,758)	(2.3)
Other operating income	-	431	100.0
Group operating profit	**20,303**	**17,431**	**(14.1)**
Share of operating (loss)/profit in joint venture	(47)	598	1372.3
Total operating profit: group and share of joint venture	**20,256**	**18,029**	**(11.0)**
Interest receivable and similar income	85	25	(70.6)
Interest payable and similar charges	(26,087)	(24,324)	6.8
Loss on ordinary activities before taxation	**(5,746)**	**(6,270)**	**(9.1)**
Tax on loss on ordinary activities	170	1,449	752.4
Loss for the period	**(5,576)**	**(4,821)**	**13.5**

Group Turnover

Group turnover for the twelve months ended June 30, 2017 was £116.6m, a decrease of £2.4m, or 2.1%, from £119.0m for the twelve months ended June 30, 2016.

Turnover in the Biomass Business for the twelve months ended June 30, 2017 was £87.5m, a decrease of £2.1m (2.3%) from £89.6m in the previous twelve months. Output from the Biomass Business decreased by 7.1GWh in the twelve months ended June 30, 2017 compared to the previous twelve months, equivalent to a reduction in turnover of £0.8m. The remainder of the reduction in turnover is attributable to lower wholesale electricity prices, zero ROC-Recycle value and the removal of LEC revenue from August 2015; partly offset by an increase in Triad revenue and the annual indexation of the ROC buy-out value.

Turnover in the Landfill Gas Business for the twelve months ended June 30, 2017 was £29.0m, a decrease of £0.4m (1.4%) from £29.4m in the previous twelve months. This decrease is attributable to a 7.9GWh reduction in output, partly offset by the impact of higher electricity prices received, particularly in the quarter ended June 30, 2017, reflecting an increase in the wholesale electricity prices.

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 twelve months ended June 30, 2017 cost of sales were £46.8m, a reduction of £0.4m, or 0.8%, from £47.2m in the previous twelve months.

Total fuel costs (biomass fuel, fossil fuel and sorbent) decreased by £0.9m in the twelve months ended June 30, 2017 compared with the previous twelve months. This was driven by a full twelve months of lower MBM prices at Glanford following the renegotiation of supply contracts with effect from January 2016. In addition, the variation in output across the Biomass Business between the two periods, with a lower proportion of output generated at Ely and a higher proportion from Thetford, reflected favorably on fuel costs.

These reductions were offset in part by a £0.2m increase in fertilizer processing costs, reflecting higher sales volumes compared with the comparative period, and a £0.2m increase in planned engine maintenance costs within the Landfill Gas business.

Administrative Expenses

Administrative expenses for the twelve months ended June 30, 2017 were £52.8m, an increase of £1.2m, or 2.3%, from £51.6m for the twelve months ended June 30, 2016. Such costs mainly comprise plant maintenance, depreciation, salaries and overheads. Costs for the twelve months ended June 30, 2017 include an annual management charge of £2.0m payable to MRE UK's shareholder, Eucalyptus Energy Limited and reflects strategic and management services provided to MRE UK in respect of, amongst other things, the development of a medium term growth and long term portfolio extension strategy.

The comparative twelve month period included one-off costs totaling £0.7m relating to (i) bonuses payable following the sale of MRE UK to Eucalyptus Energy Limited; and (ii) restructuring costs associated with the closure of Energy Power Resources Limited's small administration office in Paris.

Other operating income

Other operating income in the twelve months to June 30, 2017 was £0.4m representing taxable credits claimed on the group's qualifying research and development expenditure incurred between April 2014 and June 2016.

Interest Payable and Similar Charges

Interest payable and similar charges for the twelve months ended June 30, 2017 were £24.3m, a reduction of £1.8m from the twelve months ended June 30, 2016. Interest payable on the senior secured notes reduced by £1.4m reflecting two redemptions of the notes, totaling £38m, which were undertaken in the previous year. This reduction was partially offset by an increase of £1.2m in shareholder loan interest payable, reflecting the quarterly capitalization of accrued interest on the shareholder loan. Further, interest payable in the twelve months ended June 30, 2016 included £1.1m of redemption fees.

Tax on Loss on Ordinary Activities

Tax on the loss on ordinary activities for the twelve months ended June 30, 2017 was a credit of £1.4m compared with a credit of £0.2m on the loss on ordinary activities for the twelve months ended June 30, 2016.

Loss for the Period

The loss for the twelve months ended June 30, 2017 was £4.8m, compared with a loss of £5.6m for the twelve months ended June 30, 2016.

COMPARISON OF LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Combined Financial Information to the Audited Consolidated Financial Statements

The table below provides a comparison of the loss on ordinary activities before taxation between the Combined Financial Information for the year ended June 30, 2017 (the "Combined Results") and the Audited Consolidated Financial Statements for the year ended June 30, 2017 (the "Consolidated Results").

	Unaudited Combined year ended 30 June 2017 £000s	*Audited Consolidated year ended 30 June 2017 £000s*	*Difference £'000s*
Group turnover	**116,567**	**116,567**	**-**
Cost of sales [1]	(46,809)	(86,271)	(39,462)
Gross profit	**69,758**	**30,296**	**(39,462)**
Administrative expenses	(52,758)	(25,708)	27,050
Other operating income	431	431	-
Group operating profit [2]	**17,431**	**5,019**	**(12,412)**
Share of operating profit in joint venture	598	598	-
Total operating profit: group and share of joint venture	**18,029**	**5,617**	**(12,412)**
Interest receivable and similar income	25	25	-
Interest payable and similar charges	(24,324)	(24,324)	-
Loss on ordinary activities before taxation	**(6,270)**	**(18,682)**	**(12,412)**

Notes

(1) In the Audited Consolidated Financial Statements 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 £39.5m and decreases administrative expenses by the same amount but has no impact on the group's loss or net assets.

(2) The decrease in group operating profit arises due to:

i. an increase in fixed asset depreciation of £7.5m 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 £4.9m resulting from the amortization of goodwill arising upon acquisition of the group by MRE UK PLC.