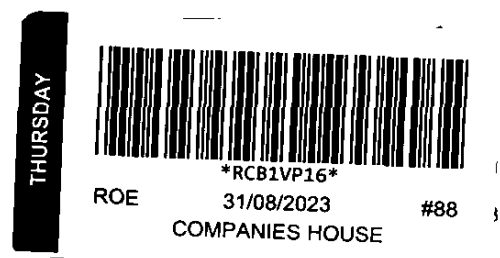


Company Registration No. 09847089 (England and Wales)

BIOMASS UK NO. 2 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



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

COMPANY INFORMATION

Directors	I Shervell C Herriott
Secretary	Aviva Company Secretarial Services Limited
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 SE12RT

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

CONTENTS

	Page(s)
Directors' report	1 - 3
Independent auditors' report	4 - 6
Statement of comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Notes to the financial statements	10 - 23

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and audited financial statements for the year ended 31 December 2022.

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:

I Shervell

C Herriott

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

As at 31 December 2022, the company had net liabilities of £94,502,014 (31 December 2021: £76,999,386) and net current liabilities of £2,890,273 (31 December 2021: net current asset £7,537,455). Included within the net liabilities is an unsecured loan of £136,824,635 from Aviva Investors Infrastructure Income No.3 Limited. Aviva Investors Infrastructure Income No.3 Limited has confirmed that it will not seek repayment of part or all of the amount loaned to this Company for at least 12 months from the date of the approval of these financial statements, where to do so would place this company in an insolvent position.

Aviva Investors Infrastructure Income No.3 Limited has also confirmed that it will provide additional support as required by the Company in order to meet its short term obligation. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Post the year end the Company has settled a dispute with a third party subcontractor on full and final terms closing out material uncertainties from the dispute. Funds are drawn from Aviva Investors Infrastructure Income No.3 Limited via the current loan facility to facilitate the settlement.

Covid-19, Ukraine/Russia conflict and inflationary pressures

Whilst the Covid-19 pandemic continued to impact on certain parts of the global economy during 2022, restrictions are now lifted in all major economies. There was no material Covid-19 related impact on the company during 2022 nor is any anticipated for 2023.

The ongoing conflict between Ukraine and Russia, which commenced in February 2022, together with the economic sanctions placed on Russia has had a material impact to many economies with elevated level of inflation leading to central banks swiftly increasing interest rates. Whilst this is expected to moderate in 2023, there is some uncertainty around this, due to the continued high levels of core inflation within western economies. The Directors continues to closely monitor the associated geo-political risks in relation to inflation, rising interest rates, volatile markets and any potential adverse impact on the Company and its investment. However, as at the date of approval of these financial statements, based on its assessment of the current situation and information available, the Directors does not envisage that this will have a material impact on the Company.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Post reporting date events

Events after the reporting period have been evaluated up to the date the audited financial statements were approved and authorised for issue by the Directors. Post the year end the company has settled a dispute with a third party subcontractor on full and final terms closing out material uncertainties from the dispute.

Future developments

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

The Company received notification in September 2021 that officers of Vale of Glamorgan Council have issued an enforcement notice, the terms of which include the removal of the Biomass asset. The Company has appealed against the enforcement notice and is confident that it will not be required to remove the Biomass facility. The appeal is ongoing and there is no outcome of the appeal yet known as at the date of approval of the financial statements. This plant has not been operating as due to this notice.

The carrying value of the Biomass asset reflects the current position and status as stated above and there are no further adjustments required as of the date of the financial statements.

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 2022

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

The directors are also 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.

Directors' confirmations

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.

On behalf of the board

DocuSigned by:



0A5DE28A7216407

I Shervell
Director

Date: 11/08/2023

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BIOMASS UK NO. 2 LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Biomass UK No.2 Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited 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 2022; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BIOMASS UK NO. 2 LIMITED

there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Director's Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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 Director's 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, 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of financial data to present more favourable financial results. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non compliance with laws and regulation and fraud;
- Reviewing relevant Board meeting minutes;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, entries posted containing unusual account descriptions, and entries posted with unusual amounts; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BIOMASS UK NO. 2 LIMITED

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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 obtained 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 in preparing the Director's Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Thomas Norrie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 August 2023

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

STATEMENT OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	3	53,389	99,041
Cost of sales		(2,539,471)	(26,377)
Gross (Loss)/Profit		(2,486,082)	72,664
Administrative expenses		(5,242,578)	(6,417,228)
Impairment in Tangible Assets	9	(9,558,663)	632,847
Impairment in Intangible Assets		(215,305)	19,509
Operating loss	4	(17,502,628)	(5,692,208)
Interest payable and similar expenses	7	-	(7,492,050)
Loss before taxation		(17,502,628)	(13,184,258)
Tax on loss	8	-	-
Total comprehensive expense for the year		(17,502,628)	(13,184,258)

The Statement of Comprehensive Income for the year ended 31 December 2022 and year ended 31 December 2021 has been prepared on the basis that all operations are continuing operations.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2022**

		2022		2021	
	Note	£	£	£	£
Fixed assets					
Intangible assets	10		1,085,362		1,385,411
Tangible assets	11		48,185,624		45,752,383
			<u>49,270,986</u>		<u>47,137,794</u>
Current assets					
Debtors	12	7,340,278		8,210,039	
Cash at bank and in hand		409,446		602,614	
		<u>7,749,724</u>		<u>8,812,653</u>	
Creditors: amounts falling due within one year	13	(10,639,997)		(1,275,198)	
Net current assets/(liabilities)			<u>(2,890,273)</u>		<u>7,537,455</u>
Total assets less current liabilities			<u>46,380,713</u>		<u>54,675,249</u>
Creditors: amounts falling due after more than one year	14		(140,882,727)		(131,674,635)
Net liabilities			<u>(94,502,014)</u>		<u>(76,999,386)</u>
Capital and reserves					
Called up share capital	16		69		69
Share premium account			940		940
Profit and loss account			(94,503,023)		(77,000,395)
Total equity			<u>(94,502,014)</u>		<u>(76,999,386)</u>

The financial statements on pages 7 to 23 were approved by the board of directors and authorised for issue on and are signed on its behalf by:

DocuSigned by:

 3A5DE2FA7216407

I Shervell

Director

11/08/2023

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 2022**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
Balance at 1 January 2021	69	940	(63,816,137)	(63,815,128)
Year ended 31 December 2021:				
Loss and total comprehensive expense for the financial year	-	-	(13,184,258)	(13,184,258)
Balance at 31 December 2021	69	940	(77,000,395)	(76,999,386)
Year ended 31 December 2022:				
Loss and total comprehensive expense for the financial year	-	-	(17,502,628)	(17,502,628)
Balance at 31 December 2022	69	940	(94,503,023)	(94,502,014)

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Biomass UK No. 2 Limited is a private company limited by shares incorporated in the United Kingdom. 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 principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

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 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

As at 31 December 2022, the company had net liabilities of £94,502,014 (31 December 2021: £76,999,386) and net current liabilities of £2,890,273 (31 December 2021: net current asset £7,537,455). Included within the net liabilities is an unsecured loan of £136,824,635 from Aviva Investors Infrastructure Income No.3 Limited. Aviva Investors Infrastructure Income No.3 Limited has confirmed that it will not seek repayment of part or all of the amount loaned to this Company for at least 12 months from the date of the approval of these financial statements, where to do so would place this company in an insolvent position.

Aviva Investors Infrastructure Income No.3 Limited has also confirmed that it will provide additional support as required by the Company in order to meet its short term obligation. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Post the year end the Company has settled a dispute with a third party subcontractor on full and final terms closing out material uncertainties from the dispute. Funds are drawn from Aviva Investors Infrastructure Income No.3 Limited via the current loan facility to facilitate the settlement.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2022****1 Accounting policies****(Continued)****1.3 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. In practical terms this means revenue from electricity generation is recognised in the period the electricity was generated.

1.4 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
------------------------	------------------------

1.5 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 plant 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. All additional costs capitalised after the date of the asset being brought into productive use will be subject to a full year's depreciation in the year of addition.

Plant and equipment	25 years straight line
---------------------	------------------------

1.6 Cost of Sales

Cost of sales are items purchased in direct relation to ensuring the continuing operation of the Plant

1.7 Admin Expenses

Admin expenses are items purchased in relation to overheads and utilities which are not in direct relation to the continuing operation of the plant

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2022****1 Accounting policies****(Continued)****1.8 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.

1.9 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.

1.10 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.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2022****1 Accounting policies****(Continued)**

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.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans and loans from fellow group are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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.

1.11 Decommissioning Provision

The Company makes a full provision for the future cost of the decommissioning of its Biomass plant on a discounted basis. The decommissioning provision represents the present value of decommissioning costs, which are expected to be incurred when the plant ceases operations at the end of the lease term in 2040.

The decommissioning provision and its assumptions are reviewed regularly to take into account any material changes in the economic environment and the basis for the provision.

The discount rate used in the calculation of the provision as at 31 December 2022 was 4.06%.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2022****1 Accounting policies****(Continued)****1.12 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.

1.13 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 income statement 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.

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 income statement, 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.*

1.14 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.

1.15 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 in the period are included in profit or loss.

1.16 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.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

2.1 Critical judgements

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

2.1 a Loan modification

The terms to the existing loan borrowings from Aviva Investors Infrastructure Income No.3 Limited (refer to Note 15) have been modified on 1st July 2021. Management has taken into consideration both the quantitative and qualitative factors to determine whether the modification of the terms of the loans provided to the underlying investments is substantial.

The quantitative assessment has concluded that, because the modification creates a more than 10% change in the present value of the expected cash flows, this is quantitatively a substantial change. The qualitative assessment has concluded that the removal of the terms linking repayments to inflation represents a qualitatively substantial change. As a result, the changes to terms result in the old loans being derecognised, and new loans recognised.

2.2 Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

2.2 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 impairments, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.2b Decommissioning Provision

As part of the measurement and recognition of assets and liabilities in the year, the company has recognised a provision for decommissioning obligations associated with the biomass plant. In determining the present value of the provision, assumptions and estimates are made in relation to the discount rates, the expected cost to dismantle and remove the plant from the site and the expected timing of these costs.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2022****3 Turnover**

	2022	2021
	£	£
Turnover analysed by class of business		
Electricity production	53,389	99,041

During the year the company experienced a period of inactivity, due to the Enforcement Notice and whilst rectification works were undertaken on the biomass asset.

4 Operating loss

	2022	2021
	£	£
Operating loss is arrived at after charging/(crediting) the following:		
Exchange (gains)/losses	-	-
Depreciation of owned tangible fixed assets	2,111,668	1,940,623
Impairment of owned tangible fixed assets	9,558,663	-
Reversal of past impairment of tangible fixed assets	-	(632,848)
Amortisation of intangible assets	84,744	72,203
Impairment of intangible assets	215,305	-
Reversal of past impairment of intangible assets	-	(19,509)
Operating lease charges	64,605	176,717

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 £Nil (2021: £Nil).

5 Auditors' remuneration

	2022	2021
	£	£
Fees payable to the company's auditors:		
For audit services		
Audit of the financial statements of the company	23,488	19,572

During the year no non-audit fees were paid to statutory auditors (2021: £Nil).

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2022****6 Employees**

The Company did not have any employees during the year (2021: Nil). Directors were employed and remunerated by Aviva Employment Services Limited. No recharge was made by the Parent company for their services (2021: Nil).

7 Interest payable and similar expenses

	2022	2021
	£	£
Interest payable to group undertakings	-	7,492,050

8 Tax on loss

	2022	2021
	£	£
Current tax		
Adjustments in respect of prior periods	-	-

The actual 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:

	2022	2021
	£	£
Loss before taxation	(17,502,628)	(13,184,258)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(3,325,499)	(2,505,009)
Tax effect of expenses that are not deductible in determining taxable profit	39,551	190,169
Adjustments in respect of prior years	-	-
Deferred tax not recognised	3,962,506	6,132,182
Fixed asset differences	274,444	109,586
Remeasurement of deferred tax for changes in tax rates	(951,002)	(3,926,928)
Taxation credit for the year	-	-

The Company has unrecognised temporary differences of £82,154,000 (2021: £65,449,000) to carry forward indefinitely against future taxable income. This comprises £24,816,000 of trading losses carried forward, £23,437,000 of fixed asset timing differences carried forward and £33,901,000 of disallowed tax interest expense carried forward.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. As at 31 December 2022 deferred tax assets of £nil (2021: £nil) have been recognised.

During 2021 the UK Government enacted an increase in the UK corporation tax rate to 25%, from 1 April 2023.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2022****9 Impairments**

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

	Note	2022 £	2021 £
In respect of:			
Intangible assets	10	215,305	-
Property, plant and equipment	11	9,558,663	-
		<u>9,773,968</u>	<u>-</u>
Recognised in: Administrative expenses		<u>9,773,968</u>	<u>-</u>

Reversals of previous impairment losses have been recognised in profit or loss as follows:

	Notes	2022 £	2021 £
In respect of:			
Intangible assets	10	-	19,509
Property, plant and equipment	11	-	632,848
		<u>-</u>	<u>652,357</u>
Recognised in: Administrative expenses		<u>-</u>	<u>652,357</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 2022****10 Intangible assets**

	Rights to use the land £
Cost	
At 1 January 2022 and 31 December 2022	2,255,116
Accumulated amortisation and impairment	
At 1 January 2022	869,705
Amortisation charged for the year	84,744
Impairment	215,305
At 31 December 2022	1,169,754
Carrying amount	
At 31 December 2022	1,085,362
At 31 December 2021	1,385,411

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

11 Tangible assets

	Plant and equipment £
Cost	
At 1 January 2022	65,283,569
Additions	14,103,572
At 31 December 2022	79,387,141
Accumulated depreciation and impairment	
At 1 January 2022	19,531,186
Depreciation charged in the year	2,111,669
Impairment	9,558,663
At 31 December 2022	31,201,518
Carrying amount	
At 31 December 2022	48,185,624
At 31 December 2021	45,752,383

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

Post the year end the Company has settled a dispute with a third party subcontractor on full and final terms closing out material uncertainties from the dispute.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2022****12 Debtors**

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	51,998	785,139
Amounts owed by group undertakings	7,164,247	7,353,667
Prepayments and accrued income	124,032	71,233
	<u>7,340,277</u>	<u>8,210,039</u>

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayments and are repayable on demand.

13 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	1,448,005	680,052
Amounts owed to group undertakings	10,650	10,650
Accruals and deferred income	9,181,342	584,496
	<u>10,639,997</u>	<u>1,275,198</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayments and are repayable on demand.

14 Creditors: amounts falling due after more than one year

		2022	2021
	Note	£	£
Loan from group undertakings	15	136,824,635	131,674,635
Decommissioning provision		<u>4,058,092</u>	<u>-</u>
		<u>140,882,727</u>	<u>131,674,635</u>

The Company makes a full provision for the future cost of the decommissioning of its Biomass plant on a discounted basis. The decommissioning provision represents the present value of decommissioning costs, which are expected to be incurred when the plant ceases operations at the end of the lease term in 2040.

The decommissioning provision and its assumptions are reviewed regularly to take into account any material changes in the economic environment and the basis for the provision.

The discount rate used in the calculation of the provision as at 31 December 2022 was 4.06%.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2022****15 Loans and overdrafts**

	2022	2021
	£	£
Loans from group undertakings - Tranche A	67,636,961	65,061,961
Loans from group undertakings - Tranche B	69,187,674	66,612,674
	<u>136,824,635</u>	<u>131,674,635</u>
Payable after one year	<u>136,824,635</u>	<u>131,674,635</u>

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 £85,000,000 and bearing interest of 12.00% per annum and Tranche B with a maximum amount of £85,000,000 and bearing interest of 9.25% per annum. Interest is payable on a quarterly basis. An amount of £nil (2021 £1,669,166) representing Retail Price Index ("RPI") adjustment on the loan was added to the loan principal during the year, prior to 1 July 2021. The loan is repayable in full on 31 December 2032. For the year ended 31 December 2022, interest expense of £nil (2021: £5,822,884) was recognised in the Statement of Comprehensive Income.

On 1 July 2021, the terms of existing loans with Aviva Investors Infrastructure Income No.3 Limited were modified through a Deed of Amendment. The modification to the terms is considered a substantial modification, as described in Note 2.1(a). Consequently, the existing loans were derecognised and new loans recognised (in the table above, the 2022 column represents the newly recognised loans, the 2021 column the derecognised loans).

The terms of the new loans are, however, identical to those which existed prior to 1 July 2021 (as set out above), except that from 1 July 2021, the interest rate will be 0%, and there will be no indexation. It is the intention of the Directors of Aviva Investors Infrastructure Income No.3 Limited that the loans are further amended such that they become interest bearing once the Company's facilities reach steady state operations.

16 Called up share capital

	2022	2021
	£	£
Allotted and fully paid		
900 (2021: 900) Deferred shares of 1p each	9	9
1,400 (2021: 1,400) Ordinary A shares of 1p each	14	14
4,000 (2021: 4,000) Ordinary B shares of 1p each	40	40
600 (2021: 600) Ordinary C shares of 1p each	6	6
	<u>69</u>	<u>69</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 2022****17 Operating lease commitments****Lessee**

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:

	2022	2021
	£	£
Within one year	36,685	30,000
Between two and five years	146,740	120,000
In over five years	475,397	418,767
	<u>658,822</u>	<u>568,767</u>

18 Events after the reporting financial year end

Events after the reporting period have been evaluated up to the date the audited financial statements were approved and authorised for issue by the Directors. Post the year end the company has settled a dispute with a third party subcontractor on full and final terms closing out material uncertainties from the dispute.

19 Ultimate controlling party

The Company's immediate parent undertaking is Aviva Investors Infrastructure Income No.3 Limited, a company incorporated in the United Kingdom, and its ultimate parent undertaking is Aviva Investors Infrastructure Income Unit Trust, which is registered in Jersey.

Aviva Investors Infrastructure Income Limited Partnership, which has 100.00% interest of the Company, is both the largest and the smallest group of undertakings to consolidate these financial statements at 31 December 2022. The consolidated financial statements of Aviva Investors Infrastructure Income Limited Partnership are available on application to:

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

The General Partner of the Aviva Investors Infrastructure Income Limited Partnership is the Aviva Investors Infrastructure GP Limited, a company incorporated in Great Britain and registered in England and Wales.