

Limited Liability Partnership Registration No. OC400324 (England and Wales)

BIOMASS UK NO.1 LLP
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

LIMITED LIABILITY PARTNERSHIP INFORMATION

Designated members

J Wardle
Aviva Investors Infrastructure Income No.3 Limited
R F Frearson

Limited liability partnership number OC400324

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.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

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BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

MEMBERS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Principal activities

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

Results and dividends

The members do not recommend the payment of a dividend for the financial year ending 31 December 2019 (2018: £nil).

Members' drawings, contributions and repayments

The members' drawing policy allows each member to draw a proportion of their profit share, subject to the cash requirements of the business.

A member's capital requirement is linked to their share of profit and the financing requirement of the limited liability partnership. There is no opportunity for appreciation of the capital subscribed. Just as incoming members introduce their capital at "par", so the retiring members are repaid their capital at "par", subject to Note 17.

Designated members

The Designated Members who were in office during the year and up to the date of signing the Financial Statements were as follows:

J Wardle

Aviva Investors Infrastructure Income No. 3
Limited

R J Frearson

Post reporting date events

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

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

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

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Future developments

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

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

Going concern

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

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

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

Please refer to note 1.13 for further details.

Independent auditors

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

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

MEMBERS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of members' responsibilities

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

Company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) requires the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice. Under company law (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008) the members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the limited liability partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 (as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008). They are also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as each person who was a designated member 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 designated members individually have taken all the necessary steps that they ought to have taken as designated members in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the members on 9 July 2020 and signed on behalf by:

DocuSigned by:



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Aviva Investors Infrastructure Income No. 3 Limited

Designated Member

BIOMASS UK NO.1 LLP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BIOMASS UK NO.1 LLP

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.1 LLP's financial statements.

We were engaged to audit the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Basis for disclaimer of opinion

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

Given the current activities of the company, primarily the construction of a single biomass asset, the existence of material claims and uncertainties arising during the course of construction have a possible significant impact. The asset under construction is recorded in the balance sheet at 31 December 2019 at £58,967,368 including an amount of claims agreed and paid of £985,156. There are various additional claims for material amounts being disputed with third party subcontractors, and at the date of approval of these financial statements the amount at which these claims may be settled cannot be determined.

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

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

Further information about these matters is included in note 1.13.

Independence

We remained independent of the limited liability partnership 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.

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Statement of members' responsibilities set out on page 3, the members 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 members 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Use of this report

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships

BIOMASS UK NO.1 LLP

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF BIOMASS UK NO.1 LLP

(Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, 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 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion, the members were not entitled to prepare financial statements in accordance with the small limited liability partnerships regime. We have no exceptions to report arising from this responsibility.



Sandra Dowling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
09 July 2020

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

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

		2019	2018
	Note	£	£
Turnover	3	173,528	-
Administrative expenses		(3,554,125)	(7,666,737)
Other income		1,260,632	-
Loss for the financial year before members' remuneration and profit shares	4	(2,119,965)	(7,666,737)
Interest receivable and similar income	7	-	1,998
Interest payable and similar expenses	8	(9,057,583)	(7,184,672)
Members' remuneration charged as an expense		(9,057,583)	(7,182,674)
Loss for the financial year		(11,177,548)	(14,849,411)

The Statement of Comprehensive Income for the year ended 31 December 2019 and year ended 31 December 2018 has been prepared on the basis that all operations are continuing operations.

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

BALANCE SHEET**AS AT 31 DECEMBER 2019**

	Note	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	11	1,878,379		1,969,855	
Tangible assets	12	58,967,368		44,622,731	
		<u>60,845,747</u>		<u>46,592,586</u>	
Current assets					
Debtors	14	5,501,901	3,244,699		
Cash at bank and in hand		529,507	325,614		
		<u>6,031,408</u>	<u>3,570,313</u>		
Creditors: amounts falling due within one year	15	(17,514,239)	(13,885,603)		
Net current liabilities		<u>(11,482,831)</u>		<u>(10,315,290)</u>	
Total assets less current liabilities		<u>49,362,916</u>		<u>36,277,296</u>	
Creditors: amounts falling due after more than one year	16	(90,767,088)		(66,503,920)	
Net liabilities attributable to members		<u>(41,404,172)</u>		<u>(30,226,624)</u>	
Represented by:					
Total members' interests					
Members' capital contribution	17	100	100		
Accumulated losses		(41,404,272)	(30,226,724)		
Total members' interest		<u>(41,404,172)</u>	<u>(30,226,624)</u>		

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

The financial statements were approved by the members and authorised for issue on 9 July 2020 and are signed on their behalf by:

DocuSigned by:

Nick Tibbitt

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Aviva Investors Infrastructure Income No. 3 Limited

Designated member

Limited Liability Partnership Registration No. OC400324

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Members' capital £	Profit and loss reserves £	Total £
Balance at 1 January 2018	100	(15,377,313)	(15,377,213)
	<hr/>	<hr/>	<hr/>
Loss and total comprehensive expense for the year	-	(14,849,411)	(14,849,411)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2018	100	(30,226,724)	(30,226,624)
	<hr/>	<hr/>	<hr/>
Loss and total comprehensive expense for the year	-	(11,177,548)	(11,177,548)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	100	(41,404,272)	(41,404,172)
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BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Limited liability partnership information

Biomass UK No.1 LLP is a limited liability partnership incorporated in England and Wales. The registered office is St Helen's, 1 Undershaft, London, EC3P 3DQ.

The limited liability partnership's principal activities are disclosed in the Members' Report.

1.1 Accounting convention

These financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting by Limited Liability Partnerships" issued in January 2017, together 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 limited liability partnership. 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 partnership 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 partnership, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The partnership has therefore taken advantage of exemptions from the following disclosure requirements:

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

The partnership 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 partnership as an individual entity and not about its group.

The results of Biomass UK No.1 LLP 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.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.2 Going concern

After making enquiries, the designated members have a reasonable expectation that the Partnership 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 Partnership for a 12 month period from the date of signing the Financial Statements. Therefore, they continue to adopt the going concern basis in preparing the Financial Statements.

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

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

1.3 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.

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.4 Members' participating interests

Members' participation rights are the rights of a member against the LLP that arise under the members' agreement (for example, in respect of amounts subscribed or otherwise contributed remuneration and profits).

Members' participation rights in the earnings or assets of the LLP are analysed between those that are, from the LLP's perspective, either a financial liability or equity, in accordance with section 22 of FRS 102. A member's participation rights including amounts subscribed or otherwise contributed by members, for example members' capital, are classed as liabilities unless the LLP has an unconditional right to refuse payment to members, in which case they are classified as equity.

All amounts due to members that are classified as liabilities are presented within 'Loans and other debts due to members' and, where such an amount relates to current year profits, they are recognised within 'Members' remuneration charged as an expense' in arriving at the relevant year's result. Undivided amounts that are classified as equity are shown within 'Members' other interests'. Amounts recoverable from members are presented as debtors and shown as amounts due from members within members' interests.

Where there exists an asset and liability component in respect of an individual member's participation rights, they are presented on a gross basis unless the LLP has both a legally enforceable right to set off the recognised amounts, and it intends either to settle on a net basis or to settle and realise these amounts simultaneously, in which case they are presented net.

Once an unavoidable obligation has been created in favour of members through allocation of profits or other means, any undrawn profits remaining at the reporting date are shown as 'Loans and other debts due to members' to the extent they exceed debts due from a specific member.

1.5 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
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1.6 Tangible fixed assets

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

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

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.7 Impairment of fixed assets

At each reporting period end date, the limited liability partnership 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 limited liability partnership 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.

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.9 Financial instruments

The Partnership 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 Partnership becomes a party to the contractual provisions of the instrument.

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

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

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

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

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

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

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

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

Other financial assets

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 profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 profit or loss.

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the limited liability partnership transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities are recognised when the Partnership 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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Offsetting

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

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Financial instruments disclosure exemption

The Partnership 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 Partnership's financial instruments are disclosed within the consolidated Financial Statements of its parent entity, Aviva Investors Infrastructure Income Limited Partnership.

Derecognition of financial liabilities

Financial liabilities are derecognised when the limited liability partnership's obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the limited liability partnership are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the limited liability partnership.

1.11 Foreign exchange

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

1.12 Related party transactions

The Partnership 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 Members, separate disclosure is necessary to understand the effect of the transaction on the Partnership's Financial Statements.

The Partnership 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 Partnership, its parent undertakings and its fellow subsidiary undertakings.

1.13 Basis for Disclaimer of opinion

During the year the primary activity of the company has been the construction of a single biomass asset. The asset under construction is recorded in the balance sheet at 31 December 2019 at £58,967,368 including an amount of claims agreed and paid of £985,156. There are various additional claims for material amounts being disputed with third party subcontractors, and at the date of approval 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 designated members 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 designated members do not think it is in the Company's best interest to include any further disclosure.

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****2 Judgements and key sources of estimation uncertainty**

In the application of the limited liability partnership's accounting policies, the members 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 period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

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

Impairment of non-financial assets

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

3 Turnover

An analysis of the limited liability partnership's turnover is as follows:

	2019	2018
	£	£
Turnover analysed by class of business		
Electricity production	173,527	-
	<u>173,527</u>	<u>-</u>

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

4 Loss for the financial year before members' remuneration and profit shares

	2019	2018
	£	£
Loss is arrived at after charging/(crediting) the following:		
Exchange losses	19,593	13,585
Impairment of owned tangible fixed assets	-	5,356,663
Amortisation of intangible assets	91,476	91,292
Other income	(1,260,632)	-
	<u>(1,149,563)</u>	<u>5,461,540</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £19,593 (2018: £13,585).

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

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

	2019	2018
	£	£
Fees payable to the company's auditors and associates:		
For audit services		
Audit of the financial statements of the LLP	16,423	36,957
	<u>16,423</u>	<u>36,957</u>

6 Employees

The Partnership did not have any employees during the current or previous year.

The Members received remuneration of £nil (2018:nil) for their services during the year.

7 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Bank interest received	-	1,998
	<u>-</u>	<u>1,998</u>

8 Interest payable and similar expenses

	2019	2018
	£	£
Interest on bank overdrafts and loans	-	13
Interest payable to group undertakings	9,057,583	7,184,085
Other interest	-	574
	<u>9,057,583</u>	<u>7,184,672</u>

9 Taxation

The Partnership is not subject to taxation and no provision for taxation on Partnership profits has been made in the Financial Statements. Any tax on income or capital is the responsibility of each individual member.

10 Impairments

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

		2019	2018
	Note	£	£
In respect of:			
Property, plant and equipment	12	-	5,356,663
		<u>-</u>	<u>5,356,663</u>
Recognised in:			
Administrative expenses		-	5,356,663
		<u>-</u>	<u>5,356,663</u>

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****11 Intangible assets**

	Rights to use the land £
Cost	
At 1 January 2019 and 31 December 2019	2,287,030
Accumulated amortisation and impairment	
At 1 January 2019	317,175
Amortisation charged for the year	91,476
At 31 December 2019	408,651
Carrying amount	
At 31 December 2019	1,878,379
At 31 December 2018	1,969,855

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

12 Tangible assets

	Plant and equipment £
Cost	
At 1 January 2019	49,979,394
Additions	14,344,637
At 31 December 2019	64,324,031
Accumulated depreciation and impairment	
At 1 January 2019 and 31 December 2019	5,356,663
Carrying amount	
At 31 December 2019	58,967,368
At 31 December 2018	44,622,731

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

13 Subsidiaries

Details of the limited liability partnership's subsidiaries at 31 December 2019 are as follows:

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

BIOMASS UK NO.1 LLP

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****14 Debtors**

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	329,306	2,778
Amounts owed by group undertakings	5,172,570	3,123,097
Other debtors	1	109,355
Prepayments and accrued income	24	9,469
	<u>5,501,901</u>	<u>3,244,699</u>

15 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	217,071	1,007,723
Amounts owed to group undertakings	4,855,651	2,861,482
Loan interest payable	10,154,801	8,780,156
Accruals and deferred income	2,286,716	1,236,242
	<u>17,514,239</u>	<u>13,885,603</u>

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

16 Creditors: amounts falling due after more than one year

breakdown amounts falling due after more than one year			
	Note	2019 £	2018 £
Loans from group undertakings	17	89,240,773	64,977,605
Provisions - contingent payment		1,526,315	1,526,315
		<hr/> 90,767,088	<hr/> 66,503,920

Creditors which fall due after five years are as follows:

	2019	2018
	£	£
Payable other than by instalments	<u>89,240,773</u>	<u>64,977,605</u>

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**FOR THE YEAR ENDED 31 DECEMBER 2019****17 Loans and overdrafts**

	2019 £	2018 £
Loans from group undertakings - Tranche A	43,081,457	31,341,758
Loans from group undertakings - Tranche B	46,159,316	33,635,847
	<u>89,240,773</u>	<u>64,977,605</u>
Payable after one year	<u>89,240,773</u>	<u>64,977,605</u>

Loans from group undertakings are unsecured.

On 18 August 2015, the Partnership 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 £783,772 (31 December 2018 - £847,423) 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 30 June 2032. As at 31 December 2019, interest expense of £8,273,812 (31 December 2018 - £6,336,662) was recognised in the Statement of Comprehensive Income.

18 Members' capital contribution

	2019 £	2018 £
R J Frearson	10	10
J D Wardle	15	15
Aviva Investors Infrastructure Income No.3 Limited	75	75
	<u>100</u>	<u>100</u>

The Member units issued to R J Frearson and J D Wardle were as a consideration of their transfer of goodwill.

Under the Biomass UK No.1 LLP Agreement, R J Frearson and J D Wardle acquired 2,500 member units in Biomass UK No.1 LLP representing a 25% interest and Aviva Investors Infrastructure Income No.3 Limited acquired 7,500 units representing a 75% partnership interest. The Biomass UK No.1 LLP Agreement envisaged that R J Frearson and J D Wardle would not remain as partners in the long term. The provisions of the agreement enabled R J Frearson and J D Wardle to give written notice to Biomass UK No.1 LLP to surrender 999 membership units 12 months after financial close in consideration for a capital sum of £1,860 per unit. There is also a right to make further surrenders contingent on the performance of the Project. If the individuals do not exercise these rights then Aviva Investors Infrastructure Income No.3 Limited has the right, at certain times, to acquire the units. In 2016, R J Frearson and J D Wardle gave written notice to Biomass UK No.1 LLP whereby they surrendered 999 membership units for a total consideration of £1,858,140, this was settled by offset against the loans (plus accrued interest) owing to the partnership.

BIOMASS UK NO.1 LLP

Limited Liability Partnership Registration No. OC400324 (England and Wales)

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

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

	2019 £	2018 £
Within one year	91,000	91,000
Between two and five years	364,000	364,000
In over five years	1,427,578	1,638,000
	<u>1,882,578</u>	<u>2,093,000</u>

20 Events after the reporting date

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

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

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

21 Controlling party

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

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

Aviva Investors Infrastructure Income Limited Partnership is both the largest and smallest group of undertakings to consolidate these Financial Statements at 31 December 2019. The consolidated Financial Statements of Aviva Investors Infrastructure Income Limited Partnership can be obtained from Company Secretary, St Helen's, 1 Undershaft, London, EC3P 3DQ.