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

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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DIRECTORS, OFFICERS AND OTHER INFORMATION

Directors
N Brown
F H Murray
A T Vlah

Company Secretary

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

Independent Auditors

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

Bankers

HSBC Bank plc
8 Canada Square
London
E14 5HQ

Registered Office

St Helen's, 1 Undershaft
London
EC3P 3DQ

Company Number

Registered in England and Wales: No. 09847089

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their annual report and the audited Financial Statements of Biomass UK No.2 Limited ("the Company") for the year ended 31 December 2017.

RESULTS

The total comprehensive loss for the Company, for the year ended 31 December 2017 was £6,171,600 (2016: loss of £3,635,651).

DIRECTORS

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

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

PRINCIPAL ACTIVITIES

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

FUTURE DEVELOPMENT

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

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 Directors dispute the claims raised against the Company, based on current available advice and evidence.

DIVIDEND

The Directors do not recommend the payment of a dividend for the financial period ending 31 December 2017.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 – (CONTINUED)

GOING CONCERN

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

Please refer to note 3c for further details.

EMPLOYEES

The Company has no employees.

DISCLOSURE OF INFORMATION TO THE INDEPENDENT AUDITORS

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

(a) as far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) the Directors have taken all the steps that they ought to have taken as the Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

INDEPENDENT AUDITORS

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

QUALIFYING INDEMNITY PROVISIONS

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

Aviva plc, the Company's ultimate controlling party, granted in 2004 an indemnity to the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 (which continue to apply in relation to any provision made before 1 October 2007). This indemnity is a 'qualifying third party indemnity' for the purposes of sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement Number 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017 – (CONTINUED)

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

For and on behalf of the Board on 28 SEP 2018

F Murray
Director

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 in relation to the various claims described in the Basis for disclaimer of opinion paragraph below, we have not been able to obtain sufficient appropriate audit evidence in relation to the various claims to provide a basis for an audit opinion. Accordingly we do not express an opinion on Biomass UK No. 2 Limited's financial statements.

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

Basis for disclaimer of opinion

During the course of our audit we identified 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 2017 at £41,489,730 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 3C.

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 2017 is consistent with the financial statements.

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, 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.

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

Responsibilities for the financial statements and the audit (continued)

Responsibilities of the directors for the financial statements (continued)

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

Auditors' responsibilities for the audit of the financial statements

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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 take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

J Dashwood

John Dashwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
20th September 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	1 Jan. 2017 to 31 Dec. 2017 £	28 Oct. 2015 to 31 Dec. 2016 £
Administrative expenses		(615,545)	(392,244)
Investment impairment	7	(1,992,674)	(262,441)
OPERATING LOSS	5	(2,608,219)	(654,685)
Interest receivable and similar income		1,993,305	2,436
Interest payable and similar expenses		(5,556,686)	(2,983,402)
LOSS FOR THE FINANCIAL YEAR		**(6,171,600)**	**(3,635,651)**

Continuing Operations

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

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

For the period ending 31 December 2017

	Note	31 Dec. 2017	31 Dec. 2016
FIXED ASSETS	Note	£	£
Intangible assets	8	2,067,292	2,157,497
Tangible assets	9	41,489,730	27,260,501
Investments	7	1	1,992,675
		43,557,023	31,410,673
CURRENT ASSETS			
Debtors	10	2,096,084	3,194,411
Cash at bank and in hand		805,751	203,433
		2,901,835	3,397,844
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(8,013,395)	(6,314,814)
NET CURRENT LIABILITIES		(5,111,560)	(2,916,971)
TOTAL ASSETS LESS CURRENT LIABILITIES		38,445,463	28,493,702
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(48,251,705)	(32,128,344)
NET LIABILITIES		(9,806,242)	(3,634,642)
CAPITAL AND RESERVES			
Called up share capital	13	1,009	1,009
Accumulated losses		(9,807,251)	(3,635,651)
TOTAL SHAREHOLDERS' DEFICIT		(9,806,242)	(3,634,642)

The Financial Statements on pages 9 to 24 were approved by the Board of Directors on date 28 SEP 2018 and signed on its behalf by:

F Murray
Director

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

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

	Called up capital	Accumulated losses	Total shareholders' deficit
	£	£	£
Balance at 28 October 2016	-	-	-
Issue of share capital	1,009	-	1,009
Total comprehensive loss for the year	-	(3,635,651)	(3,635,651)
Balance at 31 December 2016	**1,009**	**(3,635,651)**	**(3,634,642)**
Balance at 1 January 2017	**1,009**	**(3,635,651)**	**(3,634,642)**
Total comprehensive loss for the year	-	(6,171,600)	(6,171,600)
Balance at 31 December 2017	**1,009**	**(9,807,251)**	**(9,806,242)**

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

1. GENERAL INFORMATION

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

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

2. STATEMENT OF COMPLIANCE

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

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

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

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

b) Going concern basis

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

c) Basis for Disclaimer of opinion

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 2017 at £41,489,730 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 these uncertainties and consider them to be consistent with the activities of a company of this nature. The uncertainties include issues that are confidential and commercially sensitive and accordingly the Directors do not think it is in the Company's best interest to include any further disclosure.

The future developments, including matters in relation to claims, are included in the Directors report on page 4.

d) Consolidation

The Company has taken advantage of exemptions under Section 400 of the Companies Act 2006 not to prepare Group Financial Statements as it and its subsidiaries are included in the consolidated Financial Statements of Aviva Investors Infrastructure Income Limited Partnership (formerly Aviva Investors REaLM Infrastructure Limited Partnership).

e) Strategic report

A strategic report has not been included in these the Financial Statements as the Company qualifies for exemption as a small entity under Section 415(A) of the Companies Act 2006 relating to small entities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

f) Cash flow

The Company has taken advantage of the exemption from preparing a Statement of Cash Flows, on the basis that it is a qualifying entity and the Company's cash flows are included within the Consolidated Statements of Cash Flows of its parent entity, Aviva Investors Infrastructure Income Limited Partnership. Please refer to note 17 for further information.

g) Investments in subsidiary undertakings

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

h) Tangible assets

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

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

i) Depreciation

Once brought into productive use, depreciation is provided to write off plant and machinery less its estimated residual value on a straight line basis over its estimated useful economic life of 25 years.

j) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight – line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Rights to use the land 25 years

Amortisation is included in administration expenses in the Statement of Comprehensive Income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

k) Debtors and other current assets

Receivables are recognised and carried at the lower of their originally invoiced value and recoverable amount. Where the time value of money is material the receivables are carried at amortised cost. Provisions are made where there is objective evidence that the amount will not be recovered in full.

l) Current liabilities

Other payables are recognised on an accruals basis.

m) Financial instruments

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

i. Financial assets

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

Basic financial assets, including debtors, 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 cost are assessed for objective evidence of impairment.

If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is 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.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

m) **Financial instruments – (continued)**

i. **Financial assets – (continued)**

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

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

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. **Financial liabilities**

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

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

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

iii. **Offsetting**

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

n) 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.

o) Share capital

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

p) Cash at bank and in hand

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

q) Taxation

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

r) Interest receivable and similar income

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

s) Interest payable and similar charges

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

t) Related party transactions

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

(a) Impairment of non-financial assets

Fixed assets and other non-financial assets are reviewed for impairment at each reporting date. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

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

5. OPERATING LOSS

	1 Jan 2017 to 31 Dec 2017	28 Oct 2015 to 31 Dec 2016
	£	£
This is stated after		
Auditors' remuneration	(37,780)	(15,503)
Foreign exchange gain/(loss)	25,657	(42,097)
	(12,123)	(57,600)

The Company did not have any employees during the current year (2016: nil). Directors were employed and remunerated by Aviva Investors Employments Services Limited. No recharge was made by the Parent company for their services (2016: nil).

6. TAX ON LOSS ON ORDINARY ACTIVITIES

The standard rate of corporation tax in the UK changed from 20 % to 19% with effect from 1 April 2017. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 19.25% (2016: 20.00%).

	1 Jan 2017 to 31 Dec 2017	28 Oct 2015 to 31 Dec 2016
	£	£
Current tax		
Corporation tax at 19.25% (2016: 20.00%)	-	-
Deferred tax:		
Deferred tax charge for the year	-	-
Actual tax charge	-	-

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

Factors affecting tax charge for the year

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

	01 Jan 2017 to 31 Dec 2017	28 Oct 2015 to 31 Dec 2016
	£	£
Loss before taxation	(6,171,600)	(3,635,651)
Loss multiplied by the standard rate of corporation tax in the UK of 19.25% (2016; 20.00%)	(1,188,033)	(727,130)
Effects of:		
Expenses not deductable for tax purposes	400,884	453,291
Income not taxable for tax purposes	(383,522)	-
Change in tax rates	136,834	99,120
Other tax adjustments, reliefs and transfers	-	(7,945)
Deferred tax not recognised	1,033,837	182,664
Tax charged for the year	-	-

Deferred tax assets of £1,584,750 (period ended 31 December 2016: £550,913) have not been recognized in these Financial Statements as there is insufficient evidence as to the availability of suitable profits in the foreseeable future.

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 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.

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

7. INVESTMENTS

	31 Dec 2017	31 Dec 2016
	£	£
Investment in subsidiary undertaking		
At start of year	1,992,675	-
Acquisition of subsidiary during the year	-	2,255,116
Investment impairment	(1,992,674)	(262,441)
As end of year	**1**	**1,992,675**

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

The Directors have decided to record an impairment of investment in order to align their value with the fair market value as determined by the analysis made by Directors. An impairment of investment of £1,992,674 (2016: 262,441), is reflected in the Statement of Comprehensive Income.

8. INTANGIBLE ASSETS

	31 Dec 2017	31 Dec 2016
Cost	£	£
At start of year	2,255,116	-
Additions during the year	-	2,255,116
At end of year	2,255,116	2,255,116
Accumulated amortisation		
At start of year	(97,619)	-
Charge for the year	(90,205)	(97,619)
At end of year	(187,824)	(97,619)
Net book value		
At end of year	**2,067,292**	**2,157,497**

9. TANGIBLE ASSETS

	31 Dec 2017	31 Dec 2016
Cost	£	£
At start of year	27,260,501	-
Additions during the year	14,229,229	27,260,501
At end of year	41,489,730	27,260,501
Accumulated depreciation		
At start of year	-	-
Charge for the year	-	-
At end of year	-	-
Net book value		
At end of year	**41,489,730**	**27,260,501**

10. DEBTORS

	31 Dec 2017	31 Dec 2016
	£	£
Amounts falling due within one year		
VAT receivable	2,084,117	2,980,108
Amounts owned by group undertakings	1,009	214,303
Prepayments and accrued income	10,958	-
	2,096,084	3,194,411

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

11. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 Dec 2017	31 Dec 2016
	£	£
Trade creditors	1,603,946	1,013,704
Amounts owed to group undertakings	263,719	2,353,218
Loan interest payable	3,440,077	869,334
Accruals and deferred income	2,705,653	2,078,558
	8,013,395	6,314,814

Sunrise Renewables (Barry) Limited (the Subsidiary) had an intergroup loan receivable from the Company of £ 1,992,675. This loan arose as a result of the transfer of business of the Subsidiary to the Company on 2 December 2015. Under that agreement the consideration payable was to be left outstanding as an interest free loan, repayable on demand. At the time of the transfer there was also an interest bearing loan payable by the Subsidiary to the Company. This was offset against the gross purchase consideration and treated as settled at the time of the transfer to give the net balance of £ 1,992,675. On 2 March 2017, an amount of £ 1,992,674 due to the Company's subsidiary, Sunrise Renewables (Barry) Limited, was repaid and a dividend was immediately paid to the Company. A balance of £ 1 due on the loan remains outstanding.

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

12. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 Dec 2017	31 Dec 2016
	£	£
12% Tranche A Loan	23,475,507	15,882,972
9.25% Tranche B Loan	24,776,198	16,245,372
	48,251,705	32,128,344

On 27 November 2015, the Company entered into a loan facility with Aviva Investors REaLM Infrastructure No. 3 Limited. The loan was utilized in two tranches: Tranche A with a maximum amount of £30,000,000 and bearing interest of 12.00% per annum, Tranche B with a maximum of £30,000,000 and bearing interest of 9.25% per annum. During the year, £7,592,535 (2016: £15,882,972) was drawn down on Tranche A and £7,592,534 (2016: £15,882,972) on Tranche B. An amount of £938,291 (2016: 362,400) representing Retail Price Index ("RPI") adjustment on the loan was capitalized during the period. The loan is unsecured and repayable in full on 31 December 2032.

13. CALLED UP SHARE CAPITAL

	31 Dec 2017	31 Dec 2016
Allotted and fully paid:	£	£
Deferred share (900 (2016: 900) nominal shares at £0.01)	9	9
Ordinary shares (6000 (2016: 6000) nominal shares at £0.01)	60	60
Share Premium (6000 (2016: 6000) nominal shares)	940	940
	1,009	1,009

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

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

14. RELATED UNDERTAKINGS

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

15. CAPITAL COMMITMENTS

At 31 December the Company has the following capital commitments:

	31 Dec 2017	31 Dec 2016
	£	£
Contracts for future capital expenditure not provided in the financial statements - Assets under construction	5,073,135	17,769,497

16. OPERATING LEASES

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

Payments due:	31 Dec 2017	31 Dec 2016
	£	£
Not later than one year	30,000	30,000
Later than one year and not later than five years	120,000	120,000
Later than five years	570,000	600,000

17. ULTIMATE PARENT UNDERTAKING & CONTROLLING PARTY

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

Aviva Investors Infrastructure Income Limited Partnership, which has 100% interest of the Company, is both the largest and the smallest group of undertakings to consolidate these Financial Statements at 31 December 2017.

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

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