Aviva Investors Alternatives S.A.

Société anonyme de titrisation

Audited Annual Accounts

For the year ended 31 December 2019

2, rue du Fort Bourbon
L-1249 Luxembourg
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B 213.846

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DIRECTORS' REPORT

The directors of the Company (the "**Directors**") present their Report and the Annual Accounts for the year ended 31 December 2019 (the "**Annual Accounts**").

1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

Aviva Investors Alternatives S.A. (hereinafter referred to as the "**Company**") was incorporated in Luxembourg on 29 March 2017 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 ("**Securitisation Law**"), 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 213.846 and its share capital amounts to EUR 30,000.

The Company resolved to issue EUR 1,000,000,000.- Unsecured Profit Participating Notes (hereinafter, 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 EUR 50,000 (2018: profit of EUR 25,000).

As at 31 December 2019:
- The Company's total indebtedness is EUR 179,796,236 (2018: EUR 62,249,230);
- The Company has Unsecured Profit Participating Notes due 2041 of EUR 176,129,000 (2018: EUR 62,769,000) 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)

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.

- *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 2019

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.

6. DIRECTORS AND THEIR INTERESTS

The Directors who held office on 31 December 2019 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 Commercial Law, as amended. 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)

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

Beginning of January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as Covid-19. The outbreak of Covid-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of Covid-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Company's performance in the future. Management has assessed potential impact on several investments, such potential covenant breach or risk of capital losses.

Management has assessed potential impact on several investments, such as potential covenant breach or risk of capital losses. The Company invests in infrastructure debt only. Social infrastructure projects are often backed by long-dated government cash flows and then will cope with the current market dynamics. Economic infrastructure (e.g. airports, ports, motorways) are likely to be more negatively impacted as supply chains suffer and restrictions are placed on individual movement. Infrastructure projects which are dependent on power prices will also likely be negatively impacted as the combination of Covid-19 and increased oil supply from Saudi Arabia take hold. Finally, projects under construction may be delayed as supply chains and personnel availability are impacted. This may lead to delays in becoming income producing.

However, generally infrastructure assets are typically key assets. Infrastructure historically performs well in stress situations as is generally long term and designed to withstand downturns.

For these assets, Management expects some to be under pressure on some covenants during the next months, but is confident that no interest or capital losses will occur. So far in 2020 all interest related to these investments have been paid.

Management has assessed general potential impact of Covid for the Company and does not expect going concern issues.

The Board of Directors,

Luxembourg, 10 June 2020

Audit report

To the Board of Directors of
Aviva Investors Alternatives 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 Alternatives S.A. (the “Company”) as at 31 December 2019, 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 2019;
- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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, 10 June 2020

Electronically signed by:
Cornelis J. HAGE

Cornelis J. Hage

Annual Accounts Helpdesk :

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RCSL Nr. : B213846	Matricule : 2017 2203 079
	eCDF entry date :

ABRIDGED BALANCE SHEET

Financial year from 01 01/01/2019 **to** 02 31/12/2019 *(in* 03 EUR *)*

Aviva Investors Alternatives 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	3	107	1.350,00	108	1.875,00
C. Fixed assets	1109	4	109	175.315.857,00	110	58.308.470,00
I. Intangible assets	1111		111		112	
II. Tangible assets	1125		125		126	
III. Financial assets	1135		135	175.315.857,00	136	58.308.470,00
D. Current assets	1151		151	4.562.135,00	152	3.971.991,00
I. Stocks	1153		153		154	
II. Debtors	1163		163	2.232.301,00	164	1.568.011,00
a) becoming due and payable within one year	1203	5	203	2.232.301,00	204	1.568.011,00
b) becoming due and payable after more than one year	1205		205		206	
III. Investments	1189		189		190	
IV. Cash at bank and in hand	1197	6	197	2.329.834,00	198	2.403.980,00
E. Prepayments	1199		199		200	
TOTAL (ASSETS)			201	179.879.342,00	202	62.282.336,00

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B213846	Matricule : 2017 2203 079

CAPITAL, RESERVES AND LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301	7	301	83.106,00	302	33.106,00
I. Subscribed capital	1303		303	30.000,00	304	30.000,00
II. Share premium account	1305		305		306	
III. Revaluation reserve	1307		307		308	
IV. Reserves	1309		309	3.000,00	310	0,00
V. Profit or loss brought forward	1319		319	106,00	320	-21.894,00
VI. Profit or loss for the financial year	1321		321	50.000,00	322	25.000,00
VII. Interim dividends	1323		323		324	
VIII. Capital investment subsidies	1325		325		326	
B. Provisions	1331		331		332	
C. Creditors	1435		435	179.796.236,00	436	62.249.230,00
a) becoming due and payable within one year	1453	8.1	453	873.355,00	454	476.738,00
b) becoming due and payable after more than one year	1455	8.2	455	178.497.527,00	456	61.772.492,00
D. Deferred income	1403	9	403	425.354,00	404	0,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			405	179.879.342,00	406	62.282.336,00

Annual Accounts Helpdesk :

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RCSL Nr. : B213846 | Matricule : 2017 2203 079

eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from 01 01/01/2019 **to** 02 31/12/2019 (in 03 EUR)

Aviva Investors Alternatives 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	10	713	0,00	714	996.508,00
5. Raw materials and consumables and other external expenses	1671		671	-186.224,00	672	-95.944,00
a) Raw materials and consumables	1601		601		602	
b) Other external expenses	1603	11	603	-186.224,00	604	-95.944,00
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	-525,00	658	-525,00
a) in respect of formation expenses and of tangible and intangible fixed assets	1659	3	659	-525,00	660	-525,00
b) in respect of current assets	1661		661		662	
8. Other operating expenses	1621	12	621	-3.411.528,00	622	-20.958,00

RCSL Nr. : B213846	Matricule : 2017 2203 079

		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	160.269,00	722	0,00
a) derived from affiliated undertakings	1723		723		724	
b) other income not included under a)	1725	13	725	160.269,00	726	0,00
11. Other interest receivable and similar income	1727		727	3.040.787,00	728	569.657,00
a) derived from affiliated undertakings	1729		729		730	
b) other interest and similar income	1731		731	3.040.787,00	732	569.657,00
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	4	665	3.318.702,00	666	-1.018.401,00
14. Interest payable and similar expenses	1627		627	-2.846.560,00	628	-393.337,00
a) concerning affiliated undertakings	1629		629		630	
b) other interest and similar expenses	1631		631	-2.846.560,00	632	-393.337,00
15. Tax on profit or loss	1635	15	635	-24.386,00	636	-10.930,00
16. Profit or loss after taxation	1667		667	50.535,00	668	26.070,00
17. Other taxes not shown under items 1 to 16	1637	15	637	-535,00	638	-1.070,00
18. Profit or loss for the financial year	1669		669	50.000,00	670	25.000,00

NOTES TO THE ANNUAL ACCOUNTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

Aviva Investors Alternatives S.A. (hereinafter referred to as the "Company") was incorporated in Luxembourg on 29 March 2017 as a public limited liability company *(société anonyme)* 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 (the "Securitisation Law"), as amended.

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 213.846.

On 5 July 2017, the Company entered into a Management Services agreement with Aviva Investor Luxembourg S.A. (hereinafter referred to as "AILX").

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

The corporate object of the Company is to enter into, perform and serve as a vehicle for, any securitisation transactions as permitted under the Securitisation Law, subject to the Issue Limit as further detailed in the articles of incorporation.

In accordance with the Securitisation Law and the Company's articles of Association, the Board of Directors is entitled to create one or more compartments each corresponding to a distinct part of the Company's assets and liabilities.

Assets allocated to a compartment are exclusively available to investors thereunder and the creditors whose claims have arisen in connection with the creation, operation or liquidation of the compartment.

As at 31 December 2019, the following compartment is active:

- Compartment I (launched on 29 March 2017)

The term of Compartment I is unlimited.

As long as there will be no additional compartment created, references to the "Company" are to be read as references to both the Company as a whole and its unique compartment.

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

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2019

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 Euro ("EUR") and its annual accounts are expressed in this currency.

Accounting principles 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 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 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 year 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.

The Company balances are presented by Compartment I, except where otherwise stated.

Going concern assessment

Considering the post year-end market conditions and related uncertainties due to developments of a new virus ("Covid-19") (see Note 18), Management has made an assessment of the Company's ability to continue its activities as a going concern and concluded that as of the date of the approval of these annual accounts, it is reasonable to assess that the Company will be able to continue as a going concern.

However, the post year-end market conditions and related uncertainties could result in outcomes that require an adjustment to the carrying amount of assets and liabilities affected in future periods.

2.2. Significant accounting principles

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

2.2.1. Formation expenses

Formation expenses represent set-up costs of the Company. Such items are amortised on a straight-line basis in a maximum period of amortisation of 5 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2. Significant accounting principles (Continued)

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.

Fair value measurement principle

Fair value is the price that would be received to sell the debt security in an orderly transaction between market participants at the measurement date. The fair value of a debt security is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

Debt securities listed on a recognised stock exchange or dealt in on any other regulated market that operates regularly, is recognised and is open to the public, 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 debt securities not traded in active markets, 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2. Significant accounting principles (Continued)

2.2.3. 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.

2.2.4. 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 year 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 years 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.

2.2.5. 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.

2.2.6. 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.

2.2.7. Revenue recognition

Interest income is recorded on an accrual basis.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

2.2. Significant accounting principles (Continued)

2.2.7. Revenue recognition (Continued)

Fees and other investment income such as commitment fees, upfront fees or any other fees payable to each Compartment by borrowers or potential borrowers 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.

2.2.8. Expenses recognition

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

2.2.9. Equalisation provision

Due to the limited recourse nature of the notes issued, losses during the year 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.

2.2.10. Foreign currency translation

Presentation currency
The annual accounts of the Company are expressed in Euro (“EUR”). The presentation currency of Compartment I is EUR.

Transactions and balances
Transactions expressed in currencies other than EUR are translated into the EUR at the exchange rate effective at the time of the transaction.

Financial assets expressed in currencies other than the EUR 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.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2019

3. FORMATION EXPENSES

	As at 31 December 2019 EUR	As at 31 December 2018 EUR
Gross book value		
At the beginning of the year	2,625	2,625
At the end of the year	**2,625**	**2,625**
Accumulated amortisation		
At the beginning of the year	(750)	(225)
Amortisation for the year	(525)	(525)
At the end of the year	**(1,275)**	**(750)**
NET BOOK VALUE		
At the beginning of the year	1,875	2,400
At the end of the year	**1,350**	**1,875**

4. FINANCIAL ASSETS

4.1. Movements in financial assets

	As at 31 December 2019 EUR	As at 31 December 2018 EUR
Cost		
At the beginning of the year	**59,326,871**	-
Additions for the year	118,355,000	61,425,196
Repayments for the year	(4,666,315)	(2,098,325)
At the end of the year	**173,015,556**	**59,326,871**
Accumulated fair value adjustment		
At the beginning of the year	(1,018,401)	-
Allocations for the year	3,318,702	(1,018,401)
At the end of the year	**2,300,301**	**(1,018,401)**
FAIR VALUE		
At the beginning of the year	58,308,470	-
At the end of the year	**175,315,857**	**58,308,470**

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2019

4. FINANCIAL ASSETS (CONTINUED)

4.2. Investments by asset type

Investments	Invested amount	Accumulated value adjustments	Fair value
	EUR	EUR	EUR
Infrastructure debt	173,015,556	2,300,301	175,315,857
TOTAL	**173,015,556**	**2,300,301**	**175,315,857**

The investments are comprised of term loans that relate to distinct projects. They are remunerated on the basis of variable interest (i.e. LIBOR) plus a margin.

4.3. Fair value hierarchy

Investments measured at fair value in the annual accounts are categorised within the fair value hierarchy, described as follows, based on the lowest input that is significant to the fair value measurement as a whole:

- Level 1 – Valuations based on quoted prices in active markets for identical assets;
- Level 2 – Valuations based on quoted prices in markets that are not active or for which all inputs are observable, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Since significant unobservable inputs are used in the determination of the fair value of the debt investments (see below), the fair value of these debt investments is included within Level 3 of the fair value hierarchy.

There have been no transfers between fair value hierarchy levels during the year ended 31 December 2019 and 2018.

4.4. Valuation techniques used and key inputs to fair value measurements

The fair value of infrastructure 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) and a discount spread (including credit spread, loss liven default and illiquidity premium). The discount rate ranges from 0.10% to 3.25% (2018: 0.09% to 3.91%).

The credit spread and discounted cash flow margin are defined as the average spread in the market for similar assets and areas (i.e. EUR corporate non-financial bonds, infrastructure bond index, etc.), and similar borrower’s rating.

The illiquidity premium, being an additional return investors are requiring from holding illiquid assets, is estimated by investment teams using expert judgment.

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

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2019

4. FINANCIAL ASSETS (CONTINUED)

4.4. Valuation techniques used and key inputs to fair value measurements (Continued)

The loss given default, being the share of an asset that is lost if a borrower defaults, is based on corporate CDS prices derived from Bloomberg, that may be adjusted where appropriate in the opinion of the Board of Directors.

For further details on the valuation methods, see Note 2.2.2.

All other factors being equal, a higher/lower interest free rate would lead to a decrease/increase in the fair value of the investments.

An 10% increase/decrease in the credit spread would lead to a decrease/increase of the fair value of the investments as follows:

Credit Spread	Total estimated portfolio value	Variation	% Variation
+10%	174,717,113	(598,744)	(0.34)%
+/-0%	**175,315,857**		
-10%	175,897,921	582,064	0.33%

An 10% increase/decrease in the total interest free rate applicable to the debt investments would lead to a decrease/increase of the fair value of the investments as follows:

Zero curve	Total estimated portfolio value	Variation	% Variation
+10%	175,001,468	(314,389)	(0.18)%
+/-0%	**175,315,857**		
-10%	175,632,733	316,875	0.18%

4.5. Reconciliation of Level 3 fair value measurements

See Note 4.1.

5. DEBTORS

	As at 31 December 2019	As at 31 December 2018
	EUR	EUR
Interest receivable from investments	817,504	29,828
Repayment receivable	1,414,797	1,350,653
Receivable on settlement of investments	-	187,530
TOTAL	**2,232,301**	**1,568,011**

6. CASH AT BANK AND IN HAND

As at 31 December 2019, cash at bank and in hand for an amount of EUR 2,329,834 (2018: EUR 2,403,980) is held with RBC Investor Services Bank S.A.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2019

7. CAPITAL AND RESERVES

The Company was incorporated with a share capital of EUR 30,000 divided into 1,200 shares, each being in registered form and having a par value of EUR 25.

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

7.1. Movements on the capital and reserves accounts

	Subscribed capital	Profit and (loss) brought forward	Legal reserve	Profit or (loss) for the financial year	Total
	EUR	EUR	EUR	EUR	EUR
As at 1 January 2019	**30,000**	**(21,894)**	**-**	**25,000**	**33,106**
Movements for the financial year:					
Profit brought forward	-	22,000	3,000	(25,000)	-
Profit for the financial year	-	-		50,000	50,000
AS AT 31 DECEMBER 2019	**30,000**	**106**	**3,000**	**50,000**	**83,106**

7.2. Legal reserve

The Company is required to allocate a minimum of 5% of its annual net income 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.

8. CREDITORS

8.1. Becoming due and payable within one year

	As at 31 December 2019	As at 31 December 2018
	EUR	EUR
Interest payable on notes (see below)	696,628	383,902
Arrangement fees	425,354	-
Administrator fees	57,015	36,559
Depositary fees	11,848	-
Audit fees	52,182	28,665
Directors fees	10,822	14,646
Tax consulting fees	7,520	-
Legal fees	1,501	1,501
Income tax payable	35,304	10,930
Net wealth tax payable	535	535
TOTAL	**1,298,709**	**476,738**

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2019

8. CREDITORS (CONTINUED)

8.2. Becoming due and payable more than one year

	As at 31 December 2019	As at 31 December 2018
	EUR	**EUR**
Notes issued	176,129,000	62,769,000
Equalisation provision	2,368,527	(996,508)
TOTAL	**178,497,527**	**61,772,492**

On 23 July 2018 and 3 December 2018, the Company issued up to EUR 1,000,000,000 variable interest bearing notes, having a nominal value of EUR 1,000, all subscribed by Aviva Investors Alternative, FCP-RAIF – Aviva Investor European Infrastructure Debt Strategy (the “Noteholder”).

The notes bear a variable coupon tracking positive earnings arising from the Company’s investment portfolio less operational expenses and the commercial margin. The commercial margin is calculated as EUR 12,500 multiplied by the commercial margin ratio. The commercial margin ratio means the principal amount outstanding divided by the aggregate amount of notes as determined by the Company in its commercial discretion.

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 attributable to the notes being redeemed on a pro rata basis. The notes will mature on 31 December 2036.

As at 31 December 2019, the unfunded commitment from the noteholder amounted to EUR 823,871,000 (2018: EUR 937,231,000).

9. DEFERRED INCOME

Deferred income consists of arrangement and commitment 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.

10. OTHER OPERATING INCOME

Other operating income for the year ended 31 December 2018 is composed of the equalisation provision attributable to the noteholders amounting EUR 996,508.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2019

11. OTHER EXTERNAL CHARGES

	Year ended 31 December 2019	Year ended 31 December 2018
	EUR	EUR
Administrator fees	26,360	21,606
Audit fees	52,899	28,787
Legal fees	53,472	8,503
Depositary fees	5,945	-
Management service fees (Note 16.1.)	17,550	31,005
Tax consulting fees	7,520	-
Other professional fees	22,339	5,903
Other charges	139	140
TOTAL	**186,224**	**95,944**

12. OTHER OPERATING EXPENSES

Other operating expenses for the year ended 31 December 2019 are mainly composed of the equalisation provision attributable to the noteholders for an amount of EUR 3,365,035.

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

Income from other investments and loans forming part of the fixed assets consists of interest income from infrastructure debt loans for an amount of EUR 3,201,056 (2018: EUR 569,657).

14. STAFF

During the year ended 31 December 2019 and 2018, the Company did not employ any personnel and, consequently, no payments for wages, salaries or social security were made.

15. TAXATION

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

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2019

16. 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.

16.1. Management Service 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 15,000, exclusive of VAT, 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 2019, management service fees of EUR 17,550 (2018: EUR 31,005) have been charged to the Company. No fees were payable at year-end (2018: nil).

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

For the year ended 31 December 2019, Directors' fees of EUR 40,983 (2018: EUR 20,958) have been charged to the Company, out of which EUR 10,822 (2018: EUR 14,646) were outstanding at year-end.

17. OFF-BALANCE SHEET COMMITMENTS

As at 31 December 2019 and 2018, there were no off-balance sheet commitments outstanding other than those disclosed in Note 8.

18. SUBSEQUENT EVENTS

Beginning of January 2020, global financial markets have experienced and may continue to experience significant volatility resulting from the spread of a novel coronavirus known as Covid-19. The outbreak of Covid-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of Covid-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the Company's performance in the future. Management has assessed potential impact on several investments, such potential covenant breach or risk of capital losses.

Management has assessed potential impact on several investments, such as potential covenant breach or risk of capital losses. The Company invests in infrastructure debt only. Social infrastructure projects are often backed by long-dated government cash flows and then will cope with the current market dynamics. Economic infrastructure (e.g. airports, ports, motorways) are likely to be more negatively impacted as supply chains suffer and restrictions are placed on individual movement. Infrastructure projects which are dependent on power prices will also likely be negatively impacted as the combination of Covid-19 and increased oil supply from Saudi Arabia take hold. Finally, projects under construction may be delayed as supply chains and personnel availability are impacted. This may lead to delays in becoming income producing.

However, generally infrastructure assets are typically key assets. Infrastructure historically performs well in stress situations as is generally long term and designed to withstand downturns.

NOTES TO THE ANNUAL ACCOUNTS (CONTINUED)

For the year ended 31 December 2019

For these assets, Management expects some to be under pressure on some covenants during the next months, but is confident that no interest or capital losses will occur. So far in 2020 all interest related to these investments have been paid.

Management has assessed general potential impact of Covid for the Company and does not expect going concern issues.

The Management of the Company is not aware of any further material subsequent events requiring disclosure in this consolidated financial statements.