Aviva Investors Alternative Income Solutions Investments S.A.

Société anonyme de titrisation

Audited Annual Accounts

For the year ended 31 December 2018

2, rue du Fort Bourbon
L-1249 Luxembourg
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B 205.125

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DIRECTORS' REPORT

For the year ended 31 December 2018

The directors of the Company (the "**Directors**") present their Report and the Annual Accounts for the year ended 31 December 2018 (the "**Annual Accounts**").

1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

Aviva Investors Alternative Income Solutions Investments S.A. (hereinafter referred to as the "**Company**") was incorporated in Luxembourg on 24 March 2016 as a public limited liability securitisation company (*société anonyme de titrisation*) qualifying as a securitisation company (*société de titrisation*) for an unlimited period.

The Company is governed by the Luxembourg law dated 10 August 1915 on commercial companies (the "**Commercial Law**"), as amended, and the law dated 22 March 2004 on securitisation, as amended. It has its registered office at 2, rue du Fort Bourbon, L-1249 Luxembourg, Grand-Duchy of Luxembourg, is registered with the Luxembourg Trade and Companies Register under number B 205.125 and its share capital amounts to EUR 31,000 (GBP 24,465).

The Company resolved to issue GBP 1,000,000,000 Unsecured Profit Participating Notes (hereafter, the "**PPNs**" and in singular defined as the "**PPN**") due 2041.

During the year, the Company did not exercise any research and development activity, neither had a branch, nor did it acquire its own shares.

2. BUSINESS REVIEW

During the year, the Company made a profit of GBP 12,480 (2017: profit for GBP 39,946).

As at 31 December 2018:
- The Company's total indebtedness is GBP 253,000,165 (2017: GBP 141,377,375);
- The Company has Unsecured Profit Participating Notes due 2041 of GBP 249,607,380 (2017: GBP 139,840,809) in issue.

3. FUTURE DEVELOPMENTS

The Directors expect the present level of activity to be sustained for the foreseeable future.

4. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Company relate to the loans held by the Company.

The Company has exposure to the following risks from its use of financial instruments and does not have any externally imposed capital requirements.

a) Credit risk

Credit risk is the risk of the financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's credit linked assets. The Company's principal financial assets are loans, cash at bank and in hand and other debtors, which represent the Company's maximum exposure to credit risk in relation to financial assets.

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2018

Investment in the portfolio of loans involves a degree of risk arising from fluctuations in the amount and timing of receipt of the principal and interest from the portfolio of loans by or on behalf of the Company and the amounts of the claims of creditors of the Company ranking in priority to the holders of PPNs (the "**Noteholders**"). The Company limits its exposure to credit risk by investing in a portfolio of loans. The risk of default on these assets is borne by the Noteholders in accordance with their respective agreements.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations arising from its financial liabilities as they fall due.

The Company's obligation to the Noteholders is limited to the net proceeds upon realization from the portfolio of loans. Should the net proceeds be insufficient to make all payments due in respect of a particular PPN, the other assets of the Company will not be available for payment and the deficit is instead borne by the Noteholders.

All substantial risks and rewards associated with the financial assets and liabilities are ultimately borne by the Noteholders.

c) Market risk

Market risk is the risk that changes in market prices, foreign exchange rates and interest rates will affect the Company's income or its value of its holdings of financial instruments. The Noteholders are exposed to the market risk of the portfolio of loans. Market risk embodies the potential for both gains and losses and includes currency risk, interest rate risk and price risk.

- *Currency risk*

Currency risk is the risk which arises due to the assets and liabilities of the Company held in foreign currencies, which will be affected by fluctuations in foreign exchange rates. The Company may limit its exposure to currency risk by operating bank accounts in other currencies than its presentation currency for receipts and payments.

The PPNs issued by the Company are held in British Pound Sterling (GBP). In 2018, the Company invested in a portfolio of USD loans for a total of USD 32.9m. These loans are hedged through currency swaps.

- *Interest rate risk*

Interest rate risk is the risk that the Company does not receive adequate interest from its portfolio of loans in order to meet its obligations on each interest payment dates towards its Noteholders. The Company has limited interest rate risk since the Company pays out any residual interest following payment of tax and expenses as per the priority of payments.

- *Price risk*

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Company does not consider price risk to be a significant risk to the Company as any fluctuation in the value of the portfolio of loans held by the Company will be borne by the Noteholders.

5. RESULT AND DIVIDENDS FOR THE YEAR ENDED 31 DECEMBER 2018

The result for the year is set out on the profit and loss account. No dividends are recommended by the Directors for the year under review.

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2018

6. DIRECTORS AND THEIR INTERESTS

The Directors who held office on 31 December 2018 did not hold any shares in the Company at that date, or during the year.

7. CORPORATE GOVERNANCE STATEMENT

The Company is subject to and complies with the law of 10 August 1915 on commercial companies, as amended, and the Listing Rules of the Jersey stock exchange for PPNs. The Company does not apply additional requirements in addition to those required by the above. All service providers engaged by the Company are subject to their own corporate governance requirements.

Financial Reporting Process

The Board of Directors of the Company (the "Board") is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator and Custodian, RBC Investors Services Bank S.A., to maintain the accounting records of the Company. RBC Investors Services Bank S.A. is contractually obliged to maintain proper books and records. RBC Investors Services Bank S.A. is also contractually obliged to prepare for review and approval by the Board the Annual Accounts providing a true and fair view of the financial situation and results of the Company.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time the Board also examines and evaluates the external auditors' performance, qualifications and independence. The Administrator has operating responsibility for internal control in relation to the financial reporting process and the Administrator's report to the Board.

Risk Assessment

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's Annual Accounts.

Control Activities

The Administrator is contractually obliged to design and maintain control structures to manage the risks which are significant for internal control over financial reporting. These control structures include appropriate segregation of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the Annual Accounts and the related notes in the Company's Annual Accounts.

Monitoring

The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors. Given the contractual obligations on the Administrator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2018

Capital Structure

No person has a significant direct or indirect holding of shares in the Company. No person has any special rights of control over the Company's share capital.

The Company is governed by its articles of association (the "**Articles of Association**") and the Commercial Law for the appointment and replacement of Directors. The Articles of Association themselves may be amended by special resolution of the shareholders.

Powers of Directors

The Board is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The Directors may delegate certain functions to other parties, subject to the supervision and direction by the Directors.

8. SUBSEQUENT EVENTS

During Q1 2019, the Company made the following investments:

- one investment and two top ups in Real Estate Finance assets for a total amount of GBP 6.5m;
- two asset backed securities for a total amount of GBP 3.1m;
- two investments in Private Corporate Loan assets for a total amount of GBP 5.9m.

The Board of Directors,

Luxembourg, 29 May 2019

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Audit report

To the Shareholder of
Aviva Investors Alternative Income Solutions Investments S.A.

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of Aviva Investors Alternative Income Solutions Investments S.A. (the "Company") as at 31 December 2018, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

What we have audited

The Company's annual accounts comprise:

- the abridged balance sheet as at 31 December 2018;
- the profit and loss account for the year then ended; and
- the notes to the annual accounts, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts. We have fulfilled our other ethical responsibilities under those ethical requirements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the directors' report but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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.

Responsibilities of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 annual accounts.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The directors' report is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 29 May 2019

Cornelis J. Hage

Annual Accounts Helpdesk :

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RCSL Nr. : B205125	Matricule : 2016 2203 313
	eCDF entry date :

ABRIDGED BALANCE SHEET

Financial year from 01 01/01/2018 **to** 02 31/12/2018 *(in* 03 GBP *)*

Aviva Investors Alternative Income Solutions Investments S.A.

2, Rue du Fort Bourbon
L-1249 Luxembourg

ASSETS

		Reference(s)		Current year		Previous year
A. Subscribed capital unpaid	1101		101		102	
I. Subscribed capital not called	1103		103		104	
II. Subscribed capital called but unpaid	1105		105		106	
B. Formation expenses	1107		107		108	
C. Fixed assets	1109		109	237.997.951,00	110	135.316.575,00
I. Intangible assets	1111		111		112	
II. Tangible assets	1125		125		126	
III. Financial assets	1135	3	135	237.997.951,00	136	135.316.575,00
D. Current assets	1151		151	15.904.701,00	152	6.633.491,00
I. Stocks	1153		153		154	
II. Debtors	1163	4	163	1.541.834,00	164	45.259,00
a) becoming due and payable within one year	1203		203	1.400.409,00	204	7.014,00
b) becoming due and payable after more than one year	1205		205	141.425,00	206	38.245,00
III. Investments	1189		189	54.183,00	190	53.905,00
IV. Cash at bank and in hand	1197	6	197	14.308.684,00	198	6.534.327,00
E. Prepayments	1199		199		200	
TOTAL (ASSETS)			201	253.902.652,00	202	141.950.066,00

RCSL Nr. : B205125	Matricule : 2016 2203 313

CAPITAL, RESERVES AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301	7	301	43.937,00	302	31.457,00
I. Subscribed capital	1303		303	24.465,00	304	24.465,00
II. Share premium account	1305		305		306	
III. Revaluation reserve	1307		307		308	
IV. Reserves	1309		309	350,00	310	
V. Profit or loss brought forward	1319		319	6.642,00	320	-32.954,00
VI. Profit or loss for the financial year	1321		321	12.480,00	322	39.946,00
VII. Interim dividends	1323		323		324	
VIII. Capital investment subsidies	1325		325		326	
B. Provisions	1331		331		332	
C. Creditors	1435	8	435	253.000.165,00	436	141.377.375,00
a) becoming due and payable within one year	1453		453	1.996.474,00	454	1.536.566,00
b) becoming due and payable after more than one year	1455		455	251.003.691,00	456	139.840.809,00
D. Deferred income	1403	10	403	858.550,00	404	541.234,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	253.902.652,00	406	141.950.066,00

Annual Accounts Helpdesk :

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RCSL Nr. : B205125	Matricule : 2016 2203 313
	eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2018 **to** 02 31/12/2018 *(in* 03 GBP)

Aviva Investors Alternative Income Solutions Investments S.A.

2, Rue du Fort Bourbon
L-1249 Luxembourg

PROFIT AND LOSS ACCOUNT

	Reference(s)		Current year		Previous year
1. Net turnover	1701	701		702	
2. Variation in stocks of finished goods and in work in progress	1703	703		704	
3. Work performed by the undertaking for its own purposes and capitalised	1705	705		706	
4. Other operating income	1713 9	713	498.097,00	714	
5. Raw materials and consumables and other external expenses	1671	671	-342.697,00	672	-115.183,00
a) Raw materials and consumables	1601	601		602	
b) Other external expenses	1603 11	603	-342.697,00	604	-115.183,00
6. Staff costs	1605	605		606	
a) Wages and salaries	1607	607		608	
b) Social security costs	1609	609		610	
i) relating to pensions	1653	653		654	
ii) other social security costs	1655	655		656	
c) Other staff costs	1613	613		614	
7. Value adjustments	1657	657		658	
a) in respect of formation expenses and of tangible and intangible fixed assets	1659	659		660	
b) in respect of current assets	1661	661		662	
8. Other operating expenses	1621 12	621	-38.353,00	622	-591.337,00

RCSL Nr. : B205125	Matricule : 2016 2203 313

		Reference(s)		Current year		Previous year
9. Income from participating interests	1715		715		716	
a) derived from affiliated undertakings	1717		717		718	
b) other income from participating interests	1719		719		720	
10. Income from other investments and loans forming part of the fixed assets	1721		721	6.526.197,00	722	1.566.873,00
a) derived from affiliated undertakings	1723		723		724	
b) other income not included under a)	1725	13	725	6.526.197,00	726	1.566.873,00
11. Other interest receivable and similar income	1727		727	370.482,00	728	114.435,00
a) derived from affiliated undertakings	1729		729		730	
b) other interest and similar income	1731	14	731	370.482,00	732	114.435,00
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663		664	
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	3,5	665	-646.086,00	666	531.572,00
14. Interest payable and similar expenses	1627		627	-6.338.669,00	628	-1.465.936,00
a) concerning affiliated undertakings	1629		629		630	
b) other interest and similar expenses	1631	15	631	-6.338.669,00	632	-1.465.936,00
15. Tax on profit or loss	1635		635	-9.941,00	636	
16. Profit or loss after taxation	1667		667	19.030,00	668	40.424,00
17. Other taxes not shown under items 1 to 16	1637	17	637	-6.550,00	638	-478,00
18. Profit or loss for the financial year	1669		669	12.480,00	670	39.946,00

NOTES TO THE ANNUAL ACCOUNTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

Aviva Investors Alternative Income Solutions Investments S.A. (hereinafter referred to as the "Company") was incorporated in Luxembourg on 24 March 2016 as a public limited liability company (*société anonyme*) qualifying as a securitisation company (*société de titrisation*) within the meaning of the Luxembourg law dated 22 March 2004 relating to securitisation, as amended (the "Securitisation Law"). The Company is governed by the Luxembourg law dated 10 August 1915 on commercial companies, as amended (the "Commercial Law"), and the Securitisation Law.

The Company is incorporated for an unlimited duration.

The registered office of the Company is located at 2, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg. The Company is registered with the Luxembourg Trade and Companies Register under number B 205.125.

On 1 December 2016, the Company entered into a Management Services agreement with Aviva Investors Luxembourg S.A. (hereinafter referred to as "AILX"), a public limited liability company (*société anonyme*), duly incorporated and validly existing under the laws of the Grand-Duchy of Luxembourg, having its registered office at 2, rue du Fort Bourbon L-1249 Luxembourg, Grand-Duchy of Luxembourg, and registered with the trade and companies register of Luxembourg under number B 25.708.

The main object of the Company is to enter into, perform and serve as a vehicle for any securitisation transactions as permitted under the Securitisation Law.

The Company is included in the consolidated accounts of Aviva Investors Alternative Income Solutions SCSp (the "Parent"). The registered office of the Parent is set at 2, rue du Fort Bourbon, L-1249 Luxembourg, Grand Duchy of Luxembourg.

The Company's financial year begins on 1 January and ends on 31 December each year.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

2.1. Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention, except for the use of the fair value option for the financial assets as allowed by the law of 19 December 2002, as amended. The Company maintains its books and records in British pounds ("GBP") and its annual accounts are expressed in this currency.

Accounting policies and valuation rules are, besides the ones laid down by the law of 19 December 2002, as amended, determined and applied by the Board of Directors.

The Company has made use of the relief in Article 35 of the law of 19 December 2002, as amended, and presented an abridged balance sheet. For transparency purposes, the profit and loss account has not been shown as abridged.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting principles. Changes in assumptions may have significant impact on the annual accounts in the period in which the assumptions change. The Board of Directors believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Board of Directors makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2. Significant accounting principles

The main accounting principles applied by the Company are the following:

2.2.1. Formation expenses

The formation expenses of the Company are directly charged to the profit and loss account of the period in which they are incurred.

2.2.2. Financial assets

Recognition and measurement

Debt securities held as financial fixed assets are initially recorded at purchase price, or where applicable, at nominal value, including the expenses incidental thereto. They are subsequently valued at fair value.

Unrealised gains and losses are recorded in the profit and loss account under the caption 'Value adjustments in respect of financial assets and of investments held as current assets'. Realised gains and losses represent the difference between the initial cost and the sale or redemption or settlement price of the respective financial assets sold. They are recorded under the caption 'Income from other investments and loans forming part of the fixed assets' in case of a gain and 'Interest payable and similar expenses – other interest and similar expenses' in case of a loss.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2.2. Financial assets (continued)

Fair value estimation

Private corporate debt, asset backed securities and mortgage backed securities are listed on a recognised stock exchange or dealt in on any other regulated market that operates regularly and is open to the public. They are valued at their latest available closing prices, or, in the event that there should be several such markets, on the basis of their latest available closing prices on the main market for the relevant security.

In the event that the latest available closing price does not, in the opinion of the Board of Directors, reflect the fair value of the relevant securities, the value of such securities is defined by the Board of Directors based on the reasonably foreseeable sale proceeds determined prudently and in good faith.

For all other debt securities not traded in active markets such as real estate finance and infrastructure debt, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach, adopting a discounted cash flow methodology on a yield to maturity basis.

Under the income approach, the estimation of the fair value of the debt instrument is based upon discounted forecasted coupons and principal repayments taking into consideration an appropriate risk-adjusted discount rate. Discount rates are derived with reference to the relevant synthetic credit ratings conduced for each investment, taking into consideration factors such as the credit spread for fixed rate debt securities, the discounted cash flow margin for floating rate debt securities, as well as the loss given default and the illiquidity premium. See Note 3 for further details.

Debt securities acquired in December of each year are stated at purchase price which best reflects its fair value, so long and so far as there is no indication that would lead to the conclusion that the market conditions changed to an extent that would impact the fair value of the investment significantly.

2.2.3. Derivative financial instruments

The Company may use derivative financial instruments such as forward foreign currency exchange contracts and cross-currency interest rate swaps to hedge risks associated with changes in exchange rates and interest rates.

A forward foreign currency exchange contract is an agreement between two parties to exchange one currency for another at a specific price and date in the future. Open forward contracts are valued by reference to the last available currency rates prevailing at the relevant valuation point.

A cross-currency interest rate swap is an agreement between two parties to exchange interest payments in one currency for interest payments in another currency. At the beginning of the contract and at the end, there is an exchange of the principals (in two different currencies). Open cross-currency interest rate swap contracts are valued by reference to the last available currency and interest rates prevailing at the relevant valuation point.

At each reporting date, unrealised gains and losses are recognised in the profit and loss account.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2.4. Debtors

Debtors are valued at their nominal value. They are subject to value adjustments when their recovery is compromised. These value adjustments are not continued if the reasons for which they were made have ceased to apply.

2.2.5. Investments

Investments consist of money market funds and are valued at fair value. They are included within current assets under the caption 'III. Investments". Their fair value corresponds to:

- the latest available quote on the valuation day for transferable securities listed on a stock exchange or dealt in on another regulated market;
- the probable realisation value estimated with care and in good faith by the Board of Directors, for transferable securities not listed on a stock exchange or not traded in on another regulated market and for transferable securities listed on a stock exchange or dealt in on another regulated market where the latest quote is not representative.

2.2.6. Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

Provisions may also be created to cover charges which originate in the financial period under review, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or as to the date on which they will arise.

Provisions for taxation corresponding to the tax liability estimated for the financial periods which have not been assessed are recorded under the "Creditors" caption of the balance sheet. The advance payments are shown in the assets of the balance sheet under the "Debtors" item.

2.2.7. Debts

Profit Participating Notes ("PPNs") issued are recorded at their reimbursement value. Value adjustments are added or deducted directly from the nominal value of the notes issued in the balance sheet and a gain or a loss is recognised in the profit and loss account under the caption "Other operating expenses" for an increase in the value of the notes and "Other operating income" for a decrease in the value of the notes. These captions also included the realised results from redemptions of the notes during the financial year.

Other debts are recorded at their reimbursement value.

2.2.8. Deferred income

Income derived from arrangement fees that are charged at the inception of the loan investments, is treated as deferred income and released to the profit and loss account over the term of the loan on a straight line basis.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2.9. Revenue recognition

Interest income

Interest income is recorded on an accrual basis.

Dividend income

Dividends are recorded when the right to receive them is established.

Fees and other investment income

Fees and other investment income such as commitment fees, upfront fees, arrangement fees or any other fees payable to the Company by borrowers/ issuers are recognised as revenue when the payment is due based on a contractual basis e.g. a signed term sheet, loan agreement or fee letter.

2.2.10. Expenses recognition

Expenses are accounted on an accrual basis. Expenses are charged to the profit and loss account.

2.2.11. Equalisation provision

Due to the limited recourse nature of the notes issued, losses during the financial period as a result from sales, default, lower market values or cost may reduce the value of the securities issued. Such shortfalls are normally borne by the noteholders in inverse order of the priority payments. Consequently, a provision for diminution in value will be made and deducted from the amount repayable of the notes issued and booked in the profit and loss account as ‘Equalisation provision’ under ‘Other operating income’.

Similarly, the amount repayable of a note is increased if the reimbursement value is directly linked to the value of the related assets and if it is likely that the cash flow from the related assets exceeds the amount received. In this case, the Company will increase the book value of the note and recognise an unrealised loss as ‘Equalisation provision’ included under ‘Other operating charges’ in the profit and loss account.

2.2.12. Foreign currency translation

The acquisition cost of financial assets expressed in a currency other than GBP is translated at the exchange rate prevailing the time of the transaction.

Financial assets expressed in currencies other than GBP and measured at fair value are translated at the exchange rate effective at the balance sheet date, with foreign exchange differences recognised in the profit and loss account.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the financial year.

Other assets and liabilities are translated at exchange rates effective at the balance sheet date. The realised or unrealised exchange gains and losses are recorded in the profit and loss account.

As at 31 December 2018, the closing exchange rates used are 1 GBP = 1.1141 EUR and 1 GBP = 1.2736 USD.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2018

3. FINANCIAL ASSETS

3.1. Movements in financial assets

	Year ended 31 December 2018	Year ended 31 December 2017
	GBP	**GBP**
Cost		
At the beginning of the year	134,785,003	-
Additions for the year	121,441,438	137,865,554
Disposals/ repayments for the year	(19,368,862)	(3,080,551)
At the end of the year	**236,857,579**	**134,785,003**
Accumulated fair value adjustments		
At the beginning of the year	531,572	-
Fair value adjustment for the year	608,800	531,572
At the end of the year	**1,140,372**	**531,572**
FAIR VALUE		
At the beginning of the year	135,316,575	-
At the end of the year	**237,997,951**	**135,316,575**

3.2. Investments by asset type/ instruments

Term loans/ notes	Invested amount	Accumulated fair value adjustments	Fair value
	GBP	**GBP**	**GBP**
Real estate finance	88,287,305	936,876	89,224,181
Infrastructure debt	82,829,473	(217,060)	82,612,413
Structured finance	41,267,806	908,200	42,176,006
Private corporate debt	9,812,500	(413,083)	9,399,417
Asset backed securities	4,646,288	(10,081)	4,636,207
Mortgage backed securities	10,014,207	(64,480)	9,949,727
TOTAL	**236,857,579**	**1,140,372**	**237,997,951**

The fair value of real estate finance, infrastructure debt, structured finance and private corporate debt investments is determined by using the discounted cash flows method. The discount rate is assessed through the combination of an interest free rate (usually based on Libor swap discount curves or Gilt) and a discount spread (including credit spread, loss liven default and illiquidity premium). The discount rate ranges from 2.66% to 6.75%.

The credit spread and discounted cash flow margin are defined as the average spread in the market for similar assets and areas (i.e. GBP corporate non-financial bonds, infrastructure bond index, etc.), and similar borrower's rating. The illiquidity premium is the additional return investors require from holding illiquid assets (i.e. infrastructure debt). This is estimated by investment teams using expert judgment.

In case of absence of early prepayment fees in the respective loan agreements, the management has decided to cap the loan value at par.

Asset backed securities and mortgage backed securities are fair valued based on quoted market prices or dealer quotations. See also Note 2.2.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2018

4. DEBTORS

	As at 31 December 2018	As at 31 December 2017
	GBP	GBP
Becoming due and payable after more than one year		
Forward exchange transactions	-	38,245
Cross-currency interest rate swaps (Note 5)	141,425	-
Subtotal	**141,425**	**38,245**
Becoming due and payable within one year		
Receivable from investments	1,400,375	6,527
Other receivables	34	487
Subtotal	**1,400,409**	**7,014**
TOTAL	**1,541,834**	**45,259**

5. DERIVATIVE FINANCIAL INSTRUMENTS

Cross-currency interest rate swaps outstanding as at 31 December 2018

Notional amount	Ccy sold	Ccy bought	Rates pays / receives	Maturity date	Counterparty	Unrealised gain/(loss)
1,058,799	USD	GBP	US Libor 3M + 3.7% / GBP Libor 3M + 3.445%	15/3/2023	LLOYDS TSB	(146,024)
12,796,886	USD	GBP	US Libor 3M + 2.2% / GBP Libor 3M + 2.163%	15/3/2023	LLOYDS TSB	126,645
9,529,188	USD	GBP	US Libor 3M + 2.2% / GBP Libor 3M + 1.98%	15/3/2023	LLOYDS TSB	(1,250,287)
1,421,876	USD	GBP	US Libor 3M + 3.7% / GBP Libor 3M + 3.632%	15/3/2023	LLOYDS TSB	14,780
TOTAL						**(1,254,886)**
					of which	
					Assets	141,425
					Liabilities	(1,396,311)

6. CASH AT BANK AND IN HAND

	As at 31 December 2018	As at 31 December 2017
	GBP	GBP
HSBC	294,645	696,317
RBC Investor Services Bank S.A.	13,605,672	5,838,010
Cash in transit between HSBC and RBC	408,367	-
TOTAL	**14,308,684**	**6,534,327**

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2018

7. CAPITAL AND RESERVES

The Company was incorporated with a share capital of GBP 24,465 (EUR 31,000) divided into 1,240 shares, each being in registered form and having a par value of GBP 19.73 (EUR 25). All shares have been subscribed and are fully paid-up.

Each share entitles its holder to one vote at any general meeting of shareholders.

7.1. Movements on the capital and reserves accounts

	Subscribed capital	Legal reserve	Profit or (loss) brought forward	Profit or (loss) for the financial year	Total
	GBP	**GBP**	**GBP**	**GBP**	**GBP**
As at 31 December 2017	**24,465**	**-**	**(32,954)**	**39,946**	**31,457**
Movements for the financial year:					
Allocation of prior year's result	-	350	39,596	(39,946)	**-**
Profit for the financial year	-	-	-	12,480	**12,480**
AS AT 31 DECEMBER 2018	**24,465**	**350**	**6,642**	**12,480**	**43,937**

7.2. Legal reserve

The Company is required to allocate a minimum of 5% of its annual net profit to a legal reserve, after deducting any losses brought forward, until the reserve equals 10% of the nominal value of the subscribed share capital. This reserve may not be distributed in the form of cash dividends, or otherwise, during the life of the Company. The allocation to the legal reserve will be processed upon approval of the annual accounts.

8. CREDITORS

8.1. Becoming due and payable within one year

	As at 31 December 2018	As at 31 December 2017
	GBP	**GBP**
Interest payable on notes	1,789,213	1,354,235
Interest payable on financial derivative instruments	57,565	-
Management service fees (Note 18.1)	-	11,385
Administrator fees	22,215	41,891
Audit fees	71,566	46,736
Tax consulting fees	10,240	6,491
Directors' fees	20,570	19,464
VAT payable	6,944	-
Other taxes	16,366	-
Payable on purchases of investments	-	55,754
Other payables	1,795	610
TOTAL	**1,996,474**	**1,536,566**

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2018

8. CREDITORS (CONTINUED)

8.2. Becoming due and payable after more than one year

	As at 31 December 2018 GBP	As at 31 December 2017 GBP
Notes issued	249,607,380	139,840,809
Cross-currency interest rate swaps (Note 5)	1,396,311	-
TOTAL	**251,003,691**	**139,840,809**

On 18 January 2017, the Company issued up to GBP 1,000,000,000 unsecured profit participating notes, with a par value of GBP 1,000, all subscribed by its sole shareholder.

The notes bear a variable interest equal to capital gains together with any other income less expenses of the Company and a commercial margin of 0.005% of the par value of the notes. The coupon is payable quarterly, to the extent that the funds available to the Company are sufficient.

The notes may be redeemed at any time at their par value plus accrued but unpaid Interest Amount less any costs, fees and expenses incurred in relation to such redemption and less any losses of the Company attributable to the notes being redeemed on a pro rata basis. The notes will mature on 31 December 2041.

9. OTHER OPERATING INCOME

For the year ended 31 December 2018, other operating income is composed of the equalisation provision amounted to GBP 498,097.

10. DEFERRED INCOME

Deferred income consists of arrangement and commitments fees that are charged at the inception of the loan investments and are released to the profit and loss account over the term of the loan.

11. OTHER EXTERNAL EXPENSES

	Year ended 31 December 2018 GBP	Year ended 31 December 2017 GBP
Management services fees (Note 18.1)	12,919	2,802
Administration fees	24,530	30,825
Custodian fees	12,583	-
Audit fees	84,045	46,191
Tax consulting fees	5,948	3,584
Legal fees	15,516	8
VAT fees	13,802	-
Other professional fees	173,060	28,366
Other charges	294	3,407
Total	**342,697**	**115,183**

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2018

12. OTHER OPERATING EXPENSES

	Year ended 31 December 2018	Year ended 31 December 2017
	GBP	GBP
Equalisation provision	-	571,834
Directors fee (Note 18.2.)	38,353	19,503
TOTAL	**38,353**	**591,337**

13. INCOME FROM OTHER INVESTMENTS AND LOANS FORMING PART OF THE FIXED ASSETS

	Year ended 31 December 2018	Year ended 31 December 2017
	GBP	GBP
Upfront fees	2,521	6,227
Arrangement fees	454,356	65,514
Commitment fees	227,887	69,173
Interest income on investments	5,834,416	1,419,899
Dividend income on investments	297	3,529
Realised gain on disposal/settlement of investments	6,720	2,531
TOTAL	**6,526,197**	**1,566,873**

14. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2018	Year ended 31 December 2017
	GBP	GBP
Bank interests on current accounts	13,936	1,196
Interest expense on financial derivative instruments	230,921	-
Realised gain on derivative financial instruments	49,973	72,737
Unrealised gain on derivative financial instruments	-	38,245
Net realised and unrealised exchange gains	31,878	2,257
Other	43,774	-
TOTAL	**370,482**	**114,435**

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2018

15. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 December 2018	Year ended 31 December 2017
	GBP	GBP
Interest on notes	5,820,657	1,312,438
Interest paid on financial derivative instruments	415,188	-
Realised loss on disposal/ settlement of investments	64,579	107,542
Realised loss on derivative financial instruments	-	45,956
Unrealised loss on derivative financial instruments	38,245	-
TOTAL	**6,338,669**	**1,465,936**

16. STAFF

During the year ended 31 December 2018 and 2017, the Company did not employ any personnel and, consequently, no payments for wages, salaries or social security were made.

17. TAXATION

The Company is subject to all taxes applicable to companies in Luxembourg subject to the Securitisation Law.

18. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions.

18.1. Management Services fees

The Company entered into a management services agreement with Aviva Investors Luxembourg S.A. (“AILX”) under which AILX is entitled to an annual remuneration of EUR 10,962 as compensation for its services rendered to the Company. In addition, AILX invoices the Company for all reasonable and proper out-of-pocket expenses and disbursements directly related to the services provided.

For the year ended 31 December 2018, aggregate fees of GBP 12,919 (2017: GBP 2,802) were charged to the Company. As at 31 December 2018, no management services fees were outstanding (2017: GBP 11,385).

18.2. Fees paid to or advances and loans granted to the Directors of the Company

For the year ended 31 December 2018, aggregate Directors fees of GBP 38,353 (2017: GBP 19,503) were charged to the profit and loss account under the caption ‘Other operating expenses’, out of which GBP 20,570 were outstanding at year-end (2017: GBP 19,464).

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2018

19. COMMITMENTS

As at 31 December 2018, the Company has aggregate unfunded commitments of GBP 26,678,287 outstanding from its investment portfolio of term loans.

During the year, the Company also entered into swap agreements with Lloyds bank in order to hedge their positions in USD. Please refer to Note 5 for notional amounts.

20. SUBSEQUENT EVENTS

During Q1 2019, the Company made the following investments:

- one investment and two top ups in Real Estate Finance assets for a total amount of GBP 6.5m;
- two asset backed securities for a total amount of GBP 3.1m;
- two investments in Private Corporate Loan assets for a total amount of GBP 5.9m.