Registered in England and Wales No: 09612980

AVIVA INVESTORS REaLM INFRASTRUCTURE NO.3 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2017

AVIVA INVESTORS REaLM INFRASTRUCTURE NO.3 LIMITED

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AVIVA INVESTORS REaLM INFRASTRUCTURE NO.3 LIMITED
DIRECTORS, OFFICERS AND OTHER INFORMATION

Directors	I G Berry N Tebbutt S K McLachlan
Company Secretary	Aviva Company Secretarial Services Limited St Helen's 1 Undershaft London EC3P 3DQ
Registered Number	09612980
Registered Office	St Helen's 1 Undershaft London EC3P 3DQ
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Staturory Auditors 7 More London Riverside London SE1 2RT
Bankers	HSBC 8 Canada Sqaure London E14 5HQ
Fund Manager	Aviva Investors UK Fund Services Limited ("Aviva Investors") St Helen's 1 Undershaft London EC3P 3DQ

The Directors of the Company present their Strategic Report of the Company for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activity of the Company is that of a holding Company. The Company, together with all its subsidiary undertakings, as set out in Note 10, is referred to as the "Group". The principal activity of the Group is that of investment in a portfolio of Biomass assets. This will continue to be the principal activity of the Group for the foreseeable future.

REVIEW OF THE COMPANY'S BUSINESS

OBJECTIVE AND STRATEGY

The objective of the Company is to achieve investment returns from investments in biomass projects.

COMPANY PERFORMANCE

The financial position of the Company at 31 December 2017 is shown in the Statement of Financial Position on page 13, with the results shown in the Statement of Comprehensive Income on page 12.

Given the nature of the business, the Company's Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the Company.

CAPITAL MANAGEMENT AND OBJECTIVES

£506,501 of new equity, in the form of issued shares, was injected into the Company during the year ended 31 December 2017 (31 December 2016: £590,000).

The Company received interest bearing loans during the year from Aviva Investors REaLM Infrastructure Unit Trust (the "Unit Trust") amounting to £44,678,832 (31 December 2016: £62,070,642).

PURCHASES AND DISPOSALS

There were no purchases or disposals during the year ended 31 December 2017.

EVENTS AFTER THE REPORTING FINANCIAL YEAR

On 5 March 2018 £176,500 of new equity was injected into the Company in the form of share capital.

Events after the reporting financial year have been evaluated up to the date the audited financial statements were approved and authorised for issue by the Directors and there are no material events to be disclosed or adjusted for in these audited financial statements, except those noted above.

FUTURE DEVELOPMENTS

The Directors expect the general level of activity to be the same in the forthcoming year.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks arising in the Company are market, interest rate, credit, operational and liquidity risks which are discussed in more detail below.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

The Aviva Group's approach to risk and capital management

Aviva plc and its subsidiaries ("Aviva Group") operates within its own governance structure and priority framework. It also has its own established governance framework, with clear terms of reference for the Board and the Aviva Executive Committee and a clear organisation structure, with documented delegated authorities and responsibilities (largely through role profiles). Aviva has an Audit Committee, which includes shareholder representatives.

Management of financial and non-financial risks

The Company's exposure to different types of risk is limited by the nature of its business as follows:

Market risk

The Company is exposed to market risk in relation to impairment of its investments held at cost. If the fair value of the investment is below the cost value an impairment would be required. Market risk is managed by ongoing proactive asset management.

Interest rate risk

The Company's principal exposure to interest rate risk comes from its loan borrowings from the Unit Trust. The loan borrowings are index linked and issued at fixed rates which expose the Company to fair value interest rate risk. However, the Directors believe that there is minimal interest rate risk as the loan borrowings are with a related party and managed on a group basis.

The tables below sets out the carrying amounts, by maturity, of the Company's financial instruments.

	Effective interest rate	Less than 1 year	1 - 5 years	More than 5 years	Total
	%	£	£	£	£
As at 31 December 2017					
Floating rate					
Cash	0.50	169,370	-	-	169,370
Index linked					
Loan payable - Senior loan	9.19	-	-	77,654,352	77,654,352
Loan payable - Mezzanine loan	11.94	-	-	73,933,266	73,933,266
		-	-	151,587,618	151,587,618

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Management of financial and non-financial risks - (continued)

	Effective interest rate	Less than 1 year	1 - 5 years	More than 5 years	Total
	%	£	£	£	£
As at 31 December 2016					
Floating rate					
Cash	0.50	2,838,255	-	-	2,838,255
Index linked					
Loan payable - Senior loan	9.19	-	-	52,647,991	52,647,991
Loan payable - Mezzanine loan	11.94	-	-	51,593,850	51,593,850
		-	-	104,241,841	104,241,841

At 31 December 2017, if interest rates on borrowings had been 10 basis points higher/lower with all other variables held constant, the calculated post-tax loss for the year would have been £151,588 (31 December 2016: £104,242) lower/higher.

Credit risk

The Company does not have a significant exposure to credit risk as 1) receivables are mainly intercompany items, 2) the Company's credit investments are managed by agents who have responsibility for the prompt collection of amounts due and 3) cash at bank is held with financial institutions with good credit ratings.

Operational risk

Operational risk arises as a result of inadequate or failed internal processes, people or systems; or from external events. Details of the Aviva Group approach to operational risk are set out in the financial statements of Aviva Investors UK Fund Services Limited, which manages and administers the Company's obligations as and when they fall due.

Liquidity risk

The Company does not have a significant exposure to liquidity risk. Liquidity risk is managed by ensuring that there is always sufficient headroom available on the unsecured loan agreement to meet the working capital requirements of the business. The Directors monitor the maturity of the Company's obligations as and when they fall due.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Management of financial and non-financial risks - (continued)

Liquidity risk - (continued)

The maturity analysis of the Company's financial assets and liabilities as at 31 December 2017 was as follows:

	On demand	1 - 3 months	4 - 12 months	More than 12 months	Total
	£	£	£	£	£
Financial assets					
Debtors	11,299,868	-	-	129,892,538	141,192,406
Cash at bank and in hand	169,370	-	-	-	169,370
	11,469,238	-	-	129,892,538	141,361,776
Financial liabilities					
Creditors	17,852,559	-	-	-	17,852,559
Loan payable	-	-	-	151,587,618	151,587,618
	17,852,559	-	-	151,587,618	169,440,177

The maturity analysis of the Company's financial assets and liabilities as at 31 December 2016 was as follows:

	On demand	1 - 3 months	4 - 12 months	More than 12 months	Total
	£	£	£	£	£
Financial assets					
Debtors	5,783,281	-	-	101,357,255	107,140,536
Cash at bank and in hand	2,838,255	-	-	-	2,838,255
	8,621,536	-	-	101,357,255	109,978,791
Financial liabilities					
Creditors	12,001,791	-	-	-	12,001,791
Loan payable	-	-	-	104,241,841	104,241,841
	12,001,791	-	-	104,241,841	116,243,632

EMPLOYEES

The Company has no employees (31 December 2016: Nil). The key management personnel have been identified as the Directors of the Company. The Directors received no remuneration (31 December 2016: £Nil).

ENVIRONMENTAL

The Company is managed by Aviva Investors, a founding signatory of the UN-backed Principles for Responsible Investment. Aviva Investors follows a Responsible Investment policy, under which a key component of being a responsible business is ensuring good environmental, social and corporate governance principles. In particular as of 31 December 2017, the Directors had no material Health and Safety, Environmental and Governance concerns to report.

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

(NICK TEBBUTT)

Director of Aviva Investors REaLM Infrastructure No. 3 Limited

Date: 28/09/18

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2017.

Results and Dividends

The total comprehensive loss for the Company, for 2017 was £22,554,227 (31 December 2016: loss of £6,855,402). The Directors do not recommend the payment of a dividend for the financial year ended 31 December 2017 (31 December 2016: £Nil).

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

N Tebbutt (appointed 3 July 2017)
S K McLachlan (appointed 14 September 2017)
V Leroy (resigned 6 July 2017)
L Monnier (resigned 14 September 2017)

Future development

The future developments of the Company are set out in the Strategic Report.

Events after the reporting financial year

Events after the reporting financial year are set out in the Strategic Report.

Going concern

During the year, the Company made a loss of £22,554,227 (31 December 2016: loss of £6,855,402) which resulted in a net liability as at 31 December 2017 of £28,078,401 (31 December 2016: £6,030,675). Despite this net liability position, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Aviva Investors REaLM Infrastructure Unit Trust (the "Unit Trust") has confirmed that it will not seek repayment of part or all of the amount loaned to the Company for at least twelve months from the date of approval of the Company's financial statements. Accordingly the Directors continue to adopt the going concern basis in preparing these financial statements. Please refer to note 3.4 for further details.

Financial instruments

The business of the Company includes use of financial instruments. Details of the Company's risk management objectives and policies, and exposures to market risk, interest rate risk, credit risk, operational risk and liquidity risk relating to financial instruments are set out in pages 3 to 5 and Note 18 of the financial statements.

Independent auditors

It is the intention of the Directors to reappoint the auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of Sections 487 of the Companies Act 2006.

Qualifying indemnity provisions

The Directors have the benefit of an indemnity provision contained in the Company's Articles of Association, subject to the conditions set out in the Companies Act 2006. This is a 'qualifying third party indemnity' provision as defined in section 234 of the Companies Act 2006.

Aviva plc granted in 2004 an indemnity to the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 (which continue to apply in relation to any provision made before 1 October 2007). This indemnity is a 'qualifying third party indemnity' for the purposes of sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

Disclosure of information to auditors

Each person who was a Director of the Company on the date that this report was approved, confirms that:

(a) so far as the Director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the Company's auditors are unaware; and

(b) each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

(NICK TEBBUTT)

Director of Aviva Investors REaLM Infrastructure No.3 Limited

Date: 28/09/18

Independent auditors' report to the members of Aviva Investors REaLM Infrastructure No.3 Limited

Report on the audit of the financial statements

Disclaimer of opinion

Because of the significance of the possible impact of the uncertainties described in the Basis for disclaimer of opinion paragraph below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on Aviva Investors REaLM Infrastructure No.3 Limited's financial statements.

We were engaged to audit the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Basis for disclaimer of opinion

During the course of our audit we identified uncertainties which could have a possible impact on the financial statements.

The company has an impaired loan receivable balance as at 31 December 2017 of £129,892,538 due from its underlying subsidiaries. Given the multiple uncertainties that exist in the underlying subsidiaries as a result of contractual disputes with third parties, a disclaimer of opinion was issued in the audit reports of each of those subsidiaries for the year ended 31 December 2017. This results in a material uncertainty that could have a potential significant impact on the recoverable amount of this loan receivable balance.

Furthermore, the company's forecasts show that if the loan receivable balance is not recoverable then the company may not be able to repay the loan payable balance due to its parent company, which results in a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Further information regarding these matters is included in note 3.4.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Reporting on the Strategic Report and Directors' Report

Notwithstanding our disclaimer of an opinion on the financial statements, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements.

Because of the significance of the matter described in the Basis of disclaimer paragraph above we have been unable to form an opinion whether, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 has been prepared in accordance with applicable legal requirements.

Notwithstanding our disclaimer of an opinion on the financial statements, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with ISAs (UK) and to issue an auditors' report. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Sandra Dowling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 September 2018

AVIVA INVESTORS REaLM INFRASTRUCTURE NO.3 LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Impairment of investment	10	**(22,326,072)**	(6,002,777)
Administrative expenses	5	**(266,885)**	(184,172)
Operating loss	6	**(22,592,957)**	(6,186,949)
Interest receivable and similar income	7	**17,551,268**	9,188,357
Interest payable and similar expenses	8	**(17,512,538)**	(9,856,810)
Loss before taxation		**(22,554,227)**	(6,855,402)
Tax on loss	9	**-**	-
Loss for the financial year		**(22,554,227)**	(6,855,402)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year		**(22,554,227)**	(6,855,402)

All amounts reported in the Statement of Comprehensive Income for the years ended 31 December 2017 and 31 December 2016 relate to continuing operations.

The notes on pages 15 to 28 form an integral part of these financial statements.

AVIVA INVESTORS REaLM INFRASTRUCTURE NO.3 LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note		2017 £		2016 £
Fixed assets					
Investments	10		-		234,166
Debtors: amounts falling due after more than one year	11		**129,892,538**		101,357,255
			129,892,538		101,591,421
Current assets					
Debtors: amounts falling due within one year	12	**11,299,868**		5,783,281	
Cash at bank and in hand		**169,370**		2,838,255	
		11,469,238		8,621,536	
Creditors: amounts falling due within one year	13	**(17,852,559)**		(12,001,791)	
Net current liabilities			**(6,383,321)**		(3,380,255)
Total assets less current liabilities			**123,509,217**		98,211,166
Creditors: amounts falling due after more than one year	14		**(151,587,618)**		(104,241,841)
Net liabilities			**(28,078,401)**		(6,030,675)
Capital and reserves					
Called up share capital	15		**1,510,102**		1,003,601
Accumulated losses			**(29,588,503)**		(7,034,276)
Total shareholders' deficit			**(28,078,401)**		(6,030,675)

The financial statements on pages 12 to 28 were approved by the Board of Directors and signed on its behalf by:

(NICK TEBBUTT)

Director of Aviva Investors REaLM Infrastructure No.3 Limited

Date: 28/9/18

The notes on pages 15 to 28 form an integral part of these financial statements.

AVIVA INVESTORS REaLM INFRASTRUCTURE NO.3 LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Accumulated losses	Total Shareholders' deficit
	£	£	£
Balance at 1 January 2016	**413,601**	**(178,874)**	**234,727**
Total comprehensive loss for the year	**-**	**(6,855,402)**	**(6,855,402)**
Issued share capital	**590,000**	**-**	**590,000**
Balance at 31 December 2016 and 1 January 2017	**1,003,601**	**(7,034,276)**	**(6,030,675)**
Total comprehensive loss for the year	**-**	**(22,554,227)**	**(22,554,227)**
Issued share capital	**506,501**	**-**	**506,501**
Balance at 31 December 2017	**1,510,102**	**(29,588,503)**	**(28,078,401)**

The notes on pages 15 to 28 form an integral part of these financial statements.

1. General information

Aviva Investors REaLM Infrastructure No.3 Limited ("the Company") acts as a holding company. The Company and its subsidiaries (together the "Group") invest in a portfolio of Biomass assets. This will continue to be the principal activity of the Company and the Group for the foreseeable future.

The Company is registered as a private company limited by shares, incorporated in England and Wales. Its registered address is St Helen's 1 Undershaft, London, EC3P 3DQ.

2. Statement of compliance

The Company's financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year except where noted below.

3.1 Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006, under the historical costs convention and on a going concern basis.

These financial statements have been presented in British Pounds as this is the Company's functional currency, being the primary economic environment in which it operates.

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

3.2 Going concern basis

During the year, the Company made a loss of £22,554,227 (31 December 2016: loss of £6,855,402) which resulted in a net liability as at 31 December 2017 of £28,078,401 (31 December 2016: £6,030,675). Despite this net liability position, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Aviva Investors REaLM Infrastructure Income Unit Trust (the "Unit Trust") has confirmed that it will not seek repayment of part or all of the amount loaned to the Company for at least twelve months from the date of approval of the Company's financial statements. Accordingly the Directors continue to adopt the going concern basis in preparing these financial statements. The Directors have also considered the impact of the material uncertainties described in 3.4 below.

3.3 Consolidation

The Company has taken advantage of exemptions under Section 400 of the Companies Act 2006 not to prepare group financial statements as it and its subsidiaries are included in the consolidated financial statements of Aviva Investors Infrastructure Income Limited Partnership.

3. Accounting policies (continued)

3.4 Basis for disclaimer of opinion

The Company has an impaired loan receivable balance as at 31 December 2017 of £129,892,538 due from its underlying subsidiaries. Given the multiple uncertainties that exist in the underlying subsidiaries as a result of contractual disputes with third parties, a disclaimer of opinion was issued in the audit reports of each of those subsidiaries for the year ended 31 December 2017. This results in a material uncertainty that could have a potential significant impact on the recoverable amount of this loan receivable balance.

Furthermore, the Company's forecasts show that if the loan receivable balance is not recoverable then the Company may not be able to repay the loan payable balance due to its parent company, which results in a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

3.5 Cash flow

The Company has taken advantage of the exemption from preparing a Statement of Cash Flows, on the basis that it is a qualifying entity under FRS 102 and the Company's cash flows are included in the Consolidated Statement of Cash Flows of Aviva Investors Infrastructure Income Limited Partnership. The Company intends to continue availing of the above exemption in future periods.

3. Accounting policies (continued)

3.6 Financial instruments

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

(i) Financial assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument.

Basic financial assets, including debtors, and cash at bank and in hand, are 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.

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 Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Statement of Comprehensive Income, except investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets that are classified as receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be received, net of impairment.

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) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party which has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

3. Accounting policies (continued)

3.6 Financial instruments (continued)

(ii) Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Basic financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value (transaction price excluding transaction costs).

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

Commitments to meet the conditions above are measured at cost (which may be nil) less impairment.

Non-current debt instruments which meet the following conditions, are subsequently measured at amortised cost using the effective interest method:

a) Returns to the holder are (i) a fixed amount, or (ii) a fixed rate of return over the life of the instrument, or (iii) a variable return that, throughout the life of the instrument, is equal to a single reference quoted or observable interest rate, or (iv) some combination of such fixed rate and variable rates, providing that both rates are positive.

b) There is no contractual provision that could by its terms result in the holder losing the principle amount or any interest attributable to the current year or prior periods.

c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against charges in relevant taxation or law.

Debt instruments that are classified as payable within one year and which meet the above conditions are measured at the undiscounted amount of cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

3.7 Administrative expenses

Administrative expenses include administration, finance, professional and management expenses which are recognised on an accruals basis.

3.8 Interest receivable and similar income

Interest receivable on cash at bank is recognised on an accruals basis. Other interest receivable and similar income is recognised in the Statement of Comprehensive Income using the effective interest rate method.

3. Accounting policies (continued)

3.9 Interest payable and similar expenses

Interest payable and similar expenses are recognised on an effective interest rate basis and include loan facility interest.

3.10 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income. The current tax charge is calculated based on the tax laws enacted as at the Statement of Financial Position date where the Company generates its income.

Deferred income tax is recognised on temporary differences arising between bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3.11 Investments in subsidiary undertakings

Investments in subsidiary undertakings are held at cost less impairment. Acquisition costs are capitalised as incurred and are included in the assets carrying amount.

3.12 Debtors

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

3.13 Cash at bank and in hand

Cash at bank and in hand comprise cash and cash on deposit with banks, both of which are immediately available.

3.14 Borrowings

Borrowings are recognised at the fair value of the consideration received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as a finance expense in the Statement of Comprehensive Income.

Borrowings are classified as current liabilities in the financial statements unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The adjustments that are resulted from the use of United Kingdom Retail Price Index ("RPI") on the interest payment date have been capitalised as part of the loans in these audited financial statements.

3.15 Share capital

Ordinary shares classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.16 Accumulated losses

Accumulated losses represent accumulated comprehensive income for the year and prior periods.

3. Accounting policies (continued)

3.17 Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclose is necessary to understand the effect of transactions of the Company financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts or revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience, expectations of future events and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimate could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of investment in subsidiaries

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an assets net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

5. Administrative expenses

	2017	2016
	£	£
Management fees	**86,294**	120,947
Administration fees	**-**	13,325
Professional fees	**173,292**	42,146
Auditors' fees - audit services	**6,496**	7,000
Bank charges	**803**	754
	266,885	184,172

The Company had no employees in the current year or prior year. The Directors receive no emoluments for services to the Company for the financial year (31 December 2016: £Nil).

6. Operating loss

This is stated after charging:

	2017	2016
	£	£
Fees payable to the Company's auditors and its associates for the audit of the Company's annual financial statements	**6,496**	7,000

7. Interest receivable and similar income

	2017	2016
	£	£
Loan interest receivable from subsidiary undertakings	**17,258,846**	9,186,992
VAT overpayment	**292,422**	-
Other bank interest	**-**	1,365
	17,551,268	9,188,357

8. Interest payable and similar expenses

	2017	2016
	£	£
Loan interest expense	**17,512,538**	9,856,810

9. Tax on loss

The standard rate of corporation tax in the UK changed from 20.00% to 19.00% with effect from 1 April 2017. Accordingly the Company's losses for this accounting year are taxed at an effective rate of 19.25% (31 December 2016: 20.00%).

	2017 £	2016 £
Tax on loss	**-**	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (31 December 2016: higher than) the standard rate of corporation tax in the UK of 19.25% (31 December 2016: 20.00%). The differences are explained below:

	2017 £	2016 £
Loss before taxation	**(22,554,227)**	(6,855,402)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.25% (31 December 2016 - 20.00%)	**(4,341,689)**	(1,371,080)
Expenses not deductible for tax purposes	**27,429**	1,200,555
Adjust opening deferred tax to average rate of 19.25% (31 December 2016: 20.00%)	**(92,268)**	213,454
Adjust closing deferred tax to average rate of 20.00% (31 December 2016: 20.00%)	**227,046**	(3,577)
Deferred tax not recognised	**5,486,053**	1,177,383
Share of Partnership losses	**-**	(1,216,735)
Timing differences not recognised in the computation	**937,344**	-
Income not taxable for tax purposes	**(2,243,915)**	-
Total tax charge for the year	**-**	-

Deferred tax assets of £5,486,053 (31 December 2016: £1,177,383) have not been recognised in these financial statements as there is insufficient evidence as to the availability of suitable profits in the foreseeable future.

10. Investments

	2017 £	2016 £
Investment in subsidiary undertakings		
At start of year	**234,166**	6,014,724
Increase in investments during the year	**-**	222,219
Impairment of investment	**(234,166)**	(6,002,777)
At end of year	**-**	234,166

The Company holds directly 83.30% of members' capital of Biomass UK No.1 LLP and 100.00% of ordinary share capital of Biomass UK No.2 Limited and Biomass UK No.3 Limited which are incorporated in the United Kingdom and whose principal activity is that of investment in Biomass assets:

Company	Country of incorporation	Business activity	Address of registered office
Biomass UK No.1 LLP	United Kingdom	Biomass energy	St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ
Biomass UK No.2 Limited	United Kingdom	Biomass energy	St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ
Biomass UK No.3 Limited	United Kingdom	Biomass energy	St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ
Sunrise Renewables (Hull) Ltd *	United Kingdom	Biomass energy	St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ
Sunrise Renewables (Barry) Ltd *	United Kingdom	Biomass energy	St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ
Boston Biomass Limited (formely Alternative Use Group) *	United Kingdom	Biomass energy	St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ
Boston Wood Recovery Limited *	United Kingdom	Dormant company	St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ

(*) Ownership held indirectly

11. Debtors: amounts falling due after more than one year / Loan receivable

The following is a breakdown of debtors falling due after one year for the years ended 31 December 2017 and 31 December 2016.

	2017 £	2016 £
Loan to Biomass UK No.1 LLP	**51,878,589**	36,503,650
Impairment on Loan to Biomass UK No.1 LLP	**(9,882,679)**	-
Loan to Biomass UK No.2 Limited	**48,251,704**	32,128,345
Impairment on Loan to Biomass UK No.2 Limited	**(4,242,311)**	-
Loan to Biomass UK No.3 Limited	**51,854,151**	32,725,260
Impairment on Loan to Biomass UK No.3 Limited	**(7,966,916)**	-
Total debtors falling due after one year	**129,892,538**	101,357,255

Loan to Biomass UK No.1 LLP

In 2015, the Company entered into a loan facility with Biomass UK No.1 LLP. The loan was utilised in two tranches: tranche A with a maximum amount of £29,500,000 and bearing interest of 12.00% per annum, tranche B with a maximum amount of £29,500,000 and bearing interest of 9.25% per annum. At the year end, £7,177,373 (December 2016: £10,751,089) was drawn down on tranche A and £7,177,373 (31 December 2016: £10,751,089) on tranche B. An amount of £1,020,192 (31 December 2016: £378,505) representing RPI adjustment on the loan was capitalised during the year. The loan is unsecured and repayable in full on 30 June 2032.

Loan to Biomass UK No.2 Limited

In 2015, the Company entered into a loan facility with Biomass UK No.2 Limited. The loan was utilised in two tranches: tranche A with a maximum amount of £30,000,000 and bearing interest of 12.00% per annum tranche B with a maximum amount of £30,000,000 and bearing interest of 9.25% per annum. During the year, £7,592,533 (31 December 2016: £12,080,272) was drawn down on tranche A and £7,592,534 (31 December 2016: £12,080,273) on tranche B. An amount £938,291 (31 December 2016: £346,277) representing RPI adjustment on the loan was capitalised during the year. The loan is unsecured and repayable in full on 31 December 2032.

Loan to Biomass UK No.3 Limited

In 2015, the Company entered into a loan facility with Biomass UK No.3 Limited. The loan was utilised in two tranches: tranche A with a maximum amount of £30,000,000 and bearing interest of 12.00% per annum, tranche B with a maximum of £30,000,000 and bearing interest of 9.25% per annum. During the year, £9,086,356 (31 December 2016: £11,634,654) was drawn down on tranche A and £9,086,356 (31 December 2016: £11,634,654) on tranche B. An amount of £956,180 (31 December 2016: £358,472) representing RPI adjustment on the loan was capitalised during the year. The loan is unsecured and repayable in full on 31 December 2032.

12. Debtors: amounts falling due within one year

	2017	2016
	£	£
Loan interest receivable	**10,715,702**	2,940,201
VAT receivable	**584,166**	2,843,080
	11,299,868	5,783,281

13. Creditors: amounts falling due within one year

	2017	2016
	£	£
Amounts owed to group undertakings	**6,098,529**	9,134,609
Loan interest owed to related party	**11,404,552**	2,755,147
Amounts owed to third parties	**313,641**	10,337
Accruals and deferred income	**35,837**	101,698
	17,852,559	12,001,791

14. Creditors: amounts falling due after more than one year / Loan payable

	2017	2016
	£	£
9.19% Senior loan (tranche A)	**77,654,352**	52,647,991
11.94% Mezzanine loan (tranche B)	**73,933,266**	51,593,850
	151,587,618	104,241,841

On 7 August 2015 the company entered into a loan facility for a total available amount of £500,000,000 with the Unit Trust. The loan facility is unsecured, due to be repaid in full on 31 December 2045 and was utilised in two tranches: tranche A facility bearing interest of 9.19% per annum, tranche B facility bearing interest of 11.94% per annum. During the year, £22,099,421 (31 December 2016: £30,949,992) was drawn down on tranche A and £22,339,416 (31 December 2016: £31,120,650) on tranche B. An amount of £2,906,939 (31 December 2016: £1,124,151) applied to tranche A representing RPI adjustment on the loan was capitalised during the year.

15. Called up share capital

	2017 £	2016 £
Allotted, called up and fully paid share capital of the Company at 31 December 2017 was 1,510,102 (31 December 2016: 1,003,601) ordinary shares of £1 each	**1,510,102**	1,003,601

In 2017 the Company approved the allotment of 506,501 ordinary shares (31 December 2016: 590,000) of £1 each in the Company at par to Aviva Investors Infrastructure GP Limited held on behalf of Aviva Investors Infrastructure Income Limited Partnership.

16. Contingent liabilities and capital commitments

There were no commitments or contingent liabilities at the reporting date (31 December 2016: £Nil).

17. Related party transactions

	2017 Income earned/ (expenses paid) in the year £	**2017 (Payable)/ receivable at year end £**	2016 Income earned/ (expenses paid) in the year £	2016 (Payable)/ receivable at year end £
Expenses paid on behalf of Biomass UK No.1 LLP	**-**	**(1,913,037)**	-	(3,318,179)
Expenses paid on behalf of Sunrise Renewables (Hull) Limited	**-**	**-**	-	-
Biomass UK No.1 LLP - loan	**1,020,192**	**51,878,589**	378,505	36,503,650
Biomass UK No.1 LLP - loan interest	**5,076,093**	**3,995,887**	2,870,247	1,175,153
Impairment on Loan to Biomass UK No.1 LLP	**(9,882,679)**	**(9,882,679)**	-	-
Aviva Investors REaLM Infrastructure Income Unit Trust - loan	**(2,906,939)**	**(151,587,618)**	(1,124,151)	(104,241,841)
Aviva Interest REaLM Infrastructure Income Unit Trust - loan interest	**(14,605,599)**	**(11,404,552)**	(8,732,659)	(2,755,147)
Aviva Interest UK Fund Services Limited - fund management fees	**(86,294)**	**(22,571)**	(60,910)	8,935
Biomass UK No.1 LLP - equity	**-**	**(75)**	-	(75)
	(21,385,226)	**(118,936,056)**	(6,668,968)	(72,627,504)

Aviva Investors UK Fund Services Limited receives fees as it acts as the Fund Manager for the Company.

18. Financial instruments

The carrying values of the Company's financial assets and liabilities are summarised by category below:

Financial assets measured at amortised cost less impairment

	2017	2016
	£	£
Debtors (see note 11 and 12)	**141,192,406**	107,140,536
Cash at bank and in hand	**169,370**	2,838,255
	141,361,776	109,978,791

Financial liabilities measured at amortised cost

	2017	2016
	£	£
Loan payable (see note 14)	**151,587,618**	104,241,841
Creditors (see note 13)	**17,816,722**	11,950,688
	169,404,340	116,192,529

The Company's income and expense in respect of financial instruments are summarised below:

Interest income and expense

	2017	2016
	£	£
Total interest income for financial assets at amortised cost	**17,551,268**	9,188,357
Total interest expense for financial liabilities at amortised cost	**(17,512,538)**	(9,856,810)
	38,730	(668,453)

19. Parent and controlling entity

The Company's immediate parent undertaking is Aviva Investors Infrastructure Income Limited Partnership and its ultimate parent undertaking is Aviva Investors Infrastructure Income Unit Trust, which is registered in Jersey. The General Partner of the Aviva Investors Infrastructure Income Limited Partnership is the Aviva Investors Infrastructure GP Limited, a company incorporated in Great Britain and registered in England and Wales.

Aviva Investors Infrastructure Income Limited Partnership, which has 100.00% interest of the Company, is both the largest and the smallest group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements of Aviva Investors Infrastructure Income Limited Partnership are available on application to:

Aviva Company Secretarial Services Limited
St Helen's
1 Undershaft, London
EC3P 3DQ

20. Events after the reporting financial year end

On 5 March 2018 £176,500 of new equity was injected into the Company in the form of share capital.

Events after the reporting financial year have been evaluated up to the date the audited financial statements were approved and authorised for issue by the Directors and there are no material events to be disclosed or adjusted for in these audited financial statements, except those noted above.