

BIOMASS UK NO. 2 LIMITED
Registered in England and Wales No: 09847089

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD
FROM 28 OCTOBER 2015 TO 31 DECEMBER 2016**

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CONTENTS

Directors, Officers and Other Information	3
Directors' Report	4-6
Independent auditors' report to the members of Biomass UK No. 2 Limited	7-8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12-24

DIRECTORS, OFFICERS AND OTHER INFORMATION

Directors

N Brown
F H Murray
A T Vlah

Company Secretary

Aviva Company Secretarial Services Limited
St Helen's
No. 1 Undershaft
London
EC3P 3DQ

Independent Auditors

PricewaterhouseCoopers LLP
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

Bankers

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Registered Office

St Helen's, 1 Undershaft
London
EC3P 3DQ

Company Number

Registered in England and Wales: No. 09847089

BIOMASS UK NO. 2 LIMITED
Registered in England and Wales: Number 09847089

DIRECTORS' REPORT FOR THE PERIOD FROM 28 OCTOBER 2015 TO 31 DECEMBER 2016

The Directors present their first annual report and the audited Financial Statements of Biomass UK No.2 Limited ("the Company") for the period from 28 October 2015 to 31 December 2016.

RESULTS

The total comprehensive loss for the Company, for the period from 28 October 2015 to 31 December 2016 was £3,635,651.

DIRECTORS

The Directors of the Company who were in office during the period and up to the date of signing the Financial Statements were as follows:

N Brown	(appointed on 30 June 2017)
V Leroy	(resigned on 6 July 2017)
F H Murray	(appointed 6 September 2016)
A T Vlah	
H M Murphy	(resigned on 24 August 2016)

PRINCIPAL ACTIVITY

The company was incorporated on 28 October 2015. The activity of the Company is the development and operation of Biomass assets. On 31 December 2015 the Company acquired Sunrise Renewables (Barry) Limited for total consideration of £2,206,000.00. During the period, the trade and assets of Sunrise Renewables (Barry) Limited was transferred to the Company at market value made under a Business Transfer Agreement.

FUTURE DEVELOPMENT

During the coming year, the Company will continue to manage the development and operation of Biomass assets.

DIVIDEND

The Directors do not recommend the payment of a dividend for the financial period ending 31 December 2016.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion, Aviva Investors REaLM Infrastructure No. 3 Limited has confirmed that it will not call for repayment any loan amounts owned to it by the Company for a 12 month period from the date of signing the financial statements. Therefore, they continue to adopt the going concern basis in preparing the Financial Statements.

EMPLOYEES

The Company has no employees.

**DIRECTORS' REPORT FOR THE PERIOD FROM 28 OCTOBER 2015 TO 31 DECEMBER 2016 –
(CONTINUED)**

DISCLOSURE OF INFORMATION TO THE INDEPENDENT AUDITORS

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

- (a) as far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) the Directors have taken all the steps that they ought to have taken as the Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

INDEPENDENT AUDITORS

It is the intention of the Directors to appoint 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, the Company's ultimate controlling party, 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 Number 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

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 14 month period. 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).

**DIRECTORS' REPORT FOR THE PERIOD FROM 28 OCTOBER 2015 TO 31 DECEMBER 2016 –
(CONTINUED)**

STATEMENT OF DIRECTORS' RESPONSIBILITIES– (CONTINUED)

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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

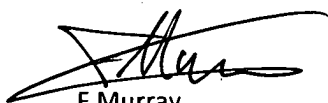
The Directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each Director in office at the date the Directors' Report is approved:

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

In preparing their report, the Directors have taken advantage of the exemption for small companies in accordance with section 415(A) of the Companies Act 2006.

For and on behalf of the Board on 18 Oct 2017 date



F Murray
Director

Independent auditors' report to the members of Biomass UK No. 2 Limited

Report on the financial statements

Our qualified opinion

In our opinion, except for the effects of the matter described in the Basis for our qualified opinion paragraph below, Biomass UK No. 2 Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for our qualified opinion

Given the current activities of the company: primarily the construction of a single asset, there remain a number of uncertainties including the achievement of certain construction and related milestones regarding the expected qualification for particular forecast revenue streams. This situation indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore it may be unable to discharge its liabilities in the normal course of business. The financial statements do not disclose this fact.

What we have audited

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

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Biomass UK No. 2 Limited (continued)

Directors' remuneration

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

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

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



John Dashwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
15th October 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2016

		28 Oct 2015 to 31 Dec 2016
	<u>Note</u>	<u>£</u>
Administrative expenses		(392,244)
Investment impairment	9	(262,441)
OPERATING LOSS	5	<u>(654,685)</u>
Interest receivable and similar income		2,436
Interest payable and similar charges		(2,983,402)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u><u>(3,635,651)</u></u>

Continuing Operations

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

(The notes on pages 12 to 24 form an integral part of these Financial Statements)

BIOMASS UK NO. 2 LIMITED
Registered in England and Wales: Number 09847089

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		31 Dec. 2016
	<u>Note</u>	<u>£</u>
FIXED ASSETS		
Intangible assets	7	2,157,497
Tangible assets	8	27,260,501
Investments	9	1,992,675
		<u>31,410,674</u>
CURRENT ASSETS		
Debtors	10	3,194,411
Cash at bank and in hand		203,433
		<u>3,397,844</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(6,314,815)
NET CURRENT LIABILITIES		<u>(2,916,970)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>28,493,703</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(32,128,345)
NET LIABILITIES		<u>(3,634,642)</u>
CAPITAL AND RESERVES		
Called up share capital	13	1,009
Accumulated losses		(3,635,651)
TOTAL SHAREHOLDERS' DEFICIT		<u>(3,634,642)</u>

The Financial Statements on pages 9 to 24 were approved by the Board of Directors on date 18 Oct 2017 and signed on its behalf by:



Director

(The notes on pages 12 to 24 form an integral part of these Financial Statements)

BIOMASS UK NO. 2 LIMITED
Registered in England and Wales: Number 09847089

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2016

	Called up capital	Accumulated losses	Shareholders' Deficit
	£	£	£
Balance at 28 October 2015	-	-	-
Issue of share capital	1,009	-	1,009
Total comprehensive loss for the period	-	(3,635,651)	(3,635,651)
Balance ast 31 December 2016	<u><u>1,009</u></u>	<u><u>(3,635,651)</u></u>	<u><u>(3,634,642)</u></u>

(The notes on pages 12 to 24 form an integral part of these Financial Statements)

Notes to the Financial Statements
period ended 31 December 2016

1. GENERAL INFORMATION

Biomass UK No. 2 Limited (the "Company") manages the development and operation of Biomass assets in the United Kingdom.

The Company is a private company limited by shares and is incorporated and domiciled in England. The registered office of the Company is established at St Helen's, 1 Undershaft, London, United Kingdom, EC3P 3DQ.

2. STATEMENT OF COMPLIANCE

The Financial Statements of the Company 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 Republic of Ireland ("FRS 102") and the Companies Act 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout all the period presented unless otherwise stated.

a) Basis of preparation

The Company's Financial Statements have been prepared under the historical cost convention, certain financial assets and liabilities measured at fair value through profit or loss and in accordance with FRS 102.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operate. The Financial Statements are also presented in pound sterling.

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 Company's 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.

b) Going concern basis

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion, Aviva Investors REaLM Infrastructure No. 3 Limited has confirmed that it will not call for repayment any loan amounts owed to it by the Company for a 12 month period from the date of signing the financial statements. Therefore, they continue to adopt the going concern basis in preparing the Financial Statements.

Given the current activities of the Company: primarily the construction of a single asset, there remain a number of uncertainties (being the achievement of certain construction and related milestones regarding the expected qualification for particular forecast revenue streams).

Notes to the Financial Statements
period ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

b) Going concern basis – (continued)

The Directors have assessed these uncertainties and consider them to be consistent with the activities of a company of this nature. The uncertainties include issues that are confidential and commercially sensitive and accordingly the Directors do not think it is in the Company's best interest to include any further disclosure.

In preparing their report, the Directors have taken advantage of the exemption for small companies in accordance with section 415(A) of the Companies Act 2006.

c) 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 (formerly Aviva Investors REaLM Infrastructure Limited Partnership).

d) Strategic report

A strategic report has not been included in these the Financial Statements as the Company qualifies for exemption as a small entity under Section 382 of the Companies Act 2006 relating to small entities.

e) 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 and the Company's cash flows are included within the Consolidated Statements of Cash Flows of its parent entity, Aviva Investors Infrastructure Income Limited Partnership. Please refer to note 14 for further information.

f) Investments in subsidiary undertakings

Investments in subsidiary undertakings are held at cost (less any permanent diminution in value). Acquisition costs are capitalized as incurred and are included in the assets' carrying amount.

g) Tangible assets

Tangible assets are stated at their historic purchase cost, together with any incidental expenses of acquisition less accumulated depreciation. Costs include the original purchase price of the asset and the cost attributable to bringing the asset to its working condition for its intended use.

The cost of Biomass under development are treated as assets under construction and includes all costs associated with bringing the asset into productive use and related costs directly attributable to the specific development. A property ceases to be a development asset when brought into productive use, and will begin to depreciate on a straight line basis over its estimated useful economic life.

Notes to the Financial Statements
period ended 31 December 2016

h) Depreciation

i) Intangible assets

- Rights to use the land 25 years

j) Debtors and other current assets

k) Current liabilities

I) Financial instruments

i. Financial assets

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment.

Notes to the Financial Statements
period ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

l) Financial instruments – (continued)

i. Financial assets – (continued)

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 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 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 publically traded and whose fair value 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 who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

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 as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs).

Commitments to make which meet the conditions above are measured at cost (which may be nil) less impairment. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the Financial Statements
period ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

iii. Offsetting

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

m) Financial instruments disclosure exemption

The Company has taken advantage of the exemption, under FRS 102, from disclosure of its financial instruments, on the basis that it is a qualifying entity and the Company's financial instruments are disclosed within the consolidated Financial Statements of its parent entity, Aviva Investors Infrastructure Income Limited Partnership.

n) Share capital

Ordinary shares are 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.

o) Cash at bank and in hand

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

p) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided in full, using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised only to the extent that it is probably that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax relating to items recognised directly in changes in equity is recognised in the Statement of Changes in Equity and not in the Statement of Comprehensive Income.

Notes to the Financial Statements
period ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

q) 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 using the effective rate method.

r) Interest payable and similar charges

Interest payable and similar charges are recognised on an accruals basis and include loan facility interest.

s) 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 disclosure is necessary to understand the effect of the transactions on the Company Financial Statements.

The Company has taken advantage of the exemption, under FRS 102, from disclosure of transactions with related parties who are wholly owned within the same Group. The Group includes the Company, its parent undertakings and its fellow subsidiary undertakings.

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 of 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 estimates 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.

In the process of applying the Company's accounting policies, the Directors have made the following judgements which have the most significant effect on the amounts recognised in the Financial Statements:

(a) Impairment of non-financial assets

Fixed assets and other non-financial assets are reviewed for impairment at each reporting date. 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 asset's net selling price and value in use.

BIOMASS UK NO. 2 LIMITED
Registered in England and Wales No: 09847089

Notes to the Financial Statements
period ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – (CONTINUED)

(a) Impairment of non-financial assets – (continued)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

5. OPERATING LOSS

	<u>31 Dec 2016</u>
	<u>£</u>
This is stated after	
Auditors' remuneration	15,503
Foreign exchange loss	42,097
	<u>57,600</u>

The Company did not have any employees during the current period. Directors were employed and remunerated by Aviva Investors Employments Services Limited. No recharge was made by the Parent company for their services.

6. TAX ON LOSS ON ORDINARY ACTIVITIES

The standard rate of corporation tax in the UK changed from 21 % to 20% with effect from 1 April 2015. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 20.00%.

	<u>28 Oct 2015</u> to <u>31 Dec 2016</u>
	<u>£</u>
<i>Corporation tax</i>	
Corporation tax at 20.00%	-
<i>Deferred tax:</i>	
Deferred tax charge	-
Tax on loss on ordinary activities	-

BIOMASS UK NO. 2 LIMITED
Registered in England and Wales No: 09847089

Notes to the Financial Statements
period ended 31 December 2016

6. TAX ON LOSS ON ORDINARY ACTIVITIES – (CONTINUED)

Factors affecting tax charge for the year

The tax assessed for the period is lower (2015: higher) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below.

	28 Oct 2015 to 31 Dec 2016 £
Loss before taxation	<u>(3,635,651)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	(727,130)
Effects of:	
Expenses not deductible for tax purposes	453,291
Change in tax rates	99,120
Other tax adjustments, reliefs and transfers	(7,945)
Deferred tax not recognised	<u>182,664</u>
Tax charged for the year	<u>-</u>

Deferred tax assets of £182,664 have not been recognized in these financial statements as there is insufficient evidence as to the availability of suitable profits in the foreseeable future.

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from April 2020. Deferred rates at the balance sheet date have been measured using these enacted rates and reflected in these Financial Statements.

Deferred taxes at the statements of financial position date have been measured using these enacted tax rates and reflected in this Financial Statements.

BIOMASS UK NO. 2 LIMITED
Registered in England and Wales No: 09847089

Notes to the Financial Statements
period ended 31 December 2016

7. INTANGIBLE ASSETS

	<u>31 Dec 2016</u>
Cost	£
At incorporation	-
Additions during the period	2,255,116
At end of period	<u>2,255,116</u>
Accumulated amortisation	
At incorporation	-
Charge for the period	(97,619)
At end of period	<u>(97,619)</u>
Net book value	
At 31 December 2016	<u><u>2,157,497</u></u>

8. TANGIBLE ASSETS

Biomass assets	Assets under construction
	<u>31 Dec 2016</u>
Cost	£
At incorporation	-
Additions during the period	27,260,501
At end of period	<u>27,260,501</u>
Accumulated depreciation	
At incorporation	-
Charge for the period	-
At end of period	<u>-</u>
Net book value	
At 31 December 2016	<u><u>27,260,501</u></u>

BIOMASS UK NO. 2 LIMITED
Registered in England and Wales No: 09847089

Notes to the Financial Statements
period ended 31 December 2016

9. INVESTMENTS

	28 Oct. 2015 to 31 Dec 2016
	<u>£</u>
Investment in subsidiary undertaking	
At incorporation	-
Acquisition of subsidiary during the period	2,255,116
Investment impairment	(262,441)
As at 31 December 2016	<u>1,992,675</u>

The Company holds directly 100% of ordinary share capital of Sunrise Renewables (Barry) Limited which is incorporated in the United Kingdom and whose principal activity is that of investment in Biomass renewable power. On 31 December 2015 the Company acquired the entire share capital of Sunrise Renewables (Barry) Limited for total consideration of £2,255,116.

The Directors have decided to record an investment impairment in order to align their value with the fair market value as determined by the analysis made by Directors. An investment impairment of £262,441 is reflected in the Statement of Comprehensive Income.

10. DEBTORS

	<u>31 Dec 2016</u>
	<u>£</u>
<i>Amounts falling due within one year</i>	
VAT receivable	2,980,108
Amounts owned by group undertakings	214,303
	<u>3,194,411</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

BIOMASS UK NO. 2 LIMITED
Registered in England and Wales No: 09847089

Notes to the Financial Statements
period ended 31 December 2016

11. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31 Dec 2016</u>
	<u>£</u>
Trade creditors	1,013,704
Amounts owed to group undertakings	2,353,218
Loan interest payable	869,334
Accruals and deferred income	2,078,559
	<u>6,314,815</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

12. CREDITORS – AMOUNTS FALLING DUE MORE THAN ONE YEAR

	<u>31 Dec 2016</u>
	<u>£</u>
12% Tranche A Loan	15,882,972
9.25% Tranche B Loan	16,245,373
	<u>32,128,345</u>

On 27 November 2015, the Company entered into a loan facility with Aviva Investors REaLM Infrastructure No. 3 Limited. The loan was utilized 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 period, £15,882,972 was drawn down on Tranche A and £15,882,972 on Tranche B. An amount of £362,400 representing Retail Price Index ("RPI") adjustment on the loan was capitalized during the period. The loan is unsecured and repayable in full on 31 December 2032.

13. CALLED UP SHARE CAPITAL

	<u>31 Dec 2016</u>
	<u>£</u>
<i>Allotted and fully paid:</i>	
Deferred share (900 nominal shares at £0.01)	9
Ordinary shares (6000 nominal shares at £0.01)	60
Share Premium (6000 nominal shares)	940
	<u>1,009</u>

BIOMASS UK NO. 2 LIMITED
Registered in England and Wales No: 09847089

Notes to the Financial Statements
period ended 31 December 2016

13. CALLED UP SHARE CAPITAL – (CONTINUED)

On 24 November 2015 the 900 ordinary shares issued at incorporation of the Company, have been converted to and re-designated as deferred shares with the rights set out in the Articles of Association.

The A Ordinary Shares, the B Ordinary Shares and the C Ordinary Shares have been allotted as consideration for the cash payment of £0.01 each and the assignment of goodwill and associated rights and interests in a business that has been developing a power plant in South Wales. The value of this goodwill and associated rights and interest at the date of the allotment is considered by the Company to be not less than £2,000,000 in total.

14. RELATED UNDERTAKINGS

Name	Address of the registered office	Nature of business	Interest
Sunrise Renewables (Barry) Limited	St Helen's, 1 Undershaft, London, EC3P 3DQ	Production of electricity	100% ordinary shares

15. CAPITAL COMMITMENTS

At 31 December the Company has the following capital commitments:

	2016
Contracts for future capital expenditure not provided in the financial statements - Assets under construction	17,769,497

16. OPERATING LEASES

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Payments due:	2016
Not later than one year	30,000
Later than one year and not later than five years	120,000
Later than five years	600,000

17. ULTIMATE PARENT UNDERTAKING & CONTROLLING PARTY

The Company's immediate parent undertaking is Aviva Investors REaLM Infrastructure No. 3 Limited and its ultimate parent undertaking is Aviva Investors Infrastructure Income Limited Partnership (formerly Aviva Investors REaLM Infrastructure Limited Partnership), which is registered in London.

Aviva Investors Infrastructure Income Limited Partnership, which has 100% interest of the Company, is both the largest and the smallest group of undertakings to consolidate these Financial Statements at 31 December 2016.

BIOMASS UK NO. 2 LIMITED
Registered in England and Wales No: 09847089

Notes to the Financial Statements
period ended 31 December 2016

17. ULTIMATE PARENT UNDERTAKING & CONTROLLING PARTY – (CONTINUED)

The consolidated Financial Statements of Aviva Investors Infrastructure Income Limited Partnership can be obtained from Company Secretary at St Helen's, 1 Undershaft, London, EC3P 3DQ.

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