Registered Number: 09641683

# Bioenergy Infrastructure Finance Limited

## Annual Report and Financial Statements

## 31 December 2018

# Contents

# Company Information

**Registered Number: 09641683**

**Directors**
E Gissin
A Matthews
S Johnson
M Helmore
R H McPherson
B Wright

**Secretary**
None

**Registered Office**
Abbey House
1650 Arlington Business Park
Theale
Reading
RG7 4SA

**Independent Auditor**
BDO LLP
55 Baker Street
Marylebone
London
W1U 7EU

# Directors' Report

The Directors of Bioenergy Infrastructure Finance Limited (the "Company") present their Directors' report for the year ended 31 December 2018.

## Review of the business and principal activities

The principal activity of Bioenergy Infrastructure Finance Limited, a wholly owned subsidiary of Bioenergy Infrastructure Limited (the parent of "the Bioenergy Group" or "the Group") for the year, was the raising and provision of debt finance for the purposes of the running of Group projects.

The Group is currently examining the possibility of further acquisitions or investments in similar projects.

## Results and performance

The Company loss for the year amounted to £717,000 (2017: 5,643,000) all from continuing operations, as a result of interest payable on loans from related parties. As at 31 December 2018, the Company is in a net liability position of £6,258,000 (2017: £5,541,000).

## Dividends

The Directors do not recommend a dividend for the year (2017: £nil).

## Principal risks and uncertainties

The Company's main financial instruments are loan notes issued to external investors.

The principal risks and uncertainties facing the Company are those linked to the activities of the wider Bioenergy Group. These are credit risk, liquidity risk, construction risk, operational performance risk and market risk.

*Credit risk*

Credit risk is the risk arising from the failure of a counterparty to pay its debts. The Group has in place a credit policy under which each new counterparty is analysed individually for creditworthiness, before negotiating bespoke contracts and payments terms in conjunction with each potential investment. The review includes external ratings, where available, and in some cases bank references.

*Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Typically, the company ensures that it has sufficient cash on demand or borrowing facilities to meet expected operational expenses for a period of 1 year, including the servicing of financial obligations.

*Construction risk*

The Group has invested in project companies which are building Bioenergy facilities. The construction of these plants may not go to time and budget, despite contractual protections. The operational cash flows from these companies support the loan investments made in the Group and so managing these construction programmes with the contractors is an important activity for the Group.

*Operational performance risk*

Once plants are built the Bioenergy Group projects must be run efficiently in order to deliver the levels of profitability necessary to support the loan and equity investment in to the Group. The projects typically operate with an outsourced Operations & Maintenance contract and so the performance of these contractors is key to the financial standing of the Group.

# Directors' Report *(continued)*

## Principal risks and uncertainties *(continued)*

*Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The company has not entered into any complex foreign transactions or interest rate contracts throughout the year under review. In addition, the company operates in the waste and biomass markets and so the pricing of these feedstocks is a material factor in its profitability. This has been mitigated to the extent practical through supply contracts.

## Directors and their interests

The Directors which served during the year and to the date of this report were as follows:

N I Aitchison (resigned 28 September 2018)
M Armanini (resigned 11 July 2018)
S W Blase (resigned 15 April 2019)
E Gissin
A Matthews
S Johnson
M Helmore (appointed 11 July 2018)
R H McPherson (appointed 7 September 2018)
B Wright (appointed 7 September 2018)

No Director had an interest in the share capital of the company at the balance sheet date or subsequently nor in the shares of any other group company.

## Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

## Political and charitable donations

No political or charitable donations have been made in the current year (2017: £ nil)

## Going Concern

The Company is in a net liability position of £6,258,000 (2017: £5,541,000), as at 31 December 2018. The Company is in a net current liability position of £29,223,000 (2017: £5,865,000). The Directors consider that the Company has adequate resources (including committed and undrawn capital available to its parent company which has provided a letter of support) to continue in operational existence for the foreseeable future and therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

## Future developments and events after the balance sheet date

The Group intends to effect further acquisitions and investments in the same sector as its initial assets and to manage the existing assets through construction to profitable operations. There have been no disclosable post balance sheet events (note 16).

# Directors' Report *(continued)*

### Directors' statement as to disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' report are named on page 3. Having made enquiries of fellow Directors and of the Company's auditor, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors is unaware, and;
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### Independent Auditor

BDO LLP were appointed as auditors on 11th September 2018. BDO LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

### Small companies' exemptions

The directors have taken advantage of the small companies' exemption under the Companies Act 2006 in preparing the directors' report and have taken advantage of the exemption in the Companies Act 2006 (section 414B) for including a Strategic Review Statement in the financial statements, on the grounds that the company is small.

Approved by the Board and signed on its behalf by:

M Helmore
Director
7 May 2019

# Directors' responsibilities statement

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), including FRS 101 "Reduced Disclosure Framework". 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 year. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for 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.

# Independent Auditor's report to the members of Bioenergy Infrastructure Finance Limited

### Opinion

We have audited the financial statements of Bioenergy Infrastructure Finance Limited ("the Company") for the year ended 31 December 2018 which comprise Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

# Independent Auditor's report to the member of Bioenergy Infrastructure Finance Limited *(continued)*

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, 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; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

**Responsibilities of Directors**

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Marc Reinecke (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

7 May 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Statement of Comprehensive Income

**For the year ended 31 December 2018**

| | Notes | 2018<br>£000s | 2017<br>Restated<br>£000s |
|---|---|---|---|
| Administrative expenses | | (93) | (63) |
| Operating Loss | | (93) | (63) |
| Interest receivable and similar income | 7 | 33,795 | 17,989 |
| Interest payable and similar charges | 8 | (34,419) | (23,569) |
| Loss before tax | | (717) | (5,643) |
| Taxation | 9 | - | - |
| Loss for the year | | (717) | (5,643) |

See note 18 for details of the restatement.

All activities relate to continuing operations.

There is no other income or expense recognised in the company statement of other comprehensive income in relation to the continuing operations other than profit for the year, therefore a statement of other comprehensive income is not presented.

The notes on pages 13 to 21 form an integral part of these financial statements.

# Statement of Financial Position

**As at 31 December 2018**

| | Note | 31 December 2018 £000s | 31 December 2017 Restated £000s |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 11 | 342,650 | 288,394 |
| **Current assets** | | | |
| Trade and other receivables | 13 | 2 | 19 |
| Cash and bank balances | | 905 | 100 |
| **Total current assets** | | 907 | 119 |
| **Creditors: amounts falling due within one year** | | | |
| Trade and other payables | 14 | (30,130) | (5,984) |
| **Net current liabilities** | | (29,223) | (5,865) |
| **Total assets less current liabilities** | | 313,427 | 282,529 |
| **Creditors: amounts falling due after more than one year** | 14 | (319,685) | (288,070) |
| **Net liabilities** | | (6,258) | (5,541) |
| **Capital and reserves** | | | |
| Share capital | 15 | - | - |
| Retained earnings | | (6,258) | (5,541) |
| **Shareholders' deficit** | | (6,258) | (5,541) |

See note 18 for details of the restatement.

The notes on pages 13 to 21 form an integral part of these financial statements.

The financial statements of Bioenergy Infrastructure Finance Limited (registered number 09641683) were approved by the board of Directors and authorised for issue on 7 May 2019. They were signed on its behalf by:

M Helmore
Director

# Statement of changes in equity
**For the year ended 31 December 2018**

| | Share capital £000s | Retained earnings £000s | Total £000s |
|---|---|---|---|
| **Balance at 31 December 2016** | - | 102 | 102 |
| Loss for the year | - | (23,632) | (23,632) |
| **Balance at 31 December 2017 as previously presented** | - | (23,530) | (23,530) |
| Restatement (see note 18) | - | 17,989 | 17,989 |
| **Restated balance at 31 December 2017** | - | (5,541) | (5,541) |
| Loss for the year | - | (717) | (717) |
| **Balance at 31 December 2018** | - | (6,258) | (6,258) |

The notes on pages 13 to 21 form an integral part of these financial statements.

# Notes to the financial statements

## 1. General information

Bioenergy Infrastructure Finance Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the Directors' report on pages 4 to 6.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates. Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Bioenergy Infrastructure Limited. The group accounts of Bioenergy Infrastructure Limited are available to the public and can be obtained as set out in note 15.

The accounting policies that have been applied consistently throughout the financial year and the proceeding period are set out below.

## 2. Significant accounting policies

### Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ("FRS 100") issued by the Financial Reporting Council ("FRC"). The company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union ("Adopted IFRSs") but the financial statements have been prepared in accordance with Financial Reporting Standard 101 ("FRS 101") 'Reduced Disclosure Framework' as issued by the FRC but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has taken advantage of the disclosure exemptions under FRS 101:

(a) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to the extent that they apply to assets and liabilities other than financial instruments.

(b) The requirements of paragraph 10(d), 16, 38A, 38B, 38C, 38D and 111 of IAS 1 Presentation of Financial Statements

(c) The requirements of IAS 7 Statement of Cash Flows

(d) The requirements of IFRS 7 Financial instruments: Disclosures

(e) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

(f) The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures

(g) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where relevant, equivalent disclosures have been provided in the group accounts of Bioenergy Infrastructure Limited, in which the Company is consolidated. Copies of Bioenergy Infrastructure Limited accounts can be obtained as detailed at note 15.

The financial statements have been prepared on the historical cost basis as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### New standards, amendments and interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018. These standards have not had a material impact on the Company (see note 3 in respect of IFRS 9).

# Notes to the financial statements *(continued)*

## 2. Significant accounting policies *(continued)*

**Going concern**

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' report on pages 4 to 6.

The Directors have laid out the considerations given to the going concern status of the Company within the Directors' report on page 6.

On the basis of their assessment of the Company's financial position (including the letter of support provided from the parent company) and of the enquiries made of the Directors of Bioenergy Infrastructure Limited, the Company's Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

**Investments in subsidiaries**

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

**Interest income**

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred except for those that relate directly to loans and receivables, which are capitalised and recognised in the profit and loss account over the period of the borrowings, using the effective interest rate method.

**Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

**Operating Loss**

Operating loss is stated after charging administrative expenses but before interest receivable and interest payable.

**Tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

***Deferred tax***

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

# Notes to the financial statements *(continued)*

## 2. Significant accounting policies *(continued)*

***Deferred tax** (continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

***Current tax and deferred tax for the year***

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**Financial assets**

Financial assets are classified into one of three categories, being amortised cost, fair value through profit or loss and fair value through other comprehensive income. All financial assets are held at amortised cost, for which the accounting policy is as follows:

***Amortised cost***

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

***Impairment of financial assets***

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income.

Financial assets measured at amortised cost comprise loans to subsidiary companies and cash and cash equivalents.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with maturities of three months or less. Balances are recognised at face value in sterling and are therefore not subject to impairment.

# Notes to the financial statements *(continued)*

## 2. Significant accounting policies *(continued)*

**Financial liabilities**

Financial liabilities are classified into one of two categories, being fair value through profit or loss or other financial liabilities. All financial liabilities have been classified as other financial liabilities, for which the accounting policy is as follows:

***Other financial liabilities***

Trade payables and other payables, and loans to subsidiary companies are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

**Share capital**

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts 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. .

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the of the revision and future periods if the revision affects both current and future periods.

***Financial assets – expected credit losses***

As explained in note 2 'Impairment of financial assets', ECL are measured as an allowance equal to 12-month ECL where no significant increase in credit risk has been identified since initial recognition, or lifetime ECL where a significant increase in credit risk has been identified since recognition, or the asset is credit impaired.. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

# Notes to the financial statements *(continued)*

## 4. Revenue

The company has generated no revenue in the current or prior years.

## 5. Auditors remuneration

Fees payable to for the audit of the Company's annual accounts were £6,600 (2017: £11,070). No non-audit fees were payable to the auditors for the current year (2017: £1,556)

## 6. Directors' Emoluments

No amounts were paid to the Company's Directors during the year (2016: £nil).

## 7. Interest receivable

| | 2018<br>£000s | 2017<br>£000s |
|---|---|---|
| Loan note interest (note 12) | 33,795 | 17,989 |

## 8. Interest payable and similar charges

| | 2018<br>£000s | 2017<br>£000s |
|---|---|---|
| Loan note interest (note 14) | 34,419 | 23,569 |

## 9. Taxation

***Analysis of tax charge arising in the period***

| | 2018<br>£000s | 2017<br>£000s |
|---|---|---|
| Current tax | - | - |
| Deferred tax | - | - |
| Total tax charge | - | - |

# Notes to the financial statements *(continued)*

## 9. Taxation *(continued)*

**Factors affecting the current tax charge for the period**

The charge for the year can be reconciled to the loss in the profit and loss account as follows:

| | 2018<br>£000s | 2017<br>Restated<br>£000s |
|---|---|---|
| Loss before tax | (717) | (5,643) |
| Loss before tax multiplied by the standard rate of tax in the UK of 19% (2017: 19.25%) | (136) | (1,086) |
| Expenses not deductible | 1,120 | 1,300 |
| Non-taxable income | (538) | (79) |
| Change in unrecognised deferred tax assets | (446) | (135) |
| Total tax charge | - | - |

At the balance sheet date, the Company has unused tax losses of £5,313,000 (2017: £nil) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses as it is not considered probable that there will be future taxable profits available in the foreseeable future.

## 10. Dividends

No dividends were declared during the period (2017: £nil).

## 11. Investments

| | 2018<br>£000s | 2017<br>Restated<br>£000s |
|---|---|---|
| Investments in subsidiary undertakings | - | - |
| Loans to subsidiary companies (note 12) | 342,650 | 288,394 |
| | 342,650 | 288,394 |

Investments in subsidiary undertakings at 31 December 2018 was £3 (2017: £3), representing the entire share capital of its 3 immediate subsidiary companies.

# Notes to the financial statements *(continued)*

## 11. Investments *(continued)*

**Investments in subsidiary undertakings**

The Company has material investments in the following subsidiary undertakings:

| Company name | Country of incorporation | Holding |
|---|---|---|
| BIH Holdings Limited [1] | England | 100% |
| Bioenergy Infrastructure (Dev) Holdings Limited [1] | England | 100% |
| BIG Legolas Holdings Limited [1] | England | 100% |
| Bioenergy Infrastructure Holdings Limited [1] | England | 100% [3] |
| Northacre Renewable Energy Limited [2] | England | 95% [4] |
| Stanlow Bio Power Limited [1] | England | 95% [3] |
| Ince Bio Power Limited [1] | England | 95% [6] |
| EWH Holdco Limited [1] | England | 42.4% [3] |
| EWH Finco Limited [1] | England | 42.4% [6] |
| Energy Works (Hull) Limited [1] | England | 42.4% [6] |

[1] Registered office is Abbey House, 1650 Arlington Business Park, Theale, Reading, RG7 4SA.
[2] Registered office is Wiltshire House County Park Business Centre, Shrivenham Road, Wiltshire, SN1 2NR.
[3] Held indirectly through investment in BIH Holdings Limited
[4] Held indirectly through investment in Bioenergy Infrastructure (Dev) Limited
[5] Held indirectly through investment in Stanlow Bio Power Limited
[6] Held indirectly through investment in EWH HoldCo Limited

Whilst the Company indirectly holds only 42.4% of the voting rights of EWH Holdco Limited, EWH Finco Limited and Energy Works (Hull) Limited, it has determined that it controls these entities through its ability to exercise power over these entities, its exposure and rights to variable returns in the form of interest income, dividends and capital gains and losses and the ability to use its power over these entities to influence their performance (the directors of the Company control 60% of the Board votes in these entities and are required to consent on all matters affecting shareholders) and affect the return the Company generates.

## 12. Loans to subsidiary companies

| | 2018 | 2017 Restated |
|---|---|---|
| | £000s | £000s |
| **Loans receivable carried at amortised cost** | | |
| Loan to subsidiary company | 342,650 | 288,394 |

The loan to subsidiary company represents a loan facility from Bioenergy Infrastructure Finance Limited to its subsidiary BIH Holdings Limited. This loan is due for repayment on 31 March 2037 and attracts an interest rate of 12%.

## 13. Debtors

| | 2018 | 2017 |
|---|---|---|
| | £000s | £000s |
| Prepayments | 2 | 19 |

All debtors are due within one year.

# Notes to the financial statements *(continued)*

## 14. Creditors

**Amounts falling due within one year**

| | 2018 £000s | 2017 £000s |
|---|---|---|
| Other payables | 24 | 21 |
| Loan from parent company | 14,020 | 5,963 |
| Accrued loan note interest | 16,086 | - |
| | 30,130 | 5,984 |

**Amounts falling due after more than one year**

| | 2018 £000s | 2017 £000s |
|---|---|---|
| Loan notes | 320,466 | 276,471 |
| Accrued loan note interest | - | 12,351 |
| Less: debt issue costs capitalised | (781) | (752) |
| | 319,685 | 288,070 |

The loan notes have been issued in current and prior years to group related parties Infracapital (Churchill) LP, Infracapital (Bio) SLP LP, Helios UK BIG Limited Partnership, Aurium BIG Investment Limited and Foresight Group Holdings Limited.

The loan notes issued bear interest rates of 8% and 12%.

The loan from parent company is an interest free intercompany loan from Bioenergy Infrastructure Limited payable on demand.

## 15. Share capital

| | 2018 £ | 2017 £ |
|---|---|---|
| Shares issued and fully paid: | | |
| 1 Ordinary share of £1 | 1 | 1 |

## 16. Controlling party

In the opinion of the directors, the Company's ultimate controlling party is Prudential plc, a Company incorporated in Great Britain. The Company's immediate parent company is Bioenergy Infrastructure Limited.

Prudential plc is the parent undertaking of the largest group, and Bioenergy Infrastructure Limited the parent undertaking of the smallest group, for which consolidated financial statements are prepared.

Copies of the group financial statements of Prudential plc and Bioenergy Infrastructure Limited are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

# Notes to the financial statements *(continued)*

## 17. Events after the balance sheet date

No significant events have occurred after the balance sheet date.

## 18. Prior year restatement

In 2017, the Company received a transfer of an intercompany loan from a related party totalling £115.2 million, which was accounted for as an interest free loan which matures in 2037. Upon review in 2018, it was identified that the loan agreement stipulates that interest accrues on this loan at 12% per annum which was not previously accounted for.

The 2017 financials have therefore been restated to include interest that should have accrued in 2017 of £17,989,000.

In addition to the above, debt issue costs incurred by the Company's parent in relation to loan note issued by the Company had not been recorded in the prior year. These costs have been included in the prior year, recorded against loan notes in non-current liabilities.

The impact on the affected financial statement line items for the prior period is as follows:

| **Profit and loss account (extract)** | **2017** | **Increase / (decrease)** | **2017 Restated** |
|---|---|---|---|
| | **£k** | **£k** | **£k** |
| Operating loss | (63) | - | (63) |
| Interest receivable and similar income | - | 17,989 | 17,989 |
| Loss before tax | (23,632) | 17,989 | (5,643) |
| Loss after tax | (23,632) | 17,989 | (5,643) |

| **Balance Sheet (extract)** | **2017** | **Increase / (decrease)** | **2017 Restated** |
|---|---|---|---|
| | **£k** | **£k** | **£k** |
| **Fixed assets** | | | |
| Loans to subsidiary companies | 270,405 | 17,989 | 288,394 |
| **Total fixed assets** | 270,405 | 17,989 | 288,394 |
| **Current liabilities** | | | |
| Loan from parent company | (5,211) | (752) | (5,963) |
| **Total current liabilities** | (5,232) | (752) | (5,984) |
| **Net current liabilities** | (5,113) | (752) | (5,865) |
| **Total assets less current liabilities** | 265,292 | 17,237 | 282,529 |
| **Non-current liabilities** | | | |
| Debt issue costs capitalised | - | 752 | 752 |
| **Total non-current liabilities** | (288,822) | 752 | (288,070) |
| **Net assets/(liabilities)** | (23,530) | 17,989 | (5,541) |
| **Capital and reserves** | | | |
| Retained earnings | (23,530) | 17,989 | (5,541) |