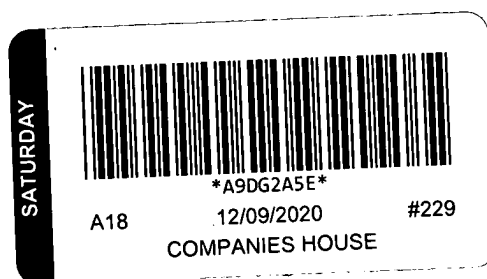


Company Registration No. 09847089 (England and Wales)

BIOMASS UK NO. 2 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

COMPANY INFORMATION

Directors	F Murray A Vlah I Shervell (Appointed 4 April 2019)
Company number	09847089
Registered office	St Helen's 1 Undershaft London EC3P 3DQ
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

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 2019

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

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	
I Shervell	(Appointed 4 April 2019)

Results and dividends

The Directors do not recommend the payment of a dividend for the financial year ending 31 December 2019 (2018: £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 Infrastructure Income 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.

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

Please refer to note 1.14 for further details.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Post reporting date events

On January 30, 2020, the World Health Organisation declared the coronavirus (COVID-19) a public health emergency. There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a potential pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

The Company is yet to see the full impact of COVID 19 in terms of investment and operational activity. Liquidity and transaction volumes are likely to be depressed for the immediate period, although it is too early to tell what the longer-term effects may be. Management believe that the Company should be well positioned compared to other investment strategies because it focuses on cash flows which are long-term and supported by factors largely independent of the current crisis. Management is also aware that the Company is not immune from the challenges likely to be presented to the wider industry and economy. For the year ended 31 December 2019, a 50bps movement in the discount rate of the fair value of the fixed assets held by the Company would result in a total impairment of £Nil to their carrying value.

Given the emergence and spread of COVID-19 occurred in 2020, it is not considered relevant to conditions that existed at the balance sheet date. Consequently COVID-19 is considered to be a non-adjusting post balance sheet event. The measurement of assets and liabilities in the accounts has not been adjusted for its potential impact. The impact of COVID-19 is uncertain and may be material; the Directors will continue to monitor the situation.

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.

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.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

DIRECTORS' REPORT (CONTINUED)

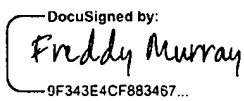
FOR THE YEAR ENDED 31 DECEMBER 2019

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

DocuSigned by:

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F Murray

Director

Date: 9 July 2020

BIOMASS UK NO. 2 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOMASS UK NO. 2 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 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 2019; the Statement of Comprehensive Income and 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 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 2019 at £56,408,655 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 in accordance with these requirements.

Reporting on the 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 Directors' Report for the year ended 31 December 2019 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 Directors' Report for the year ended 31 December 2019 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 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 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.

BIOMASS UK NO. 2 LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF BIOMASS UK NO. 2 LIMITED

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

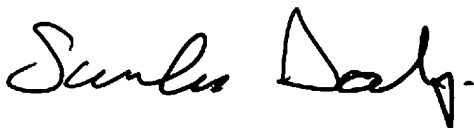
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

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; and take advantage of the small companies exemption from preparing a strategic report. 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
09 July 2020

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

STATEMENT OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 DECEMBER 2019**

		2019	2018
	Note	£	£
Administrative expenses		(3,365,537)	(6,908,633)
Other income		1,279,457	-
Operating loss	3	(2,086,080)	(6,908,633)
Interest receivable and similar income	6	-	878
Interest payable and similar expenses	7	(8,587,803)	(6,710,579)
Loss before taxation		(10,673,883)	(13,618,334)
Tax on loss	8	-	194,626
Loss for the financial year		(10,673,883)	(13,423,708)

The Statement of Comprehensive Income for the year ended 31 December 2019 and year ended 31 December 2018 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 2019**

	Note	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	10	1,887,069		1,977,273	
Tangible assets	11	56,408,655		43,544,337	
Investments	12		1		1
		<u>58,295,725</u>		<u>45,521,611</u>	
Current assets					
Debtors	14	5,342,506		3,046,808	
Cash at bank and in hand		264,525		346,745	
		<u>5,607,031</u>		<u>3,393,553</u>	
Creditors: amounts falling due within one year	15	(13,301,736)		(10,469,952)	
Net current liabilities		<u>(7,694,705)</u>		<u>(7,076,399)</u>	
Total assets less current liabilities		<u>50,601,020</u>		<u>38,445,212</u>	
Creditors: amounts falling due after more than one year	16	(84,504,853)		(61,675,162)	
Net liabilities		<u>(33,903,833)</u>		<u>(23,229,950)</u>	
Capital and reserves					
Called up share capital	18	1,009		1,009	
Profit and loss reserves		(33,904,842)		(23,230,959)	
Total equity		<u>(33,903,833)</u>		<u>(23,229,950)</u>	

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

9 July 2020

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

DocuSigned by:

Freddy Murray

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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 2019**

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2018	1,009	(9,807,251)	(9,806,242)
Year ended 31 December 2018:			
Loss and total comprehensive expense for the financial year	-	(13,423,708)	(13,423,708)
Balance at 31 December 2018	1,009	(23,230,959)	(23,229,950)
Year ended 31 December 2019:			
Loss and total comprehensive expense for the financial year	-	(10,673,883)	(10,673,883)
Balance at 31 December 2019	1,009	(33,904,842)	(33,903,833)

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****1 Accounting policies****(Continued)****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 Infrastructure Income 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. Therefore, they continue to adopt the going concern basis in preparing the Financial Statements.

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.

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; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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.

1.7 Cash and cash equivalents

Cash and cash equivalents 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.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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 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 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.

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.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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 2019****1 Accounting policies****(Continued)****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 profit or loss 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 leases 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 2019 at £56,408,655 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 2019****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

	2019	2018
	£	£
Operating loss is arrived at after charging/(crediting) the following:		
Exchange losses	4,165	11,557
Impairment of owned tangible fixed assets	-	4,782,994
Amortisation of intangible assets	90,204	90,019
Other income	(1,279,457)	-
	<u> </u>	<u> </u>

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 £4,165 (2018: £11,557).

As part of the contractual arrangements with the balance of plant contractor, the company held retention bonds that would be enforced due to a failure in service contract and termination of that contract. During the accounting period the company successfully claimed under these retention bonds and were paid the amount as disclosed within other income.

4 Auditors' remuneration

	2019	2018
	£	£
Fees payable to the company's auditors and associates:		
For audit services		
Audit of the financial statements of the company	16,423	23,624
	<u> </u>	<u> </u>

BIOMASS UK NO. 2 LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****5 Employees**

The Company did not have any employees (2018: 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

	2019	2018
	£	£
Interest income		
Bank interest received	-	878
	<u> </u>	<u> </u>

7 Interest payable and similar expenses

	2019	2018
	£	£
Interest payable to group undertakings	8,587,803	6,710,394
Other interest	-	185
	<u> </u>	<u> </u>
	<u>8,587,803</u>	<u>6,710,579</u>

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****8 Tax on loss**

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current year	-	(194,626)

The actual charge/(credit) 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:

	2019 £	2018 £
Loss before taxation	(10,673,883)	(13,618,334)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(2,028,038)	(2,587,482)
Tax effect of expenses that are not deductible in determining taxable profit	39,701	2,562
Effect of change in corporation tax rate	207,494	253,501
Deferred tax adjustments in respect of prior years	-	(194,626)
Deferred tax not recognised	1,763,704	2,154,756
Fixed asset differences	17,139	176,663
Taxation charge/(credit) for the year	-	(194,626)

Deferred tax assets of £5,503,212 (31 December 2018: £Nil) have not been recognised in these Financial Statements as there is insufficient evidence as to the availability of suitable profits in the foreseeable futures.

The deferred tax balance stated above has been calculated using the future tax rate in force at the balance sheet date, being 17%. On 11 March 2020, the government announced that the Finance Act 2020 will increase the tax rate to 19% from 1 April 2020. Applying the revised tax rate would have the effect of increasing the net unrecognised deferred tax asset position by 647,437.

9 Impairments

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

	Note	2019 £	2018 £
In respect of:			
Property, plant and equipment	11	-	4,782,994
Recognised in:			
Administrative expenses		-	4,782,994

BIOMASS UK NO. 2 LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****10 Intangible assets**

	Rights to use the land £
Cost	
At 1 January 2019 and 31 December 2019	2,255,116
Accumulated amortisation	
At 1 January 2019	277,843
Amortisation charged for the year	90,204
At 31 December 2019	368,047
Carrying amount	
At 31 December 2019	1,887,069
At 31 December 2018	1,977,273

More information on the impairment arising in the year is given in note 9.

11 Tangible assets

	Plant and equipment £
Cost	
At 1 January 2019	48,327,331
Additions	12,864,318
At 31 December 2019	61,191,649
Accumulated depreciation	
At 1 January 2019 and 31 December 2019	4,782,994
Carrying amount	
At 31 December 2019	56,408,655
At 31 December 2018	43,544,337

More information on impairment movements in the year is given in note 9.

12 Investments

	Note	2019 £	2018 £
Investment in subsidiary			
At start of year and at the end of the year	13	1	1

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****12 Investments****(Continued)****Movements in fixed asset investments**

	Investment in subsidiary £
Cost or valuation	
At 1 January 2019 & 31 December 2019	1
Carrying amount	
At 31 December 2019	1
At 31 December 2018	1

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 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	-

14 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	376,546	41,136
Amounts owed by group undertakings	4,965,679	2,832,191
Other debtors	-	155,100
Prepayments and accrued income	281	18,381
	<u>5,342,506</u>	<u>3,046,808</u>

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

15 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	330,352	1,232,751
Amounts owed to group undertakings	1,995,191	418,564
Loan interest payable	8,470,391	7,542,775
Accruals and deferred income	2,505,802	1,275,862
	<u>13,301,736</u>	<u>10,469,952</u>

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

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****16 Creditors: amounts falling due after more than one year**

	Note	2019 £	2018 £
Loan from group undertakings	17	84,504,853	61,675,162

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

Payable other than by instalments	84,504,853	61,675,162
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17 Loans and overdrafts

	2019 £	2018 £
Loans from group undertakings - Tranche A	40,833,210	29,790,124
Loans from group undertakings - Tranche B	43,671,643	31,885,038
	84,504,853	61,675,162
Payable after one year	84,504,853	61,675,162

Loans from group undertakings are unsecured.

On 27 November 2015, the Company entered into a loan facility with Aviva Investors Infrastructure Income No.3 Limited. The loan was utilised in two tranches; Tranche A with a maximum amount of £50,000,000 and bearing interest of 12.00% per annum and Tranche B with a maximum amount of £50,000,000 and bearing interest of 9.25% per annum. Interest is payable on a quarterly basis. An amount of £743,520 (31 December 2018: £794,221) 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 2019, interest expense of £7,844,283 (31 December 2018: £5,916,173) was recognised in the Statement of Comprehensive Income.

18 Called up share capital

	2019 £	2018 £
Allotted and fully paid		
900 (2018: 900) Deferred shares of 1p each	9	9
6,000 (2018: 6,000) Ordinary shares of 1p each	60	60
6,000 (2018: 6,000) Share premium	940	940
	1,009	1,009

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****19 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:

	2019 £	2018 £
Within one year	30,000	30,000
Between two and five years	120,000	120,000
In over five years	478,767	540,000
	<u>628,767</u>	<u>690,000</u>

20 Events after the reporting date

On January 30, 2020, the World Health Organisation declared the coronavirus (COVID-19) a public health emergency. There are no comparable recent events which may provide guidance as to the effect of the spread of COVID-19 and a potential pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

The Company is yet to see the full impact of COVID 19 in terms of investment and operational activity. Liquidity and transaction volumes are likely to be depressed for the immediate period, although it is too early to tell what the longer-term effects may be. Management believe that the Company should be well positioned compared to other investment strategies because it focuses on cash flows which are long-term and supported by factors largely independent of the current crisis. Management is also aware that the Company is not immune from the challenges likely to be presented to the wider industry and economy. For the year ended 31 December 2019, a 50bps movement in the discount rate of the fair value of the fixed assets held by the Company would result in a total impairment of £Nil to their carrying value.

Given the emergence and spread of COVID-19 occurred in 2020, it is not considered relevant to conditions that existed at the balance sheet date. Consequently COVID-19 is considered to be a non-adjusting post balance sheet event. The measurement of assets and liabilities in the accounts has not been adjusted for its potential impact. The impact of COVID-19 is uncertain and may be material; the Directors will continue to monitor the situation.

21 Ultimate controlling party

The immediate parent undertaking is Aviva Investors Infrastructure Income 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 2019. 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.