

Company Registration No. 09847089 (England and Wales)

BIOMASS UK NO. 2 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

COMPANY INFORMATION

Directors	I Shervell C Herriott (Appointed 23 March 2021)
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 SE1 2RT

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

Company Registration No. 09847089 (England and Wales)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and audited financial statements for the year ended 31 December 2020.

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:

F Murray	(Resigned 8 September 2020)
A Vlah	(Resigned 26 January 2021)
I Shervell	
C Herriott	(Appointed 23 March 2021)

Qualifying third party indemnity provisions

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

Aviva plc, the Company's ultimate controlling party, granted in 2004 an indemnity to the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 (which continue to apply in relation to any provision made before 1 October 2007). This indemnity is a 'qualifying third party indemnity' for the purposes of sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' Report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No.3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

Going concern

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

There are various additional claims for material amounts being disputed with third party subcontractors, and at the date of approval of these financial statements the amount at which these claims may be settled cannot be determined. Consequently, the amount at which the asset under construction and the provisions for claims are recorded may be subject to material change.

Furthermore, the company's forecasts show that if the additional claims were accepted, the company may not be able to fund the payment of these liabilities, which results in a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Please refer to note 1.15 for further details.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Covid-19

On January 30, 2020, the World Health Organisation ('WHO') declared the coronavirus (COVID-19) a public health emergency, shortly followed by declaring a Global Pandemic on 11 March 2020. This had an unprecedented impact on economies and real estate markets globally. The UK Government response to this being to initiate various emergency measures to protect occupiers and support businesses, such as the introduction of a furlough scheme and the government moratorium. In addition, the UK Government imposed various lockdowns throughout the year with the introduction of social distancing requirements and a ban on foreign travel, all of which added further stresses and demands to the economy.

Post entering into the third lockdown in late December 2020 the Government has put in place a roadmap to ease restrictions which included the roll out of the vaccination plan.

Whilst it is still not possible to fully assess the longer-term impact on specific industries or their constituents at this stage, the Directors believe the entity has a strong balance sheet and the right strategy in place to mitigate against the worst consequences of the outbreak. The Directors will continue to monitor the COVID-19 situation closely and act accordingly to protect the interests of investors.

Post reporting date events

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 will be appealing against the enforcement notice and is confident that it will not be required to remove the biomass facility. Since the biomass facility was in existence as at 31 December 2020 (the balance sheet date), this is considered to be an adjusting post balance sheet event. However, as at the date of approval of these financial statements, it is not possible to estimate reliably the extent of any impairment which might need to be recognised on the carrying value of the biomass asset, due to the matter being at an early stage, consequently no impairment has been booked. The carrying value of the biomass asset as at 31 December 2020 is therefore subject to estimation uncertainty.

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 and there are no other events to be disclosed or adjusted for in these audited financial statements.

Future developments

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

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

Independent auditors

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

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption in section 415A of the Companies Act 2006.

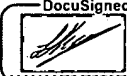
A strategic report has not been included in these audited financial statements as the Company qualifies for exemption as a small entity under Section 414B of the Companies Act 2006 relating to small entities.

Statement of disclosure to auditors

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

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

On behalf of the board

DocuSigned by:

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I Shervell

Director

Date: 24 September 2021

BIOMASS UK NO. 2 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BIOMASS UK NO. 2 LIMITED

Report on the audit of the financial statements

Disclaimer of opinion

Because of the significance of the possible impact of the uncertainties described in the Basis for disclaimer of opinion paragraph below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on Biomass UK No.2 Limited's financial statements (the "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 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Basis for disclaimer of opinion

During the course of our audit we identified multiple uncertainties which could have a possible impact on the financial statements.

Given the current activities of the Company, primarily the construction of a single biomass asset, the existence of material claims and uncertainties arising during the course of construction have a possible significant impact. The asset under construction is recorded in the balance sheet at 31 December 2020 at £46,650,229 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. At the date of approval of these financial statements we were unable to obtain sufficient appropriate audit evidence in relation to the accuracy and sufficiency of any provision required. Consequently, the amount at which the asset under construction and the provisions for claims are recorded may be subject to material change.

Furthermore, the Company's forecasts show that if the additional claims were accepted, the Company may not be able to fund the payment of these liabilities, which results in a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern. Further information about these matters is included in note 1.15.

In addition to the above, we were unable to obtain sufficient appropriate audit evidence to support the carrying value of the asset under construction. The financial statements do not include adjustments that would result if the Company were to recognise an impairment as a result of the adjusting post balance sheet event referenced in note 19, as it is not possible to accurately estimate the sufficiency of the impairment. At the date of approval of these financial statements we were unable to obtain sufficient appropriate audit evidence in relation to the accuracy and sufficiency of any impairment required. Consequently, the amount at which the asset under construction is recorded may be subject to material change as a result of the adjusting post balance sheet event.

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.

BIOMASS UK NO. 2 LIMITED

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

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 2020 is consistent with the financial statements.

Because of the significance of the matter described in the Basis for disclaimer of opinion 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 has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Capability of the audit in detecting irregularities, including fraud

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 posting inappropriate journal entries to revenue. 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

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.

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

Arising from the limitation of our work referred to in the Basis for disclaimer of opinion paragraph above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the company.

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

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



Thomas Norrie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 September 2021

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

STATEMENT OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 DECEMBER 2020**

		2020	2019
	Note	£	£
Turnover	3	1,470,086	-
Cost of sales		(271,054)	-
Gross profit		<u>1,199,032</u>	<u>-</u>
Administrative expenses		(19,903,361)	(3,365,537)
Other income		-	1,279,457
Operating loss	4	<u>(18,704,329)</u>	<u>(2,086,080)</u>
Interest payable and similar expenses	7	(11,012,340)	(8,587,803)
Loss before taxation		<u>(29,716,669)</u>	<u>(10,673,883)</u>
Tax on loss	8	(194,626)	-
Total comprehensive expense for the year		<u><u>(29,911,295)</u></u>	<u><u>(10,673,883)</u></u>

The Statement of Comprehensive Income for the year ended 31 December 2020 and year ended 31 December 2019 has been prepared on the basis that all operations are continuing operations.

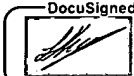
BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

STATEMENT OF FINANCIAL POSITION**AS AT 31 DECEMBER 2020**

		2020		2019	
	Note	£	£	£	£
Fixed assets					
Intangible assets	10		1,438,105		1,887,069
Tangible assets	11		46,650,229		56,408,655
Investments	12		-		1
			<u>48,088,334</u>		<u>58,295,725</u>
Current assets					
Debtors	13	9,819,889		5,342,506	
Cash at bank and in hand		2,015,901		264,525	
		<u>11,835,790</u>		<u>5,607,031</u>	
Creditors: amounts falling due within one year	14	(16,343,138)		(13,301,736)	
Net current liabilities			<u>(4,507,348)</u>		<u>(7,694,705)</u>
Total assets less current liabilities			<u>43,580,986</u>		<u>50,601,020</u>
Creditors: amounts falling due after more than one year	15		(107,396,114)		(84,504,853)
Net liabilities			<u>(63,815,128)</u>		<u>(33,903,833)</u>
Capital and reserves					
Called up share capital	17		69		69
Share premium account			940		940
Profit and loss reserves			(63,816,137)		(33,904,842)
Total equity			<u>(63,815,128)</u>		<u>(33,903,833)</u>

The financial statements were approved by the board of directors and authorised for issue on 24 September 2021
and are signed on its behalf by:

DocuSigned by:

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 I Shervell
 Director

Company Registration No. 09847089

BIOMASS UK NO. 2 LIMITED

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STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2019	69	940	(23,230,959)	(23,229,950)
Year ended 31 December 2019:				
Loss and total comprehensive expense for the financial year	-	-	(10,673,883)	(10,673,883)
Balance at 31 December 2019	69	940	(33,904,842)	(33,903,833)
Year ended 31 December 2020:				
Loss and total comprehensive expense for the financial year	-	-	(29,911,295)	(29,911,295)
Balance at 31 December 2020	69	940	(63,816,137)	(63,815,128)

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

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

1.1 Accounting convention

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

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

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

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

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

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

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

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2020****1 Accounting policies****(Continued)****1.2 Going concern**

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

There are various additional claims for material amounts being disputed with third party subcontractors, and at the date of approval of these financial statements the amount at which these claims may be settled cannot be determined. Consequently, the amount at which the asset under construction and the provisions for claims are recorded may be subject to material change.

Furthermore, the company's forecasts show that if the additional claims were accepted, the company may not be able to fund the payment of these liabilities, which results in a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

1.3 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

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2020****1 Accounting policies****(Continued)****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
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1.6 Fixed asset investments

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

1.7 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.

1.8 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.

1.9 Financial instruments

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

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2020****1 Accounting policies****(Continued)*****Basic financial assets***

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

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

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

At the end of each reporting period financial assets measured at amortised costs are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Comprehensive Income.

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

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

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

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

Classification of financial liabilities

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

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

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

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2020****1 Accounting policies****(Continued)*****Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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.

1.10 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.

1.11 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.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2020****1 Accounting policies****(Continued)****1.12 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.

1.13 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.

1.14 Related party transactions

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

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

1.15 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 statement of financial position at 31 December 2020 at £46,650,229 (2019: £56,408,655) including an amount of claims agreed and paid of £149,736 (2019: £149,736). There are various additional claims for material amounts being disputed with third party subcontractors, and at the date of approval of these financial statements the amount at which these claims may be settled cannot be determined. Consequently, the amount at which the asset under construction and the provisions for claims are recorded may be subject to material change.

Furthermore, the company's forecasts show that if the additional claims were accepted, the company may not be able to fund the payment of these liabilities, which results in a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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

Refer to note 19 for further details on post balance sheet event which is referred in the basis for disclaimer of opinion.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2020****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.

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.

Impairment of non-financial assets

Fixed assets and other non-financial assets are reviewed for impairment at each reporting date. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairments, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Electricity production	1,470,086	-

During the year the company commenced generation of electricity following a period of non-activity whilst the asset was under construction.

4 Operating loss

	2020	2019
	£	£
Operating loss is arrived at after charging/(crediting) the following:		
Exchange losses	1,643	4,165
Depreciation of owned tangible fixed assets	1,802,718	-
Impairment of owned tangible fixed assets	11,637,699	-
Amortisation of intangible assets	90,204	90,204
Impairment of intangible assets	358,760	-
Other income	-	(1,279,457)
Operating lease charges	19,978	-

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 £1,643 (2019: £4,165).

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

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2020****5 Auditors' remuneration**

	2020	2019
	£	£
Fees payable to the company's auditors:		
For audit services		
Audit of the financial statements of the company	19,245	16,423
	<u> </u>	<u> </u>

During the year no non-audit fees were paid to statutory auditors (31 December 2019: £Nil).

6 Employees

The Company did not have any employees during the year (2019: Nil). Directors were employed and remunerated by Aviva Employment Services Limited. No recharge was made by the Parent company for their services (2019: Nil).

7 Interest payable and similar expenses

	2020	2019
	£	£
Interest payable to group undertakings	11,012,340	8,587,803
	<u> </u>	<u> </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 2020****8 Tax on loss**

	2020 £	2019 £
Current tax		
Adjustments in respect of prior periods	194,626	-

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:

	2020 £	2019 £
Loss before taxation	(29,716,669)	(10,673,883)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(5,646,167)	(2,028,038)
Tax effect of expenses that are not deductible in determining taxable profit	17,537	39,701
Adjustments in respect of prior years	194,626	-
Effect of change in corporation tax rate	-	207,494
Deferred tax not recognised	5,178,001	1,763,704
Fixed asset differences	1,095,210	17,139
Remeasurement of deferred tax for changes in tax rates	(644,581)	-
Taxation charge for the year	194,626	-

Deferred tax assets of £10,656,943 (31 December 2019: £5,503,212) have not been recognised in these Financial Statements as there is insufficient evidence as to the availability of suitable profits in the foreseeable futures.

During 2020, the reduction in the UK corporation tax rate that was due to take effect from 1 April 2020 was cancelled and as a result, the rate has remained at 19.00%. There is no impact on the Company's net assets as a consequence of this amendment.

In the Budget of 3 March 2021 the UK Government announced that the UK corporation tax rate will increase to 25.00% from 1 April 2023. As of 31 December 2020, this measure had not been substantively enacted and therefore no impact is reflected in the calculation of the Company's deferred tax assets and liabilities as at 31 December 2020. There is no impact on the Company's net assets as a consequence of this amendment.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2020****9 Impairments**

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

	Note	2020 £	2019 £
In respect of:			
Intangible assets	10	358,760	-
Property, plant and equipment	11	11,637,699	-
		<u>11,996,459</u>	<u>-</u>
Recognised in:			
Administrative expenses		<u>11,996,459</u>	<u>-</u>

10 Intangible assets

	Rights to use the land £
Cost	
At 1 January 2020 and 31 December 2020	<u>2,255,116</u>
Accumulated amortisation	
At 1 January 2020	368,047
Amortisation charged for the year	90,204
Impairment losses	358,760
At 31 December 2020	<u>817,011</u>
Carrying amount	
At 31 December 2020	<u>1,438,105</u>
At 31 December 2019	<u>1,887,069</u>

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

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2020****11 Tangible assets**

	Plant and equipment £
Cost	
At 1 January 2020	61,191,649
Additions	3,681,991
	<hr/>
At 31 December 2020	64,873,640
	<hr/>
Accumulated depreciation	
At 1 January 2020	4,782,994
Depreciation charged in the year	1,802,718
Impairment losses	11,637,699
	<hr/>
At 31 December 2020	18,223,411
	<hr/>
Carrying amount	
At 31 December 2020	46,650,229
	<hr/> <hr/>
At 31 December 2019	56,408,655
	<hr/> <hr/>

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

12 Investments

	2020 £	2019 £
Investment in subsidiary		
At start of year	1	1
Disposal of subsidiaries during the year	(1)	-
	<hr/>	<hr/>
At end of year	-	1
	<hr/> <hr/>	<hr/> <hr/>

The investment in the subsidiary was deemed to be impaired following its dissolution.

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2020****12 Investments****(Continued)****Movements in fixed asset investments**

	Investment in subsidiary £
Cost or valuation	
At 1 January 2020	1
Disposals	(1)
	<hr/>
At 31 December 2020	-
	<hr/>
Carrying amount	
At 31 December 2020	-
	<hr/>
At 31 December 2019	1
	<hr/>

13 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	520,543	376,546
Amounts owed by group undertakings	9,282,895	4,965,679
Prepayments and accrued income	16,451	281
	<hr/>	<hr/>
	9,819,889	5,342,506
	<hr/>	<hr/>

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

14 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	197,564	330,352
Amounts owed to group undertakings	2,635,901	1,995,191
Loan interest payable	12,686,471	8,470,391
Accruals and deferred income	823,202	2,505,802
	<hr/>	<hr/>
	16,343,138	13,301,736
	<hr/>	<hr/>

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

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2020****15 Creditors: amounts falling due after more than one year**

	Note	2020 £	2019 £
Loan from group undertakings	16	107,396,114	84,504,853

16 Loans and overdrafts

	2020 £	2019 £
Loans from group undertakings - Tranche A	52,055,710	40,833,210
Loans from group undertakings - Tranche B	55,340,404	43,671,643
	107,396,114	84,504,853
Payable after one year	107,396,114	84,504,853

Loans from group undertakings are unsecured.

On 27 November 2015, the Company entered into a loan facility with Aviva Investors Infrastructure Income No.3 Limited. The loan was utilised in two tranches; Tranche A with a maximum amount of £50,000,000 and bearing interest of 12.00% per annum and Tranche B with a maximum amount of £50,000,000 and bearing interest of 9.25% per annum. Interest is payable on a quarterly basis. An amount of £446,261 (31 December 2019: £743,520) representing Retail Price Index ("RPI") adjustment on the loan was added to the loan principal during the year. The loan is repayable in full on 31 December 2032. For the year ended 31 December 2020, interest expense of £10,566,079 (2019: £7,844,283) was recognised in the Statement of Comprehensive Income.

17 Called up share capital

	2020 £	2019 £
Allotted and fully paid		
900 (2019: 900) Deferred shares of 1p each	9	9
6,000 (2019: 6,000) Ordinary shares of 1p each	60	60
	69	69

BIOMASS UK NO. 2 LIMITED

Company Registration No. 09847089 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2020****18 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:

	2020	2019
	£	£
Within one year	30,000	30,000
Between two and five years	120,000	120,000
In over five years	448,767	478,767
	<u>598,767</u>	<u>628,767</u>

19 Events after the reporting financial year end

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 will be appealing against the enforcement notice and is confident that it will not be required to remove the biomass facility. Since the biomass facility was in existence as at 31 December 2020 (the balance sheet date), this is considered to be an adjusting post balance sheet event. However, as at the date of approval of these financial statements, it is not possible to estimate reliably the extent of any impairment which might need to be recognised on the carrying value of the biomass asset, due to the matter being at an early stage, consequently no impairment has been booked. The carrying value of the biomass asset as at 31 December 2020 is therefore subject to estimation uncertainty.

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 and there are no other events to be disclosed or adjusted for in these audited financial statements.

20 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 2020. 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.