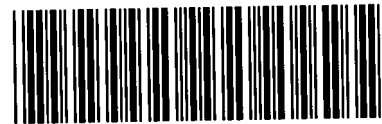


**BIOMASS UK NO. 2 LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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COMPANIES HOUSE

## **BIOMASS UK NO. 2 LIMITED**

Company Registration No. 09847089 (England and Wales)

### **COMPANY INFORMATION**

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<b>Directors</b>	F Murray A Vlah
<b>Company number</b>	09847089
<b>Registered office</b>	St Helen's 1 Undershaft London EC3P 3DQ
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

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**BIOMASS UK NO. 2 LIMITED**  
Company Registration No. 09847089 (England and Wales)  
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## **BIOMASS UK NO. 2 LIMITED**

Company Registration No. 09847089 (England and Wales)

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their annual report and audited financial statements for the year ended 31 December 2018.

#### **Principal activities**

The principal activity of the company continued to be that of development and operation of Biomass assets.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

N Brown

(Resigned 3 April 2019)

F Murray

A Vlah

#### **Results and dividends**

The Directors do not recommend the payment of a dividend for the financial year ending 31 December 2018 (2017: £Nil).

#### **Qualifying third party 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 No.3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

#### **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 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.

Please refer to note 1.14 for further details.

#### **Future developments**

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

As part of the ongoing development of the Biomass assets, there are various claims being disputed with a third-party contractor which could, if successful, become material. We have engaged professional advisors to assess the validity of all claims and, at present, they have not been presented with sufficient evidence from the counterparty to allow proper substantiation of all claims. The Members dispute the claims raised against the Company, based on current available advice and evidence.

#### **Independent auditors**

The independent auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

## **BIOMASS UK NO. 2 LIMITED**

Company Registration No. 09847089 (England and Wales)

### **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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. They 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.

#### **Statement of disclosure to auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



F Murray

Director

Date: 6<sup>th</sup> Aug 2019

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

## **Report on the audit of the financial statements**

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### **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 Biomass UK No.2 UK 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 balance sheet as at 31 December 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements. 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 multiple uncertainties which could have a possible impact on the financial statements.

Given the current activities of the company, primarily the construction of a single biomass asset, the existence of material claims and uncertainties arising during the course of construction have a possible significant impact. The asset under construction is recorded in the balance sheet at 31 December 2018 at £48,327,331 including an amount of claims agreed and paid of £149,736. There are various additional claims for material amounts being disputed with third party subcontractors, and at the date of approval of these financial statements the amount at which these claims may be settled cannot be determined.

Consequently, the amount at which the asset under construction and the provisions for claims are recorded may be subject to material change.

Furthermore, the company's forecasts show that if the additional claims were accepted, the company may not be able to fund the payment of these liabilities, which results in a material uncertainty which 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 about these matters is included in note 1.14.

### ***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 for the financial statements and the audit**

#### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities set out on page 2, 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.

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

## **Report on the audit of the financial statements**

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### **Other required reporting**

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#### **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
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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#### **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. 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

6 August 2019

**BIOMASS UK NO. 2 LIMITED**  
**Company Registration No. 09847089 (England and Wales)**  
**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

		<b>2018</b>	<b>2017</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
Administrative expenses		(6,908,633)	(615,545)
Interest receivable and similar income	<b>6</b>	878	1,993,305
Interest payable and similar expenses	<b>7</b>	(6,710,579)	(5,556,686)
Investment impairment	<b>8</b>	-	(1,992,674)
<b>Loss before taxation</b>		<b>(13,618,334)</b>	<b>(6,171,600)</b>
Tax on loss	<b>9</b>	194,626	-
<b>Loss for the financial year</b>		<b>(13,423,708)</b>	<b>(6,171,600)</b>

The Statement of Comprehensive Income for the year ended 31 December 2018 and year ended 31 December 2017 has been prepared on the basis that all operations are continuing operations.



**BIOMASS UK NO. 2 LIMITED**

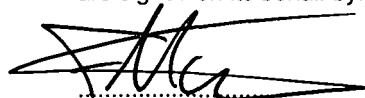
Company Registration No. 09847089 (England and Wales)

**BALANCE SHEET****AS AT 31 DECEMBER 2018**

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Intangible assets	11	1,977,273		2,067,292	
Tangible assets	12	43,544,337		41,489,730	
Investments	13	1		1	
		<u>45,521,611</u>		<u>43,557,023</u>	
<b>Current assets</b>					
Debtors	15	3,046,808		2,096,084	
Cash at bank and in hand		346,745		805,751	
		<u>3,393,553</u>		<u>2,901,835</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>(10,469,952)</u>		<u>(8,013,395)</u>	
<b>Net current liabilities</b>		<u>(7,076,399)</u>		<u>(5,111,560)</u>	
<b>Total assets less current liabilities</b>		<u>38,445,212</u>		<u>38,445,463</u>	
<b>Creditors: amounts falling due after more than one year</b>	17	<u>(61,675,162)</u>		<u>(48,251,705)</u>	
<b>Net liabilities</b>		<u>(23,229,950)</u>		<u>(9,806,242)</u>	
<b>Capital and reserves</b>					
Called up share capital	19	1,009		1,009	
Profit and loss reserves		<u>(23,230,959)</u>		<u>(9,807,251)</u>	
<b>Total equity</b>		<u>(23,229,950)</u>		<u>(9,806,242)</u>	

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on ..... and are signed on its behalf by:



F Murray  
Director

Company Registration No. 09847089

**BIOMASS UK NO. 2 LIMITED**

Company Registration No. 09847089 (England and Wales)

**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2017	1,009	(3,635,651)	(3,634,642)
Year ended 31 December 2017:			
Loss and total comprehensive income for the financial year	-	(6,171,600)	(6,171,600)
Balance at 31 December 2017	1,009	(9,807,251)	(9,806,242)
Year ended 31 December 2018:			
Loss and total comprehensive income for the financial year	-	(13,423,708)	(13,423,708)
Balance at 31 December 2018	1,009	(23,230,959)	(23,229,950)

# BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2018**

---

### 1 Accounting policies

#### Company information

Biomass UK No. 2 Limited is a private company limited by shares incorporated in England and Wales. The registered office is St Helen's, 1 Undershaft, London, EC3P 3DQ.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statements. The financial statements present information about the company as an individual entity and not about its group.

The results of Biomass UK No. 2 Limited are included in the consolidated financial statements of Aviva Investors Infrastructure Income Limited Partnership which are available from St Helen's, 1 Undershaft, London, EC3P 3DQ.

#### 1.2 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 of any loan amounts owed to it by the Company for a 12 month period from the date of signing the Financial Statements and the Directors have also considered the impact of the material claims described in note 1.14 below. Therefore, they continue to adopt the going concern basis in preparing the Financial Statements.

# **BIOMASS UK NO. 2 LIMITED**

Company Registration No. 09847089 (England and Wales)

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

---

### **1 Accounting policies**

#### **1.3 Intangible fixed assets other than goodwill**

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Rights to use the land	25 years straight line
------------------------	------------------------

#### **1.4 Tangible fixed 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.

#### **1.5 Fixed asset investments**

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

#### **1.6 Impairment of fixed assets**

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies

#### 1.7 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.8 Financial instruments

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

##### **Basic financial assets**

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

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

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

At the end of each reporting period financial assets measured at amortised costs 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 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 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 derecognized 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 risk and rewards of ownership, control of the asset has been transferred to another party which has practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

# BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies

#### *Classification of 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).

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

#### *Offsetting*

Financial assets and liabilities are offset and the net amount 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.

#### *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.

### 1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2018**

### 1 Accounting policies

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.11 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### **1.12 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

#### **1.13 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 transaction on the Company's 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.

#### **1.14 Basis for Disclaimer of opinions**

During the year the primary activity of the company has been the construction of a single biomass asset. The asset under construction is recorded in the balance sheet at 31 December 2018 at £48,327,331 including an amount of claims agreed and paid of £149,736. There are various additional claims for material amounts being disputed with third party subcontractors, and at the date of approval of these financial statements, the amount at which these claims may be settled cannot be determined. Consequently, the amount at which the asset under construction and the provisions for claims are recorded may be subject to material change.

Furthermore, the company's forecasts show that if the additional claims were accepted, the company may not be able to fund the payment of these liabilities, which results in a material uncertainty which 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.

The Directors have assessed the uncertainty and do not consider any future settlement probable. Due to the nature of the claims, that are confidential and commercially sensitive, the Directors do not think it is in the Company's best interest to include any further disclosure.

# BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

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

### 3 Operating loss

	2018	2017
Operating loss for the year is stated after charging/(crediting):	£	£
Exchange losses/(gains)	11,557	(25,657)
Impairment of owned tangible fixed assets	4,782,994	-
Amortisation of intangible assets	90,019	90,205

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £11,557 (2017 - £25,657).

### 4 Auditors' remuneration

	2018	2017
Fees payable to the company's auditors and associates:	£	£
For audit services		
Audit of the financial statements of the company	23,624	37,780



**BIOMASS UK NO. 2 LIMITED**

Company Registration No. 09847089 (England and Wales)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2018****5 Employees**

The Company did not have any employees (2017: Nil) during the current or previous year. Directors were employed and remunerated by Aviva Employment Services Limited. No recharge was made by the Parent company for their services.

**6 Interest receivable and similar income**

	2018 £	2017 £
<b>Interest income</b>		
Bank interest received	878	-
Other interest income	-	631
<b>Total interest revenue</b>	<b>878</b>	<b>631</b>
<b>Other income from investments</b>		
Dividends received	-	1,992,674
<b>Total income</b>	<b>878</b>	<b>1,993,305</b>

**7 Interest payable and similar expenses**

	2018 £	2017 £
Interest payable to group undertakings	6,710,394	5,555,517
Other interest on financial liabilities	-	1,169
Other interest	185	-
	<b>6,710,579</b>	<b>5,556,686</b>

**8 Investment impairment**

	2018 £	2017 £
Impairment of fixed asset investments	-	(1,992,674)

**BIOMASS UK NO. 2 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2018****9 Tax on loss**

	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	(194,626)	-

The actual (credit)/charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Loss before taxation	(13,618,334)	(6,171,600)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(2,587,482)	(1,188,033)
Tax effect of expenses that are not deductible in determining taxable profit	2,562	400,884
Tax effect of income not taxable in determining taxable profit	-	(383,522)
Effect of change in corporation tax rate	253,501	136,834
Deferred tax adjustments in respect of prior years	(194,626)	-
Deferred tax not recognised	2,154,756	1,033,837
Fixed asset differences	176,663	-
Taxation credit for the year	(194,626)	-

Deferred tax assets of £Nil (31 December 2017: £1,584,750) have not been recognised in these Financial Statements as there is insufficient evidence as to the availability of suitable profits in the foreseeable futures.

**Factors that may affect future tax charges**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 26 October 2016), and Finance Bill 2017 (on 7 September 2017). 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.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2018****10 Impairments**

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2018 £	2017 £
In respect of:			
Property, plant and equipment	12	<u>4,782,994</u>	<u>-</u>
Recognised in:			
Administrative expenses		<u>4,782,994</u>	<u>-</u>

The impairment losses in respect of financial assets are recognised in other gains and losses in the profit and loss account.

**11 Intangible assets**

	Rights to use the land £
<b>Cost</b>	
At 1 January 2018 and 31 December 2018	<u>2,255,116</u>
<b>Accumulated amortisation</b>	
At 1 January 2018	187,824
Amortisation charged for the year	<u>90,019</u>
At 31 December 2018	<u>277,843</u>
<b>Carrying amount</b>	
At 31 December 2018	<u>1,977,273</u>
At 31 December 2017	<u>2,067,292</u>

More information on the impairment arising in the year is given in note 10.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2018****12 Tangible assets**

	Plant and equipment £
<b>Cost</b>	
At 1 January 2018	41,489,730
Additions	6,837,601
	<u>48,327,331</u>
At 31 December 2018	
<b>Accumulated depreciation</b>	
At 1 January 2018	-
Impairment losses	4,782,994
	<u>4,782,994</u>
At 31 December 2018	
<b>Carrying amount</b>	
At 31 December 2018	43,544,337
	<u>41,489,730</u>
At 31 December 2017	

More information on the impairment arising in the year is given in note 10.

**13 Investments**

	Notes	2018 £	2017 £
<b>Investment in subsidiary</b>			
At start of year	14	1	1,992,675
Investment impairment	14	-	(1,992,674)
		<u>1</u>	<u>1</u>
At end of year			

**Movements in fixed asset investments**

	Investment in subsidiary £
<b>Cost or valuation</b>	
At 1 January 2018 & 31 December 2018	1
	<u>1</u>
<b>Carrying amount</b>	
At 31 December 2018	1
	<u>1</u>
At 31 December 2017	

**BIOMASS UK NO. 2 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2018****14 Subsidiaries**

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Sunrise Renewables (Barry) Limited	UK	Biomass power	Ordinary	100.00	

The Directors have decided to record an impairment of investment in order to align their value with the fair market value as determined by the analysis made by the Directors. An impairment of investment of £Nil (2017: £1,992,674) is reflected in the Statement of Comprehensive Income.

**15 Debtors**

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Trade debtors	41,136	-
Amounts owed by group undertakings	2,832,191	1,009
Other debtors	155,100	2,084,117
Prepayments and accrued income	18,381	10,958
	<u>3,046,808</u>	<u>2,096,084</u>

Amounts due from group undertakings are interest free, unsecured and repayable on demand.

**16 Creditors: amounts falling due within one year**

	2018 £	2017 £
Trade creditors	1,232,751	1,603,946
Amounts owed to group undertakings	418,564	263,719
Loan interest payable	7,542,775	3,440,077
Accruals and deferred income	1,275,862	2,705,653
	<u>10,469,952</u>	<u>8,013,395</u>

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

**17 Creditors: amounts falling due after more than one year**

	Notes	2018 £	2017 £
Other borrowings	18	<u>61,675,162</u>	<u>48,251,705</u>

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	<u>61,675,162</u>	<u>48,251,705</u>
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**BIOMASS UK NO. 2 LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2018****17 Creditors: amounts falling due after more than one year****18 Loans and overdrafts**

	2018 £	2017 £
Loans from group undertakings	61,675,162	48,251,705
Payable after one year	61,675,162	48,251,705

Loans from group undertakings are unsecured.

On 27 November 2015, the Company entered into a loan facility with Aviva Investors REaLM Infrastructure 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 and Tranche B with a maximum amount of £30,000,000 and bearing interest of 9.25% per annum. Interest is payable on a quarterly basis. An amount of £794,221 (31 December 2017 £938,291) representing Retail Price Index ("RPI") adjustment on the loan was added to the loan principal during the year. The loan is repayable in full on 31 December 2032. As at 31 December 2018, interest expense of £5,916,173 (31 December 2017 £4,617,226) was recognised in the Statement of Comprehensive Income.

**19 Called up share capital**

	2018 £	2017 £
<b>Allotted and fully paid</b>		
900 (2017: 900) Deferred shares of 1p each	9	9
6,000 (2017: 6,000) Ordinary shares of 1p each	60	60
6,000 (2017: 6,000) Share premium	940	940
	1,009	1,009

**20 Operating lease commitments**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	30,000	30,000
Between two and five years	120,000	120,000
In over five years	540,000	570,000
	690,000	720,000

**BIOMASS UK NO. 2 LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**21 Capital commitments**

Amounts contracted for but not provided in the financial statements:

	2018 £	2017 £
Assets under construction	-	5,073,135

**22 Controlling party**

The immediate parent undertaking is Aviva Investors REaLM Infrastructure No.3 Limited.

The ultimate parent undertaking is Aviva Investors Infrastructure Income Limited Partnership.

Aviva Investors Infrastructure Income Limited Partnership is both the largest and smallest group of undertakings to consolidate these Financial Statements at 31 December 2018. The consolidated Financial Statements of Aviva Investors Infrastructure Income Limited Partnership can be obtained from Company Secretary, St Helen's, 1 Undershaft, London, EC3P 3DQ.